Chapter 1

Introduction
1.1 Need for the Study

The distinct nature of marketing of real properties:

Marketing of housing and real properties is vastly different than the marketing of capital goods, as well as ubiquitous Fast Moving Consumer Goods. Housing is one of the fundamental needs of Human Beings. It is a long-term consumption good, which also has "investment – asset value". Housing can be used, both for investment returns as well as for shelter time and again, over a period of time, for even generations of the property-owner. On the other hand, real property comprising of farmlands, plantations, resorts, lakes, forests, horticultural gardens, non-agricultural land, commercial complexes, roads, bridges cinema houses, industrial premises, health clubs, merchant vessels, swimming pools, superstores are purchased and sold for both consumption and investment purposes. Investment in real property is done to ensure longtime, financial security. Normally the values of real properties tend to rise over a long period of time; due to inherent scarcity factor and "Demand Pull" on the one hand and sustained inflationary trend.

Compared to financial assets such as financial bills, bonds, securities, stocks, shares, debentures, time deposits, etc. housing and real property belong to a separate asset class, which are real assets which are concrete, tangible, and usable. They also have tremendous "sentimental value". These assets are less liquid than financial instruments and are not as frequently and recurrently transacted as bonds and shares. Financial instruments are expected to yield regular returns, from year to year, but real properties may or may not yield short-term regular returns. Compared to day-to-day consumption goods, housing and real properties can be consumed and used for decades. Real estate in strategic locations of metros has always brought gigantic fortunes to the owners, all over the world.

The systematic analytical study of marketing of housing and real property is therefore interesting and vitally useful for financiers, apartment purchasers, policy makers, commerce and management science academics, investors, industrialists, and architects of macro-economic development. Investment in housing and real property works like an "Insurance Cover" to bear risks and uncertainties of the future.
Summing up, the study of marketing of housing and real properties, as well as, contemporary marketing strategies and techniques will directly be useful to the construction businesses and governments of countries like India. Since liberalisation, India has laid special emphasis on the promotion of housing and construction sector, as one of the engines of growth.

1.2 The Importance and special significance of the proposed study:

The researcher of this project has made a thorough scrutiny of the published doctoral projects of Pune University over the last decade. The researcher has gone through the records of doctoral theses in various disciplines such as Management and Commerce and also Mental, Moral and Social Sciences faculties. Only five theses were found to be related albeit distantly to the present topic of the researcher. Two were connected with the sustainable development of cities; these were based on the following subject areas:

- Project financing of infrastructure projects,
- Organized retailing
- Risk management studies in infrastructure development
- Banking in rural sector etc.

None of the above is directly connected with the main theme of this proposed project viz, “Effective Marketing Strategies of housing and real property in modern times”. Not a single thesis has given the principal focus on marketing aspects of housing and real properties with special reference to present Indian conditions. In fact marketing of housing and real property is the toughest challenge. In order to attract the buyer, the seller has to create a need in the minds of the buyers by taking care of the supply -side too. Due to the absence of the network of professional brokers, agency-houses, underwriters, the producers themselves have to create a special infrastructure of their own Sales & Marketing Divisions. It is not adequate for a modern promoter to have thorough technical excellence and engineering expertise; such a situation demands that he have impressive marketing network and marketing skills and special managerial acumen on the part of the construction houses. In view of the above the topic serves a distinct purpose.

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The project aims to make an original and incremental contribution to the existing body of knowledge and research on the subject of marketing of housing and real properties and their crucial role. This will help improve the market orientation of developers and service providers. At the same time it contributes to improve the industry in light of the stimulus that the construction sector provides to the total economic and business activity of our country.

1.3. Objectives of the Study:

1. To identify the most effective strategies for marketing of real property by their results
2. To examine the effectiveness of various marketing strategies belonging to supply and demand sides, comparing them to industrially advanced nations
3. To find out the marketing decisions and policies during the periods of dynamic business fluctuations – ie. Boom and recessionary conditions.
4. To analyse the impact of housing and construction sector as one of the engines of macroeconomic growth and welfare.
5. To assess the supportive role of the government policies to provide, essential infrastructure on the supply side of the market, including legal reforms, property tax, land acquisition policies, financing at apex level, reforms in urban planning, schemes of special urban development authorities such as Chandigarh, DDA, World Bank development projects etc.
6. To trace dynamic changes in the marketing of housing, supply conditions, needs & preferences of modern consumers and techniques adopted by Indian construction business etc.

1.4 Reasons for the choice of the topic:

The researcher of this project has been conversant with the practical problems of the marketing of real properties; being associated with a leading firm in Pune, which collaborated with global real estate/property market leaders. It deals in the selling of housing and real property. The researcher as Dean of the India Institute of Real Estate had tied up with the largest association of real estate brokers in the world, the National
Association of Realtors®, USA and the International Consortium of Real Estate Associations which owns the website “www.worldproperties.com”. The researcher has been associated with Pune’s established construction institution the National Institute of Construction Management and Research, (NICMAR) since 2003. The researcher earlier in her career has served as a Marketing Manager in reputed companies like the Indian Express, HCL Ltd. etc.

In these capacities it has been relatively easier to comprehend the ‘ground realities’ of the construction/real estate business; The researcher also found that there is acute scarcity of authentic research and reference material in the selected area, after making a survey of literature. The researcher found the complexities, contradictions and anomalies of the marketing of housing and real property, like the general shortage of housing; the high and unaffordable prices of tenements despite the recessionary trends; it is observed that the existence of parallel economy, unorganized financial sector, practices of payments by cash, present tax structure, and the role of Urban Local Bodies, State and Central rules and regulations, laws, policies that affect the sector.

1.4a The Recent Developments in the Government’s National Housing and Habitat Policy:

In recent times, “real property” (term used for housing and real estate) has emerged as a serious topic of interest amongst the policy makers, financial community, professionals, students and industry. The real estate market crash of 1995-97 can be attributed with this interest, alongwith the demand for Housing by the Non- Resident Indians impact on the market. Suddenly in the period following 1997, the market of real property all over the world crashed.

Inspite of that recession, India could sustain its growth rate during last six years. This can be partially attributed to the emergence of the Construction, Infrastructure and particularly the Housing sector as the front-runner in sustaining the growth rate of the Indian economy. Most financial institutions have come to rely on property lending to make up for the lack of healthy off take of loans by the industry to sustain their portfolio, making housing loans evermore accessible and attractive to the huge Indian middle-class.
The researcher aims at establishing a correlation between the growth of an economy to the growth of the Housing and Construction Sectors. The role played by these sectors in a country's development is vital. Thoughtful governments, the world over, have sustained the growth and development of the real estate sector, to bring better results in terms of Gross Domestic Product and National Income.

1.4b National Housing and Habitat Policy of the Government of India

Housing is a state subject, but the Union Government is responsible for the formulation of policy with regard to programs and approaches for effective implementation of social housing schemes. A new Housing and Habitat Policy 1998 was approved which addresses sustainable development, infrastructure and a strong private partnership for shelter delivery.

The problem of housing shortage compounded with the population explosion has also been addressed by this policy. This document clearly identifies the respective roles of the Central Government, State Government, local authorities, financial institutions, research standardization and technical institutions in the implementation of the policy.

The National Agenda for Governance has identified Housing for All as a priority area, with particular emphasis on the needs of the vulnerable groups. Among many initiatives launched by the government under the aegis of the NHHP like the National Buildings Construction Corporation Ltd., National Capital Region Planning Board, the Central Public Works Department, Urban Mapping, the ones that have special relevance to our research as follows

1.4b.1 The Integrated Development of Small and Medium towns:
Aims at the development of selected regional growth centres with infrastructure and service facilities. The idea is that these towns would emerge as centres of growth and employment and arrest migration from rural areas and to large and metropolitan cities.
1.4b.II Mega City Scheme:
Centrally-sponsored scheme of Infrastructure Development in Mega Cities in operation from 1993-94 applies to five Mega Cities of Mumbai, Chennai, Calcutta, Hyderabad and Bangalore.

1.4b.III The Urban Poverty Alleviation Program:
The National Commission on Urbanisation set up by the GOI in 1998 recommended the amelioration of urban poverty should be accorded the same priority as that given to rural poverty. The 4-pronged strategy of addressing these issues was to effect (a) employment creation for low-income communities through promotion of micro-enterprises and public works; (b) housing and shelter upgradation; (c) social development planning; (d) environmental upgradation of slums.

Thus the initiative by the GOI in this regard serves as a pointer and the subsequent speed of the reforms introduced in this sector bear testimony to the government’s intention of implementing Housing for All. It also implies the extensive scope of growth that this sector will witness in the coming years simply because the need gap is so wide that the fulfillment of the existing demand followed by the fulfillment of new demand, and upgradation of existing units together would mean no dearth of demand for housing for decades to come.

1.4c The McKinsey Report
In the year 2001, M/s McKinsey & Company, the multinational research and consultancy offered to track the potential of the Indian economy to grow and arrive at a sustained double digit growth rate for the new millennium. The report was fairly comprehensive and exhaustive, giving a sectorwise view and suggesting reforms to fulfill this achievable but difficult target. This report has also suggested an Action Plan to arrive at the double digit GR by year 2010. It has also listed out the encumbrances in the path to development and the McKinsey Report is followed by policy makers.

The salient suggestions made by the McKinsey Report for the real estate sector are as follows:

- Resolve unclear real estate titles
- Rationalize property taxes, stamp duties and user charges
- Reform all tenancy laws to bring rents in line with market value
The implementation of these recommendations will remove all the blockades, constraints and difficulties in supply side of the Housing and real property market.

1.5. Importance of real estate in the economy

1.5a Real estate sector's potential for effective capacity building:

I. The table below shows the extent to which the Indian housing sector compares with global Housing Stock. Housing is the manifestation of general economic growth. Most developed countries show healthy housing stock.

**Table 1.1: Country-wise Extent of Housing Stock per capita**

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Country</th>
<th>Housing Stock Sq.m per capita</th>
<th>Urban Population Percent</th>
<th>GDP per capita Indexed to US=100 in 1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>US (1995)</td>
<td>79</td>
<td>76</td>
<td>100</td>
</tr>
<tr>
<td>2</td>
<td>Germany (1995)</td>
<td>39</td>
<td>87</td>
<td>77</td>
</tr>
<tr>
<td>3</td>
<td>Hungary (1997)</td>
<td>38</td>
<td>65</td>
<td>25</td>
</tr>
<tr>
<td>4</td>
<td>Brazil (1998)</td>
<td>36</td>
<td>78</td>
<td>23</td>
</tr>
<tr>
<td>5</td>
<td>Poland (1997)</td>
<td>18</td>
<td>65</td>
<td>22</td>
</tr>
<tr>
<td>6</td>
<td>Russia (1997)</td>
<td>19</td>
<td>76</td>
<td>16</td>
</tr>
<tr>
<td>7</td>
<td>China (1998)</td>
<td>19</td>
<td>30</td>
<td>12</td>
</tr>
<tr>
<td>8</td>
<td>India (1997)</td>
<td>5*</td>
<td>27(GR=3.2%p.a.)</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: Compiled from McKinsey Global Institute; NICMAR (India Construction Statistics, 1996); Page 110 – 111, *The Economist*

- Construction has accounted for about 40% of the investment in the country during the last 45 years.
- It has contributed on an average 15% to the annual GDP and 78% of the gross domestic capital formation in the country.

II. Housing Shortage in India: the following table depicts the demand for housing in India.
### Table 1.2: Unmet Demand for Housing in India

<table>
<thead>
<tr>
<th>Number of dwellings in 1997</th>
<th>Replacement and upgradation demand</th>
<th>Number of habitable dwellings in 1997</th>
<th>Replacement and upgrading requirements</th>
<th>Replacement and upgrading requirements</th>
<th>Households with no separate dwellings</th>
<th>Min. number of dwellings required in 1997</th>
<th>Min. no. of DU reqd. in 2003 - Shortfall</th>
</tr>
</thead>
<tbody>
<tr>
<td>168.5 mill</td>
<td>16 mill</td>
<td>152.50 mill</td>
<td>16.0 mill</td>
<td>5.6 mill</td>
<td>114.mill</td>
<td>191.1 mill</td>
<td>191mill - 42mill = 22.8 mill homes</td>
</tr>
</tbody>
</table>


III. An International Comparison of the Contribution of Housing Construction to National GDP

### Table 1.3: Country-wise construction growth rate for year 2000

<table>
<thead>
<tr>
<th>Country</th>
<th>Construction GR</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>15.5</td>
</tr>
<tr>
<td>Brazil</td>
<td>15.1</td>
</tr>
<tr>
<td>Korea</td>
<td>10.2</td>
</tr>
<tr>
<td>Thailand</td>
<td>9.2</td>
</tr>
<tr>
<td>India</td>
<td>4.1</td>
</tr>
</tbody>
</table>


With the growth of Housing and provision of dwellings, the need for commercial and industrial establishments would show a geometric progression. India’s per capita retailing space is about 2 square feet (compared to 16sq.ft of the USA). The Retail boom in India is only just beginning and is showing a Growth Rate of 20% p.a. (Source: AT Kearney, global management consultancy).

1.5b Employment generation capacity of the construction sector:

The construction sector has been the single largest wage-provider to over 34 million people in India in the year 2001-2.
In Korea 3% of all new employment generated is through construction. The housing sector can be the biggest growth-driver for India and the second largest revenue-generation and employment. Also the country's 38% gross investment is in the area of housing construction.

Table 1.4: Country-wise Contribution of Construction and Housing Construction to GDP and employment

<table>
<thead>
<tr>
<th>Country</th>
<th>Construction</th>
<th>Housing Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% of GDP</td>
<td>% of Employment</td>
</tr>
<tr>
<td>US (1997)</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>KOREA (1995)</td>
<td>16</td>
<td>9</td>
</tr>
<tr>
<td>BRAZIL (1995)</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>POLAND (1998)</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>RUSSIA (1997)</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>INDIA (1997)</td>
<td>5</td>
<td>3*</td>
</tr>
</tbody>
</table>

Sources: Compiled from MGI Reports; NICMAR Page 8; CSO, *Data for 1993-94

Salient points of the employment generation capacity of construction/housing sectors in India

- Total employment was estimated to be 32.6 mill in 2004-05 from 14.6 mill in 1995-96 with 55.08% in unskilled sector of the workforce and 27.62% falling in skilled category.
- Of this the housing sector employment is estimated to grow from 8.58 mill to 28.8 mill and not in the infrastructure development projects initiated primarily by the government. (Source: NICMAR).
- According to the National Building Organisation every Rs. One million spent on construction generates 3000 man days of skilled and semi-skilled employment, and 1300 man days of managerial and technical employment.
- According to Confederation of Indian Industry and the Construction Federation of India, even a moderate growth in the construction industry can boost positively
industries such as cement, steel, mining, paints, chemicals, bricks, aluminum, glass, plastics, timber.

1.5c Need satisfier: Shelter is a basic necessity of humankind along with Food and Clothing making the demand perennial and universal in nature. With the rise of nuclear family systems, demand for housing is growing exponentially. The need for housing gives rise to other needs such as Education, Leisure, and Trade, Transportation thus expanding the need for property.

1.5d Multiplier effect: Housing construction is considered the most ideal industry as it has backward and forward linkages with 256 other industries in the economy. Thus some industries such as steel and cement directly benefit by a boom in housing construction while a multitude of others like electrical fittings, furnishings, sanitary ware, consumer durables and electronics, tiles and flooring, furniture continue to grow too. Planned investment in this sector helps government to reduce overall recessionary ill-effects of depressed demand and supply in the economy.

In the decade following liberalization, India is following a committed path to economic growth and development goals. Infrastructure, real estate, tourism and such related sectors are now some of the sunrise sectors with foreign investment of over $700 million coming into real estate in the year 2006-07 (Economic Times, 27th April).