

2009

AMSTERDAM
BEIJING
CAMBRIDGE
CHICAGO
DELHI
DUBAI
FRANKFURT
HONG KONG
JOHANNESBURG
LONDON
LOS ANGELES
MADRID
MANILA
MILAN
MOSCOW
MUMBAI
MUNICH
NEW YORK
PALO ALTO
PARIS
SAN FRANCISCO
SÃO PAULO
SEOUL
SHANGHAI
SINGAPORE
TOKYO
TORONTO
ZURICH

MONITOR GROUP

1st Habitat Summit

Urban Habitats Forum

New Delhi, September 25, 2009

Affordable Housing in India – Building a new paradigm

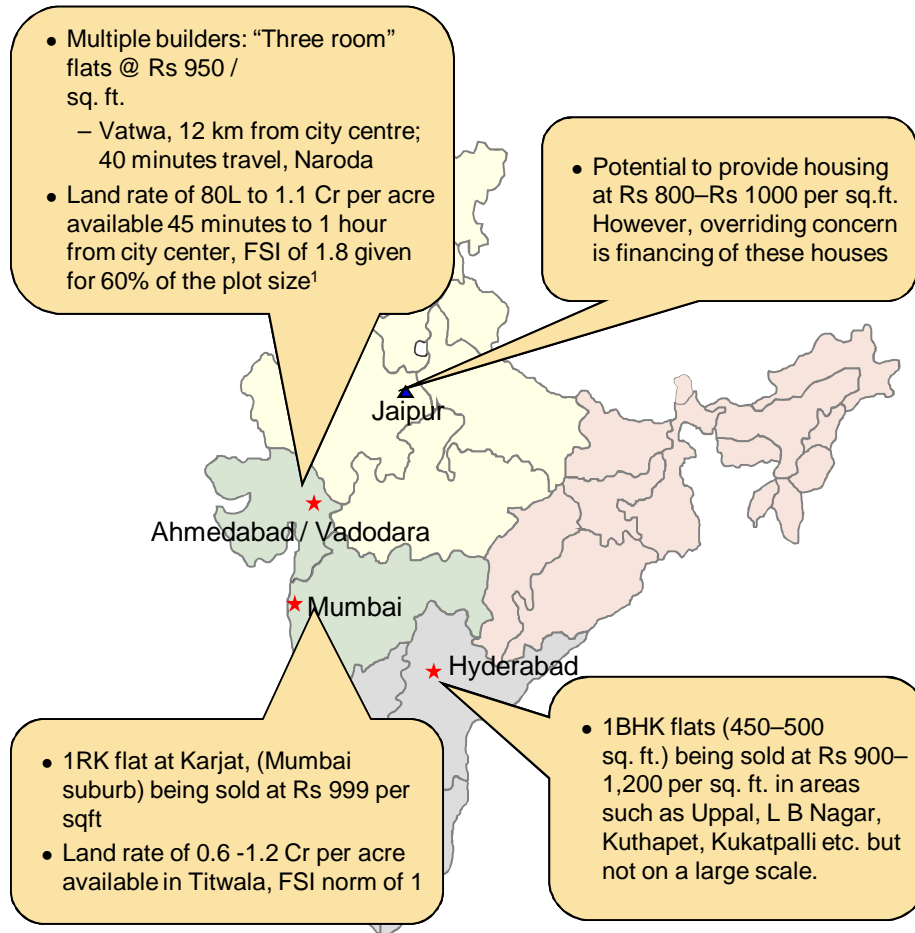
Copyright © 2009 by Monitor Company Group, L.P.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means — electronic, mechanical, photocopying, recording, or otherwise — without the permission of Monitor Company Group, L.P.

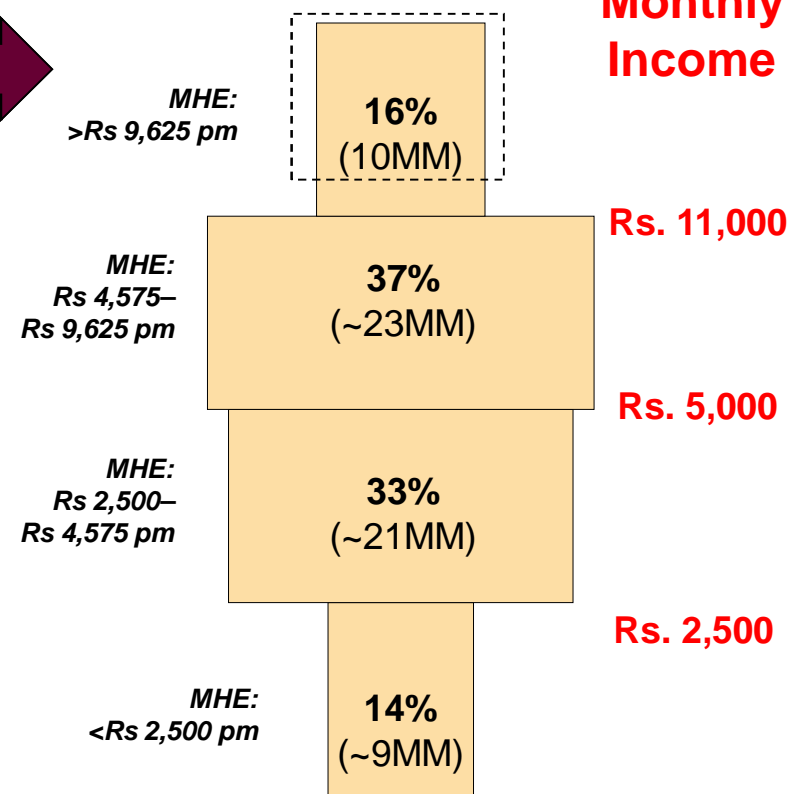
This document provides an outline of a presentation and is incomplete without the accompanying oral commentary and discussion.

COMPANY CONFIDENTIAL

Current Urban Housing Market: Smallest house costs ~ Rs 5 lakhs



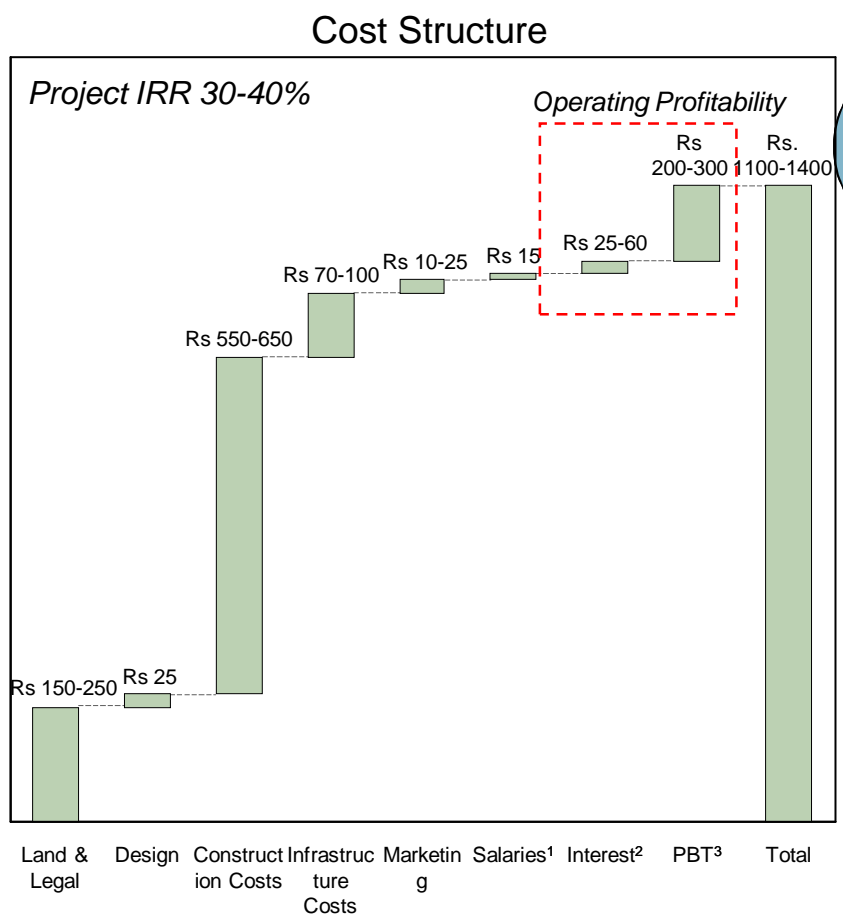
Urban India — Expenditure & Income Pyramid



Current segment served

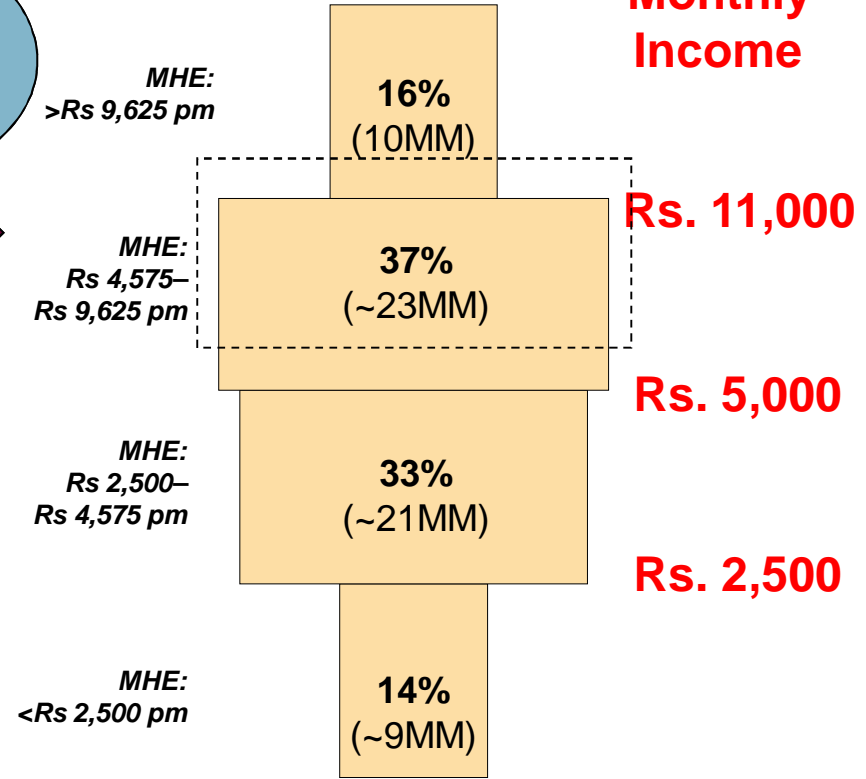
LESS THAN TOP 16% of Urban Indian Households can afford to own houses

The opportunity: Smaller houses using current private sector construction practices



250-400 sq ft. houses

Urban India — Expenditure Pyramid



Monthly Income

Rs. 11,000

Rs. 5,000

Rs. 2,500

Target segment for this project

Potential to provide housing for over 20 Million urban households

Low Income, not Low Cost



Customer Perspective (16 Focus Groups and over 2,000 potential customers)

Monthly Household Income: Rs 6,000- 8,000/month

Many lower income households are living in poor conditions and are quite dissatisfied with their housing situations; however their searches for affordable housing have been unsuccessful

Financial Profile

- Income profile: **Rs 6,500–Rs 7,700 per month**
- Most households had single wage earners and were nuclear families
- Rent¹: **Rs 1,500–Rs 2,400 per month (20-30% of income)**
- Average monthly savings: Rs 950–Rs 1,200 (~15% of household income)

Size and Type of Housing

- Size of current rental accommodation: **200–250 sq.ft.**
- Cement houses with permanent or semi permanent roofs
- Typically single room with kitchen

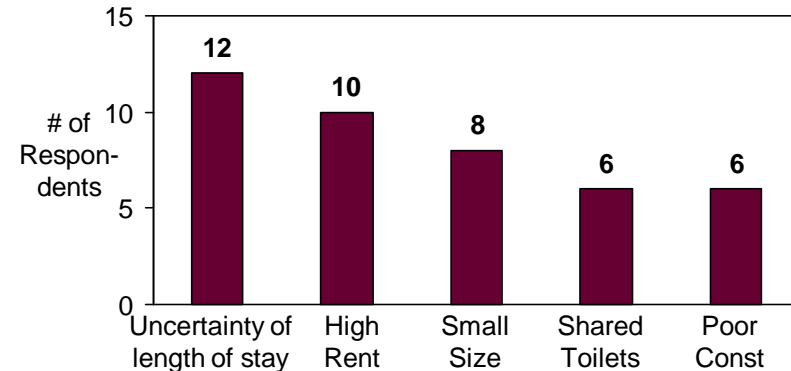
Access to Utilities / Sanitation / Drainage

- **Toilets shared amongst families**
- Shared water connection, controlled by the owner
- Shared water and electricity meters
- Poor quality drainage

Travel Time and Cost

- **Live within 30-40 mins of their workplace; children’s school is within walking distance**
- Monthly expenditure is ~Rs 500

Issues with Current Housing



Typical Ownership Options Examined by these Households

Options	Large City	Small City
Size (sq.ft.)	550–600	1,000–1,200
Price (Rs)	5.5 lakhs–6 lakhs	Land: Rs 500 - 700 per sq.ft
Housing Type	• Apartment complex	• Plots of land considered with the intention of self construction

• **Unavailability of affordable housing**
 • **Lack of access to finance even for salaried respondents**

Note: ¹Rent excludes electricity and water payments

Source: Monitor Qualitative Survey (data reflects respondents surveyed in large cities)

Interest in Housing:

Household Income- Rs 6,000- 8,000/month

Key is — strong interest, proximity to facilities (e.g. schools, market places), connectivity via public transport and shared open space

Customer Profile: Income: Rs. 7,000/month	
Maximum Affordable Down Payment	Rs. 70,000
Housing Loan Tenure ¹	20 years
Current Rent (Large City)	Rs. 1,500 – 1,800 per month ²
Current Average Savings	Rs. 700 – 1,000 per month



Maximum Affordable EMI Payments	Rs. 2,450 / month (35% of monthly income)
Maximum Affordable Housing Unit (Super Built Up)	292 sq ft Rs. 2,92,000

Housing Concept³ Tested with Respondents

- Area: Housing is **within 1 hour** of the city centre⁴
- Complex would comprise **6 buildings with 32 flats in each building (8 flats/ floor and 4 floors)**
 - Regular water and electricity
 - **No lifts** and single set of staircases
 - Complex would have a compound wall with shared open spaces including garden and play area for kids
 - **Close to primary, secondary schools, healthcare centre and market place**
 - **Well connected to city by bus linkages**
- Each flat would have a built up area of **~ 300 sq.ft. (large cities) or 400 sq. ft. (small cities)**
 - 1 BHK with an attached toilet and bathroom
 - Well painted walls and well ventilated
 - Rs 300 per month as maintenance charges



All respondents were very interested in this concept

Note: ¹Interest rate assumed to be 12%; ²Rent excludes electricity and water payments; ³Price for lower-income segment housing estimated at Rs. 900/sq ft
³Housing concept tested is based on examples of larger (400-500 sq. ft) flats constructed in cities like Ahmedabad; ⁴The project team identified areas in the various cities where apartments could be constructed at property rates of Rs. 800-1,000 / sq. ft and these specific locations were tested with respondents

Interest in Low Income Housing

Large private developers are not interested in the segment unless it facilitates access to additional land for high end projects while some medium / small private developers are interested in serving the segment provided they get sufficient volumes and financing is available for customers

Large Private Developers

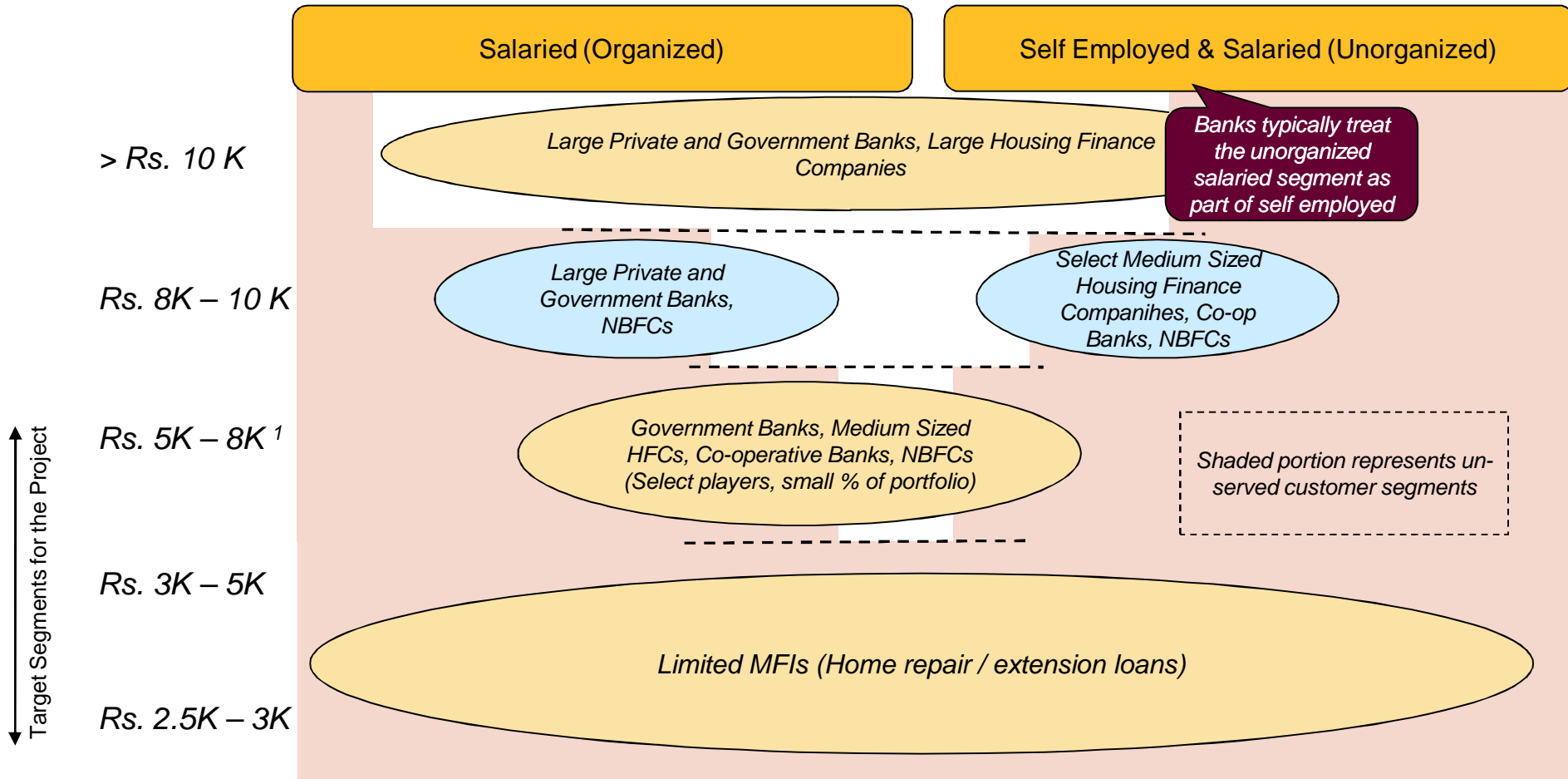
- Very limited interest in building housing for low income customers
 - Developers believe that there is still a large opportunity in housing for middle income and higher income segments
 - Recognize land as an extremely valuable resource and consider stand alone low income housing projects as sub optimal utilization of available land
 - Not willing to compromise on profit margins
 - Believe that it is difficult to make housing at price affordable for low income segment
- Interested in looking at housing for low income customers only if developing such housing helps them acquire land (from the government) for high end residential and commercial projects
 - Willing to cross subsidize low income houses

Medium and Small Private Developers

- Believe that there is high competition in the middle segments and market is saturating
- Some medium and small developers recognize the opportunity in low income housing are interested in looking at the segment
 - Believe they have the management capabilities for taking on such additional projects
- Believe that it is viable to serve this segment while earning close to their current margins (20-30%)
- However, need comfort that they will get sufficient volumes from this segment; concerned about non availability of housing finance to the segment
- Some developers have also expressed interest in being part of a pilot project

Current Market Focus - Target Segment is largely un-served

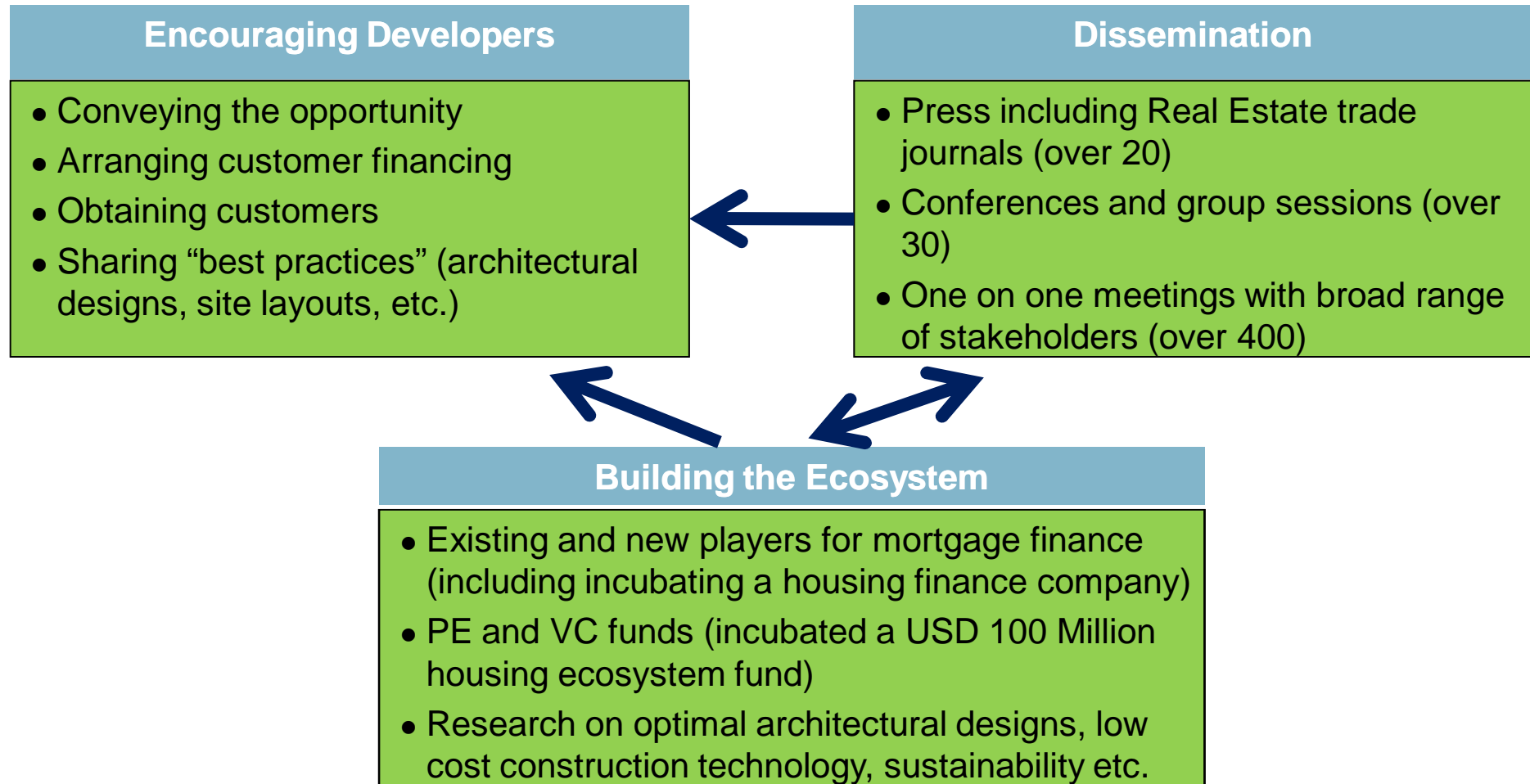
The target segment is largely un-served – select medium sized HFCs and banks have a small presence among customers (primarily salaried) with household income above Rs. 5,000 per month



Note: ¹ Certain large private banks willing to look at salaried customers with income level down to Rs. 5,000 per month if there is proper documentation and sourcing / collection is done through third parties thereby managing the overall cost to serve the segment

Source: Discussions with Industry Participants, Monitor Analysis

Facilitating Low Income Housing: “Doing what it takes”

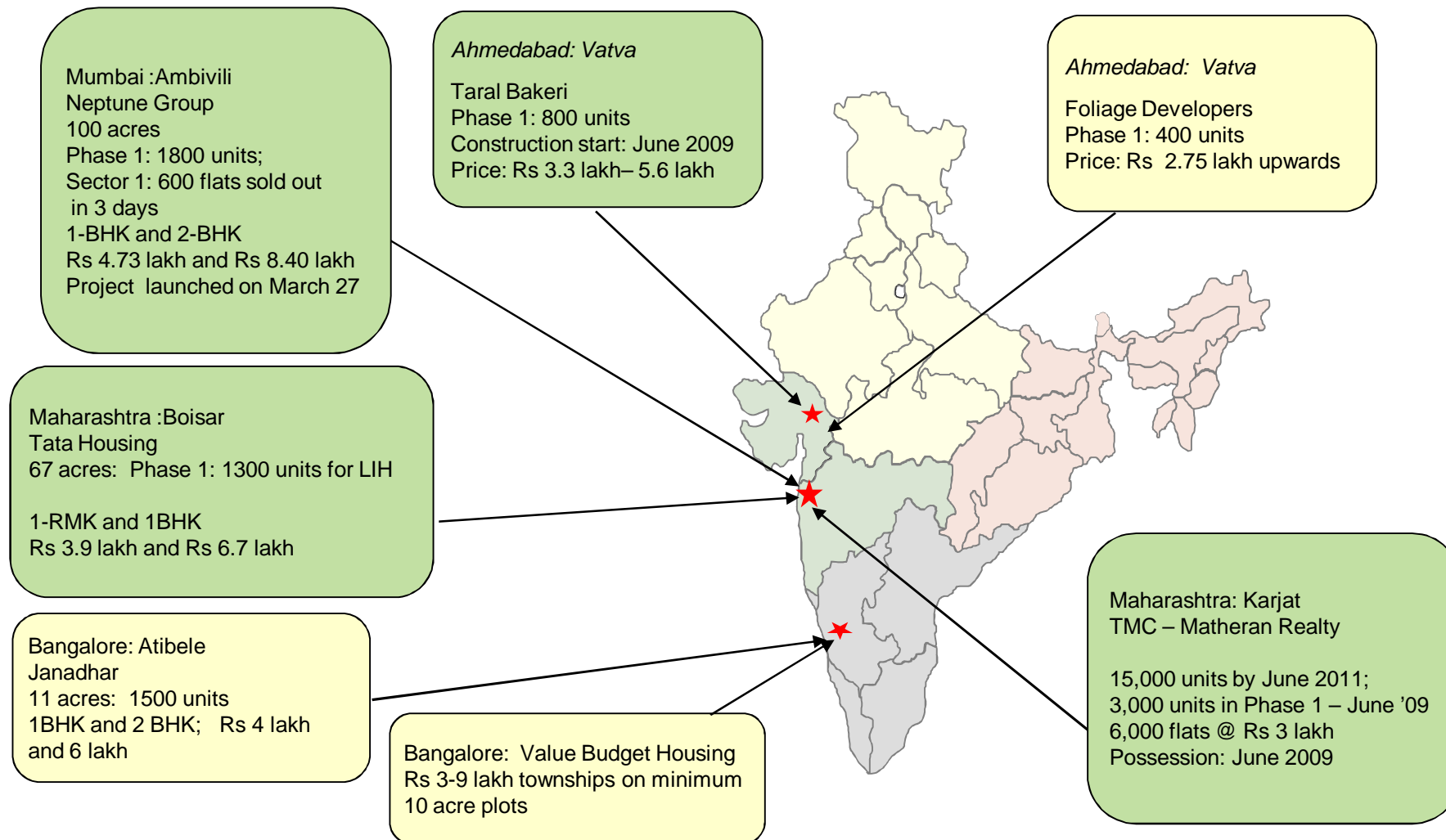


Two years, 30 developers, and a downturn in the economy to arrive at 7 projects.

Market demonstration of Demand

Private sector projects across India

Confidential

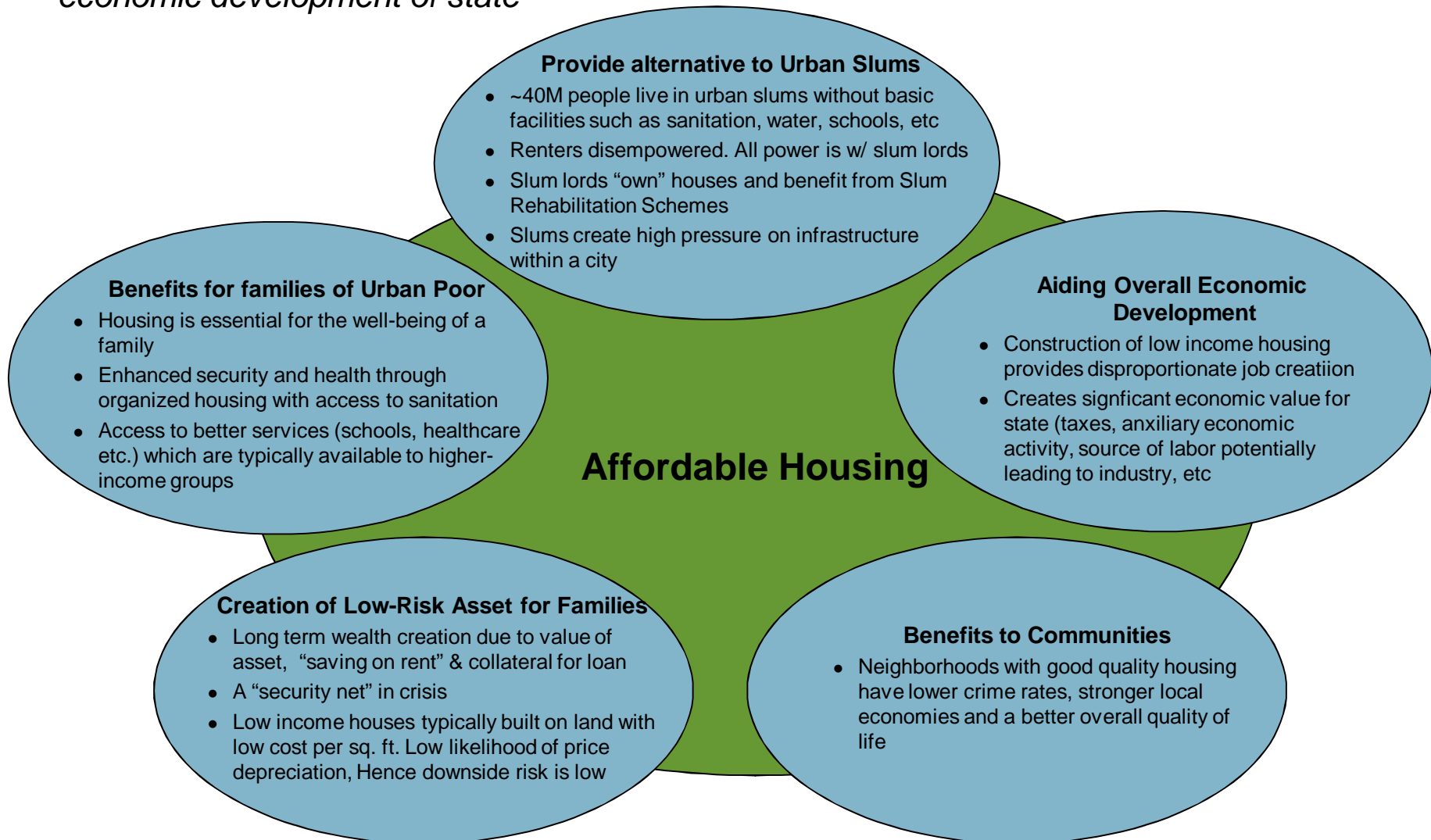


Potential demand from 21 M HHs with estimated Market Size ~INR 1300,000 Cr

Low Income Housing as a Driver for Economic Growth Confidential

Wide Range of Benefits

Affordable housing can provide huge benefits to families, communities and aid overall economic development of state



Thank You

Panel discussion

Nachiket Shelgikar, Director, MHFC

Nehal Shah, MD, Foliage Developers

Rahul Todi, MD, Bengal Shrachi Housing Development

Srinath S, MD, Sorenson Housing Opportunities Fund

V S Radhakrishnan, COO, Janalakshmi

Chairperson: Ashish Karamchandani, CEO, Monitor Group