Chapter 3

Survey of Literature and Review of Secondary Data
Chapter 3

Survey of literature and Review of Secondary Data

In the pre-war period, economists, sociologists, architects and town-planners from the U.K, Europe, U.S and industrialized nations began conducting extensive scientific research in the areas of housing, urban development, urban sanitation and health, urban transport, planning of cities, townships, industrial estates, ports, airports, railway tracks, commercial malls, supermarkets etc. In developing countries, civil engineers and town-planners especially in British colonies conducted systematic surveys and layout plans of model cities and attended to problems of town and country planning.

Soon after Indian Independence in 1947, the city of Jaipur and the capital city of New Delhi were systematically planned and the problems of housing in industrially congested cities like Mumbai, Calcutta, Shanghai, Singapore etc., were studied by the experts from government departments in colonial countries like India, China, Sri Lanka, Burma, West Asia, the Middle-East, Malaysia, Hong Kong, East and South Africa etc.

From 1950 onwards, in the era of planned development the Indian government paid special attention to the problems of housing, development of industrial cities of public sector companies (Bokaro, Bhilai), as well as, industrial estates and urban planning.

The post 1950's was the era of economic development programmes started by the newly freed colonial third world nations. Each country from Egypt to Malaysia started planned development of modernisation, industrialization and urbanisation. During the 3 decades from the 1950 to 1980; due to the initiative of Nobel Prize winner Gunnar Myrdal (1944, 56), the development of affordable housing to urban poor and low middle income groups received wider attention throughout the Third World of developing nations.

A book viz. “Housing and Economic Progress” authored by Llyod Rodwin,1 (1961), provides various aspects of housing business such as Income/Expenditure and Demand for Housing, supply of housing, building laws and limits, land values, return on capital and so on. This book furnishes very comprehensive secondary data useful for any new study in the area of marketing of housing and real property.

1 Lloyd Rodwin (1961) “Housing & Economic Progress” Harvard Univ Press & the Technology Press
Keynesian Underemployment Equilibrium Theory stipulates that unless governments intervene in free enterprise and do not stimulate their economy through policy intervention, it may lead to mass unemployment and lower propensity to consume.

Myrdal (1968) and Streeton (1972) redefined the classical concept of 'capital' and included "Human Capital" investments in education, health and social goods. Earlier growth economists like Harrod-Domar thought investment in manufacturing and industries per se happens to be productive and directly contributes to growth of national income. Myrdal liberalised this rigid concept and underlined the net incremental productivity of human capital by the improvement in the quality of living; e.g. better housing with sanitation would reduce the incidence of contagious diseases which in turn would reduce absenteeism, loss of productivity, etc. in 1964.

Charles Abrams made pioneering studies in housing theory. According to him immigration to industrial cities and squatter settlements are expressions of economic transformation and a socio-economic necessity because of the scarcity of urban land available in legal title, and lack of funds in the pockets of the poor. Abrams therefore suggested a 'self-help' programme linking saving-investment process, by offering government tenements on easy installments of the payment of their prices. Burns, Grebler (1977), furthered the concept of self-help groups, pointed out the contribution of housing to the growth of the country's income and employment. Therefore housing has a productive role to accelerate the growth of the country's income and employment.

The developmental role of the housing market in metropolitan growth and national economy has been elaborately studied by Mahlon Strazheim, in his research study 'Role of the Housing Market in Metropolitan Development'.

The author of "Cities their Origin and Growth" Kingsley Davis\(^2\) (1973), has extensively studied the 20th century 'mechanised and dynamic cities'. This book is also interesting and useful to orient a budding researcher in housing research.

The U.N.O designated the year 1974 as the World Population Year. A major international conference of the international experts was held at Worcester College, Oxford, under the title of 'The Exploding Cities'. This brought together a group of political leaders,

\(^2\) Kingsley Davis (1973) "Cities their Origin & Growth", W.H. Freeman and Co.
consultants, planners, economists, administrators, architects, environmentalists, journalists and radical critics to discuss the problems that had arisen from recent hectic and unprecedented growth of the world’s great urban agglomerations. In the opening address Mr. Rafael Salas, the director of the U.N. Fund predicted that by the year 2001, half of the world’s population will be city-dwellers, with serious difficulties in feeding, providing drinking water and infrastructures for urban amenities and especially housing. The Conference papers were published under the title of ‘Exploding Cities’ the prominent contributors were John F.C. Turner (1977) a leading architect. He held a view that there is an existence of a dual concentration of the poor: in central slums and in informal settlements at the periphery. This dual pattern is associated, respectively, with the filtering-down of older housing and with owner-construction of new dwellings, sometimes on illegally-occupied land.

Meanwhile, the World Bank took special interest, and published three key publications viz. Urbanisation (1972), Sites and Services projects (1974) and Housing (1975). A new approach to housing was given because more than 50% of families in the developing countries could not afford ‘permanent construction’. Housing should be made more affordable by constructing low cost tenement, upgrading slums and providing water, drainage, sewerage, latrines, electricity and pavements. During 1975, the 20 Point Programme of poverty eradication was commenced and low-cost housing and housing for poor as a welfare measure, was undertaken by the Government of India. All over the world, housing was considered to be on the priority agenda of the welfare and socialist states, till the 1990s. Cedric Pugh, a noted international authority in building the theory of housing in the 1980s stated that the ‘political economy’ is the matter of using state power in generating and allocating resources in public policies. He laid emphasis on the complexity of ‘theorising’ housing in his book “Housing and Urbanisation” – A Study of India (1990) – by pointing out the need of simultaneous solutions to the problems of housing such as finance, architecture and construction expertise, proximity to workplace, amenities of education, health, medical care, market, recreational and cultural facilities.

---

In recent years i.e. post 1980s, Thatcherism, in U.K., Reagonomics in U.S.\(^5\), market economy regimes in advanced countries of Europe have brought a radical change in the housing policies of the governments worldwide. The shift is from subsidised, low-rented, council and government housing towards the "Home-Ownership" concept supported by easy finance and tax concessions so as to fit in the new style of privatisation and decentralisation.

In the research paper viz. "Low Cost housing in Malaysia" authored by Tan Soo Hai, the core aspects of supply of low-cost housing based on ability to pay, manpower, building materials, bureaucratic and legal procedures, role of private developers in low cost housing, housing finance etc., have been thoroughly investigated. Similar case study viz. "New Towns in Singapore" authored by Thai-ker, Cheong and Tong gives appropriate strategy of "Public Housing Development" resorting to high-rise, high density development due to the key constraint of shortage of land (620 sq. kms) and a population of 24,00,000 in 1980. Dr. Lundqvist\(^6\) (1986, 1992) in his published treatise viz. "the Housing Policy and Equality" and 'Dislodging the Welfare state', had noted a welcome change in Government policies of providing income support instead of providing ready-made tenements.

In a very interesting and authentic treatment given by a noted expert Jan Van Weesep in the conclusion of his book "Government and Housing Development" (1990)\(^7\), offers directions in housing research that are useful and relevant to this research. According to him four distinct functions of housing viz. Shelter, privacy, location and investment should be focussed upon while designing marketing plans of housing.

Cedric Pugh, a noted international authority in building the theory of housing in the 1980s stated that the 'political economy' is the matter of using state power in generating and allocating resources in public policies. He laid emphasis on the complexity of 'theorising' housing in his book viz 'Housing and Urbanisation – A Study of India', (Cedric Pugh, 1990) – by pointing out the need of simultaneous solutions to the problems of housing.

---

\(^5\) Margaret Thatcher http://en.wikipedia.org/wiki/Margaret_Thatcher  
\(^6\) Lundqvist, L (1992), Dislodging the Welfare state, Delft: Delft University Press  
\(^7\) Jan Wee Sep & V. Vliet, Government and Housing Development in Seven Countries, Sage Pub, Vol 36/Urban Affairs, annual reviews, Pgs. 273-278

Chapter 3 : Survey of literature and Review of secondary data
such as finance, architecture and construction expertise, proximity to workplace, amenities of education, health, medical care, market, recreational and cultural facilities.

"Asian Housing – Overview" edited by Y. M. Yeung provides comprehensive study of Urbanisation in Asian countries with a special emphasis on problems of housing. Ghankari Parsa A.R. (1995) has published his research study viz. “An investigation into the process of change in property development industry in central Europe – post 1989”; has covered intensive study of development and globalization of real estate markets in Budapest, Prague and Warsaw by referring to various aspects of rationale for investment, factors influencing property development, development of real estate markets, legal reforms concerned with leasing and tenancy of real estate and so on.

3.0 Readings in Property Markets

Useful and interesting secondary data regarding ‘property markets’ was found in the following papers, books and abstracts.

In the abstract of a book written by Patrick Wilson and John Okuner (from School of Finance, Univ. of Technology, Sydney) having the title viz. “Evidence of Segmentation in domestic and international property markets”, describing the risk and return trade-off of real estate portfolio management. It contends that portfolio diversification strategies should be such that investments should be held in markets that are well insulated from each other so that the effects of market fluctuations in one market are not transferred to the other. Using the relatively new technique of co-integration analysis, this study provides evidence from the U.S., UK, and Australia that domestic real estate and equity markets are segmented internationally so as to get the risk reduction benefits.

L.K. Hiang of the National University of Singapore has published another study on property market returns “Macro Economic Risk and Real Estate Stock Markets”, he proved that is all macroeconomic variables – GDP growth, INDP growth, unexpected inflation, money supply, interest rate and exchange rate affect property markets and that policy makers influence the expected risk premia and volatility on real estate stock markets through their policy decisions.
Y.C. Raymond from the University of Hong Kong has published a research paper on the relationship of Housing demand, Housing prices and Mortgage finance flows. He has proved that their interrelationship is direct; that means if the demand for housing rises, the housing prices also rise and mortgage finance flows tend to increase responding to housing prices. Thus housing prices determine the finance flows and not the contrary.

G. Newell et al from the University of Western Sydney has assessed the relationship between the Hong Kong Property Company and commercial property market performance over 1984-94. His main finding was that property companies provided useful information about property market fundamentals; therefore property companies can suitably make liquidity and portfolio diversification. Gerald Brown from the Univ. of Salford, U.K. has published a research paper viz. “Buy-Sell Strategies in the Hong Kong Commercial Property Market” in which he has elaborated a successful strategy for the investment in property when commercial property market yield high and abnormal returns.

Li Ling Hin from the Univ. of Hong Kong has made real estate development analysis and pointed out the main deficiencies in Chinese market viz. a) Difficulties in proper valuation of real estate asset and b) complications in the legal and official procedure effecting development of real estates.

In a very interesting book viz, “Profile of a Metropolis” by R. Mowitz and Dell Wright, gives an account of the famous “Detroit Plan which was made public on 18th Nov. 1946 by Mayor Edward Jeffries Jr. under his leadership one hundred acres of land northeast of the Central Business District, was acquired for the Urban Slum relocation for low-income families by the Federal Emergency Housing Corporation. (This is used in Pune under the Transfer of Development Rights – TDR by the Urban Planning Authority). At the same time the higher middle-income families were encouraged to move to the suburbs by the housing schemes floated by real estate developers from the private sector. In July, 1956, the Citizens Redevelopment Corporation of Detroit raised funds of more than 500,000 dollars from their contributions of Ford Motor Company ($80,000), $ 500,000 each from Chrysler Corporation, General Motors, J.L.Hudson & Co., United Auto Workers, $25,000 from the National Bank of Detroit, Edison Co etc.. The Corporation constructed high-rise
buildings and gave flats to 1750 families. This was a new model of creating supply of houses through the voluntary contributions of the philanthropist donations from the local industries for the welfare of their labour community. This was one of the most successful local enterprises in housing sector fully initiated by a non-government, voluntary organization.

Another study "The Suburban Apartment Boom" by Max Mentze⁹, proves that there is inherent compartmentalization in the housing market on the basis of differences in the locations thus restricting free flow of information from one place to another.

The volume of collected research papers presented in the 2nd National Convention of CREDAI (Confederation of Real Estate Developers of India) held in Dec. 2001; provides very useful reference material related to the McKinsey Report, property taxation, marketing of real estate, risk management in the construction industry etc.

A special issue on the theme of "Why should investors consider international real estate investment" of the AIG e-magazine of Global Real Estate Investment Corporation, (June 2001), very lucidly analyses the advantages of global investments in property markets. A comprehensive research project has been published in a form of a book “Housing in India” (Cherunilam, Hegade), the various sources of housing finance available in India; comparative study of their operations and advantages, guidelines for portfolio investment in real estate markets, all such technical matters have been clearly explained. Another equally useful research study of “Housing Finance for Low Income Groups” authored by N.O. Jorgensen¹⁰ has also been referred by the researcher.

Any researcher in the area of marketing management of housing and real estate should not miss the opportunity of conscientious study of the important and useful work published by the World Bank viz. “Housing – Enabling Markets to Work,” a World Bank policy paper with technical supplements. It covers a concise study of “Housing sector as a market”, “Housing Market Behaviour”, housing quality, quantity and prices”, Housing for urban poor”, “Housing and the Macroeconomy”, “Do’s and Don’ts in enabling housing markets to work”, “The role of the World Bank, “World Bank Housing Policy in

¹⁰ N.O Jorgensen (1975), Housing Finance for low income groups, Nairobi Study, Housing R & D Unit, Univ. of Nairobi, Kenya, pgs, 48-96
1970s and 1990s”; “World Bank’s special assistance to Urban Slum Improvement Schemes”, “Cost Efficiency of the building industry, innovative housing finance institutions, efficient tenure regularization programmes”, “Land and Housing Supply”; “Linkages between the housing sector and the broader economy”, technology choice, taxes, subsidies for promoting rent-control, provision of infrastructure to the housing sector as a whole etc. Such an exhaustive coverage of this paper has obviously become bankable for me to conduct my research project.


For the latest studies source of secondary data has been furnished by statistics – based research work of the McKinsey Report on Housing and Infrastructure in India 2001. As per Ninth and Tenth Five Year Plans the number ‘habitable dwellings in 1997 in the country were only 152.5 million for about 250 mill households. As per the estimates in the NHHP, 1998 housing shortage was estimated to be 23 million dwellings, around 20%. To fulfill this shortage of investment of Rs. 200, 000 crores is required (Article by Devendra Mohan, Business India, 19 Aug., 2002). Systematic work was done by the experts in the Central Government who drafted the “National Housing and Habitat Policy 1998” based on the United Nation’s Habitat Policy.

The Research & Advisory division of www.indiaproperties.com has produced a paper highlighting the main barriers in the housing sector for achieving 10% GDP growth during the decade 2000-2010. The paper identified the following important barriers i) The Urban Land Ceiling Act has not been uniformly repealed by all the states in India ii) Lack of clear property titles iii) Stamp Duty and Registration Fee iv) About 50% more cost per square feet in housing construction in India as against 24% in the US and even less in


Chapter 3 : Survey of literature and Review of secondary data
Europe v) Complicated records in revenue departments registering land and property titles vi) Rental Laws vii) Lack of uniform rules which control building standards and permissions viii) Comparatively less volume of flows of foreign direct investments ix) Lack of infrastructure especially of electricity, roads, sewage, drainage and water supply x) Real estate is not recognised as an industry.

Due to the above reasons, the housing sector contributes only 1% of the GDP as compared to 3 to 6% in other developing countries. The report asserts that if the Indian Housing Sector contributes even 4% of GDP, then it is estimated that India will be able to sustain its annual growth rate in the bracket of 8-20% in the twenty-first century.

In one of the September 2002 issues of the House Journal of the National Association of Realtors® published “housing is a key driver of the American Economy and continues to be a solid investment for the majority of American households. Housing provides the most predictable and stable returns in the U.S. Stock Market. This has been proved in the aftermath of the attack on the World Trade Centre in New York and the subsequent recession that occurred in the US and subsequently discussed in Chapter 7.

Robert Winton12, a Sales and Marketing strategist has examined the psychological factors which influence Marketing and Customer decisions in buying. They are as follows a) Reputation b) Trust c) Image & Branding d) Quality e) Business Integrity and Ethics f) Considerations to Customer Preferences, liking and affordability. On his website, he has furnished useful Sales Closing Techniques and 14 Do’s in Marketing of products/services.

As a major part of my research, a study of annual economic surveys for the period 1991 upto 2004 was undertaken; as well as, the Budgetary Measures to encourage the ‘housing sector’ in particular. Especially in the post 1998 years; the Indian budgets have granted very radical and favourable support to the housing sector. The fiscal and monetary plan documents also furnish authentic data related to the housing sector and plan allocations to promote the same. I have used that data extensively in relevant chapters in this project.

---

12 Internet website www.robertwinton.com
In addition to these sources, I have referred to the following databanks

1. Journal of Real Estate and Property Management
2. Journal of Real Estate Literature
3. Journal of Property Management
4. Centre for Monitoring of Indian Economy – quarterly and annual numbers.
5. C.S.O. data
6. R.B.I quarterly bulletin
7. Statistical Outline of India
9. Reports on trends and progress of housing in India, published by National Housing Bank (June 1992)
10. World Development Report (yearly publication)
11. U.N. Handbook of Statistics
12. Kissing's recorder of World Events
13. Sahara India's plans of new housing cities.
14. Special housing schemes launched by various states in India.
15. Reports published by "Townships and Area Development – TERI highlighting successful models of Gurgaon, CIDCO, Navi Mumbai,
16. CII (Confederation of Indian Industries) specially invited papers of Real Estate Conferences
17. ICICI Bank Property Services which provide "Complete Real Estate Services" to the corporate customers: House Journals
18. Websites of world's leading consultants like Len Foley, Robert Winton etc.
19. HUDCO's workshop study material.
20. Literature produced for consultancy and assistance by Millenial Housing Commission 800, Capitol Street
22. Washington in the area of Affordable Housing through the Home Investment Partnership Programme, Committee Block development grants, HOPE VI Programmes,
25. Occasional papers from CREDAI conference
26. News references and articles from leading National and International dailies e.g. TOI, ET, HT, the HINDU
27. Literature published by International Property Foundation.
28. Articles regarding “National Policy on Land Records”
29. Papers on Land Management in India.

The detailed list of all reference books, research theses, reports of expert committees, seminar papers, articles etc., has been furnished by me in the Bibliography, in the appendix of this research thesis.

In addition to the extensive secondary data search primary data has been collected by surveying over a hundred marketing executives to study how their strategic marketing plans affect supply and demand of housing and real estate in Pune city. Also case studies of seven of Pune’s leading developers was undertaken and completed.