CHAPTER – 2
Review of Literature
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REVIEW OF LITERATURE

This chapter provides reviews of studies and profile of housing industry: Julius Ajilowo Bayode Olujimi (2010)\(^1\) Says that Housing represents the most basic of human need and it has a profound impact on the health, welfare, and productivity of individuals. For housing to produce these impacts, it must be adequately provided with functional infrastructure. In Nigerian urban centres, these basic infrastructure have suffered major neglect over a long period of time in the hands of government and its different agencies that are expected to provide and maintain the infrastructure. Therefore, property developers are responsible for the provision of the infrastructure in their properties which have increased the development cost of the properties. For the property developers to continue to invest in property development, the rental values of the property must continue to be attractive to allow developers recoup back the investment on such property. This study therefore investigated into the available infrastructural facilities in residential properties in Akure, Nigeria and analysed their influence in the determination of the rental values of the properties. Akure was divided into four residential zones and one hundred and ninety tenants were randomly selected for interview. Eleven infrastructural facilities were identified as peculiar to residential properties in Akure. The study employed multiple regression model to determine the influence of the infrastructural facilities in the rental values of the property while the step-wise analysis revealed that wall-fence and installed burglary proof are significant determinants of rental values of residential properties in Akure. However,

\(^1\) Arts and Social Sciences Journal, Volume 2010: ASSJ-10 - Analysis Of The Relationships Of Infrastructural Facilities In The Determination Of Rental Values Of Residential Properties In Akure, Nigeria Department of Urban and Regional Planning, Federal University of Technology, Akure, Ondo State, Nigeria Correspondence: olujimi54@yahoo.com Published online: July 31, 2010
Pearson’s Product Moment Correlation Coefficient matrix was used to verify the significant level of the independent variables. The study concluded that although other infrastructural facilities are also necessary but residential property developers should essentially ensure the provision of these two infrastructural facilities in order to attract higher rental values.

**FEDRICK (2009)**\(^2\) finds out that real estate developers were consistently faced with the issue of making decisions on the types of property to invest their hard earned income or highly competitive secured mortgage funds, which were attached with high lending rates. One of the different sectors that are begging for such investment is residential property development. Approach: This study evaluated the effects of available infrastructure in residential property on its rental values in Akure, Ondo state, Nigeria. Two different sets of questionnaires were designed and administered for the collection of primary data used in the study. The first set of questionnaires was for the tenants of residential property while the second set of questionnaires was administered on the practicing estate surveyors based in Akure. The questions in the questionnaires amongst others probed into the types of available infrastructure in the rented apartment, rent paid, income of household-heads and family size. Primary data collected were subjected to multiple regression analysis and the determination of the effects of each of the available infrastructure (water, electricity, access road, kitchen, toilet, refuse disposal facility, wall fence, installed burglary proof, drainage channel, day watch-security and night watch security services) on the rental value was achieved. Results: The study revealed that infrastructural facilities contributed 30.50% in the determination of rental values of residential buildings in Akure; of which the provision of wall-fence round the building and the installation of

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\(^2\) Effects of Infrastructural Facilities on the Rental Values of Residential Property Department of Urban and Regional Planning, 2Department of Estate Management, Federal University of Technology, Akure, Ondo State, Nigeria
burglary proof in all the windows played the most important infrastructure. Conclusion: Property developers that want to invest in residential buildings development should endeavour to provide these two infrastructure amongst others with a view to earn attractive rental values on their residential property in Ankur in particular and towns and cities in developing countries.

Wen Yan (2009)\(^3\) finds out that China’s economy is experiencing rapid urbanization, which is featured by both inefficient rural residential land and insufficient urban construction land. Another characteristic of China’s urbanization is the frequent phenomenon of “over-urbanization” in developing countries. Population cannot be urbanized as quickly as land, mainly because migrants moving out of rural areas have no affordability of the urban housing. The purpose of this paper is to establish a framework of coordinating urban construction land and rural residential land, changing the inefficient rural residential land into arable land and as the same time increasing the quota of urban construction land, which can both help to improve the supply of urban construction land and help to meet migrants’.

M. Sitar and K. Krajnc (2008)\(^4\) narrates that following the already proved models the sustainable planning culture is endangering several towards the needs of tenants in the existing post-war housing stock. The case-study of our project is the renewal of the multi stored building in the housing estate Metalna, Mariborffezno (1949). It is based on the sustainable renovation principle for the quality of sustainable housing in functional, technological and environmental point of view. According to it, the idea of the project was to improve the functionality of the building as well as of individual housing units. One of the main goals was to introduce the variety of space and typology of

\(^3\) Exchange of Rural Residential Land in China College of Business, Agricultural University of Hebei Baoding 071000, Hebei, China Yueming Xu College of Business, Agricultural University of Hebei Baoding 071000, Hebei, China E-mail: xymbd@126.com

\(^4\) HOUSING FOR THE URBAN POOR Open Access Author Manuscript Sustainable Housing Renewal University of Maribor, Faculty of Civil Engineering , Smetanova 17,2000 Maribor, Slovenia
individual housing units. Beside, there was an intention to rebuild and redesign the green area, especially the problems of parking and playground for children. On the other hand, the project is introducing the low-energy renovation principle including new technologies, structural elements and materials. Two scenarios of technological renewal were suggested. The first one was a classical one using additional thermal insulation of the building envelope and fitting of new structural elements such as windows, doors, balconies, windbreaks etc. (Renewal 1). The second scenario, however, included the sunspace construction used as a new passive solar structural element, modifying the envelope (Renewal 2). The energy efficiency of the suggested scenarios were calculated according to the procedures given in EN 832 standard considering the attached sunspace as integral part of the building in first case and as a passive solar object adjacent to envelope of the building in the second case. The results show that the last case yields the energy efficient renewal of the existing residential building.

Nearly 100 crore people, i.e. one-sixth of the world's total population do not have proper housing and live in unauthorised colonies,

Poor people play an important role in urban economy. They are indispensable to the cities as manual labour that keeps the cities running is supplied by them. They are real architects of urban facilities but their own life is endangered with poor facilities available to them. Urban poor are worst sufferers in the sphere of housing. 1996 Global Report on Human Settlements had defined 'Poor' in the context of 'Housing' as the individuals and households who lack safe, secure and healthy shelter with basic infrastructure such as piped water and adequate provision for sanitation, drainage and removal of household waste areas. squalor or slums. While in developing countries, 43% of the urban population lived in slums, in developed countries, around 6% people lived in slums. In India, a little over 28.5 crore people live in urban areas, out of which around 4.06 Crore i.e. 22.8% of the urban population lived
in notified slums in 607 cities/towns. Percentage of population living in slums had increased from 17.5% in 1981 to 22.8% in 2001. Living conditions in areas inhabited by the poor, especially in slums and squaller settlements are a matter of concern. 10-12% structures in urban areas were dilapidated and required immediate major repairs.

11 % of the dwelling units in slums and squatter settlements and 4% of the units in other urban areas did not have access to drinking water, electricity, and latrine all the three essential facilities within premises. Streets are narrow and kutch. Absence of rain-water drains and proper sewerage leads to water-logging providing breading place for mosquitos and other insects. Ventilation in houses is simply absent. In short, the whole environment is fraught with dangers of disease and higher mortality rate. Pale and frail faces of the poor people especially women and children living in these areas are a naked pointer to the fact that they lack healthy shelter and neighbourhood. Besides health hazards, spread of HIV/AIDS, drug-ediction and drug-pedalling, illiteracy and youth unemployment are more pronounced in the areas inhabited by the poor. These areas provide easy shelter to criminals and unholy inter-face between the abject poor adolescents and the criminals resulting in / possibilities of increase in crime rate in urban areas.

John Peter (2008)\(^5\) provides contribution to the project "The Rehabilitation of Large Housing Estates in Romania" developed under the auspices of the National Council for Higher Education Scientific Research. It addresses the relationship between housing policy and local development policy mainly from an institutional and legislative perspective, focusing on the actors involved in supporting housing and urban renewal actions in Romania. The role of local public administration is particularly envisaged, considering

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\(^5\) The large housing estates rehabilitation policy in romania. Evaluation from an institutional perspective
the authority of city councils with regard to rehabilitation of apartment block areas and, in a wider context, to urban regeneration. Case studies on two Romanian cities will be presented in order to reveal not only current opportunities but also a series of drawbacks in this process.

**Maxworth (2008)**\(^6\) points out Indoor concentrations of air pollutants (benzene, toluene, formaldehyde, etaldehyde, acrolein, nitrogen dioxide, particulate matter, elemental carbon and ozone) were measured in residences in Regina, Saskatchewan, Canada. Data were collected in 106 homes in winter and 111 homes in summer of 2007, with 71 homes participating in both seasons. In addition, data for relative humidity, temperature, air exchange rates, housing characteristics and occupants' activities during sampling were collected. Multiple linear regression analysis was used to construct season-specific models for the air pollutants.

**Process of Housing Transformation in Iran**

Abstract: Iranian houses have changed dramatically in recent decades. The changes took place in three different periods in which social, economic, one technological transformations caused physical and morphological changes. This paper discusses the process of change analytically, emphasising the importance of compatibility between the house form and lifestyle. The spatial characteristics of traditional Iranian houses reflect natural, geographical, one cultural needs. There was a harmony between people's needs and the physical characteristics of the house. In the transition period, however, a new residential type appeared, in which living spaces were categorised according to their general functions. Spatial arrangement, together with plan layout one proportions, facilitated the limited potential for varied lifestyles. In the contemporary period, apartment buildings became prevalent. In this new type

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\(^6\) Predictors of Indoor Air Concentrations in Smoking and Non-Smoking Residences
residence, the physical characteristics of the house have changed considerably. while living habits and lifestyles have not changed at the same pace. This people concludes that habitats should be physically harmonious with traditions and lifestyles: otherwise, residents would react and try to change the environment according to their wishes. When the environment itself is not changeable, residents have to adapt themselves to their new conditions: consequently, some valuable traditions would be lost forever.

The Satisfaction of Residents on Community Facilities in Shah Alam, Malaysia

Residents in urban areas are well provided with available facilities to choose from; may that be for education, grocery shopping eating, recreation, praying, medical services and others. Residents can choose any of these facilities for their needs and wants. There is however some variance in the choice of facilities for different types of housing areas. The availability of facilities Residents in urban areas are well provided with available facilities to choose from; may that be for education, grocery shopping, eating, recreation, praying, medical services and others. Residents can choose any of these facilities for their needs and wants. There is however some variance in the choice of facilities for different types of housing areas. The availability of facilities has to some degree affect the satisfaction of residents towards their housing environment. This paper revolves around the findings of a research relating to the level of satisfaction of residents in urban low cost flats towards the availability and accessibility of facilities in two cities. There are a total of eight locations of low cost flats; five of which are located in the city of Shah Alam and three locations in the city of Klang. Combinations of qualitative and quantitative methods were used to approach this study. Survey data were and lysed through the SPSS program and also by the Grounded Theory Analysis. The findings show that the factors of availability and accessibility of facilities play an important role in the level of satisfaction of these residents. Findings
also show that the respondents in Shah was prepare~ with the assistance of French companies, it was explained that one storey houses are the consequence ~f poor construction techniques, and central courtyards are the reflection of old social convention, freedom will eliminate the need for introverted areas and will odd to the prevalence of apartment living, alconies will substitute for courtyards, and elevators will increase the number of building stories (Farmanfarmaian rd Gruen, 1968),

Alam are more satisfied compared to those in Klang towards the community facilities domain in their housing area. In general, it can be concluded that residents living in Shah Alam has a higher level of well-being than in Klang where facilities domain is concerned.

In developed economies, main concern is to provide decent housing, as the problem of houselessness is much subdued there. On the other side, problem in developing and undeveloped economies is one of providing basic shelter to the ---Urban poor. World Development Report-1994 had stated that growth of slums in India is primarily due to inadequate infrastructure. Further, though proportion of population living below the poverty line has shown a decline, number of people living in slums has, however, increased. Thus, besides poverty, there are number of other factors responsible for the growth of slums. Slums and squallers are generally set up on government land usurped illegally in collusion with authorities. However, fear of demolition and loss of shelter always remains lingering in the hearts of people living there. Majority of those living in such areas suffer from lack of feelings of brotherly-neighbourhood. People living in authorised colonies surrounding slums and squaller are always uncomfortable with the presence of the latter around them. As such, all efforts are made by them with the help of authorities and even judiciary to remove squaller from their areas. Some organised, mass-scale efforts have also been made by the authorities to rehabilitate slum dwellers at suitable alternative locations. Delhi is a notable example where mass-scale
rehabilitation attempts have been made by the State in the past. Such efforts have been great success in some areas and super failure in certain other areas. Failure of rehabilitation attempts has been more pronounced in cases where alternative sites were not commutable, and employment & basic essential civic facilities were not available nearby. At the individual level, slum/squaller dwellers have been found to have sold the alternative sites allotted to them and returned back to usurp on some other govt. land lying vacant and unattended. Thus, the solution of rehabilitation in itself became a new problem.

World over, local authorities have failed to provide land or shelter to the teeming urban poor populations in accordance with their City Plans. Besides being one of the reasons behind mushroom growth of slums and squaller, this has led to creation of 'unauthorised colonies' by private land owners, generally on agriculture land in the suburban areas. Initially, only urban poor who do not have the resources to hire or acquire house in planned/authorised colonies, venture out to buy land in such unauthorised colonies and construct dwelling units thereon in an unplanned manner with their own resources or borrowings raised from informal sector at higher than rates prevailing in the formal financial sector. Failure and/or connivance of the political and administrative authorities, including vote-bank politics, have helped in setting up of unauthorised colonies in hordes in growing cities and towns. These" colonies lack basic civic amenities until the same are regularised by the government and contribute a lot in degradation of the environment in the city. Further, even though having owned DUs, the people living in these colonies continue to remain 'Housing Poor'.

Besides failures of the authorities, various laws also hamper availability of suitable sustainable shelter to the urban poor. In the context of India, Urban Land (Ceiling & Regulation) Act, 1976 (ULCRA) was largely responsible for the artificial scarcity of land, resulting in making Mumbai and Delhi one of the most expensive real estate markets in the world. ULCRA enacted in 1976 to
restrain hording of urban land and prevent urban congestion, instead created more scarcity as over 90% of the land declared surplus in the hands of landowners got locked up in litigation. The Act was repealed by the Centre in 1999 and 10-odd States later-on; and new provisions incorporated for imposition of vacant land tax and providing EWS and LIG category houses while sanctioning housing projects. It is expected that the provisions of the Urban Land (Ceiling & Regulation) Repeal Act, 1999 will help in freeing the supply of usable urban land for housing construction. Remaining States need to follow suit at an early date.

High property prices and non-availability of finance from the formal financial sector prevent the poor from acquiring/building houses in authorised areas. Financial institutions be they banks, housing finance companies or others are not tuned to financing house-acquisition by the poor. Absence of regular source of income, inability to arrange down payment, create mortgage in the case of unauthorised areas and/or provide suitable collateral are among the main impediments. Self-employed borrowers are unwelcome in the banks and housing finance companies. This approach of exclusion of the poor borrowers from access to the formal financial sector flows from the fallacy that the loans given to the poor will not be repaid. Policy of loan melas and loan waivers in the past had fuelled this approach.

Urban areas are witnessing population explosion due to, besides other reasons, migration of rural poor people to urban areas for want of adequate employment opportunities in rural areas. Focus on reducing over-reliance on agriculture and development of agro-based and other suitable industries in rural areas can help in generation of alternative employment options before the rural poor thereby preventing or reducing their forced migration to urban areas. Earlier Food-for-work programmes and now the proposed Employment Guarantee Programme for the Rural Poor could be a shot in the right direction, if implemented successfully! Similarly, environment friendly, efficient and
time-saving means of transport services within the urban areas and also between rural areas and nearby urban areas will help in reducing migration pressures on the urban areas.

Besides land and finance, other inputs that go into the making of house are building materials and labour. Urban poor can ill-afford extensive use of reinforced concrete and other costly materials. Hence, we need to work on cost-effective eco-friendly alternative building materials. Use of resources locally available in abundance is highly recommended. Similarly, house designing should support use of natural light, ventilation and solar energy. Also, house design, construction and building materials should be able to withstand the vagaries of nature including earthquakes, as the poor are the worst sufferers when such calamities strike.

Despite all the efforts and arrangements, there will be some poor people who can't go for owned housing. Such people have to be provided rental housing. Local laws have to facilitate rental housing. Similarly, large employers including corporates need to be encouraged to provide housing to the urban poor labourers within the factory premises or nearby areas.

There will be some poorest of the poor destitute who do not have means to even arrange for food, what to think of housing owned or rental! Such urban poor have to be provided temporary shelter in night-shelters and other such philanthropic arrangements so as to save them from face-off with death every night.

Good homes are built on people, rather than on buildings! During the World Decade for Cultural Development, while aiming at providing housing to all the urban poor, let us also ensure that the same takes place with a human face. It should not erode traditional value systems and culture, but promote the same. City planning and shelter layout should not generate a sense of isolation
in the inhabitants. It should instead generate a sense of belongingness, community, togetherness and happiness.

Settlements have historically been shaped by their need to be compatible with social norms and lifestyles. As Nasr noted, "the external environment which man creates for himself is no more than a reflection of his inner state" (Nasr, 1978). This reveals the connections between social needs and the built environment. The prevailing lifestyle, rooted in social and cultural characteristics of the society, embodied in the composite elements of residential unit Early in the 20th century, a drastic change in architecture took place in many developing countries, as the tradition< architectural style was replaced by the modern style. Tr change occurred so rapidly that it represents replacement rather than adaptation. Thus, loc< architectural forms, which had responded to the physic, and cultural requirements of the people for thousands years, were neglected completely (Behsh, 1993). As Bianc conveys, there are some structural conflicts between traditional Islamic concepts and modern Western planning methods. Some examples of the conflict are different concepts of community structure, planning, an architectural forms (Bianca, 2000). However, changing the physical characteristics of environment is much easier than intervening in social are cultural norms. Therefore, while modern style has rapid changed the housing units, modernist ideology we unsuccessful in making drastic social changes. As a result people could not follow their customary patterns of life the new houses. For example, in many Muslim societies, traditional house was developed to accommodate (extended family comprising several generations. n spatial characteristics of the house offered each generation the possibility of adhering to its own way of life while at the same time maintaining a mutual relations

Most houses accommodate varied functions, not limited to residential activities. In some cases, the house was also the workplace. This would happen when the head of the family had an office or workshop in an independent area
of the house. In this case, the interior territory of the house (biruni) would be separated from the exterior area (andaruni), with the andaruni occupied by women and children, and the biruni by men and visitors (Einifar, 2003). Women had an important role in household economic activities. Apart from cooking, washing clothes and dishes, and taking care of children, they produced handicrafts such as rugs and textiles (Soltanzadeh, 2005). House spaces were adapted for these varied activities.

Therefore, an Iranian house was a multifunctional unit designed for residential, economic, and service functions.

CONTEMPORARY HOUSES

Since the beginning of the 20th century, Iran has witnessed great social, economic, and cultural changes that have influenced different aspects of Iranian life. Architecture, as the physical embodiment of social life, has changed to a great extent. Contemporary housing began to be constructed in Iran around 1961 (Haeri, 1997; Soltanzadeh, 2005). The period from the last years of the Qajar dynasty to the beginning of 1961 was called the transitional period (Soltanzadeh, 2005). The architecture of the transitional and contemporary periods saw the emergence of different styles, depending on new building technologies and various other influences.

Transitional Period (the last years of the Qajar dynasty to 1961)

In the transitional period, neighbourhoods lost their mixed use social and economic functions and changed to strictly residential districts. Land parcels were reduced in size and shaped more geometrically, mostly in rectangular forms. The rectangular lots influenced the spatial characteristics of the houses. As the lots became narrower, the built area had to be located in the northern and southern parts of the land, with the courtyard in the middle. When the house faced south - which was the case in most examples the northern part,
facing the sun, was the main two-storey residential area, with the ground floor allocated to living areas and the first floor to guest rooms. The other section usually had one storey above ground and one below. The kitchen and service areas were located in the basement, below ground level (Soltanzadeh, 2005).

Physical and functional characteristics

In the contemporary period, traditional houses were largely abandoned while apartment buildings became more prevalent. In the new type of residence, each household had smaller living areas and a shared courtyard (as opposed to the individual courtyard of traditional houses), which belongs to all families living in an apartment building (see Figure 5). New building regulation, which allows buildings to cover 60% of the land parcel and left 40% for open space, had a great effect on the spatial organisation of houses as well as on urban design. The central courtyard is now located in the front and multi-storeyed apartment buildings became the dominant type of preferred housing (Soltanzadeh, 2005).

The biggest change was the assignment of single functions to the living spaces, transforming the multifunctional character of the room. The living room was dedicated for daily activities, the guest room for accepting relatives and friends, bedrooms as personal spaces, and kitchen, bathroom, and toilets for services (Soltanzadeh, 2005). This new type of residence introduced modern facilities for more comfortable living, but departed greatly from the familiar traditional houses.

Life Styles

Modernisation INDIA has led to many social, cultural, and physical transformations. However, these changes concentrated on the physical or external aspects of life, leaving unchanged most cultural norms and values that constitute living habits. New apartment buildings, which are the most
commonly used residential pattern in big cities, are completely different from older traditional houses.

The contrast between lifestyle and living spaces is an unsolved problem, especially in multi-family residential complexes. An Iranian family living in an ordinary apartment building has no chance to choose its neighbours. In big cities, people from different parts of the country, speaking their own languages and living according to their original cultures, reside next to each other. This makes for serious problems among people with different beliefs and diverse living habits.

Modern facilities played a great role in changing living habits. For example, the use of electrical cooking equipment and ready-made meals has become more common. Therefore, the kitchen is now losing its traditional importance and becoming a place for warming foods and washing dishes. Women are more active in social and economic activities, and spend less time on housework and taking care of children. Facilities such as nursery schools and ready-made food simplify their lives and facilitate a more active social life.

The physical characteristics of houses have been transformed profoundly. Inward-looking courtyard houses changed to outward-looking residential complexes with a shared courtyard. The arrangement of the housing space, which used to follow geometric rules, now follows the geometry of land parcels. Multifunctional spaces are replaced by single-function rooms. The combination of open, semi-open, and closed spaces, which formerly enhanced spatial diversity, has been replaced by a shared courtyard and private, closed living spaces. Balconies, which were intended to substitute for courtyards, were instead combined with closed spaces and used chiefly as store-rooms. There is no usable rooftop or basement to accommodate living activities in hot summers.
The physical changes took place simultaneously with social transformations, Patriarchal extended families, which were formerly the dominant household model in Iranian traditional society, were replaced by independent nuclear families. Household sizes have declined considerably, and new forms of household composition are gradually appearing.

However, the lifestyle has not changed significantly. In the process of urbanisation, some authorities have tried to enforce fundamental changes on residents' culture by transforming their physical environment. Experience has shown the failure of this process: habitats should be physically harmonious with traditions and lifestyles; otherwise, residents will react by changing the environment according to their wishes. When the environment itself is not changeable, residents have to adapt themselves to the new conditions; consequently, some valuable traditions would be lost forever.

With an abundance of inexpensive materials available today, modern homes can combine low cost with good design.

A home is the single largest investment that most people make their lifetime. With an abundance of inexpensive materials available today, modern homes can combine low cost with good design. If you are considering building your own house, the choice of Materials and proper planning of your budget can make your home affordable yet elegant.

Choice of design

Make the most of a south facing site by having a majority of windows face in this direction and harnessing solar energy. Rooms should be oriented to receive day light, thereby reducing lighting requirements and keeping your power bill to the minimum.
Exterior finishes

Choose durable, low maintenance exterior finishes to reduce long term care and replacement costs. Fibre – cement siding and roofing are durable, fire and insect proof. These can be nailed on and painted to resemble wood. The durable quality of these materials makes them a cost-effective choice, particularly in wet climates, which make the maintenance of wood siding difficult.

PLAN INTERIORS While drawing up the budget for your home, besides the cost of construction and other documents it makes sense to also draw up the plan for the interiors.

WALLS

The lesser the number of walls inside a home, the lesser the cost of construction. Working on an open plan would be most feasible. Having an open kitchen kind of design with a short dividing wall can bring down costs considerably.

COST EFFICIENT DOORS

The latest technology in affordable doors incorporates the user of a layer of paper panel sandwiched within the door. The paper core is in the form of honeycombed structures consisting of octagonal cells that can be adjusted to achieve different compression strengths. The remarkable feature of this new line is the strength-to-weight ratio, which is higher than that of traditional solid structures. This inherent weight advantage translates into longer lasting doors.

FLOORING

Laminate: This is a good substitute for wood and looks just as classy. It is durable and easy to clean and can be laid out in any room that has heavy traffic.
Laminate flooring can be installed in a day and right on top of the existing floor. It can also be dismantled just as easily. So, if you are living in a rented apartment you can carry it with you when you move and re-assemble it in your new home. Prices start at 140 per sq.ft

Laminated title: Affords versatility in design. Colour and texture. It is affordable and easy to maintain and good for most rooms except kitchens.

Vitrified title: Vitrified tiles are the flavor of the season. Vitrified flooring for a 1,000 sq ft apartment can be done for '1.5 lakhs including labour charges.

Hardwood: Hardwood is available in a variety of options such as jackwood and cherry. This is a low maintenance variety and hence usable around the house.

Vinyl: Though this was primarily used in factories, there are colourfull options available for modern, functional homes. It needs very little maintenance and is waterproof cost of painting depends on the material cost. A low-end emulsion costs between '100 and '120 a litre. However, while low-end emulsion, costs less, it lasts only for two or the has a matte-finish, unlike the expensive, simple innovations such as raw brick walls, glass and tile pieces embossed in wet concrete and stippling can do In orders to your walls without going overboard.

WINDOW DÉCOR

Window shades are providing to be cost-effective option, instead of conventional drapes and curtains. Not only are they functional, Not only are they functional, easy to maintain, clean and decorative, they also protect against heat loss in winter and keep the heat away in the summer. They reduce heating and cooling costs by at least 25 percent. These affordable options come
in a variety of vertical and Venetian blinds and roller shades.

CABINETS

Sticking to low cost options in wood for cabinets seems prudent, especially in times of rising light and can be changed frequently to suit the interior décor theme on wardrobes and kitchen cabinets.

TERRACE LAUNDRY AREA

If you’re building your own house, shelves, to sort and fold your clean clothes. Ensure that the washing machine is kept nearby and plan the wiring and plumbing in such a way that you can convert this part of the terrace into a room in the future.

Despite an economic growth of 8% and a buoyant real estate in a recent study by CI (Federation of Indian members of Commerce and Industry) and Ernst & Young called Realty Decoded, India, was ranked fifth in the overall country index of attractiveness for foreign direct in vestors. While China was ranked as the most attractive destination for FDI (foreign Direct Investment) two countries which are actually going through a prolonged recession – US and UK, were spectively while Singapore was in the fourth spot.

Interestingly, all these countries lagged behind India when it came to the country Development Index (denoting the rate of economic growth) and the Real Estate demand supply situation). Dr Amit Mitra, Secretary General, FICCI, says, “With projections of over 8% growth expected this fiscal, invetors are returning to India with greater confidence., The future of India real estate will significantly depend on in vestor friendly policies, clear and transparent regularly framework for the sector.”
International property consultants say that further growth will depend on the way the industry functions and the laws pan out. Santhosh Kumar, CEO—Operations, Jones Lang La Salle, India, says, “The level of interest that foreign investors display in Indian real estate will depend significantly on the markers growth and potential for growth. We still need to edge up the transparency ladder, get more practice on completing pending infrastructure projects and providing faster clearances for large developments. In other words, the issue does not hinge solely on what the Indian real estate has to offer to global investors, but also on what confidence it in spires in them to invest into it.” Gulam Zia, National Director, Research and Advisory Services, Knight Frant, India is more cautious “Although the real estate market is attracting better FDI, it is not significant yet, as the investors are still wary. Too many delays, false promises and confusing laws make it difficult for them to bolster confidence, says Zia.

Our Cities are inexorably growing at a pace that we can scarcely imaging. Where once there were fields and scrub on the fringes of the city, is now a mass of concrete, glass and asphalt. It is any wonder than that we yearn for some semblance of nature amidst our concrete mazes that we call our homes.

With Chennai spreading its tentacles in several directions the suburbs and the outskirts are now replete with apartments, townships and gated communities. The idea is that now, more than ever, people are prepared to forego the convenience of downtown Chennai, in exchange for an apartment in the suburbs complete with sprawling landscapes, play courts, jogging trackts, water bodies and swimming pools. Landscapes, water bodies, swimming pools have now become integral aspects of a home. In short, people are yearning to get back in touch with all that has been lost our trees, our waterfronts and our wide open spaces.
Of late, it has become a trend that more and more apartment and townships have not just acres of soft landscape but also water bodies foundation cascades mirror pools or swimming pools. The simple fact is that water in a landscape creates a dynamic elements that draws attention, endows character and creates a focal point. After all, who among us hasn’t dipped our feet or our fingers in a pool or a water body. Even if just for a moment? Water, being the most evocative of elements, draws people to it, to sit around, to gaze upon the shimmering dappled surface, to hear the trickle of the cascade or the building of a foundation. Apart from the romanticism and aesthetic, one must also not overlook the fact that, unlike in decades gone by today’s technology to treat water has improved by leaps and bounds. The market is now replete with smaller, silent pumps, powerful filters, etc to recycle water.

The advent of world – class underwater lighting to illuminate fountains, cascades and pools creates a dramatic effect in the evenings, allowing the water features to take centre stage in the landscape, when everything else fades into darkness.

The judicious use of water in the landscape creates a perfect foil for greenery and built elements, allowing harmony of design and balance it creates a dynamic space for people to enjoy. After all in a city with a glorious beachfront as ours, is it any wonder that we are enthralled by water.?

According to Merrill-Lynch Capgemini 10th World Report, 2006, India is home to about 83,000 millionaires with net assets worth $1 million each. Goldman Sachs projects that India will be the fourth largest economy by 2025 and the third largest by 2050. The luxury market in India is growing at the rate of 20% per year and is expected to touch $452 million soon, as per the findings of The Federation of Indian Chambers of Commerce and Industry (FICCI) and Ogilvy and Mather (O&M), 2006. All these statistics are testimony to the soaring market for luxury in the country. But luxury, again, is a subjective
term. What then is luxury?

**EVOLUTION OF LUXURY**

Luxury, as a concept, has permeated into all aspects of life. "Luxury" has traditionally meant different things to different people, although, in general, it can be defined as something that's more of an indulgence than a necessity," says Dheeraj Dogra, Co-founder and Director, Mall Mechanics at Beyond Square feet Advisory Pvt Ltd, a mall advisory company that provides solutions to mall conceptualisation and mall management. The company is working on its new luxury boutique mall, Bergamo, on Khader Nawaz Khan Road. A spokesperson for the Taj Group of Hotels in the city however defines luxury as providing the most authentic of experiences in a refreshingly modern way. "It's about giving unique experiences that create lifelong memories," he says.

In the real estate sector, luxury takes on various dimensions. Ask Naresh Jain, MD and CEO, Evolution Lifestyle Homes: "Luxury, in the real estate context, crept into the Indian market slowly in 2003 with large-sized apartments. So instead of the regular 1,000 sq.ft. apartments, developers started constructing 2,500-3,000 sq ft apartments with three bedrooms. This changed the way apartments were designed - space utilisation was given a lot of importance. Materials used in construction were upgraded - mosaics were replaced with Italian marble, paints of better quality were used and more parking spaces were allotted to apartments in this category. Spaces like bathrooms, that were earlier not paid attention to, slowly became prime areas of focus."

**A LIFESTYLE STATUS**

For most people, luxury is a way of life - it's not restricted to owning the most expensive car or the most luxurious apartment. The foray of luxury brands in the city is a case in point. As Dheeraj Dogra points out, "Luxury"
brands have often been associated with creativity; exclusivity, craftsmanship, precision, high quality; innovation and premium pricing. These product attributes give the consumers the satisfaction of not only owning expensive items but also the extra-added psychological benefits of esteem, prestige and a sense of status that reminds them and others that they belong to a group of an elite few.

EXCLUSIVITY MATTERS

According to a survey by FICCI and O&M in 2006, among 80 HNI, (High Networth individuals) across Chennai, Delhi, Jaipur, Kolkata and Mumbai, 25% of the people rated exclusivity as the most important aspect of luxury. Suresh Krishn, MD, Isha Homes, is in consent. He says, "Most clients eyeing this segment want the end product to be exclusive. Apart from that, they look for safety, security and privacy, irrespective of the price tag. These are people who do not mind paying extra to lead luxurious lives." To create an element of exclusivity, developers are furnishing their projects with features like private swimming pools and private elevators, to name a few.

Take the example of Niran Vicktor, 21, who works in the film production industry. He believes that exclusivity is one of the key factors when it comes to choosing an apartment. This is exactly what prompted him to buy an apartment worth more than Rs.2 crore in Besant Nagar. He adds, "I believe that whatever I buy needs to have a sense of uniqueness - it must have style and must make life easier; that's how I define luxury. The apartment I buy, for instance, has to reflect my personal tastes and lifestyle. At the end of the day, everything you choose says a lot about you." He currently lives in a ten year-old apartment in T Nagar. "It appeals to my father but my brother and I decided to look for an apartment that offers more privacy, is less crowded and has like-minded people. This apartment in Besant Nagar has only four floors and one apartment on each floor. Besides, it's close to the beach, has a beautiful garden
and ample parking space," he says.

EGO MASSAGE

Most people like it when their egos are pampered and a lot of industries are cashing in on this quality. "When a client shows interest in one of my projects, he wants to know who his neighbours are - he wants to know if they belong to the same status," says Naresh. That's one of the reasons why some developers have screening processes to select their clients.

CLIENTELE

Dheeraj Dogra says that customers can be divided into three categories based on what luxury means to them. "The first group believes that luxury is about functionality - these people are older and wealthier: and they make decisions based on logic and value rather than on impulse. The second group comprises younger people who look at luxury as reward. To them it's a symbol of success. The third group looks at luxury as indulgence - they have a very emotional approach and want to enjoy luxury for the way it makes them feel," he adds.

A CHENNAI PERSPECTIVE

The luxury market in the real estate sector in Chennai is worth about Rs.200 crore but it caters to only about 1% of the city's population. The need of the hour, therefore, is to develop more projects in this segment. But there are a few areas of concern. Builders need to change their mindsets and be open to catering to the luxury segment. Another stumbling block is the non-availability of land parcels in the city and skilled labour.

Dheeraj Dogra, though, is more positive. He says that in 2000, the city's personal income was a whopping Rs.12,488.83 crores and it is predicted to
grow into a 100 billion dollar economy by 2025. This literally means that with the personal incomes of people in the city soaring, more consumers will eye the luxury segment in the coming years. Given the growth of income and population luxury home segment in Chennai is expected to be the fastest growing segment amongst various segments, based on the positive outlook and the macro-economic drivers.

But the luxury residential market in the city is yet to evolve and is not at par with Mumbai, Delhi or Bangalore, yet. He says, "The city definitely has a market in this segment - luxury projects are being proposed in a few locations in the city. However, the situation will improve and the consumers will have more options to choose from, or the luxury projects that are under construction get deliver That apart, sustained interests in such projects from investing classes will also go a long way in giving the city's luxury market, more clarity, Only time will tell.

The luxury market in Chennai, till recently, was very small, with very few small-scale projects promoted from time to time. However, the current trend is to introduce large-scale projects in the luxury segment in prominent locations. The reasons for this are many. Before the slowdown, the predominant focus of developers was on the middle income and upper middle income families (Rs.30 lakhs to Rs.80 lakhs). This led to high levels of supply in this segment and a lack of activity in the higher and lower budget categories. The slowdown provided an opportunity for developers to look at other target segments outside the middle income families.

That apart, as cities are growing in the peripheries, the premium attributable to high end central locations has also increased substantially. Then of course, there is the question of quality. The overall product quality even for the mid-end and upper mid end products has considerably improved as a consequence of developers getting more organized and benchmarking themselves
to good products available outside India. Things have changed for developers too. Today, they have the financial capacity to invest in large-sized land parcels within the city due to the availability of funds. With the real estate market getting organised, developers are also willing to take larger responsibilities and risks.

On the demand side, this will translate into an increased exposure to global standards, higher affordability due to growing income levels and the inclination to indulge in luxury offerings. The initial response to some of the recently launched projects has been very positive. However, these are early days as most of these large scale luxury projects have been recently announced or are on the drawing board and hence, the verdict on the tenacity of this market will depend on the response these projects will receive in the near future.

THE HOUSING UNDER FIVE YEAR PLANS

1. The policies of urban development and housing in India have come a long way since 1950s. The pressure of urban population and lack of housing and basic services were very much evident in the early 1950s. In a country with a vast population, the problem of providing shelter to all has been an issue of great concern to the civil society and the Government. It has, therefore, generally been subsumed that state intervention is necessary to meet the housing requirements of the vulnerable sections and to create an enabling environment for provision of shelter for all on a self-sustainable basis. Concrete governmental initiatives began in the early 1950s as a part of the First Five Year Plan (1951-56) with a focus on institution-building and housing for weaker sections of society. In the subsequent five year plans, government action ranged from strengthening the provision of housing for the poor and the introduction of several schemes for housing in the rural and urban
regions of the country. During the early years of housing development in India, initiatives were taken mostly by the Government, and it is only in the recent years that private construction activity has made significant contributions mainly in urban or semi-urban regions in the area of housing/real estate development.

2. The scope of housing program for the poor was expanded in the Second Plan (1956-61). The Industrial Housing Scheme was widened to cover all workers. Three new schemes were introduced, namely, Rural Housing, Slum Clearance and Sweepers Housing.

3. In 1959 the Central Government announced a scheme to offer assistance in the form of loans to the State Governments for a period of 10 years for acquisition and development of land in order to make available building sites in sufficient numbers. The general directions for housing programs, in the Third Plan (1961-66), were coordination of efforts of all agencies and orienting the programs to the needs of the Low Income Groups.

4. The Fourth Plan (1969-74) took a pragmatic view on the need to prevent the growth of population in large cities and decongestion and dispersal of population through the creation of smaller townships. The Housing & Urban Development Corporation (HUDCO) was established to fund housing and urban development programs. A scheme for improvement of infrastructure was also undertaken to provide basic amenities in cities across the country.

The Fifth Plan (1974-79) reiterated the policies of the preceding Plans to promote smaller towns in new urban centers, in order to ease the increasing pressure on urbanisation. The Urban Land (Ceiling & Regulation) Act was enacted to prevent concentration of land holding in urban areas and to make
available urban land for construction of houses for the middle and low income groups.

5. The Sixth Plan (1980-85) refocused attention on the provision of services along with shelter, particularly for the poor.

The Seventh Plan (1985-90) made a marked departure in the focus given to the government-led housing development stressing on the need to place major responsibility of housing construction to the private sector. A three-fold role was assigned to the public sector, namely, mobilisation for resources for housing, provision for subsidised housing for the poor and acquisition and development of land. To augment the flow of institutional finance to the housing sector and promoting and regulating housing finance institutions, the National Housing Bank (NHB) was set under the aegis of the Reserve Bank of India in 1988. The Seventh Plan clearly also recognised the problems of the urban poor and for the first time an Urban Poverty Alleviation Scheme known as Urban Basic Services for the Poor (UBSP) was introduced. National Housing Policy (NHP) was announced in 1988. The long term goal of the NHP was to eradicate houselessness, improve the housing conditions of the inadequately housed and provide a minimum level of basic services and amenities to all. The role of Government was conceived, as a provider for the poorest and vulnerable sections and as a facilitator for other income groups and private sector by the removal of constraints and the increased supply of land and services.

6. The Eighth Plan (1992-97), for the first time, recognised the role and importance of the urban sector for the national economy. The new Housing and Habitat Policy unveiled in 1998 aimed at ensuring "shelter for all" and better Quality of life to all citizens by using the unused potential in public, private and household sectors. The key objective of the policy was on creating strong public-private partnership for tackling
the housing problems. Under the new policy, the Government proposed to offer fiscal concessions, carry out legal and regulatory reforms and create an enabling environment for the development of the housing sector. The policy emphasised the role of the private sector, as the other partner, to be encouraged to take up the land assembly, housing construction and investment in infrastructure facilities. Ever since the added emphasis was given to private initiative in housing development, there has been a rapid growth in private investment in housing with the emergence of real estate developers mainly in metropolitan centers and other fast growing townships.

7. The Planning Commission suggested modification of the Housing policy to incorporate affordable housing program for the BPL category. Considerable efforts were made during Ninth and Tenth Five Year Plans to enlarge the resource base and initiate innovative institutional mechanisms to augment housing delivery in urban areas. Focused efforts were also initiated to cover the poor and vulnerable groups of society to enable them to access basic shelter related services. Fiscal concessions coupled with legislative measures were also initiated to encourage increased investments in housing by individuals and corporate.

8. The National Common Minimum Program (NCMP) has stated that housing for weaker sections in rural areas will be extended on a large scale. The Tenth Plan, therefore, had suggested provision of free housing only to the landless SC/ST families and shift to a credit-cum subsidy scheme for the other BPL families. The repeal of the Urban Land (Ceiling and Regulation) Act, 1976 has been a significant step towards reform in the urban land market. Following the repeal I of the central legislation, a number of state governments have also repealed the state-level law.
9. In order to improve the quality of life in urban areas, the Eleventh Five Year Plan (2007-2012) has stressed the need for improved housing stock through urban renewal in slum improvement and development of new housing stock.

In the early 21st century, the housing industry in India was one of the few sectors that was growing at a healthy 28.30% in spite of the economic slowdown. A host of reasons were responsible for this growth, including favorable government policies, increased corporate activity, and above all, an increasing customer base. During 2000-02, the Government had announced many industry-friendly policies in addition, during the same period, real estate prices had also gone down across the country.

The industry’s strong growth had a direct impact on many other related industries, such as the cement, engineering, paint and steel industries. One industry that experienced hectic activity during the period was the housing finance industry. In fact, some industry observers claimed that the case with which housing finance could be obtained resulted in the increase in activity in the housing industry. Not only were customers given tax concessions on housing loan repayments, companies were also given tax rebate on profits earned. As a result, many banks and financial institutions had entered the market with attractive financial schemes. The Government, therefore, came up with a housing policy in 1998 and 2008 that sought to ensure sustainable housing development in the country by creating a facilitating environment for the same. In order to increase the inflow into the housing sector, the Government decided to encourage the participation of the private sector.

As a part of Government of India’s national agenda, the ‘Housing for all’ policy aimed at constructing two million houses every year. Realizing that the increase in housing activity would lead to employment generation and
Improve the economic scenario, the Government announced various tax concessions to boost private sector participation.

Numerous tax concessions were announced for investments in the housing sector. Relief under the Income tax Act and Wealth Tax Act; exemption from capital gains tax, stamp duty reduction and ‘tax holidays’ for increasing housing for weaker sections, the Government announced concessions for raising funds from the market for housing projects for the weaker section of society. Housing Finance Companies (HFC) were also allowed to transfer 40% of their profits to a special reserve which was exempt from tax. The policy also announced 20% of rental income would be eligible for IT deduction. A host of tax concessions were also granted to individuals, making housing loans every attractive.

In July 1998, the Government announced the setting up of the National Housing Bank (NHB), fully owned by the Reserve Bank of India, (RBI), with a paid-up capital of Rs.3.5 bn. The NHB was established as the apex institution in the housing finance sector with the objective of providing housing finance to all segments of society.

The NHB, which also functioned as the regulatory body for the housing finance industry, issued guidelines and directions for HFCs regarding assets classification and the disbursement of loans. It also took steps to encourage primary lending institutions to provide assistance to the housing finance sector. Refinance assistance was also provided by the NHB for HFCs to encourage them to increase their penetration and expand their operations.

In order to increase the funds available for housing finance, the RBI directed commercial banks to allot a minimum 3% of their fresh deposits in fiscal 2002 for housing loans. It was estimated that around Rs.41.33 bn would be allotted to housing loans by commercial banks. The total incremental
deposits were reported to be around Rs.1378.36bn during 2001-02. Banks were allowed to allot funds for housing finance through direct finance, indirect finance or investment in bonds of NHB or Housing and Urban Development Corporation (HUDCO).

The establishment of NHB and the tax concession offered for housing ushered in a new era in the Indian housing finance sector lured by the increase in demand. Many banks and private financial institutions entered the housing finance sectors, making at one of the most ‘active’ sectors in the Indian economy. Initially, HFCs and Non Banking Financial Corporation (NBFCs) dominated the housing finance business. Later many commercial banks troubled by the increasing defaults in industrial advances intensified their focus on the retail housing loan sector. In 2002, HFCs accounted for 82% of the total advances, while NBFCs and commercial banks accounted for 11% and 7% respectively.

As more and moiré players entered the sectors, competition intensified, forcing companies to decrease the cost of loans to attract customers. In addition, RBI’s cuts in the bank rate forced many commercial banks to reduce their lending rates. By the end of 2002, interest rates on housing loans were at an all time low, prompting analysts to declare this period a the Indian housing finance sector’s boom period. Since August 1998, interest rates had gone down by around 255 From 15.25% in August 1998, they had come down to below 10% in 2002.

Due to low interest rates, banks offered customers to ‘floating rate option’. This option contributed to the growing popularity of housing loans. As rates continued declining, floating rate loans became increasingly popular. Since commercial banks offered floating rate on loans, HFCs were forced to offer the same. Reportedly, many customers were swapping their high fixed rate loans with lower floating rate loans. Since all the HFCs were offering
similar products, the companies could compete with each other only through marketing initiatives and customer service.

**Wooing Customers:**

Till the late 1990s the marketing efforts of Indian HFCs were rather limited because the industry was largely a seller’s market. Even the market leaders, HDFC, had not undertaken any major marketing initiatives. The entry of commercial banks and other private sector companies, however, changed the dynamics of the industry, and for the first time, all the players emphasized on marketing.

Many of the HFCs targeted the middle class, which has begun availing of housing loans largely due to the declining interest rates. Analysts pointed out that housing loan companies needed a strong brand image to build a strong relationship with these customers. It was felt that it interest rates increased in the future, this brand image could help companies gain/retain their market shares. Direct marketing emerged as a very effective tool for attracting customers in this industry. HFCs marketed their schemes and provided details about their loan facilities through agents, referred to as Direct Selling Agents (DSAs).

LIC Housing Finance (LICHF), the housing finance arm of India’s largest insurer, the Life Insurance Corporation (LIC), Utilized LIC’s agents for marketing its housing loans. These agents marketed the housing loans of the company and its insurance products. According to the company sources, LIC trained around 2000 of its agents to market housing loan products along with insurance policies. In 2002, the company also appointed specially trained DSAs top sell housing loan products.

LICHF also launched a ‘Corporate Employees Housing Loan Scheme’. Under this scheme, it entered into tie-ups with corporate to extend housing
loans to their employees at lower interest rates, than the existing interest rates. By October 2002, LIC\&H had managed to rope in around 100 organizations under this initiative. It also launched a service called the ‘Green Channel’ facility for catering to the needs of Non-Resident Indians (NRIs). LIC\&H also launched legal and technical services for customers regarding the property they wanted to purchase.

The country’s largest private sector bank, ICICI decided to adopt a customer-centric approach by going to the customer’s doorstep. ICICI announced that it would by competing with HDFC and other HFCs on the customer service front instead of entering into a price war. An ICICI Official said, “In our case, a customer will be offered loans at his doorstep instead of going to the offices of any finance companies by taking a day off.” This decision was take after extensive consumer research revealed that customers found it really inconvenient to visit a finance company’s office again and again. ICICI decided to approach customers through its marketing agencies and franchises even on Sundays and other holidays.

Loans were offered to both corporate and individuals. Along with loans, ICICI even offered personal accident insurance cover and property insurance cover with every sanctioned home loan without any extra charges. It even set up a ‘Home Search’ facility to help customers search for the ‘right’ property. The aim of the service was to make the house acquiring process an easy one for the customer by helping him identify property that suited his/her requirements.

Interestingly, even the comparatively ‘laid-back’ nationalized banks implemented aggressive marketing initiatives for their housing loan products. CANFIN Homes Ltd., (CFHL), the housing finance subsidiary of Canara Bank, set up a central marketing department at Bangalore (Karnataka) to oversee its marketing activities. According to CFHL sources, the department would
develop a database on builders and would approach corporate to increase group ending.

As new entrants began threatening its leadership status, HDFC was forced to undertake marketing activities. It decided to concentrate on building volumes and customer service. Accordingly, it announced a special discount on processing fees for one month in 2002 to celebrate its 25th anniversary. The company also decided to acquire a stake in other HFCs to enhance its customer base and market share. In line with this decision, HDFC acquired Home Trust and a 66% stake in Gruh Finance Limited. According to HDFC sources, these moves brought in economics of scale and strengthened the company’s distribution network to deliver services and products to a larger customer base.

To provide better customer service HDFC entered into an agreement with Tata Consultancy Service’s (TCS) to provide online information, back office data processing facilities and data conversion facility. HDFC also expanded its branch network to give more thrust to retail housing loans.

India’s largest public sector bank, the State Bank of India (SBI) also entered the housing finance market. It planned to differentiate itself by reducing the loan sanctioning time. The bank claimed that due to its fully computerized operations, it would be able to sanction loans between Rs.0.6 mn – 0.8 mn within one day.

Apart from opening personalized service, both HFCs and banks marketed themselves through print and other mass media campaigns. In addition to the above, many HFCs conducted ‘Housing Loan Melas’ (i.e., Fairs/exhibitions) in collaboration with builders and construction companies. These exhibitions provided customers information on various construction activities going on and details about the different types of loans available. In
addition, HFCs offered to waive the processing fees and/or give customer a free gift.

Though the competition made the market more customer-friendly, it also impacted it negatively. Reportedly, to increase market share, companies had relaxed rules regarding credit appraisals and the sanctioning of loans, thereby directly affecting the ‘quality’ of assets. The waiver of processing fees, guarantors, credit references and collaterals was also expected to deteriorate the credit quality. Analysis also felt that offering 100% finance, as some banks did, was not a healthy trend as fluctuating real estate prices could affect the value of the primary security.

In many cases, housing loans were recirculated through rewriting by new players'. Such rewriting of loans let to an artificial increase in the growth rate o the market. Rewriting of loans as not always beneficial to the customer. Due to confusing rules, regulations and general ignorance about housing loans details, customers could end up paying extra money in terms of ‘hidden costs’

However, despite these problems, the fact remained that by 2002, affordability and accessibility to housing finance had increased like never before. According to media reports, the house sector was poised to grow at around 30.355 Per annum. And then the Kelkar Committee made its recommendations, raising serious doubts about the growth of the sector after their implementations.

**Future Prospects**

Many analysts felt that the reduction in tax exemption would negatively influence the housing sector’s growth since the tax exemptions provided to the salaried class had acted as on of the main drivers for its growth. Removing these exemptions would, according to analysts, had to decline in demand,
especially in the Rs.1-2mn loan segment (reportedly, this segment contributed around 80% of the market).

Some industry observers were of the opinion that the removal of exemptions could result in the lowering the real estate prices by companies to attract new customers. However, others felt that the acceptance of the Kelkar Committee’s recommendations would not result in a drop in the cost of real estate because prices had reportedly touched all – time lows. Ashok Narang, Proprietor, L.Lachmandas and Company remarked, “There is already an oversupply situation in most of the big cities in India. So, the prices are more or less close to the bottom”

It was reported that builders were already operating at low margins of Rs.150-250 per square foot compared to Rs.800-1000 in 1994-95, and were surviving largely by concentrating on volumes rather than margins. Some industry observers felt that real estate prices might increase after 2002 in certain localities of cities that were emerging as commercial centers, and in residential colonies coming up on city outskirts.

The Kelkar panel’s recommendations were, however reportedly based on the fact that around 75% of the housing loans were below Rs.0.5 mn and hence the negative impact of the removal of exemptions would not be as high as feared. Until the uncertainties regarding the acceptance of Kelkar’s proposals are cleared, uncertainties regarding the growth of the housing finance sector (and the other ‘related’ industries) would remain.

The first step taken by a company when disbursing a housing loan is determining whether or not the applicant satisfies the eligibility criteria. For eligible applicants, the processing of the application is started and a processing fee charged. Before a loan is sanctioned, HFC’s consider factors such as the applicant’s age, income level and the stability of his/her income streams. Other
factors such as collateral security and mode of repayment also play a major role at the time of sanctioning. Before sanctioning the loan, HFCs appraise of the proposed housing loan. Generally, three types of appraisals are conducted by HFCs – credit appraisal, legal appraisal and technical appraisal.

The loan amount can be disbursed in its entirely or installments. The disbursement amount is generally dependent on factors such as the amount of own funds available and the extent of completion of construction. The disbursement amount is calculated using the formula:

$$RD = AV \times CC/100 \times PC/100 \times AV \times LC/100 - BC-CM$$

Where

RD=Recommendation for disbursement in rupees.
PC= Progress of construction in % points
AV=AGGREGATE Value – LC + CC
LC=Land Component
CC=Cost of construction + Overheads + Profits
BC =Borrower’s contribution
CM=Cumulative Disbursement made

Housing loan are long term loans that are repaid in equated monthly installments (EMI), each of which includes repayment of the interest as well as the principal. EMI payments generally start after the loan has been fully disbursed, or after 12 months from the date of the first installment’s disbursement. The EMI is determined on the basis of loan size, interest rate and loan period. Disbursement of loans through HFCs is generally done on the basis of a fixed interest rate or a floating interest rate.
For determining the EMI, the interest can be charged using two methods – the flat rate system, and the reducing balance system. Generally, interest is calculated on the loan amount for the entire loan period in the flat rate system. In this system, the principal amount plus interest is divided over the loan period to get the EMI. In the reducing balance system, interest is charged on the balance of the loan to be paid, which is ‘reduced’ periodically. The balance can be reduced on monthly, quarterly or annual basis, depending on the system being used.

In a monthly reducing balance method, the loan amount is reduced 12 times a year in a quarterly reducing balance method, four times a year and in an annual reducing balance method once a year. Indian HFCs generally practice the annual reducing balance method while foreign and nationalized banks generally adopt the monthly reducing balance method. In addition to the interest, Housing finance companies (HFCs) charge certain other fees at various stages of the loan disbursal process.

Housing loans are generally disbursed in trenches (that is, in a phased manner) and the initial investment comes from the customer. HFCs regularly inspect the progress of the work and disburse the loan amount accordingly. HFCs also demand a no objection certificate from the builder regarding mortgage of the property in favour of the company. Every time the loan amount is released. HFCs obtain a receipt from the builder (in case the loan amount was directly released to the builder) If already constructed property is being purchased, the loan is disbursed immediately after the client chooses the property and registers the same. The registration papers of the property are held by the HFC till the loan has been full repaid by the client.

The primary source of funds for any HFC is the interest on loans disbursed. HFCs also approach domestic banks and financial institutions for funds and even go for private placement of bonds/debentures for funds. HFCs
also mobilize money through retail deposits, which are usually offered for a period of 1-7 years with some basic facilities as a precondition of capital formation. Because sound health is highly related to the environment offered by the housing and sanitation practices of rural communities, and thus become essential or physical capital formation (Kamble, N.D. : 1948). In recent decades the problems of urban housing has received so much attention of the researchers but comparatively there has been a dearth of studies about rural housing in India, where as per the Census report of 1991, 74.25 percent of the people live in rural areas. The absence of readily available data at the requisite level of disaggregation often limits the scope of housing studies. The Census of India gives National and State level estimates of few general parameters. The NSSO conducts studies at more disaggregated level which are however made only at long indefinite intervals and does not provide information sufficient enough to focus the socio-economic aspects of rural housing at the lower economic levels. Hence, the present study makes an effort to assess the level of rural housing based on primary data, the scope of the study being limited to an area economy consisting of two blocks. In rural India among 16 States, West Bengal ranks 13th in terms of a shelter deprivation index (Sundaram, K. & Tendulkar, S.D.: 1995). The study area not only belongs to West Bengal but also to the district of Malda is one of the poorest districts of the State (Munshi, A. : 1997, 1999). Hence an in depth enquiry of the level of rural housing and sanitation of such an area economy might have a good relevance to indicate the efforts eventually we need to make to need the basic needs of rural housing in the backward regions.
Contracting Woes

More stringent criteria needed

The Indian construction sector is a highly fragmented industry. It is dominated by 20 large contractors, who account for 40 per cent of building activity in the country. Often, they subcontract work to smaller companies. Medium-sized contractors get about 20 per cent of the work, while smaller players handle the rest.

Bidding and contracting process

The process begins with invitations for tenders or prequalification notices.

These are public notices that seek proposals for eligible bidders. They specify, among other things, the nature of work, the schedule for work completion, indemnities and eligibility criteria.

Tenders could be either owner designed or contractor designed. Deals worth up to Rs.200 million are usually owner designed since the owner is responsible for the engineering of the project. For larger turnkey or equipment – procurement – construction contracts requiring multidisciplinary engineering skills, contractors design the tenders. Due to the increasing complexities of building deals, the latter are more common.

Basically, two systems of tendering are followed in India. In projects financed by the World Bank, its affiliates or multilateral agencies, the international Federation of Consulting Engineers' (FIFIC) conditions apply. For public sector units (PSUs), state and union government tenders, variations of the Central Public Works Department contract conditions are adopted.
Though the basic conditions remain the same, individual players introduce conditions according to their specific requirements. Over time, the variation introduced by different government departments have become manifold. Besides, as most projects run huge costs and exceed their completion deadlines, the basic terms and conditions have needed to be revised to ensure timely completion of projects. A document has now been prepared and is being issued as the model bidding and contract document. Efforts are under way to have this document adopted for uniform tendering.

Once the tenders have been submitted, the client undertakes a comparative analysis of the merits of the bidders and prices quoted. The contractor’s previous experience in executing similar jobs, availability of manpower and equipment, suitability of the submitted engineering design and technical and financial resources are also taken into account. The bid is finally awarded based n these criteria.

Shortcomings:

Construction contracts, as of now, suffer from several drawbacks and are not equipped to deal with many concerns..

- The personnel deployed on a project ate often not equipped to handle large assignments. Training of workers has been a long standing issue in the sector.

- Though the price preference of 7.5 per cent in favour of Indian contractors for projects that are put up for international competitive bidding has now been abolished on paper, in practice, such a preference is still shown, especially by PSUs. Hence, foreign contractors do not get into joint ventures with a majority share, and because they end up being the minor partners they cannot effectively participate in the implementation of contracts
- Sometimes, Indian companies attempt to lower their quotes by reducing the involvement of foreign partners. Moreover, foreign companies are not fully aware of the working conditions in India, particularly regarding the extent of taxation, restriction on repatriation of profits, frequent design changes during execution and consent interference by clients.

- Often the contract conditions and the stipulated dispute resolution mechanism are not conductive to the contractors and are loaded in favour of project owners. Hence, deices like an alternative dispute resolution sand a dispute resolution board need to be compulsorily incorporated.

- Stringent eligibility criteria need to be enforced to prevent participation by contractors not fully qualified to handle projects involving modern technologies.

- Delays in payment are a major concern of contractors and often affect their cash flow. This, at times, holds up the completion of a project.

- Safety standards are a major concern. Both during and after construction. Safety norms are never well defined and sometimes not followed strictly. The contract clauses absolve clients and contractors of all responsibility related to the safety of workers.

- Apart from safety, the biggest casualty is quality. The general belief in the industry is that greater emphasis on quality would reduce productivity and increase costs. It is essential for the top management of organizations to demonstrate their commitment to quality if they want to bring in a culture of quality.
Future Trends:

The sector is increasingly being exposed to competition. And it is the small contractors who will feel the heat first. They will have to upgrade their mode of operation, as their delivering capabilities will be one of the deciding factors in the award of contracts. Those who fall to adapt to new technological standards and management practices may find it tough to survive. On the other hand, many contractors will move up the value chain and even take up substantial equity stakes in private build-operate-transfer / build operate-own-transfer projects.

Sector Bottlenecks

Poor contracts, substandard materials, unskilled labour

The construction sector has an estimated turnover of Rs.2.47 trillion and employs a workforce of 32 million. It contributes 5.3 per cent of India’s gross domestic product and it is growing at the rate of more than 15 per cent energy year. Construction activity accounts for more than half of India’s development outlay. It creates a multiplier effect of 1.8 times on core sector industries such as steel, cement, aluminium, petroleum, etc. Considering the significance of the construction sector, it is necessary to identify the major issues affecting the sector’s efficiency and take corrective action. Some of these issues relate to contractual documents, project management, manpower, quality and safety.

Contracting Issues:

Most construction assignments are undertaken through the issue of contracts. The process begins with invitations for tenders or pre-qualification notices. However, there is no uniform bid document ro tender conditions among states, union government, public sector undertakings or private firms.
The tender conditions in government departments are normally one-sided with an overriding saint towards the client, and therefore, not equitable.

Pre-qualification norms often insist on the ownership of modern equipment. When a project is broken into packages, each contractor has to comply with the requirement. For instance, in the Mumbai-Pune expressway, all the contractors had to invest in modern pavers. Each contractor only utilised these for about 20 per cent of their total value and the extra cost was loaded into the project, affecting its viability. The contractual situation forced all the contractors to invest in equipment which they could have shared. It needs to be understood that it is the contractor’s use of specified equipment that is relevant and it can be a condition to contract. It should be immaterial whether the contractor buys, leases or hires the equipment.

In many cases, the validity period of tenders is extended over and over again. Sometimes, the negotiation process drags on and the project goes for retendering. Unethical practices are rife. All this leads to increased costs.

A lot of projects are held up due to disputes. Sometimes, the contract document is badly structured and the stipulated dispute resolution mechanism is not fair, being loaded in favour of the project owners. Arbitration proceedings can also take a lot of time despite the fact that these are meant for quick redressal.

Delays in payment are a major concern of contractors and often affect their cash flows. This, at times, holds up the completion of a project.

The contract documents and the specifications need to be standardized to reduce the arbitrary difference which often exist in contract conditions in similar projects. A “standard tender document” would take a balanced view of the interests of the clients, construction and construction agencies. The bidding and evaluation system also required attention, review and updation according
to international standards in order to impart more transparency and effectiveness.

Stringent eligibility criteria need to be enforced to prevent participation by contractors not fully qualified to handle projects involving modern technologies.

Alternative dispute resolution systems and a dispute resolution board need to be compulsorily incorporated. It would be desirable to include the provision of an adjudication conciliator in contract documents.

Better project management techniques need to be put in place to optimize resources and finish work within the budgeted cost and time. Indirectly, this would also reduce the number of disputes and delays.

Cross-border leasing of equipment and import of second-hand equipment needs to be activated facilitated.

Quality and technology issues

An emphasis on low costs has led to as bidding and bid-evaluation process that focuses mainly on price. Moreover, since bids seldom allow for flexibility in design, contractors have no incentive to invest in design capability, better technologies and good quality materials.

Also contributing to poor quality is the lack of criteria for pre-qualification and for award of construction contracts. Each state has its own pre-qualification norms., The procedures of pre-qualification are time-consuming and generic. Total turkey strengths such as plant management and financial capabilities are rarely recognized as criterion in the pre-qualification.
Since the tenders and contracts are poorly drafted, implementation and execution invariably suffers. For example, fire and safety related issues barely find mention in contracts; neither do quality aspects and timer overruns.

At the site, there is a lack of appreciation and availability of modern construction equipment like cranes and hoists, wheelbarrows, mixers and shuttering and scaffolding.

While major research and development institutions such as the Central Building Research Institute, Structural Engineering Research Centre are working on ways to improve performance of conventional building materials and techniques for reduction of cost and better safety. It is sometimes difficult to fully benefit from these developments since there is no appropriate grass-root level technology transfer mechanism. The professionals lack conviction while the laborers are reluctant in switching to alternative technology or building materials.

There are challenges involved in making materials such as steel, cement, sand, aggregates, bricks, blocks and water available at the most competitive prices and the best possible quality levels. However, the benefits of new developments have yet to make as significant large-scale impact in the construction sector. Steel is increasingly being used as a substitute for concrete. There is a substantial wastage in packed cement. There is high expenditure on plastic sacks, and there is wastage of cement due to seepage. Bulk transport and usage, which can bring down costs and address many of these problems, is still to become popular in India. Globally, more than 80 per cent of cement is sold in bulk, in India this is less than 1 per cent. Moreover, internationally, 70 per cent of cement usage is accounted for by ready-mix concrete; in India this usage is less than 1 per cent. Sand, though easily available, has issues of quality and standardizations. On the other hand, sand substitutes such as pounded fly ash are still not widely used. Similarly, much
more work is required to test, classify and standardize aggregates. In the case of bricks and blocks, there are significant quality variations and there is permanent environmental degradation in fields where clay is sourced. On the other hand, brick substitutes such as cement and fly ash-based blocks are still to become established as competitive alternatives.

**Recommendations**

The government must articulate policies to overcome issues of material supply, delivery and usage and quality and standardization.

As part of the bid-evaluation process, in addition to cost, there is a need to factor in attributes like construction, technology, innovations in use of materials, time required for completion, systems and procedures for monitoring quality and safety during construction and the past record of project completion.

States and local bodies must formulate and implement rules relating to safety, construction practices and monitoring of quality. The tenders and contracts also need to be detailed and unambiguous.

States must facilitate and encourage use of ready-mix concrete, bulk cement and modern equipment. Material suppliers must maintain quality norms and implement standards.

**Manpower issues**

Adequate training of workers has been a long-standing issue. The skill base of construction workers is poor. There is no formal institutional training set up for the 322 million construction population at the grass roots level.
The personnel deployment are often ill equipped to handle large assignments.

Construction training should be introduced at the panchayat union level and gradually extended to cover all panchayats. Vocational training centers could also be run on a self-sustaining basis through public, private partnership to facilitate manpower training and skill upgradation.

To encourage training, incentives may be provided to contractors for funding the skill upgradation of the workers.

Contract conditions could carry a stipulation that a minimum percentage of trained or certified workers would need to be employed.

**Process of Contracting**

Most construction assignments are undertaken through the issue of contracts. The process begins with invitations for tenders or prequalification notices. These public notices seek proposals from eligible bidders. These public notices seek proposals from eligible bidders. These specify, among other things, the nature of work, the schedule for work completion, indemnities and eligibility criteria.

Basically, two systems of tendering are followed in India. In projects financed by international funding agencies such as the World Bank, its affiliates or multilateral agencies, the International Federation of Consulting Engineers’ (FIDIC) conditions apply. For public sector units (PSUs), state and union government tenders, variations of the Central Public Works Department contract conditions are adopted.

Though the basic conditions remain the same, individual players can introduce conditions according to their specific requirements. Over time, the variation introduced by different government departments have become
manifold. Besides, as most projects are prone to huge overruns in costs and often exceed their completion deadlines, the basic terms and conditions have needed revision to ensure timely projects completion. A document has now been prepared and is being issued as a model bidding and contract document. Efforts are under way to have this document adopted for uniform tendering systems.

The highest quality asset base along with having the best reputation for integrity, will lead the best tenants and buyers to want to do business with developers who can provide these.

Developers need to have a long-term differentiation strategy. Many real estate developers in India don’t have a strategy. They just do deals and they are relatively opportunistic.

If developers are simply coming to deal as just another development company, the average profits will probably be much less attractive and also the developer will have a less sustainable competitive advantage. In future, there will be two critical dimensions of success in the development business.

The first is finding the good deal. Finding those projects, tenants and locations that are going to be economically attractive. The second critical dimension of the business is executing those deals well.

Finally, the developers need to learn from the mistake international developers made in China, where the commercial and residential markets are overbuilt in many key cities, because too many developers rushed into China at the same time, and the strong demand was just not enough to fill the space. Indian and local developers in Chennai need to make sure that they phase their projects over a period of time to meet the steadily increasing demand in the market.
Concluding comments:

This chapter profoundly elaborates the prerequisites for the research work regarding flat promotion and housing and it also explains the different factors involved in housing. This study differs from the previous studies in exploring the main factors like financial sources, government encouragement, tax concession and customer satisfaction.

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