



cutting through complexity



# Decoding housing for all by 2022

India's commitment to  
inclusive, sustainable, and  
affordable development

[kpmg.com/in](http://kpmg.com/in)







# Opportunity of the vision 'Housing for all by 2022'

---

**1** crore annual urban population growth expected by 2050

**USD2** trillion investment is possibly required to achieve the vision

**11** crore houses will likely be required by 2022

**2** crore houses lying vacant

**70** per cent of the urban housing need is in the affordable segment

**78** per cent of investment in housing gets added to the GDP

**30** per cent of the housing need is concentrated in just two states

**1.7-2.0** lakh hectare land is likely required to meet urban housing need

**30-35** per cent of housing cost consist of fees and taxes

# Foreword - KPMG

---

A demographic trend suggests that India is on the verge of large scale urbanisation over the next few decades. With more than one crore population getting added to urban areas, India's urban population is expected to reach about 81 crore by 2050.<sup>1</sup>

Housing, a basic need for humans, could play an important role in accommodating high urban growth in India. However, several structural issues such as high gestation period of housing projects, limited and expensive capital, spiralling land and construction cost, high fees and taxes, unfavorable development norms and low affordability by Economical Weaker Section (EWS) and Lower Income Group (LIG) households are bottlenecks restricting desired growth in housing stock in India with respect to housing demand. As per studies<sup>2</sup> conducted by the Ministry of Rural Development and the Ministry of Housing and Urban Poverty Alleviation, it is estimated that almost a quarter of Indian households lack adequate housing facility.

The central government acknowledges the importance of housing issue in the country and has launched a massive campaign that promises to provide housing to all its citizens by the year 2022. As per our estimate, the vision would require development of about 11 crore houses with investments of over USD 2 trillion. Most of the housing development may need to be done for EWS/LIG households (in both rural and urban areas) whose

income is less than INR2 lakh per annum. Our analysis also reveals that it is the urban affordable housing that require the central and state governments' renewed focus, as this segment may require almost half of the total investments envisaged.

The government needs to accelerate the efforts to broad-base and significantly augment public-private-partnership programmes introduced in the past. In order to achieve this, several requisite policies and regulations promoting better coordination between housing stakeholders; delegation of power to urban local bodies; reduction in project gestation period; rationalisation of fees and taxes; a relook at development norms; empowerment of EWS/LIG households; and steps for reduction in project cost and schedule overruns need to be evaluated.

This study, an effort by KPMG in India and NAREDCO, highlights some of the key concerns and strives to provide an agenda for action for central and state governments, and ULBs to meet the vision of 'Housing for all by 2022'. I would like to thank the stakeholders involved in preparing this study and hope that you would find this report a useful read.



## Neeraj Bansal

Head - Real Estate and Construction  
KPMG in India

---

1. World Urbanisation Prospects: The 2014 Revision, United Nations, Department of Economic and Social Affairs, Population Division (2014), July 2014; KPMG in India analysis  
2. Report of the Technical Group on Urban Housing Shortage (2012-17), Ministry of Housing and Urban Poverty Alleviation; Working Group on Rural Housing for XII Five Year Plan, Ministry of Rural Development, 2011

---

The real estate sector is of strategic economic importance to the Indian economy, as it is the second largest employment generator after agriculture and contributes about six per cent to India's GDP. The sector with its backward and forward linkages to 250 ancillary industries, has the potential to generate significant employment opportunities and provide a quantum jump to the Indian economy. Accelerating the growth in the sector can help turn-around the sluggish GDP growth witnessed in the last few years.

India would require about 11 crore housing units on a pan India basis by 2022 to achieve the vision of our Honourable Prime Minister Shri. Narendra Modi. It is imperative that to achieve this vision, we strengthen the sector by streamlining the archaic norms and procedures of urban local bodies and incentivise stakeholders.

In the last decade, there have been reforms across a wide spectrum of real estate issues such as land acquisition, regulation to protect customer interests, opening the doors to foreign investors,

and the introduction of Real Estate Investments Trusts (REITs).

While this current wave of innovative energy in the sector has infused new life into it, there are still a number of issues that need focussed attention, failing which the real estate sector will not be able to achieve its full potential.

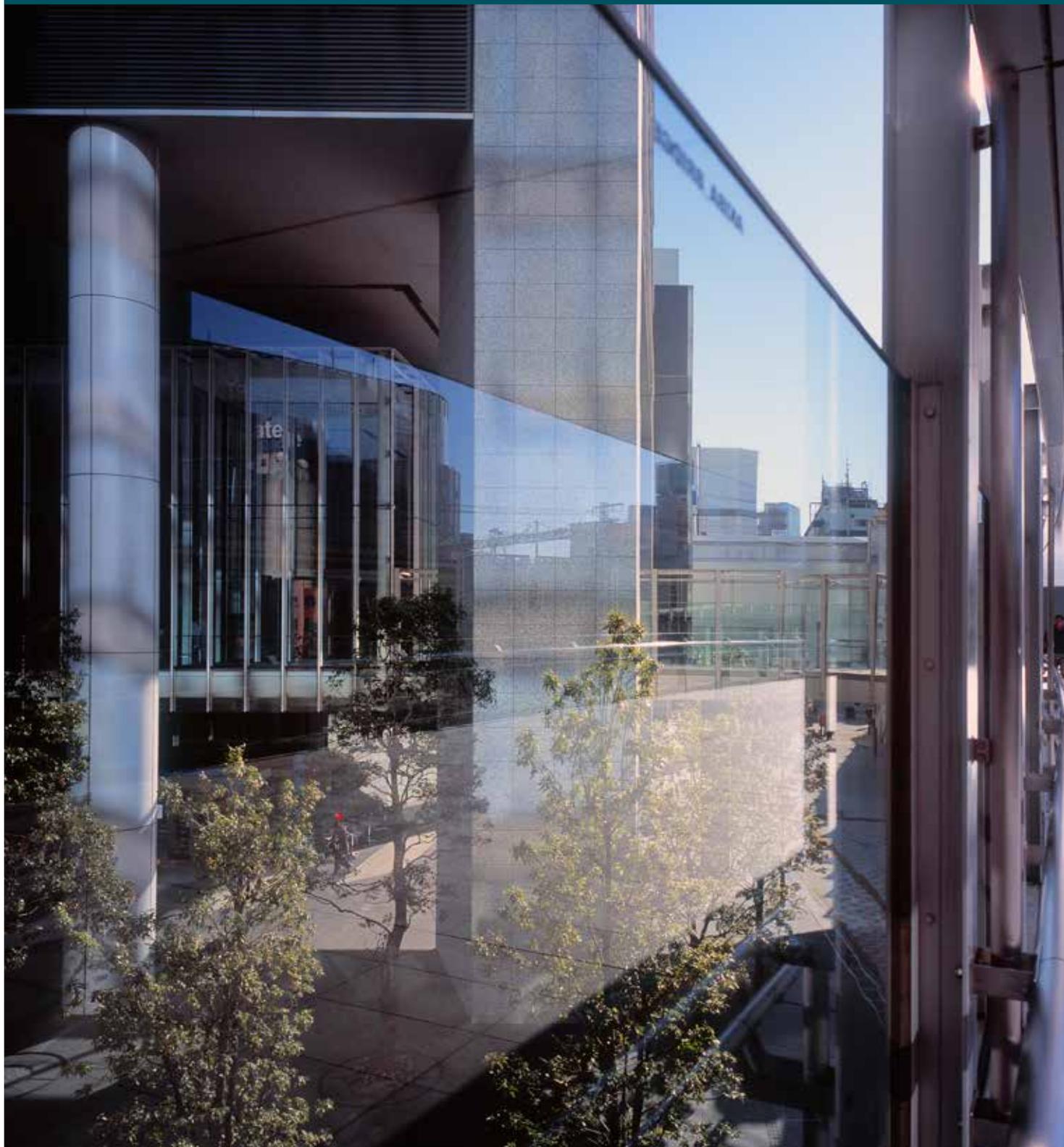
This study, a joint initiative by NAREDCO and KPMG, showcases the steps required to meet surplus housing and funding to the liquidity crunched real estate sector. We are thankful to KPMG for the necessary support and guidance for preparing this study.



**Navin Raheja**  
Chairman  
NAREDCO



**Sunil Mantri**  
President  
NAREDCO



# Table of contents

1. Executive summary	08
2. Vision 2022: India's housing need by 2022	10
3. Structural issues restrict participation, investments, and development of urban affordable housing	14
4. Agenda for action based on six themes needs to be introduced	16
• Strategic initiatives for further impetus	16
• Make strategic investments	17
• Simplify structural and procedural framework	18
• Introduce legal and regulatory reforms	19
• Empower the consumer for greater affordability	22
• Strengthen housing program delivery	23
5. Summary of recommended reforms	26
6. Annexure	28

# Executive summary

## Housing for all by 2022 presents a dramatically different opportunities and requirements in front of the stakeholder

Housing in India varies significantly and can reflect the socio-economic mix of its vast population. In the last decade, there has been tremendous growth in the country's housing sector, along with demographic changes, rise in income, growth in the number of nuclear families, and urbanisation.

The commitment to have housing for all by 2022 is the vision of the new government, and realising this dream can be a step towards building a brighter India. Before taking any action, it is critical to review the current state, identify bottlenecks, and build an effective execution strategy.

### Current state of housing in India

- Housing shortage of about six crore units
- Level of annual investments in the housing sector is about USD110 to 120 billion.
- Average growth of 5 to 6 per cent in the annual real estate sector investments between FY08 and FY14
- Prioritised rural growth resulting in uneven distribution of housing development
- Both the central and state governments are spending about USD5 to 6 billion annually, which is about three per cent of the current investments in the real estate sector, or one per cent of its annual expenditure.

### Requirements to achieve the vision by 2022

- By 2022, India needs to develop about 11 crore housing units
- Investments of more than USD2 trillion or about USD250 to 260 billion annual investment until 2022
- Investments will need to grow at a CAGR of 12 to 13 per cent (unadjusted for inflation) in 2022
- 70 per cent of the housing needs till 2022 should be concentrated in nine states
- Urban housing is to account for about 85 to 90 per cent of the total investments; the focus should be on affordable urban houses, which is 70 per cent of the total urban housing requirement
- About 1.7 to 2.0 lakh hectare of land is expected to be required to fulfil urban housing need by 2022.

Source: Report of the Technical Group on Urban Housing Shortage (2012-17), Ministry of Housing and Urban Poverty Alleviation, Rural Housing for XII Five Year Plan, Ministry of Rural Development 2011; Funding the Vision - Housing for all by 2022, KPMG in India, 2014; KPMG in India analysis

## Key considerations for the central government to provide an enabling framework for housing development

- Absence of an effective policy framework for Economically Weaker Section (EWS) and Lower Income Group (LIG) housing, which is compounded with rising land cost, spiralling construction costs, and inadequate availability and reach of micro-finance measures.
- Long gestation period of six to eight years of housing projects, accentuated by multiple approvals to be obtained from multiple authorities in a two to three year time period.
- Inadequate long-term funding across the project life cycle necessitating multiple rounds of funding for the same project increasing the cost of capital and time. Further, the funding is not available for acquiring of land from banking sources.
- Rationalize multiple fees and taxes across project stages which inflates construction cost by 30 to 35 per cent
- Reassessment of development norms such as low FAR/FSI, density norms, parking norms, and ground coverage, especially from the EWS housing development perspective.
- High urbanisation rate, coupled with high rate of migration from rural areas is stressing the limited urban infrastructure; sub-optimal usage of urban land (low FAR/FSI) has resulted in raising the cost per unit of built-up area.
- Need to focus on urban housing; especially on affordable housing as it constitutes about 70 per cent of the projected total urban housing need.

- The five to six per cent CAGR in housing investment, witnessed over the last few years, may result in total investment of about USD1.4 to 1.5 trillion till 2022, falling short of about USD500 to 600 billion of investments envisaged.
- There is a pressing requirement of integrated city planning on two fronts: firstly, an extensive; problematic term spatial planning accounting for the housing shortage and associated urban infrastructure (roads, highways, energy, sewerage, water, waste and transport, secondly, focus on development of new satellite towns/cities to meet the rising urban and rural housing needs.
- Lack of coordination between central and state ministries that can be countered by introducing regulatory reforms with a view to substantially increase the housing development capacity with respect to construction capability, labour availability, construction material, and housing affordability.

## Agenda for action based on six themes need to be introduced

### Central government

Create an enabling environment



### State government

Introduce reforms and delegate responsibility to ULBs

## Housing for all by 2022



# Vision 2022: India's housing need by 2022



The central government aims to provide housing to all its citizens by the year 2022<sup>1</sup>. As per our estimate, the vision entails development of about 11 crore housing units, including the current shortage of about 6 crore units<sup>2</sup>. The housing need is almost equally distributed in urban and rural areas in the range of 5 to 6 crore units, and primarily consists of affordable houses.

Particulars	Urban (crore units)	Rural (crore units)	Total (crore units)
Current housing shortage	1.9	4.0	5.9
Required housing units by 2022	2.6-2.9	2.3-2.5	4.9-5.4
Total need	4.4-4.8	6.3-6.5	10.7-11.3

Source: Funding the vision — Housing for all by 2022, KPMG in India, 2014

## Housing need concentrated in nine states

Our estimates reveal that 70 per cent of the housing needs until 2022 would be concentrated in just nine states. These states are Uttar Pradesh, Bihar, Maharashtra, West Bengal, Madhya Pradesh, Andhra Pradesh (including Telangana), Rajasthan, Tamil Nadu, and Karnataka.



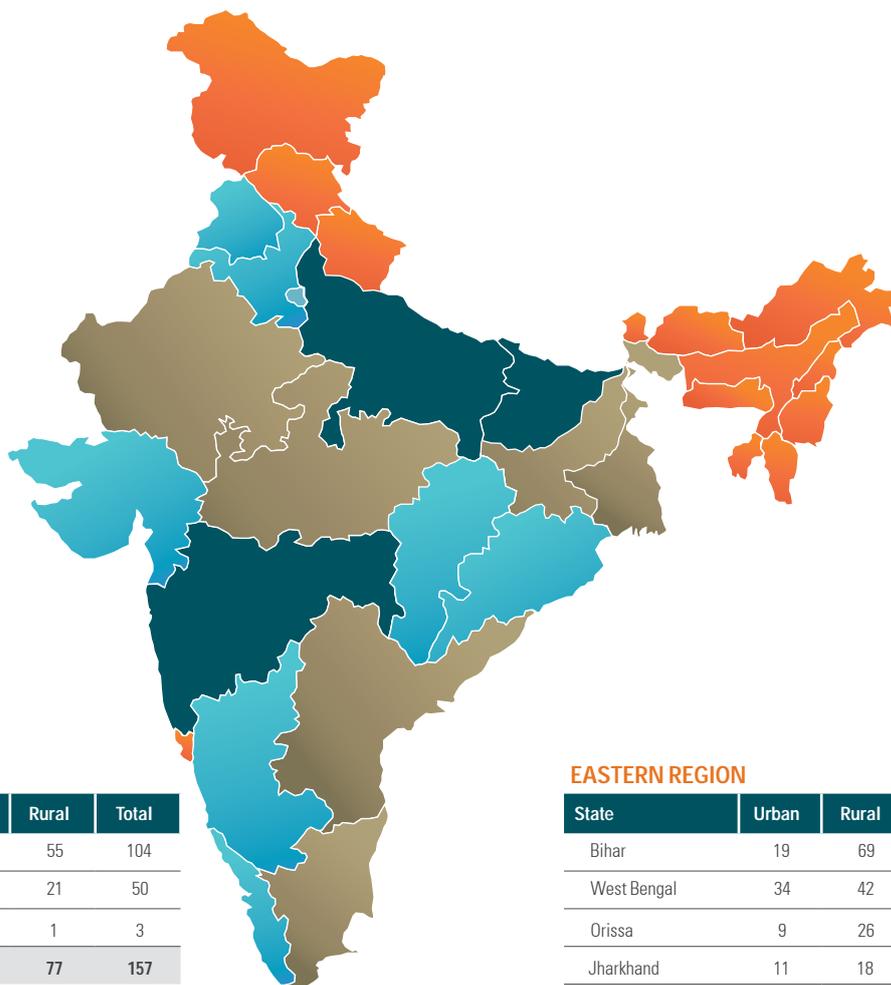
1. "Talks on with stakeholders to provide Housing for all," Ministry of Housing and Urban Poverty Alleviation, Government of India, August 2014  
 2. Funding the vision — Housing for all by 2022, KPMG in India, 2014

## NORTHERN REGION

State	Urban	Rural	Total
Uttar Pradesh	54	146	200
Madhya Pradesh	22	51	74
Rajasthan	21	45	66
Delhi	30	3	33
Haryana	11	14	25
Punjab	10	13	23
<b>Total</b>	<b>148</b>	<b>272</b>	<b>421</b>

## HILLY REGION

State	Urban	Rural	Total
North-Eastern States	14	29	42
Uttarakhand	4	5	9
Jammu and Kashmir	3	5	8
Himachal Pradesh	1	5	6
<b>Total</b>	<b>22</b>	<b>44</b>	<b>65</b>



## WESTERN REGION

State	Urban	Rural	Total
Maharashtra	50	55	104
Gujarat	29	21	50
Goa	2	1	3
<b>Total</b>	<b>81</b>	<b>77</b>	<b>157</b>

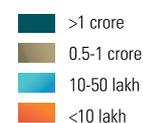
## EASTERN REGION

State	Urban	Rural	Total
Bihar	19	69	88
West Bengal	34	42	76
Orissa	9	26	35
Jharkhand	11	18	29
Chhattisgarh	8	14	22
<b>Total</b>	<b>81</b>	<b>169</b>	<b>250</b>

## SOUTHERN REGION

State	Urban	Rural	Total
Andhra Pradesh (including Telangana)	37	40	77
Tamil Nadu	39	18	57
Karnataka	28	21	49
Kerala	27	8	36
<b>Total</b>	<b>131</b>	<b>87</b>	<b>219</b>

## State wise housing need by 2022



Source: Report of the Technical Group on Urban Housing Shortage (2012-17), Ministry of Housing and Urban Poverty Alleviation; Working Group on Rural Housing for XII Five Year Plan, Ministry of Rural Development, 2011; Census 2011; KPMG in India analysis

Note: UP — Uttar Pradesh; WB — West Bengal; AP — Andhra Pradesh; TN — Tamil Nadu; MP — Madhya Pradesh

## Urban affordable housing requires urgent attention

As per our estimates, development of such large quantity of houses may require investments of over USD2 trillion. This translates to about USD250 to 260 billion annually, more than double the annual investments witnessed in FY14. About 85 to 90 per cent of the total investments would be required for developing urban housing, where development costs are high due to factors such as land prices, construction cost, fees, and taxes. Within urban housing, it is the affordable housing (houses for EWS/LIG households) which require attention on priority basis, as it alone would require about half of the total investments and 70 per cent of urban housing needs envisaged. These investments need to be complemented with additional investments of about USD1.5 trillion in urban infrastructure and commercial real estate.<sup>3</sup> Thus, a total investment of over USD3.5 trillion may be required for urban housing and supporting infrastructure.

Though, housing deficit is much wider in rural areas compared to urban areas, it requires only a small portion of total investments envisaged till 2022, which can be meted out without much difficulty. In our view, the central government with participation from state governments, drafting a plan of delivering three crore houses in rural areas with an investment of INR3.45 lakh crore (USD58 billion) by 2022 is a good start.<sup>4</sup>

## Strengthening private sector participation in urban affordable housing could help achieve the 'housing for all by 2022' vision

Central and several states governments in the past have undertaken steps to mitigate the urban housing deficit, largely in partnership with the private sector. These efforts have yielded notable results, which is evident from few case studies presented in the annexure of this report. While, the efforts governments (both central and state) have taken in past are commendable, they need to be accelerated to eliminate housing deficit in the country.

With the current set of housing development policies in place and assuming an annual growth in investments by about five to six per cent in the housing sector (as witnessed since FY08), the required investments may fall short by about USD500 to 600 billion. This gap in funding would likely be restricted due to several structural issues in the sector such as high gestation period of housing projects, limited and expensive liquidity, spiralling land and construction cost, high fees and taxes, unfavourable development norms, and affordability vis-à-vis housing prices for EWS/LIG households.

Mobilisation of such huge resources (funding, construction capacity, labour, technology, etc.) for mass scale affordable housing development by the central and state governments may be difficult, without participation from the private sector. The private sector, which is often better in term of managing construction risks and project delivery, should be encouraged by central and state governments, by addressing several structural issues (listed in next section).



3. Funding the vision — Housing for all by 2022, KPMG in India, 2014

4. "Nitin Gadkari's rural development ministry to spend Rs.3.45 lakh crore to build 30 million houses by 2022." The Economic Times website, [http://articles.economicstimes.indiatimes.com/2014-09-01/news/53441626\\_1\\_lakh-crore-finance-ministry-rural-development-ministry](http://articles.economicstimes.indiatimes.com/2014-09-01/news/53441626_1_lakh-crore-finance-ministry-rural-development-ministry), 1 September 2014



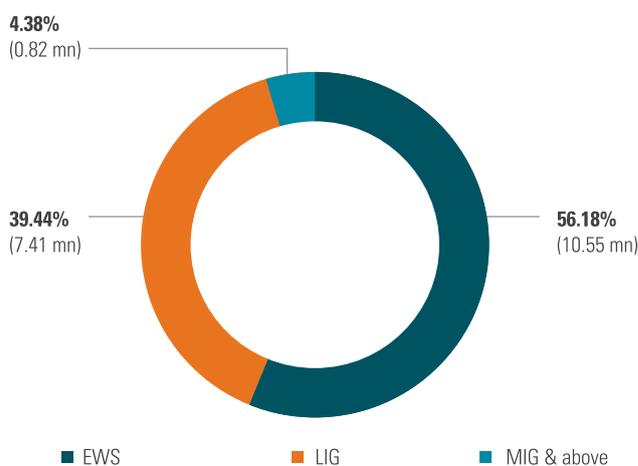
# Structural issues restrict participation, investments, and development of urban affordable housing



Since the beginning of the twenty first century, a slew of regulatory reforms such as allowing foreign direct investments, improving access to credit by households, providing tax incentives on housing loans, developing special economic zones and thrust on infrastructure development, coupled with high economic growth, have propelled private sector participation in urban housing development. However, it has largely resulted in the development of Middle Income Group (MIG) and High Income Group (HIG) houses, leading to significant shortage of EWS/LIG or affordable houses. As per the report of the Technical Group on Urban Housing Shortage,<sup>1</sup> EWS/LIG houses constitute

more than 95 per cent of the housing shortage in 2012. The development of urban affordable houses has been limited due to several structural issues making it unfeasible business proposition for the private sector. Major structural issues restricting private sector participation in urban affordable housing are depicted below:

## Urban housing shortage 2012



Urban housing shortage largely comprises of EWS/LIG households suggesting that affordable housing development over the last several years was not adequate.

**Note:** States with housing shortage less than 0.1 mn are not shown above. There are such 13 states which together have 0.46 mn housing shortage  
**Source:** Report of the technical urban group (TG-12) on urban housing shortage 2012-17, Ministry of housing and urban poverty alleviation, September 2012

1. Report of the Technical Group on Urban Housing Shortage (2012-17), Ministry of Housing and Urban Poverty Alleviation. September 2012

## Factors restricting private participation in urban affordable housing development

FACTORS			IMPACT
1	<b>Slow urban development</b>	<ul style="list-style-type: none"> <li>30 per cent of the population occupies only 2.3 per cent of India's geographical area</li> <li>India is witnessing high urban population growth</li> <li>India's per-capita urban infrastructure spending of about USD17 in India is low against a requirement of USD100.</li> </ul>	<ul style="list-style-type: none"> <li>High urban land prices and shortage of basic urban services such as housing, water, sewerage, waste disposal, power, and transport.</li> </ul>
2	<b>Rigid urban planning process</b>	<ul style="list-style-type: none"> <li>Unplanned growth of urban regions</li> <li>Master planning lacks integration of spatial planning.</li> </ul>	<ul style="list-style-type: none"> <li>Improper growth of cities</li> <li>Infrastructure sector growth is not integrated with housing.</li> </ul>
3	<b>Lengthy and complex approval</b>	<ul style="list-style-type: none"> <li>Currently, 30 to 40 approvals are required which generally takes about two to three years</li> <li>According to the World Bank, 'Doing business 2013' report, India has one of the most cumbersome and lengthy processes.</li> </ul>	<ul style="list-style-type: none"> <li>Increases construction cost by 20 to 30 per cent</li> <li>Duplicity and inefficiency</li> <li>Reduces capital churn as gestation period increases.</li> </ul>
4	<b>Lack of adequate funding sources</b>	<ul style="list-style-type: none"> <li>Limited funding channels for developers (especially from banks)</li> <li>Overdependence on households' savings</li> <li>Limited foreign funding sources</li> <li>Underdeveloped equity and debt markets</li> <li>Limited access to credit by EWS/LIG.</li> </ul>	<ul style="list-style-type: none"> <li>Limited and expensive capital tend to increase housing cost</li> <li>Low access to credit by consumers reduces housing affordability.</li> </ul>
5	<b>High cost of development</b>	<ul style="list-style-type: none"> <li>Consistent inflation of key input costs</li> <li>Several indirect taxes such as Stamp Duty, VAT, etc. adds up in housing cost</li> <li>It is estimated that these taxes account for about 30 to 35 per cent of the total housing cost.</li> </ul>	<ul style="list-style-type: none"> <li>Increases housing cost making affordable housing projects unviable.</li> </ul>
6	<b>Restrictive development norms</b>	<ul style="list-style-type: none"> <li>Low FAR/FSI, density norms, ground coverage, parking provision, etc. are not separately defined for affordable housing (especially EWS housing)</li> <li>Resulted in horizontal development of housing (except in few cities).</li> </ul>	<ul style="list-style-type: none"> <li>The limited urban land is utilised inappropriately</li> <li>Inflates housing price.</li> </ul>
7	<b>Cost overrun and project delays</b>	<ul style="list-style-type: none"> <li>Shortage of trained workforce, inefficient cost management, scope creep, etc. affect the financial sustainability of housing projects</li> <li>Inadequate planning, and inadequate usage of technology tends to results in project delays.</li> </ul>	<ul style="list-style-type: none"> <li>25 per cent of ongoing housing projects are delayed across India.</li> </ul>

**Source:** Over 25 per cent housing projects delayed pan-India, NDTV Profit website, <http://profit.ndtv.com/news/industries/article-over-25-per-cent-housing-projects-delayed-pan-india-ncr-worst-hit-jones-lang-lasalle-328004>, October 2013; Census 2011; Managing Urbanization, Planning Commission website, [http://12thplan.gov.in/forum\\_description.php?f=17](http://12thplan.gov.in/forum_description.php?f=17), accessed 9 September 2014; KPMG-PMI study on project schedule and cost overruns, KPMG in India, 2012; KPMG in India analysis

# Agenda for action based on six themes needs to be introduced

Encouraging private sector participation in urban affordable housing development could require a coordinated effort from central and state governments. A key role of the central government in the 'Housing for all by 2022' vision would be that of a facilitator by creating an enabling environment through:

- Introducing statutory and regulatory reforms in land acquisition, and a real estate regulator, and review archaic regulations governing the real estate sector.
- Streamlining clearances and approval procedures required from central government agencies such as the Ministry of Environment and Forest, and the Ministry of Civil Aviation.
- Channelising higher and long-term investments in the sector by providing necessary tax and non-tax incentives.

The execution responsibility would lie with states as according to the Indian constitution, housing and urban development is a state responsibility. States should consider the following suggestions to expedite urban affordable housing development:

- Decentralise decision making by empowering ULBs
- Streamline the approval process by introducing a single-window clearance mechanism
- Develop PPP framework to encourage private participation
- Rationalise various indirect taxes levied on housing.

Some possible measures around the following key themes may be expanded by the governments (Central and state) to further encourage private sector participation and expedite affordable housing development.

## THEME 1: Strategic initiative for further impetus

### A. Grant infrastructure status to the affordable housing sector

Housing development involves undertaking large scale urban infrastructure development projects. It involves purchasing of land and developing it for the purpose of construction of houses, multi-storied buildings, and creation of physical and social infrastructure. Hence, housing development has dramatic similarities to the infrastructure sector.

#### Housing sector is similar to the infrastructure sector

Factor	Infrastructure sector	Housing sector
Capital intensity	High	High
Gestation period	At least 8 years	6 to 8 years
Major activity	Civil construction, sewage, power lines, water pipes, roads	Civil construction, MEP, sewage lines, power lines, water pipes, roads
Inputs required	Land, labour (skilled and unskilled), cement, steel	Land, labour (skilled and unskilled), cement, steel
Capital tenure	Long-term investments required	Long-term investments required

Source: KPMG in India analysis, 2014

Granting infrastructure status to the housing sector, especially affordable housing, could assist in opening certain additional funding avenues in addition to direct tax benefits available to the infrastructure sector. This move may help the sector attract funds from insurance companies, who are mandated to invest 15 per cent of their funds in social and infrastructure sectors (as per the Insurance Regulatory and Development Authority regulations). It may consider qualifying affordable housing projects to raise funds through tax free infrastructure bonds.

### B. Form a nodal agency for coordinating efforts of various stakeholders

The central government could explore forming a nodal agency under the Ministry of Housing and Urban Poverty Alleviation to facilitate fast track development of affordable housing projects. This nodal agency could be a coordinating agency amongst the private sector, consumers, lending institutions, investors, various housing regulatory agencies and infrastructure sector ministries, and state governments and ULBs.

This special nodal agency could act as a facilitator in streamlining approval procedures for housing, formulating PPP policy, and coordinating the efforts of different ministries for large scale housing projects. It could also assist in directing funds towards the affordable housing sector by coordinating the effort the of the National Housing Bank (NHB), Housing and Urban Development Corporation (HUDCO), banking institutions, housing finance companies, Foreign Direct Investments (FDI) and External Commercial Borrowings (ECB).

It could be further responsible for identifying the available land assets with central and state governments, ULBs and public sector enterprises, which are suitable for developing affordable housing.

## THEME 2: Make strategic investments

### A. Promote the PPP framework effectively to address major issues

PPP projects can play an important role in bridging the gap between the housing need and supply as they can be instrumental in attracting private capital for financially viable affordable housing projects. The PPP framework can be effectively used to address some issues in housing development such as land availability, approval delays, funding, and affordability by the poor.

#### Advantages of PPP model in affordable housing:<sup>1</sup>

- **Land acquisition and consolidation** – As per our estimate, urban housing need would require about 1.7 to 2.0 lakh hectare of land to meet the housing need till 2022 (refer annexure 2 for details). Expedited and easier land acquisition, made possible by the public sector, could enable reduction in project lifecycle and project costs.

- **Regulatory approvals** – PPP mechanism can help ensure timely clearances of regulatory approvals, which can reduce the risk of cost and schedule overruns.
- **Improved financing** – A joint pool of private and public funds may be more effective and efficient in financing housing projects. Further, a PPP project with government guarantee may help secure lending from institutional lenders at lower cost.
- **Improved affordability** – With some relief on stamp duty and development fees, and tie-up with banking institutions, the affordability of houses by EWS/LIG sections could be improved.

For instance, the PPP model in the housing sector introduced by the Rajasthan Government has resulted in large scale development of affordable houses (refer annexure 1 for details). Many other states and city development authorities such as Gujarat, Delhi and Vijayawada have drafted Township Development Schemes or Land Pooling Policy (type of PPP models).<sup>2</sup> A deep analysis of these PPP policies in housing reveals that a PPP policy should aim at aggregating land for housing development, while the private sector should focus on managing

operation risks (construction and finance). Land cost, which is anywhere between 20 to 60 per cent of total project cost (depending on project location), and lack formal funding channels for land acquisition (both debt and foreign equity), are major bottlenecks restricting overall housing development in the country.<sup>3</sup>

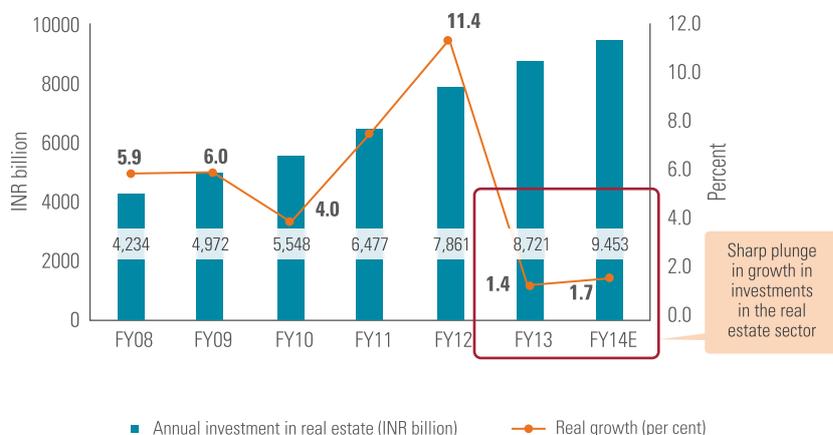
### B. Channelise long-term funding in urban housing

Annual growth in housing investments has slowed significantly in last couple of years.<sup>3</sup> To attract higher investments, the government could consider increasing institutional lending to the sector, introduce long-term housing bonds to attract households and private savings, and strengthen domestic equity and debt markets.

Further, the government could consider allowing financing of land parcels by either foreign investors or through institutional lending.

The government could consider increasing budgetary support to the affordable housing. At present, both central and state governments combined investments are in the range of USD5 to 6 billion annually while the sector contribution is significantly high. The taxes on property and capital transaction alone amounted to USD16 billion in FY14.<sup>3,4</sup>

### ‘Breakup’ of funding sources in the real estate sector between FY08 and FY14



Source: Funding the vision - Housing for all by 2022, KPMG in India, 2014

1. Affordable Housing in India, IBEF, accessed 4 September 2014  
 2. Report of the Task Force on Promoting Affordable Housing, Ministry of Housing & Urban Poverty Alleviation, November 2012  
 3. Funding the vision — Housing for all by 2022, KPMG in India, 2014  
 4. State Finances, Reserve Bank of India, 2013-14; KPMG in India analysis, 2014

## THEME 3: Simplify structural and procedural frameworks

### A. Decentralise decision-making and empower ULBs

Delegation of power to ULBs could help decentralise decision making enabling introduction of reforms at the local level. This could help expedite decision-making and reduce lengthy procedures of introducing reforms. However, despite 74th Amendment in the Constitution of India, directing states to delegate powers to ULBs, several states have not taken the necessary steps. A push to decentralise decision-making is required from central government which can be done by either persuasion or offering incentives to willing states. These measures can be done by using various housing and urban infrastructure programmes such as Rajeev Awas Yojna (RAY); Indira Awas Yojna (IAY) and Jawaharlal Nehru National Urban Renewal Mission (JNNURM).

### B. Streamline the approval process by introducing single window clearance mechanism backed by technology

The current approval mechanism in many states is a complex process, as on an average a developer requires 30 to 40 different approvals from central; state; and ULBs. Further, multiple factors add to the existing complex process leading to uncertainties and delay in building approvals. It is estimated that it takes about two to three years to obtain necessary approvals which increases housing development cost by 20 to 30 per cent.<sup>5</sup> The delay is primarily due to factors such as duplicity due to overlapping regulatory jurisdiction of various authorities, lack of institutional clarity which is open to individual interpretation, involvement of multiple departments, weak allocation of responsibilities and accountability, etc.

### Numerous central and state level laws, rules, and regulations often results in a lengthy and cumbersome approval process

<p><b>Land tilte</b></p> <ul style="list-style-type: none"> <li>Indian registration act, 1908</li> <li>Various state legislations.</li> </ul>	<p><b>Planning &amp; Land</b></p> <ul style="list-style-type: none"> <li>Land revenue Acts by all state governments</li> <li>Town and country planning Acts by all state governments</li> <li>Master plans/Development plans.</li> </ul>	<p><b>Construction of buildings</b></p> <ul style="list-style-type: none"> <li>National building code, 2005</li> <li>Local building bye-laws.</li> </ul>
<p><b>NOC from central government</b></p> <ul style="list-style-type: none"> <li>Environment impact assesment (EIA) Notifications S.O. 1533 (2006)</li> <li>Ancient monuments and archaeological sites and remains Act, 1958</li> <li>Works of defense Act, 1903 (WDA)</li> <li>Environment (Protection) Act, 1986</li> <li>Forest conservation Act, 1980.</li> </ul>	<p><b>NOC from state government</b></p> <ul style="list-style-type: none"> <li>Water (prevention &amp; control of pollution) Act, 1974, and air (prevention &amp; control of pollution) Act, 1981.</li> </ul>	<p><b>Service installations</b></p> <ul style="list-style-type: none"> <li>Water connection</li> <li>Sewerage connection</li> <li>Gas connection</li> <li>Telecom connection power/electricity connection.</li> </ul>

**Source:** Report of the committee on streamlining approval procedures for real estate projects in India, January 2013

5. 57 different approvals for a real estate project hampers industry growth, The Economic Times website, [http://articles.economictimes.indiatimes.com/2012-09-08/news/33696666\\_1\\_single-window-clearance-approval-process-noida-extension](http://articles.economictimes.indiatimes.com/2012-09-08/news/33696666_1_single-window-clearance-approval-process-noida-extension), 8 September 2012

## Multiple factors leading to uncertainties and delay in the approval process



Source: Dhanendra Kumar, Streamlining Approval Procedures for Real Estate Projects, November 2012

Development of 'One-stop-shop' or 'single window clearance' system connecting regulatory authorities at the central, state, and ULB level, supported by a robust technology platform, could help reduce the complexities and delay in approvals. This single window platform could be operated either by the state or ULBs (either municipality or local development authority).

Development of technology enabled single-window clearance has also been recommended by a committee on Streamlining Approval Procedure for Real Estate Projects (SAPREP) in January 2013. It is recommended that the central and state Governments implement the recommendations to expedite development of housing.

### THEME 4: Introduce legal and regulatory reforms

#### A. Relook at building development norms

India's FAR/FSI norms are much lower compared to international cities (refer following table) resulting in horizontal expansion of cities, and thus limiting the scarce urban land in the cities.

The density norms in India may not be adequate facilitate economical development of EWS houses. There is an urgent need to relook at the existing development norms, especially from EWS housing perspective. Further, additional development norms such as internal roads and parking space could be relooked at, and if possible, relaxed for EWS housing to facilitate

movement of available land parcels towards development of increased EWS housing.

FSI across prominent indian cities		
Indian city	Area	Maximum FSI
Kolkata	City	3.00
	Salt Lake	5.95
	Rajarhat	2.50
Bengaluru*	City	4.00
Mumbai	Island City	1.33
	Suburbs	2.70
	BKC	4.00
NCR	Delhi	3.50
	Gurgaon	1.75
	Noida*	3.50
Chennai	City	3.50

FSI across prominent global cities		
Country	City	Maximum FSI
Bahrain	Bahrain	17
U.S.A	New York Downtown	15
U.S.A	Los Angeles CBD	13
U.S.A	Chicago CBD	12
China	Hong Kong	12
U.S.A	San Francisco	9
Thailand	Bangkok	8

\*Additional 5 per cent of permissible FSI is being proposed for Noida's Green Buildings and discussions are on for making it applicable on other Indian cities.  
#In case of proximity within 150m radii from any Metro station

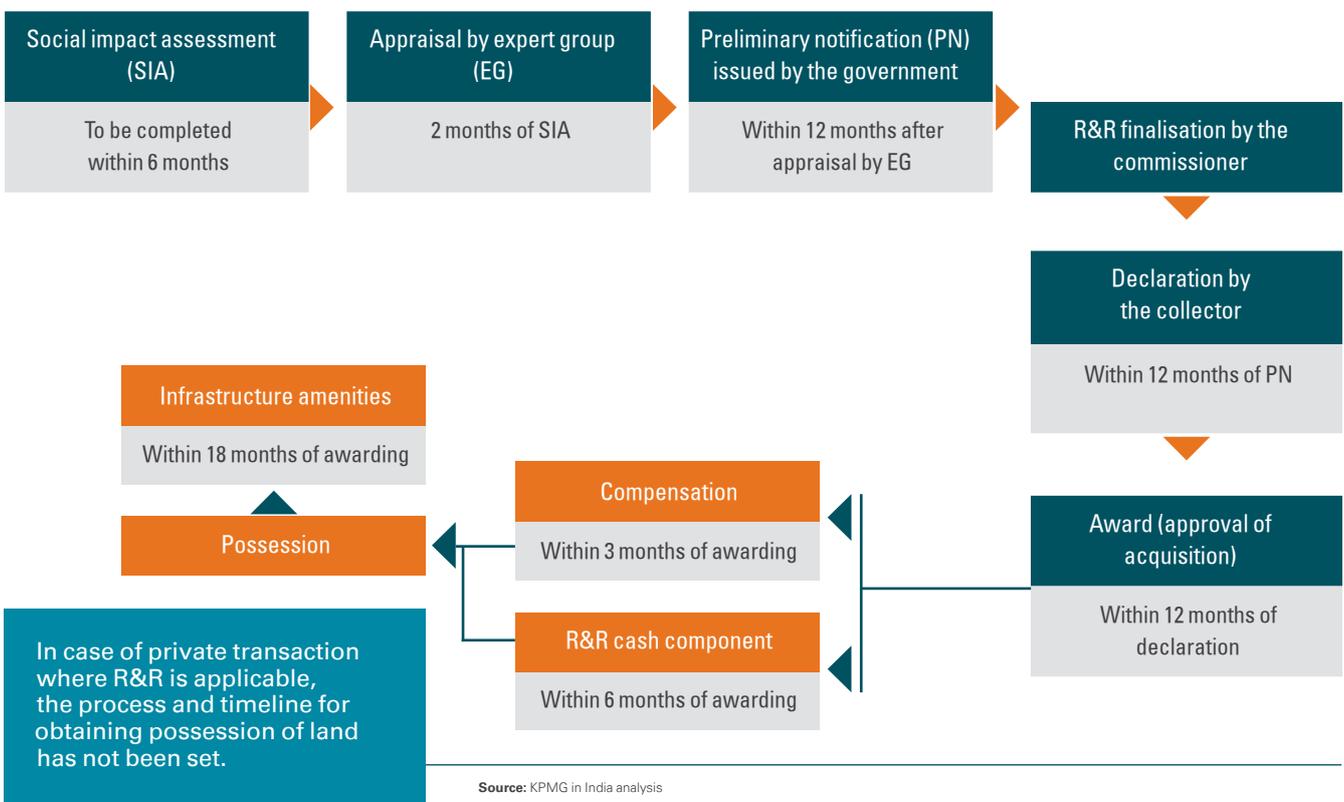
Source: Housing: The Game Changer, Cushman & Wakefield, January 2014

### B. Revise the LARR Act 2013 to remove complexities

Unavailability of land, especially in urban areas, is a grave issue affecting the development of housing. With the clearance of the Land Acquisition and Resettlement & Rehabilitation Act, 2013 (LARR Act), the complexities in acquisition of land have further

increased. It is estimated that the acquisition of land under the new method would not only increase land acquisition cost by two to four times (in urban and rural region respectively), but it would take at least three years to acquire land.<sup>6</sup>

#### Timeline for acquisition of land using the LARR Act, 2013



The LARR Act, 2013 is expected to have a major impact on the development of large scale townships and affordable housing projects. It is suggested that a few provisions of the LARR Act 2013 are trimmed to make it a tool to achieve the growth in infrastructure and housing.

The Rajasthan state government has recently drafted its land acquisition bill. The bill is a strip down version of the LARR Act 2013, and it is suggested that the central government considers making relevant and appropriate changes to stimulate not just housing, but the overall infrastructure growth. Some of the major differences in the proposed Rajasthan land acquisition bill with the LARR Act 2013 are:<sup>7</sup>

- Marginally decreased upward ceiling of compensation for acquiring land in urban areas but raised for semi-urban and rural areas. Under the LARR Act, two to four times the compensation (Land cost and the assets attached to land), depending upon location (urban or rural), has to be paid to the land owners
- Consent from land owners is not required for PPP projects. In the LARR Act, consent from 70 per cent of the land owners is required, which can be exempted in certain important projects to help ensure speedy execution
- Watering down of several Rehabilitation and Resettlement (R&R) provisions.
- Will not conduct Social Impact Assessment (SIA), which could save one to two years time in land acquisition
- Urgency clause has been retained in the Rajasthan (further details awaited). In the LARR Act, it was removed and an urgency clause can be used only if land is to be acquired for defence purpose, emergency arising out of natural calamities, or any other emergency with the approval of the Parliament.

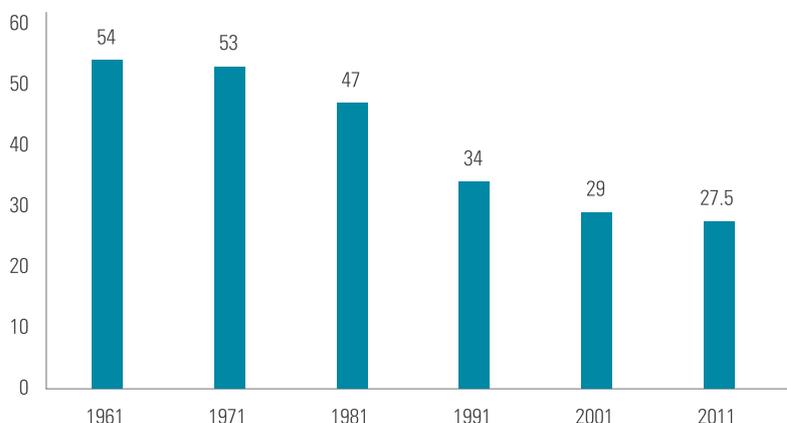
6. KPMG in India analysis

7. "Rajasthan floats a stripped version of UPA's Land Acquisition Bill," The Economic times website, [http://articles.economictimes.indiatimes.com/2014-08-13/news/52768073\\_1\\_land-owners-new-bill-private-projects](http://articles.economictimes.indiatimes.com/2014-08-13/news/52768073_1_land-owners-new-bill-private-projects), 13 August 2014

### C. Promote rental housing

A mix of rental and ownership housing is required to address affordable housing needs effectively. Rental housing is important for addressing the needs of low-income residents in the context of a rapid rise in the urban population. However, rent control policies aimed at protecting tenants have had their consequences of deterring investments in rental housing in India, causing the share of rental stock to decline from 54 per cent in 1961 to 27.5 per cent in 2011 which drove EWS/LIG households into slums. Further, the Government housing programmes promoted ownership housing and did not look at creating rental stock, a feasible first option for EWS/LIG households.<sup>8</sup>

### Rental share of urban housing stock in India has progressively declined with urbanisation



Source: National Housing Bank; Census 2011

According to the census 2011, the urban rental housing stock in the country stands at 27.5 per cent of the total housing stock which is low compared to global standards. The ratio for India should be much higher as rapid urbanisation is resulting in migration of significant number of youth population with little income to support house ownership.

Country	Percentage of total housing stock*		Percentage of social housing stock in**	
	Social rental	Private rental	Pure public sector	Housing associations (Limited profit/non-profit)
U.K.	20	10	54	46
Ireland	7	11	90	10
U.S.A	3	29	37	69
Australia	5	22	85	8
Canada	6	28	34	66
Austria	23	17	43	53
France	16	24	Some	90 <sup>^</sup>
The Netherlands	35	12	1	99
Denmark	19	18		100 <sup>^</sup>

Source: International experience in providing affordable housing, IDFC 2011

Note: Housing associations are for profit, non-profit, or limited profit organisations that build and/or manage low cost or social housing

\*Remainder of total housing stock is predominantly ownership

\*\*The social housing stock includes both social rental and ownership units

<sup>^</sup>Include some for-profit associations, co-operatives, moderate rent agencies, and regulated private landlords. Some associations have tenant shareholders.

A new rental law which is balanced in favour of both the tenant and the land-lord could be drafted by the central government. A balanced rental law could help with the development of a formal rental market in India, and to some extent improve occupancy of the unoccupied houses estimated at about two crore.<sup>9</sup> Further, the rental housing stock should be classified as commercial real estate to facilitate its listing on REITs. It could help channelise higher investments in rental properties expediting housing development.

8. National Housing Bank; Census 2011; KPMG in India analysis

9. Funding the vision — Housing for all by 2022, KPMG in India, 2014

## THEME 5: Empower the consumer for greater affordability

### A. Empower EWS/LIG households with subsidies, lower loan interest rates, micro-financing

The current annual income level of EWS (upto INR 1 lakh) and LIG households (INR1 to 2 lakh) may not be sufficient to afford a house (EWS and LIG houses are generally in the range of INR5 to 7 lakh and INR15 to 20 lakh respectively). The issue is further

deepened due to low access to credit by these segments. According to our estimates, a EWS household can afford a house costing up to INR4 lakh and LIG households can afford houses priced up to INR8 lakh.

### Housing sector is similar to infrastructure sector

Figures in INR	EWS	LIG
Maximum monthly income	8,000	16,000
Maximum annual income	1,00,000	2,00,000
Maximum affordability limit (4 times the annual income)	4,00,000	8,00,000
Typical housing cost (minimum)	5,00,000- 7,00,000	15,00,000- 20,00,000
Affordability gap (minimum)	1,00,000- 2,00,000	7,00,000- 12,00,000

Source: Task Force on Promoting Affordable Housing, Ministry of Housing & Urban Poverty Alleviation; KPMG in India analysis

It is therefore essential to bridge the gap between affordability for these households. This can be achieved by a two-pronged strategy. First of all, the government should work towards reducing the cost of housing development.

Secondly, the government should try and plug the affordability gap by empowering households to own a house. Some suggestions in this direction are:

#### Increase penetration of banking services:

The access to credit by EWS/LIG households is usually weak due to employment in informal sectors. Firstly, many of these households generally do not have proper identity proof, address proof, and income proof making it difficult to access credit. Secondly, many banking and housing finance companies are reluctant to lend to these households due to a perceived risk of lending to a segment that has fluctuating income and higher cost of servicing. Lastly, low financial literacy of these households, especially in matters of taking and repaying

loans from formal establishments increase risk. It is important that micro housing finance companies are strengthened to allow flow of credit to these households. Further, the state governments, ULBs, banking institutions, and developers should work together to educate and facilitate credit flow to these households.

#### Interest subsidy on affordable housing loan:

The central government currently provides interest subsidy of one per cent on INR1 lakh housing loan to LIG and EWS household borrowers. The limit in this scheme is very low and ineffective as the minimum price of a EWS house is about INR5 lakh. It is suggested that the loan amount is expanded to at least INR5 lakh for EWS houses and INR10 lakh for LIG houses.<sup>9</sup> A moratorium of about 3 years in payment of Equated Monthly Instalments (EMI) may also be considered to relieve the EWS/LIG households from the burden of paying EMI and house rent simultaneously while the housing is under construction.

9. "RBI extends interest rate subsidy on home loans," livemint website, <http://www.livemint.com/Politics/F5GtP1d4D2OIm0z1AjKSN/RBI-extends-interest-rate-subsidy-on-home-loans.html>, 18 September 2012

## B. Rationalise various fees and taxes

The central and state governments, and ULBs must work together to incentivise affordable housing development to improve housing affordability. A key area of consideration in affordable housing could be through a set of concessions related to taxes and fees. It is estimated that taxes and fees account for about 30 to 35 per cent of housing cost.<sup>10</sup> Reducing this burden could enable developers to provide cheaper houses. Several charges such as external development charges, building plan approval fees, land conversion charges, stamp duty, value added taxes, service tax, direct tax benefits, etc. should be reviewed and rationalised for affordable housing development.

## List of direct and indirect taxes imposed on real estate development

S.no	Tax	Percentage of property cost
1	Developer agreement stamp duty	5
2	Stamp duty on purchase of property	5
3	Registration	1
4	Value added tax	1
5	Service tax	2.6
6	VAT to contractor	4
7	Other levies such as service tax	2.6
8	Excise and custom duty	15
<b>Total</b>		<b>-35</b>

Source: KPMG in India analysis, 2014; NAREDCO - Funding the vision — Housing for all by 2022

## THEME 6: Strengthen housing programme delivery

### Multilayered Program Management Office (PMO) to drive the agenda for housing

To effectively manage the agenda for affordable housing, the government could consider establishing a multilayered Program Management Office (PMO) at the central level, state level, and at the city/district level. While the central level PMO could drive the overall policy making and monitoring framework at a

national level; the state level PMO could coordinate housing initiatives within the states and move towards effective implementation of policies, and finally the PMO at city/district level could help resolve the ground level issues faced by housing projects.



10. National Housing Bank; Census 2011; KPMG in India analysis

PMO	Functions
<b>PMO at the centre</b>	<ul style="list-style-type: none"> <li>Formulate and review policies, standards, and guidelines on housing with focus on areas such as affordable housing.</li> <li>Coordinate with the central government for implementation of policies and guidelines developed.</li> <li>Centralised monitoring of government funded projects in co-ordination with state PMOs and implementing agencies.</li> <li>Coordinate with different agencies for developing a fund to support the housing projects.</li> <li>Identify &amp; evaluate risks affecting the housing sector and conduct periodic review for such risks with state level PMO.</li> </ul>
<b>PMOs in each state</b>	<ul style="list-style-type: none"> <li>Periodically evaluate the performance of the various polices for the housing sector and report the status to the central PMO.</li> <li>Support state government in formulating policy, master plan, bye-laws, etc. to support the housing.</li> <li>Report to PMO at the centre on the current status of key government housing projects.</li> <li>Coordinate with the state government and implement agencies to resolve issues.</li> </ul>
<b>PMOs in implementing agencies (city level/ district level)</b>	<ul style="list-style-type: none"> <li>Monitor and report to the state PMO on the current status of projects.</li> <li>Provide first level of support to resolve the issues faced by housing projects.</li> <li>Escalate issues beyond their own purview to the State PMO for solutions at the State and central level.</li> <li>Coordinate with multiple projects in identifying and resolving risks at the city level.</li> <li>Identify and evaluate opportunities for affordable housing projects and slum redevelopment projects in cities and with help of state PMOs initiate work on such projects.</li> </ul>

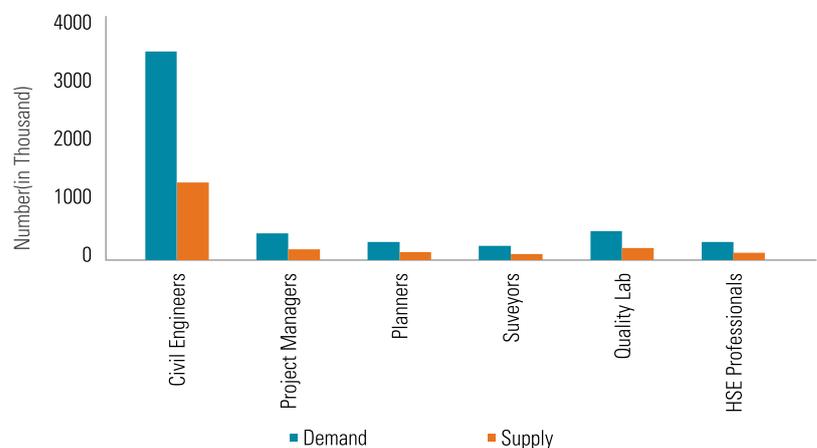
### Enhance project delivery capabilities

Promoting deployment of effective Project Management techniques (by various housing development agencies, PMOs) such as project scheduling, project budgeting, risk management, periodic-actionable and consistent project status reporting, highlighting achievements and bottlenecks faced in the implementation of housing projects, can help reduce the cost and time overruns in housing projects. Effective Project management techniques could also help effectively manage resources (labour, equipment, etc.) enabling their

deployment across multiple projects in a timely manner, contributing to the overall success of the projects and the housing mandate.

### Bridge the human resource gap to deliver 'housing for all by 2022' vision

As per the KPMG-PMI study on project schedule and cost overruns, it is that 92 million resources would be required in the construction industry by 2022. To help deliver the mandate of more than 11 crore houses, focus on training would have to be spearheaded by the government and private sector to bridge this gap.



Source: KPMG-PMI study on project schedule and cost overruns, KPMG in India, 2012

## Policy support for promoting mass housing construction technologies

Improved construction technology and methodologies can help execute housing projects more efficiently and in lesser time. Construction techniques such as prefabricated and modular construction, and innovative construction materials can further help execute projects in lesser time and with reduced resources. More impetus however, would have to be provided to promote the use of these initiatives. Some suggestions in this direction are:

- Offer subsidies and waive off import duty on special construction equipments, technologies, and materials.
- Provide incentives such as waive off excise duty, value added tax, etc. on pre-fabricated construction elements.
- Promote active R&D in this for the development and marketing of newer, more effective technologies, materials, etc. domestically

The usage of such technology could help in fastening the delivery of housing stock and meeting the housing for all vision.



# Summary of recommended reforms

Reform	Agency responsible	Time frame
Decentralise decision making and empower ULBs	State governments	Medium to long-term
Streamline the approval process by introducing single-window clearance mechanism backed by technology	Central, State, and ULBs	Short to medium-term
Relook at building development norms	ULBs	Short to medium-term
Promote PPP framework effectively to address the major issues	Central and state governments	Continuous reform
Revise LARR Act 2013 to remove complexities	Central governments	Short-term
Form a nodal agency to coordinate effort of various stakeholders	Central government	Short-term
Empower EWS/LIG households	Central with some support from state and ULBs	Medium to long-term
Revise rental laws to promote rental housing stock	Central	Short to medium-term
Rationalise various fees and taxes	Central and state	Medium to long-term
Grant infrastructure Status to the affordable housing sector	Central government	Short-term
Channelise higher funding in housing	Central government, RBI, and to some extent state governments	Medium to long-term
Reduce cost and schedule overruns in housing projects	Central government	Short-term
Promote mass housing construction technologies	Central government	Short-term

Source: KPMG in India analysis

Note: Short-term — 6-12 months; Medium-term — 12-18 months; long-term — above 18 months

The housing sector has tremendous potential as it is a major enabler as well as contributor to the economy. It is among the largest contributor to the exchequer and second largest employer. The sector also supports

250 other ancillary industries and has a huge multiplier effect on the economy.<sup>1</sup> Proper nurturing of the sector could help increase its share from 6 per cent in 2013 to 10 to 12 per cent by 2022.

1. Funding the vision - Housing for all by 2022, KPMG in India, 2014



# Annexure

## Annexure 1: Case studies on urban housing PPP models

### CASE STUDY 1:

#### Rajasthan affordable housing public-private-partnership (PPP) model

##### Issue:

The state was facing housing shortage of more than 11 units

##### Policy level changes:

- Drafted an extensive; PPP policy for different types of development:
  - Land owned by the government
  - Land owned by developer
  - Acquisition of land by the government
  - Slum rehabilitation
- Key benefits extended:
  - Doubled the permissible FAR and TDR facility
  - Waived off external development charges, building plan approval fees, and land conversion charges

- Commercial use of up to 10 per cent with relaxation in ground coverage, setbacks, and parking norms
- Fast track approval within 30 days
- Token stamp duty
- Flat buy back by the State Nodal Agency (pre-determined prices INR750 per sq ft for EWS/LIG and INR1,000 per sq ft for MIG).

##### Result:

- Housing units with market price of INR1,500 per sq ft were offered at a cost of INR 850 per sq ft for EWS/LIG category and INR1,000 per sq ft for MIG
- Typical flat cost: EWS is INR2.4 lakh; LIG is INR3.75 lakh; MIG is INR7 lakh
- The policy facilitated construction of about 2.35 lakh houses in 77 cities across Rajasthan, of which 2.1 lakh units were given possession by December 2013.

Source: Achieving Sustainable Growth in Reality, KPMG in India, 2011; Annual Progress Report 2013-14, Rajasthan Housing Board

### CASE STUDY 2:

#### Delhi Development Authority Land Pooling Policy

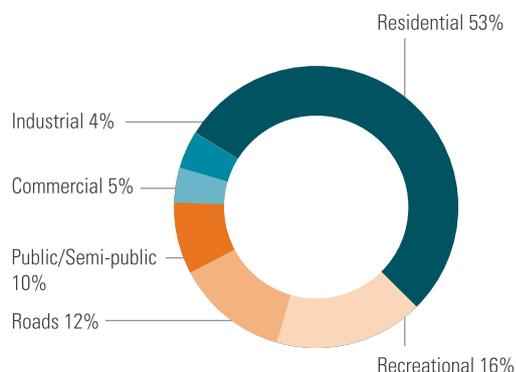
##### Issue:

<b>50 per cent growth in existing infrastructure was required</b>	<b>At least 50,000 acres of land and to be developed to accommodate 80 lakh population in just 10 years</b>	<b>...where existing land policy was unable to meet the demand</b>
Existing infrastructure capacity - 1.5 crore people		Restricted financial capacity of DDA to acquire huge land parcels
2011 population - 1.7 crore Current deficit - 20 lakh		Unwillingness on part of the land owners - (price & not partners in development)
2021 population - 2.3 crore 60 lakh growth		lack of transparency in the acquisition process

**Thus, a new participatory land policy, addressing the concerns of the authorities and land-owners, and enabling infrastructure creation was required.**

The Policy:

Land use distribution



Land category	>20 hectares	2-20 hectares
Land returned to DE	60 per cent	48 per cent
<b>DE land development up</b>		
Residential	53 per cent	43 per cent
Commercial	5 per cent	3 per cent
PSP	2 per cent	2 per cent
<b>Rest of the development to be undertaken by the DDA</b>		

- Two categories of land pooling:
  - 2 to 20 hectares
  - Above 20 hectares
- DDA retention of land (source of funding for DDA)
  - Industrial - 4 per cent of the total land
  - Residential - 0 to 10 per cent of the total land
  - Commercial - 0 to 2 per cent of the total land.

- FAR allowed to DE:
  - Residential - 400 (density of 1,000 person/ hectare) on 55 per cent of the residential area
  - Commercial and city level public/semi public- 250.
- Additional 15 per cent residential FAR (above 400 FAR) is reserved for EWS housing
- DE to develop 500 EWS houses for every 10 hectare of the land pooled
- 50 per cent of the EWS housing to be sold to DDA at INR2,000/sq feet.

Result expected:

- Land pooling is extensively used globally. It was first adopted by Holland and Germany in and around 1890s. The policy quickly spread across the globe.
- India has also successfully implemented the land pooling policy in several states earlier. For instance, Maharashtra, Gujarat, Tamil Nadu, Punjab and Kerala have followed this policy instead of the Land Acquisition Act to develop
- This policy is expected to result in more than four billion square feet of development across residential, commercial, public and semipublic segments through private participation. Consequently, the private sector can develop about 15 lakh new houses over the next decade in addition to commercial real estate.

CASE STUDY 3:

Gujarat housing model

- Broadly there are four initiatives in Gujarat to deal with affordable housing. The first is under the Regulations for Rehabilitation and Redevelopment of the Slums, 2010. It is aimed at rehabilitation of slums. Similar to the SRA model of Mumbai, the public sector does not build or finance anything, its only involvement is through regulations and incentives such as additional FSI. The developer develops projects on a slum which include providing housing at no cost to the existing slum dwellers. For the scheme to be approved for construction, a society of individual slum dwellers must be formed and 75 per cent of these individuals must agree to the scheme. This scheme is only viable where the land value is very high. The scheme applies to existing slums.
- The second scheme is under the Regulations for Residential Townships Act, 2009. It relates to private developers who want to develop residential townships. Private developers must purchase at least 40 hectares of land (in cases where Urban Development Authorities exist) or 20 hectares of land (in other relevant authority areas). 10 per cent of the area must be reserved for housing for the Economically Weaker Section.

- The third scheme is operated under the town planning schemes, where every owner within specific boundaries must provide a certain percentage (30 to 40 per cent) of the land to government. Government pays market rate for the land, provides the entire infrastructure, and the value of the owner's land tends to go up subsequently as a result. This increases the efficiency of the plot by 10 to 15 per cent. The goal of this scheme is to provide land for the future urban development and housing. 10 per cent of the land is reserved for Affordable Housing.
- The fourth scheme is the Urban Land Ceiling and Regulation Act. The Gujarat government has repealed the Urban Land Ceiling and Regulation Act and transferred surplus land to urban local bodies at nominal rates for projects focussed on EWS/LIG housing. The government has also come out with special provisions for the development of low cost housing, where the owner/authorised developer is expected to provide a minimum built up area of 20sqm subject to a minimum carpet area of 14 sqm to slum dwellers along with water supply, drainage, and electricity.

Source: Report of the Task Force on Promoting Affordable Housing, Ministry of Housing & Urban Poverty Alleviation, November 2012

## Annexure 2: Land requirement for urban housing

According to KPMG estimate, about 1.7 to 2.0 lakh hectare of land is required to fulfil urban housing need by 2022. This analysis is based on a FAR/FSI of 1.5 times the land area. The actual requirement of land may decrease, if the unoccupied houses of about 94 lakh, as mentioned earlier, are occupied.

### Urban housing land requirements

		EWS	LIG	MIG	HIG	Total
<b>Housing need till 2022</b>	Creore	1.7-1.9	1.3-1.5	0.8-1.0	0.4-0.5	4.4-4.8
<b>Super-built up area</b>	Sq ft	300	650	1,000	1,500	
<b>Land required</b>	Creore sq ft	510-570	850-980	800-1,000	600-700	2,700-3,200
<b>Land required</b>	Hectare	47,000-53,000	78,000-90,000	74,000-93,000	55,000-64,000	250,000-300,000
<b>FAR/FSI#</b>	X	1.5	1.5	1.5	1.5	
<b>Land required</b>	Hectare	31,000-35,000	52,000-60,000	50,000-62,000	37,000-43,000	170,000-200,000

Source: KPMG in India analysis

# FAR/FSI varies in different cities according to urban infrastructure and for calculation purpose has been assumed at 1.5 times the land area.



## About KPMG in India

KPMG in India, a professional services firm, is the Indian member firm of KPMG International and was established in September 1993. Our professionals leverage the global network of firms, providing detailed knowledge of local laws, regulations, markets and competition. KPMG in India provide services to over 4,500 international and national clients, in India. KPMG has offices across India in Delhi, Chandigarh, Ahmedabad, Mumbai, Pune, Chennai, Bengaluru, Kochi, Hyderabad and Kolkata. The Indian firm has access to more than 7,000 Indian and expatriate professionals, many of whom are internationally trained. We strive to provide rapid, performance-based, industry-focussed and technology-enabled services, which reflect a shared knowledge of global and local industries and our experience of the Indian business environment.

### **KPMG International**

KPMG International is a global network of firms providing Audit, Tax and Advisory services. KPMG member firms operate in 155 countries, and have 155,000 people working in member firms around the world.

The KPMG Audit practice endeavours to provide robust and risk-based audit services that address member firms' clients' strategic priorities and business processes.

KPMG's Tax services are designed to reflect the distinct needs and objectives of each client, whether firms are dealing with the tax aspects of a cross-border acquisition or developing and helping to implement a global transfer pricing strategy. In practical terms that means, KPMG firms' work with their clients to assist them in achieving effective tax compliance and managing tax risks, while helping to control costs.

KPMG Advisory professionals provide advice and assistance to help enable companies, intermediaries and public sector bodies to mitigate risk, improve performance, and create value. KPMG firms provide a wide range of Risk Consulting, Management Consulting and Transactions & Restructuring services that can help their clients respond to immediate needs as well as put in place the strategies for the longer term.

# About NAREDCO

National Real Estate Development Council (NAREDCO) formed under the aegis of the Ministry of Housing & Urban Poverty Alleviation (MHUPA), Government of India, in 1998, was established as an autonomous self-regulatory apex national body.

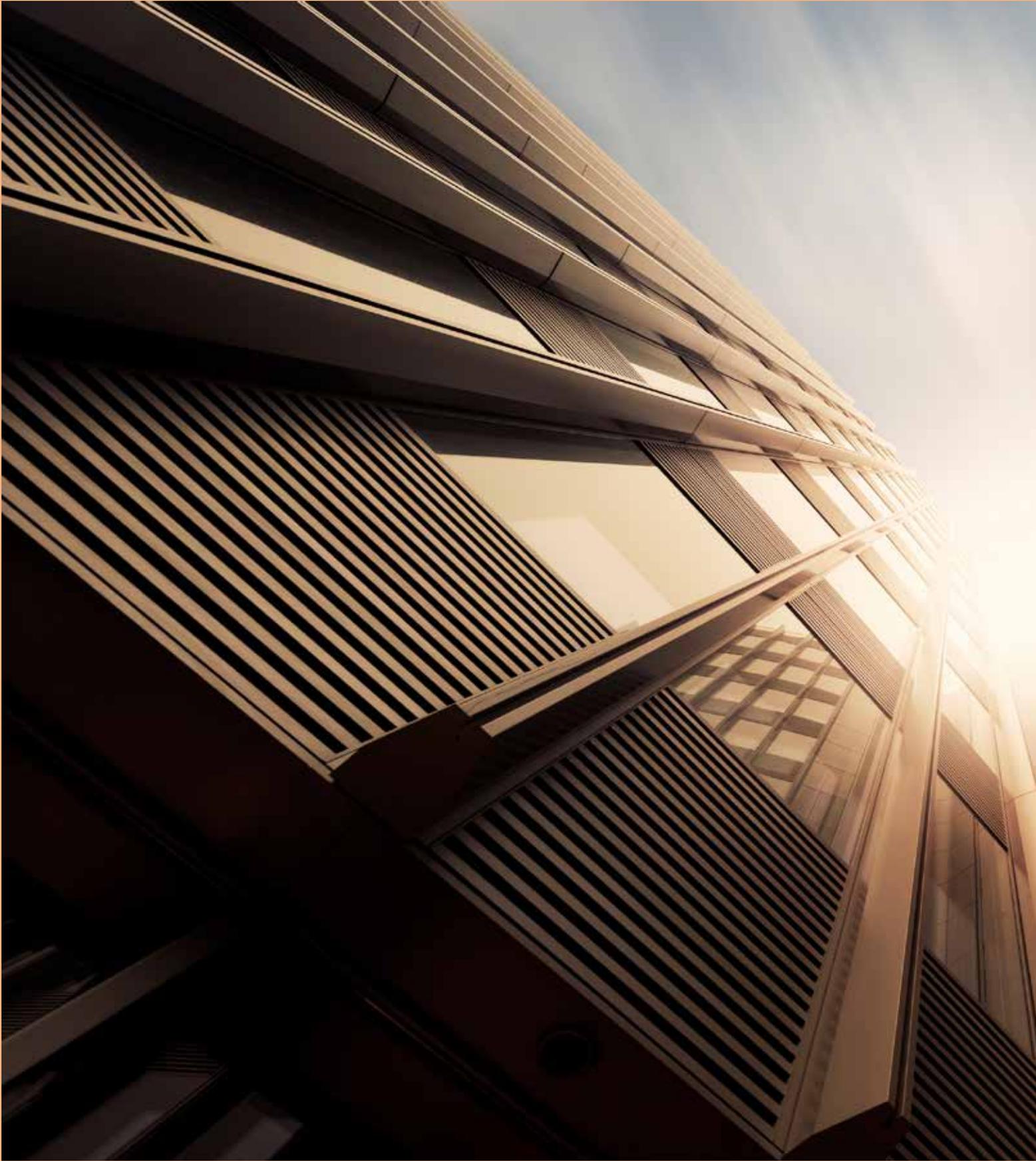
NAREDCO was formed with a mandate to induce transparency and ethics in real estate business, and transform the unorganised Indian real estate industry into a mature, professional, and globally competitive industry.

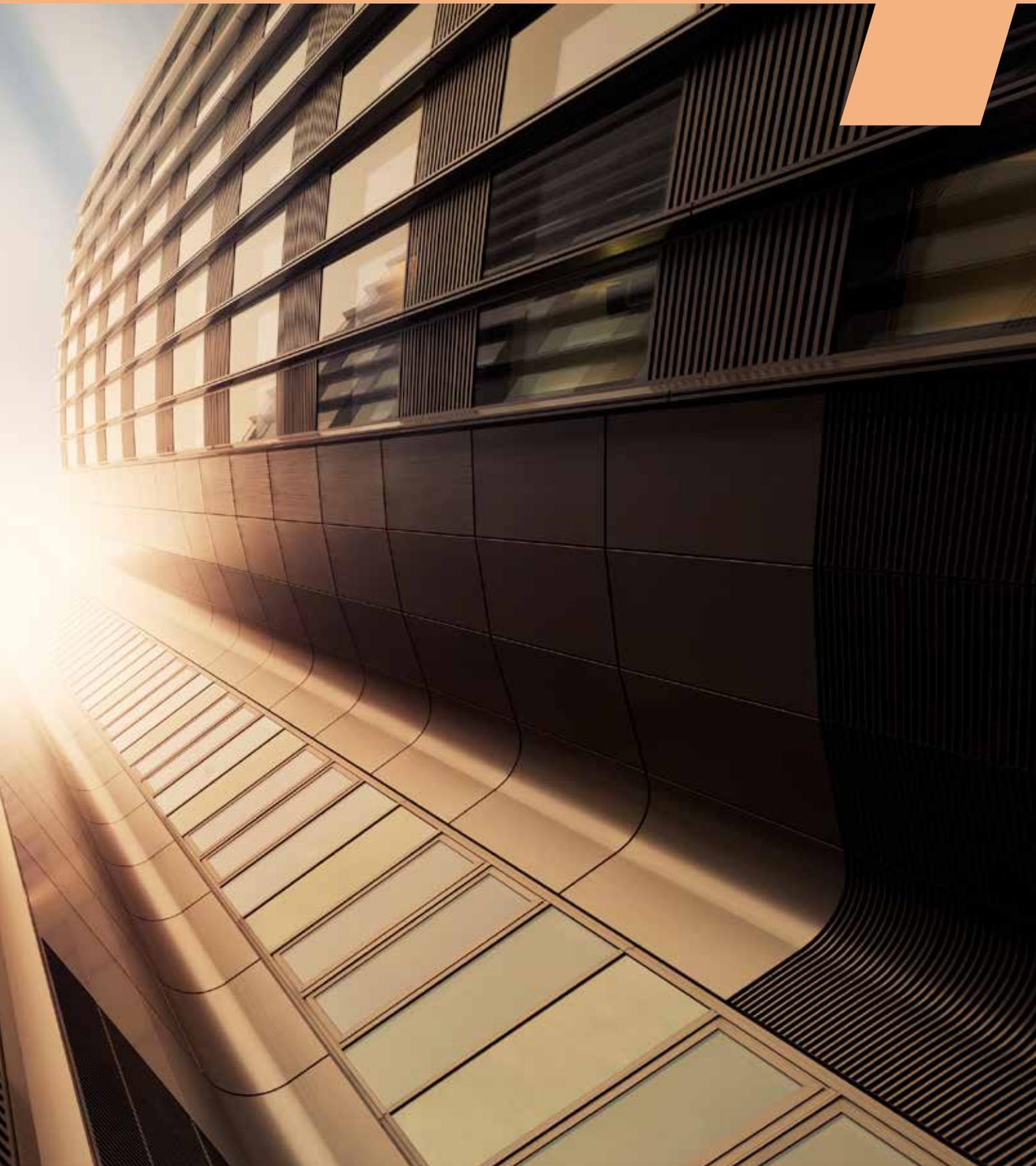
NAREDCO strives to be the leading advocate for developing standards for efficient, effective, and ethical real estate business practices, valued by the stakeholders and viewed crucial for success in India.

The council, that is the collective voice of real estate in India, was founded by leading public and private sector companies.

NAREDCO connects closely with various authorities, Government, Public and private, in addressing real estate issues. It is worth noting that presently, Dr. Girija Vyas, Honourable Minister of Housing and Urban Poverty Alleviation; Government of India, is its Chief Patron, who participates in various interactions with NAREDCO members. Public institutions like Housing and Urban Development Corporation (HUDCO), National Housing Bank (NHB), Delhi Development Authority (DDA), Building Material and Technology Promotion Council (BMTPC) and Hindustan Prefab Ltd., LIC Housing, and HDFC are the governing council members of NAREDCO.

NAREDCO has played a key role in formulating government policies and budgets at the level of central and state governments, besides addressing issues related to developers. Policies on affordable housing, fast tracking project approvals, regulation & development Bill, and Model Rental Control Act are some of the achievements of the association in the near past. The government gives due weightage and respects suggestions put forth by the NAREDCO, which in itself is its strength.





## KPMG in India contacts:

### Arvind Mahajan

#### Head

Infrastructure and Government Services

**T:** +91 22 3090 1740

**E:** arvindmahajan@kpmg.com

### Neeraj Bansal

#### Partner and Head

Real Estate and Construction

**T:** +91 124 307 4000

**E:** nbansal@kpmg.com

### Tanya Tandon

#### Manager

Markets

**T:** +91 124 307 5452

**E:** tanyat@kpmg.com

[kpmg.com/in](http://kpmg.com/in)

Latest insights and updates are now available on the KPMG India app.  
Scan the QR code below to download the app on your smart device.

Play Store



|

App Store



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2014 KPMG, an Indian Registered Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity. All rights reserved.

The KPMG name, logo and 'cutting through complexity' are registered trademarks or trademarks of KPMG International.

Printed in India. (THL0914\_001)