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GOING PUBLIC

Government body NBCC has announced its foray into the residential housing space. It could improve transparency and create more affordable housing in Mumbai, say experts

Anubhuti Matta

anubhuti.matta@hindustantimes.com

The National Buildings Construction Corporation (NBCC), a government-run body, recently announced its entry into the residential housing sector. Until now, the NBCC has been involved with real estate

and infrastructure projects for the government, but has promised to deliver about 10,000 housing units across the country by 2020, in addition to revising these numbers every three months. Already in discussion with PSUs or public sector units to develop idle land across the country, including in Maharashtra, the NBCC has plans to develop housing in Mumbai as well.

"The NBCC is working to develop housing in Mumbai and parts of Maharashtra as part of its pan-India plan over the next five years," says chief managing director of NBCC, Anoop Kumar Mittal.

According to industry experts, the NBCC's entry into the Mumbai market, which is primarily controlled by private developers, could bring in transparent transactions, fair pricing and fill gaps in the affordable housing sector.

"With NBCC's entry, the market will hopefully see changes in pricing, affordability etc.," says Pankaj Kapoor, director of real estate advisory firm, Lias Foras.

"Being a government organisation and one who has promised transparency in its approach, the NBCC will definitely find favour with home buyers," adds Deep Kantawala, head-investment, ICS Corporate Advisors, a real-estate corporate advisory firm.

MAKING PROMISES

As one of the major implementing agencies of the Government of India operating in real estate, redevelopment and infrastructure sectors, any people-centric announcement by the government like 'Housing for all by 2022' and '100 smart cities,' has obvious bearings on the NBCC.

"As the company has to fulfil social obligations, the principle is to only have marginal profits, in order to keep the cost of housing units to a minimum," says Mittal of NBCC. "Therefore, the NBCC's costs are

fixed, with no hidden costs."

While its major focus will be to create affordable housing, NBCC will also keep itself engaged in other housing segments to enhance its margins, adds Mittal.

Experts say that this may also force private developers to rethink unclear transactions or extra charges posed under different heads, such as parking or loading practices.

"With NBCC there are less chances of land issues as they will secure approvals timely," says Kantawala. "So by managing the approval process more efficiently, they should be able to control cost and manage cash-flows better by delivering inventory on time."

"Buyers may benefit from indirect savings, since the NBCC has clear definitions of built-up and super built-up area and other such terms," adds Mittal. "The buyer will also not witness delays unlike those promised by private developers, since they are always in high debt."

Private developers, too, welcome the NBCC's entry. "The country needs several serious players in the affordable housing segment," says Rohit Poddar, managing director of construction firm Poddar group.

Mehul Thakur, director of an affordable housing project called Viva Homes, says, "The NBCC's commitment to transparent deals is good news, and private developers can take a cue from their style of working. Though their prices will likely be at par with market, transparency will be the differentiating factor."

"This will surely have an impact on buyers in the mid and low-income groups. However, those in the higher income bracket will not reap too many benefits," says Dhruv Jaywant, chief managing officer of construction group, Ahuja Constructions.

Continued on Page 2

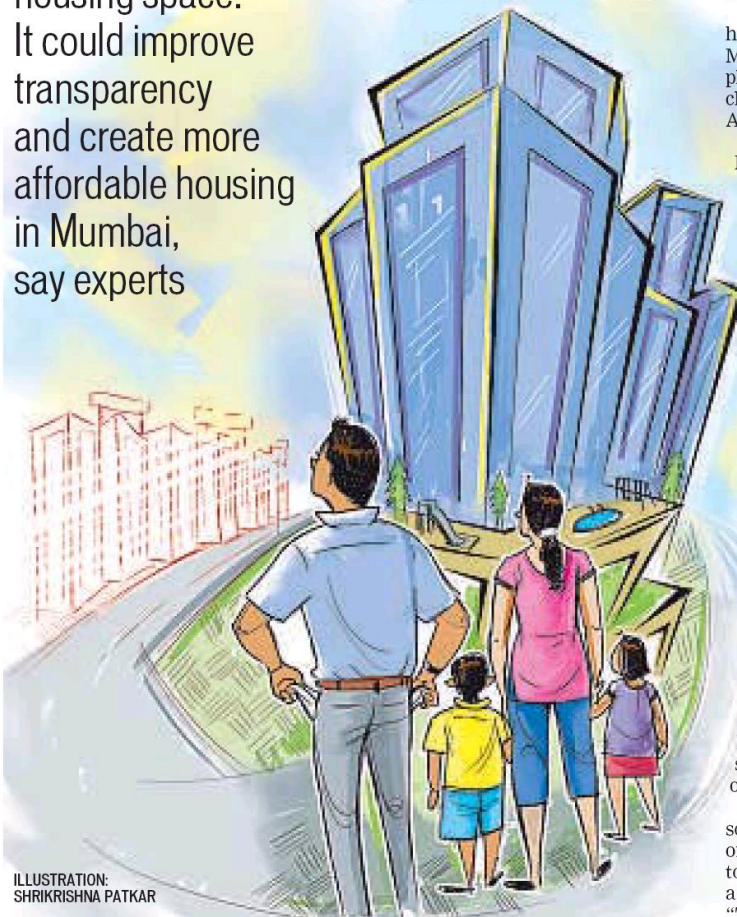


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Going public

Continued from Page 1

TRUST FACTOR

Whether NBCC's entry will reduce trust for private developers in buyers is debateable.

"Private developers have better execution, styling and delivery capability," says 24-year-old businessman Anirudh Daga. "So, even if I have to pay a premium for amenities, I would still prefer private developers over NBCC."

"Even in affordable housing projects, leading developers provide certain luxury amenities, which the NBCC may not be able to," says chairman and director of Aristo Realty, Ravi Agarwal. "For the NBCC to have a strong presence, it must deliver projects that meet public expectations."

In Mumbai, demand for affordable homes even at rates as high as ₹70 lakh, so there is plenty of room for several market players, say experts. "The advantage is that the NBCC's work will be in alignment with the government's vision for infrastructure," says Rajesh Krishnan, CEO of an affordable housing company, Brick Eagle Group.

"Many developers, as members of MCHI-CREDAI, are already following transparency guidelines, and selling on carpet areas," says Harjith Babbar, CEO and managing director of CCI Projects Pvt Ltd. "However, there is definitely a need for

➤ NBCC'S ENTRY IS A SIGNIFICANT SIGNAL TO BRIDGE THE GAP OF INDIA'S SHORTFALL OF 20 MILLION HOMES. HOWEVER, WHILE 10,000 HOUSES IS A REASONABLE TARGET, IT IS A FRACTION COMPARED TO THE AFOREMENTIONED SHORTAGE. ALSO, THE NBCC WILL HAVE TO WORK QUICKLY, SINCE CONSUMERS OF AFFORDABLE HOUSING CANNOT TYPICALLY WAIT LONGER THAN 12 MONTHS TO MOVE IN.

RAJESH KRISHNAN, CEO, Brick Eagle Group, an affordable housing construction firm

government intervention in formulating feasible policies to incentivise affordable housing."

Historically, government housing corporations are not famous for delivering quality housing projects, say experts. "Hence NBCC would have to deliver a couple of good projects to break from the stereotypes over the coming years," says Anant Pandit, CEO of construction group, Apex Multicons. "It will have to create a rapport and build trust to compete with private developers," he adds.

WEAK POINTS

According to Krishnan, NBCC's move is a significant signal to bridge the gap of India's shortfall of 20 million homes. "However, 10,000 houses, while a reasonable target, is a fraction compared to the aforementioned shortage."

Other concerns are the lack of definite price point for affordable housing, and

how competitive the rates will be.

Krishnan says that NBCC will have to build fast, because consumers of affordable housing cannot wait longer than 12 months to move in.

"NBCC's challenges will be significantly different from those faced by private builders," says Poddar. "For instance, land acquisition and a long approval cycle for environmental clearances should not hinder the body."

"While the NBCC will not face regulatory hurdles since it is a government body, managing the scale of development across India will be a challenge," says Poddar.

In the long-term, to assess NBCC's impact, its vision will need to be evaluated, including the regions it plans to develop. "We also need to know if there will be a screening process so that allotments are only made to deserving end-users," says Pandit.