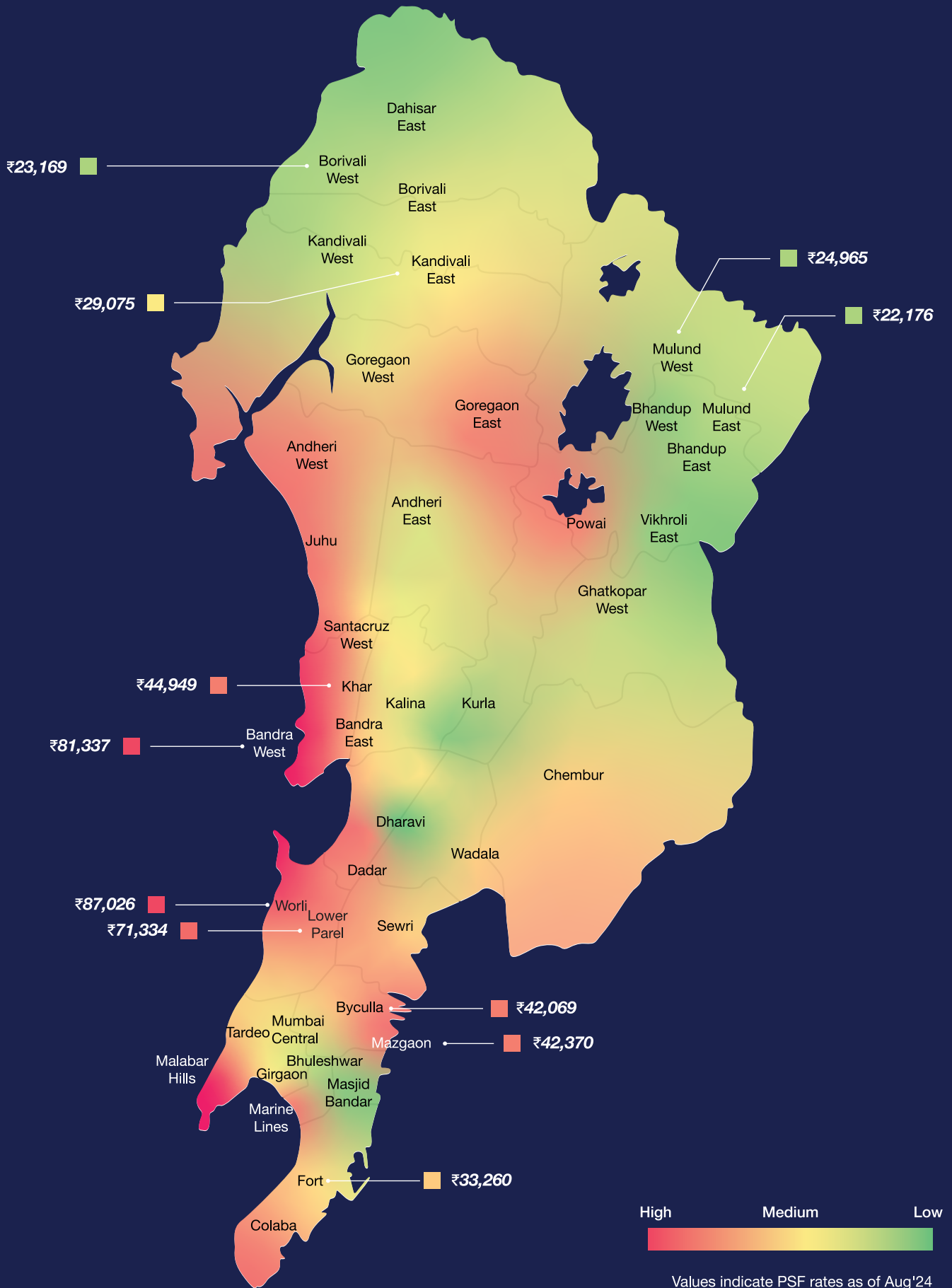


The Reality of **MUMBAI** Realty

► NOVEMBER 2024





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Foreword

Prashant Sharma

President, NAREDCO Maharashtra

01 Foreword

Mumbai, the financial capital of India, has long been a city of dreams and aspirations. Today, we find ourselves at a critical juncture where the challenges we face are matched only by the immense potential that lies ahead.

The real estate sector in Mumbai has always been a barometer of the city's economic health and aspirations. In recent years, we have witnessed remarkable resilience in our market, even in the face of global uncertainties. The record-breaking property registrations we have seen are a testament to the enduring appeal of the Real Estate Sector in Mumbai.

However, we must acknowledge that this growth comes with its own set of challenges. The affordability problem that has long plagued our city continues to be a significant concern. With average per-square-foot rates in prime localities reaching staggering heights, far outpacing other major metros, we are faced with the pressing need to address the widening gap between property values and the average Mumbaikar's purchasing power.

The real estate sector's contribution to Mumbai's economy cannot be overstated. With the potential to contribute up to 15% of the city's GDP by 2030, our industry plays a pivotal role in job creation, urban development, and overall economic growth. However, to fully realise this potential, we must address the regulatory complexities that often hinder progress. The current system of 19 different premiums imposed on developers in Mumbai, compared to just 4 in Bengaluru and 3 in Hyderabad, creates significant barriers to development and affordability.

This report makes a compelling case for regulatory reforms, including the rationalisation of premiums and streamlining of approval processes. We believe that by reducing the number of premiums and implementing a more flexible payment structure, we can significantly improve project viability and, ultimately, housing affordability.

Looking ahead, we foresee significant opportunities. The ongoing infrastructure projects are poised to enhance the city's connectivity and unlock new areas for development. These advancements will improve residents' quality of life and foster new investment prospects across the Mumbai Metropolitan Region.

To succeed, we need strong collaboration between the public and private sectors. NAREDCO Maharashtra is committed to working closely with government bodies, financial institutions, and other stakeholders to create a more efficient and inclusive real estate ecosystem. Our focus remains on driving the 'Housing for All' and 'Affordable Housing' initiatives.

As we move forward, let us remember that the true measure of our success lies not just in the buildings we construct or the profits we generate, but in our ability to create a city that is livable, affordable, and sustainable for all its residents. The challenges we face are significant, but so too is our resolve to overcome them.

This report offers both an overview of our present standing and a guide for the path ahead. I encourage you to explore its insights and collaborate with us in our mission to shape a vibrant future for Mumbai's real estate sector. Together, we can create not just homes and workplaces, but a city that inspires and prospers for generations to follow.



Foreword

Keval Bhanushali

Co-Founder & CEO, 1 Finance

At 1 Finance, we're honoured to collaborate with NAREDCO Maharashtra on this crucial project. Our years of experience in the financial services sector have given us a unique perspective. Just as we've witnessed the transformation of capital markets over the past few decades, we now stand at a turning point where real estate is poised to become a more mainstream investment class in India, supported by an increasingly favourable regulatory environment.

Our journey in financial advisory has shown us that purchasing real estate is a top goal for 68% of our customers. This statistic underscores the critical need for qualified, unbiased advice in this sector. Through this research, conducted with the invaluable support of NAREDCO Maharashtra, we aim to provide just that - empowering people across India with the knowledge they need to make informed real estate investment decisions.

In this report, we're proud to introduce India's first unbiased real estate price indices for top cities. These indices offer a true picture of price appreciation across different markets over recent years, providing invaluable insights for potential home buyers and policymakers alike.

At 1 Finance, we believe that real estate advisory should be a standard practice in India's financial planning ecosystem. Our goal is to elevate real estate to its rightful place as a legitimate investment class, alongside other traditional options. This report is a significant step towards that objective, offering a comprehensive view of the market that will benefit homeowners, developers, and policymakers alike.

We extend our heartfelt gratitude to NAREDCO Maharashtra for this collaboration and to all who contributed their insights.



02

Executive
Summary

02 Executive Summary

REPORT OBJECTIVES AND SCOPE

This comprehensive report, a collaborative effort between NAREDCO Maharashtra and 1 Finance, provides an in-depth analysis of Greater Mumbai's real estate market, with a particular focus on the impact of government policies and premiums on housing affordability. The study examines Greater Mumbai's property sector in comparison to other major Indian cities and offers evidence-based recommendations for policy reforms.

Key aspects covered in the report include

- Historical evolution of India's real estate sector and its impact on major cities.
- Detailed examination of Greater Mumbai's current real estate landscape, including pricing trends, transaction volumes, and inventory levels.
- Comparative analysis with other major Indian cities such as Pune, Bengaluru, Gurugram, and Hyderabad.
- In-depth analysis of government policies and premiums, their impact on project viability, and housing affordability.
- Evaluation of socio-economic implications of the current real estate landscape.
- Evidence-based recommendations for policy reforms to enhance affordability and market efficiency.



03 Indian Real Estate Evolution

India's residential real estate sector has undergone a significant transformation over the past decade, shaped by economic shifts, regulatory changes, and evolving consumer preferences. This evolution forms the bedrock of the current market dynamics and challenges we observe today, particularly in Greater Mumbai and other major metropolitan areas.

A. HISTORICAL PHASES OF REAL ESTATE

Price Appreciation in CAGR%	TRREI	4%	4%
	Greater Mumbai RREI	3%	7%
	Pune RREI	6%	8%
	Bengaluru RREI	3%	9%
	Gurugram RREI	2%	-2%
	Hyderabad RREI	4%	11%

Phase

Foundation
Phase

Reform
Phase

Year

2013-15

2016-19



This period saw the sector building upon the momentum gained in the previous decade. With India's GDP growth averaging 6.5%, optimism permeated the real estate market. The launch of the **Pradhan Mantri Awas Yojana (PMAY)** in 2015 marked a significant push towards affordable housing, a theme that continues to dominate policy discussions today. The **emergence of NBFCs** filled a crucial gap in the market, providing developers with alternative funding sources and offering more flexible lending terms compared to traditional banks.



This phase brought transformative changes to the sector. With India's economic growth averaging at 7.4% in this period, the implementation of the **Real Estate (Regulation and Development) Act (RERA)** in 2016 was a watershed moment, introducing much-needed transparency and accountability. The **introduction of GST** in 2017 further streamlined the tax structure. Despite facing new challenges with the **NBFC crisis** which significantly impacted real estate financing, the government's continued thrust on affordable housing and the **rationalisation of GST** rates provided some support to the sector.

Pradhan Mantri Awas Yojana (PMAY) has been prioritised in Prime Minister Narendra Modi's first cabinet meeting of his third term, aiming to deliver 3 crore affordable homes—2 crore in rural areas and 1 crore in urban areas—ensuring housing for all.

The sector's journey can be broadly categorised into four distinct phases, each marked by unique characteristics and challenges.

City	2020-21	2022-Present
TRREI	4%	11%
Greater Mumbai RREI	2%	6%
Pune RREI	1%	7%
Bengaluru RREI	4%	21%
Gurugram RREI	9%	47%
Hyderabad RREI	2%	14%

Phase

Pandemic Phase

Expansion Phase

Year

2020-21

2022-Present



The **COVID-19** pandemic brought some unique challenges, mirroring the broader economic disruption. India's GDP contracted by 5.8% in 2020-21, the first full-year contraction in four decades. Government and RBI responses, including **loan moratoriums, RERA timeline extensions, and stamp duty reductions** by various states, helped cushion the impact, demonstrating the critical role of policy interventions in the sector's resilience.



The current phase shows signs of growth and adaptation. The **introduction of fractional ownership regulations of real estate by SEBI** is opening up new avenues for investors, allowing them to participate in high-value assets with lower capital requirements. The **continued focus on PMAY** signals ongoing efforts to address housing needs. The **relaxation of FDI** norms in the construction-development sector is expected to attract more foreign investment, potentially boosting the sector's growth and addressing some of the financing challenges we observe today.

Source: CRE Matrix, NHB, 1 Finance Research
TRREI Top Cities' Residential Real Estate Index, RREI - Residential Real Estate Index

India's residential real estate sector has evolved through economic fluctuations, regulatory reforms, and unprecedented challenges. This journey has not only strengthened the sector but also positioned it as a key player in India's economic narrative. As we shift our focus to major individual cities, we see how these national trends have manifested uniquely across urban landscapes, each telling its own story of growth and transformation.

UNDERSTANDING 1 FINANCE'S REAL ESTATE INDICES

What is the Top Cities' Residential Real Estate Index (TRREI)?

The TRREI is India's first unbiased real estate index, designed by 1 Finance to capture authentic housing price trends across major Indian cities. It currently covers Greater Mumbai, Pune, Bengaluru, Gurugram, and Hyderabad, with plans for covering other top cities. This comprehensive index provides investors and homebuyers with data-driven insights into India's residential real estate market.

What are city-specific Residential Real Estate Indices (RREI)?

Each major city has its own RREI, which tracks local real estate price movements. These indices offer detailed insights into city-specific market trends. The individual RREIs serve as building blocks for the broader TRREI.

How are the city-specific RREIs calculated?

The calculations are performed using the historical transaction data for available residential real estate projects to estimate micro- and macro-market price trends, which

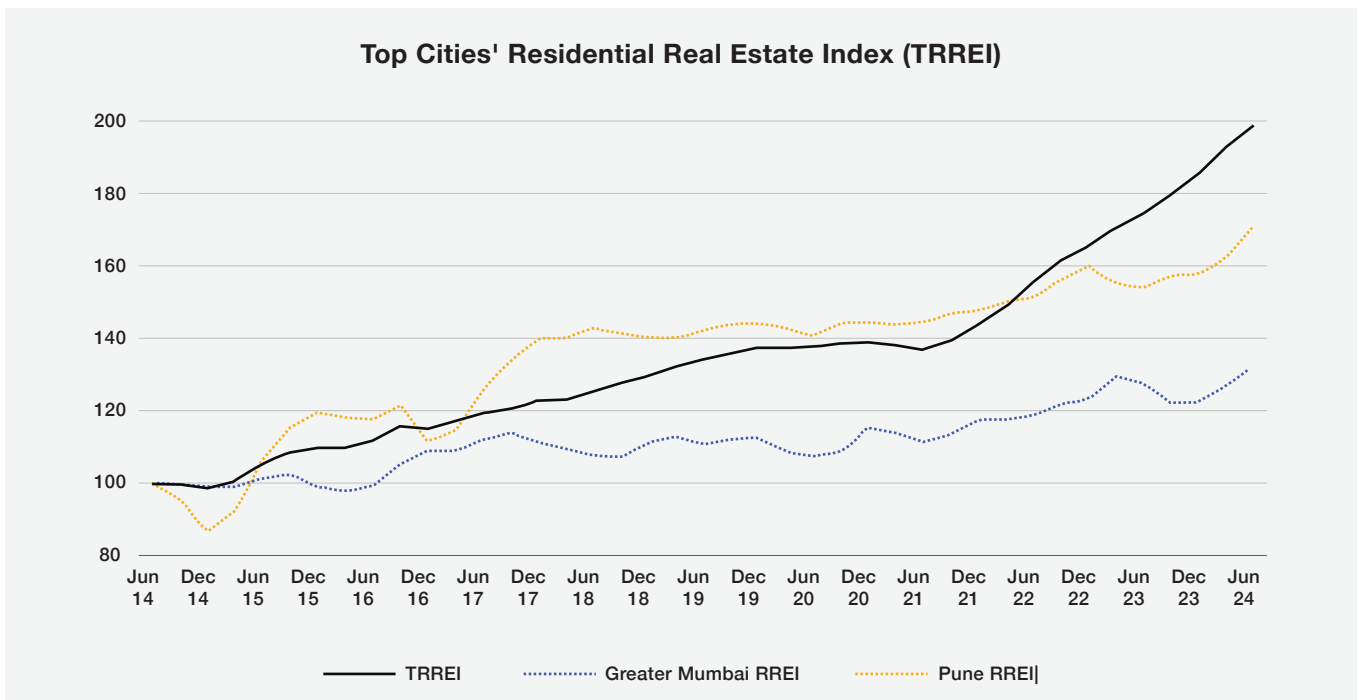
are then combined with transaction activities in those localities for deriving city-specific indices. A robust methodology is used to clean low-quality data and estimate the true price trends based on actual residential units' sale value and RERA carpet area.

What methodology is used for calculating the TRREI?

The TRREI employs a weighted average methodology that considers individual cities' RREIs and populations. This balanced approach ensures the index accurately reflects market dynamics across major urban centres.

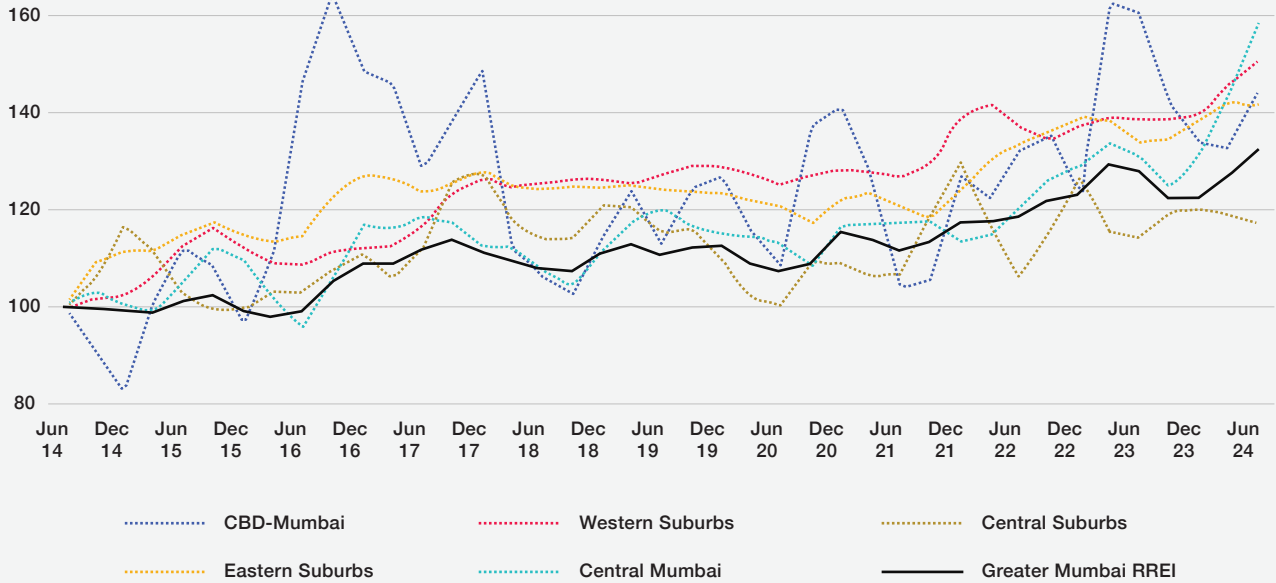
How often are these indices updated?

All indices are updated quarterly to provide current market insights. The latest update in this report reflects data as of June 2024.

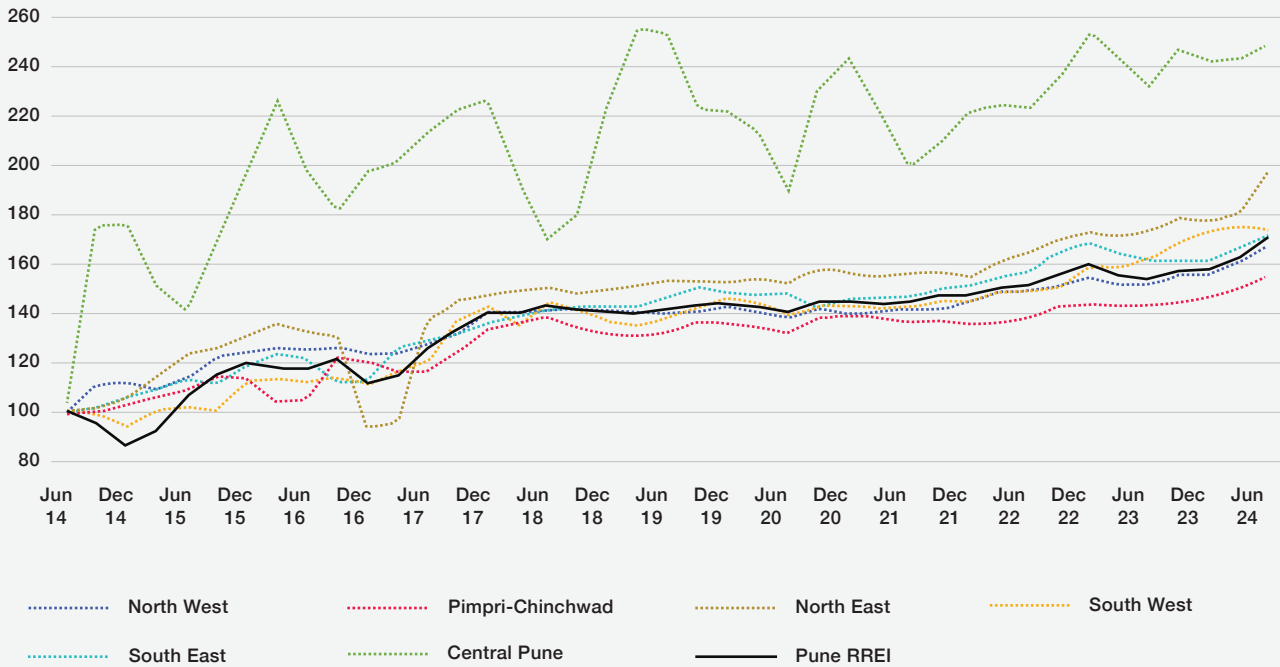


Source: CRE Matrix, NHB, 1 Finance Research

Greater Mumbai Residential Real Estate Index



Pune Residential Real Estate Index

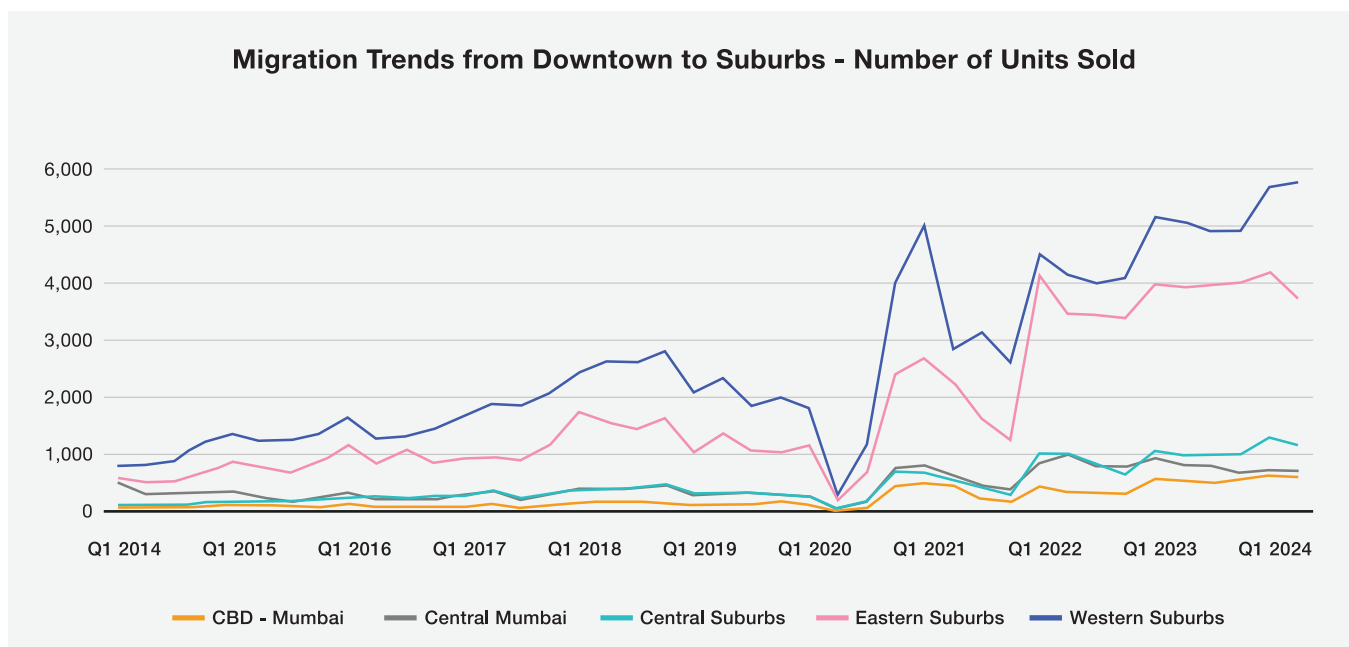


Source: CRE Matrix, 1 Finance Research

B. CITY-SPECIFIC MARKET TRENDS

Greater Mumbai's Suburban Expansion

Greater Mumbai has undergone a notable migration trend from the downtown to suburban areas from 2014 to 2024. This shift is clearly illustrated in the graph below, showing a significant increase in the units sold in Western and Eastern Suburbs over time.



Source: CRE Matrix, 1 Finance Research. Data until Q2 2024 (Apr-Jun 2024).

Several Economic Factors have driven this Suburban Migration

Economic Growth

Mumbai's real GDP surged from \$35.3 billion¹ in FY2011-12 to \$140 billion in FY2022-23. This growth has expanded job opportunities in suburban areas, making suburbs appealing to new homeowners.

Affordability

As Central Mumbai property prices remained high, suburbs offered more affordable options for homebuyers, especially first-time buyers and young families.

Infrastructure Development

Significant investments in suburban infrastructure, such as the Mumbai Metro expansion and the Coastal Road Project, have increased connectivity and amenities in these regions. This enhanced accessibility is driving the decentralisation of commercial spaces, as businesses increasingly relocate to suburbs for reduced operational costs and a promising customer base.

Pune Emerged as an IT and Education Hub

Pune, often referred to as Maharashtra's cultural capital, has reshaped itself into a thriving IT and education hub. Its economic evolution from 2010 to 2024 has driven a shift from traditional core areas to new growth corridors and influenced property trends across the city.

Key Developments

Shift in Focus

Development has moved from central Pune to new growth corridors like Hinjewadi, Kharadi, and Wagholi, driven by IT park and SEZ developments.

Sales Volume

Annual residential unit sales grew from ~22,000 in 2014 to ~70,000 in the twelve months ending June 2024, indicating robust demand.

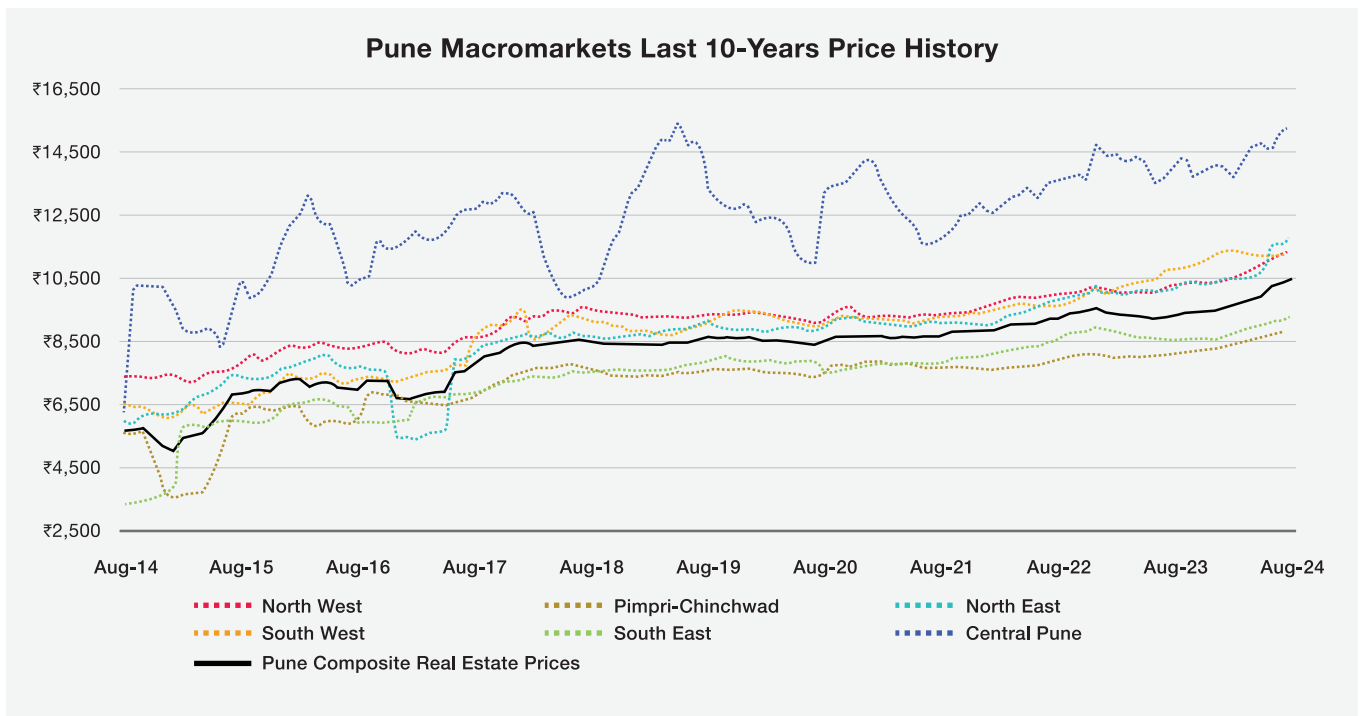
Price Trends

Average residential property prices increased from ~₹5,600 per sq ft in 2014 to ~₹10,500 per sq ft in 2024, showing steady appreciation.

Infrastructure Impact

The Pune Metro project, initiated in 2016 with the first phase operational in 2022, has significantly improved connectivity and boosted real estate demand along its corridors.

Pune's real estate market reflects its economic growth, with emerging trends like integrated townships and green buildings shaping its future. While challenges such as infrastructure strain and water scarcity exist, the city's ongoing IT sector expansion and smart city initiatives promise continued growth, particularly along metro corridors that are expected to drive the city's future real estate growth.



Source: CRE Matrix, 1 Finance Research

Bengaluru Became The Startup Hub

Bengaluru, India's Silicon Valley, has grown as a global tech hub driven by a booming IT sector, thriving startup ecosystem, and significant infrastructure development.

Key Trends Shaping Bengaluru's Real Estate Market

Sustained Economic Growth

Bengaluru's real GDP is projected to grow at 8.5% annually² until 2035 driven by its IT and startup ecosystem to fuel real estate demand.

Technology and Innovation Hub

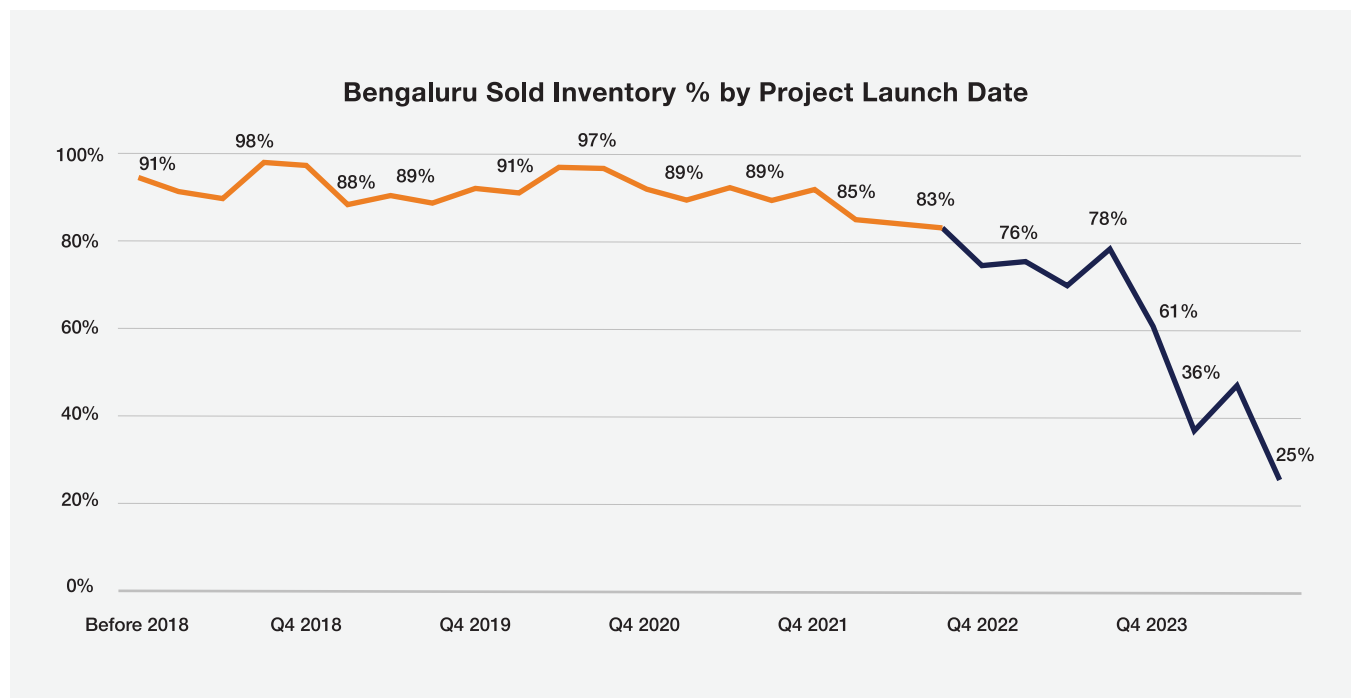
Bengaluru hosts over 3,600 funded tech startups, with \$70.1 billion² raised in startup funding since 2010, with \$15.1 billion raised in 2024 alone.

Healthy Absorption Rates

An analysis of the unsold inventory of the projects launched in the last few years reveals that projects launched in Q3 2022 or earlier have at least 83% (an on average 91%) of their units sold by Q3 2024. This rapid absorption rate underscores the strong demand in the market and indicates a well-balanced supply-demand dynamic.

Shift Towards Sustainable Development

The focus on green buildings and smart homes is increasing, reflecting a long-term trend towards sustainability in real estate. This shift is likely to influence property values and buyer preferences in the future.



Source: CRE Matrix, 1 Finance Research. Data until Q2 2024 (Apr-Jun 2024).

Gurugram's Infra-Led Growth

Over the past decade, Gurugram has undergone a drastic change, driven by its strategic location, robust infrastructure development, and thriving IT and corporate ecosystem. This change has reshaped Gurugram's real estate, making it another destination for high-end residential and commercial spaces.

Gurugram's Real Estate is Characterised by Several Notable Trends

Infrastructure Development

Significant investments in infrastructure, such as the Dwarka Expressway and the extension of the Delhi Metro, have improved connectivity and opened up new areas for luxury development.

Commercial Real Estate Boom

Gurugram has cemented its position as a major commercial hub, with areas like DLF Cyber City and Golf Course Road attracting multinational corporations and tech giants.

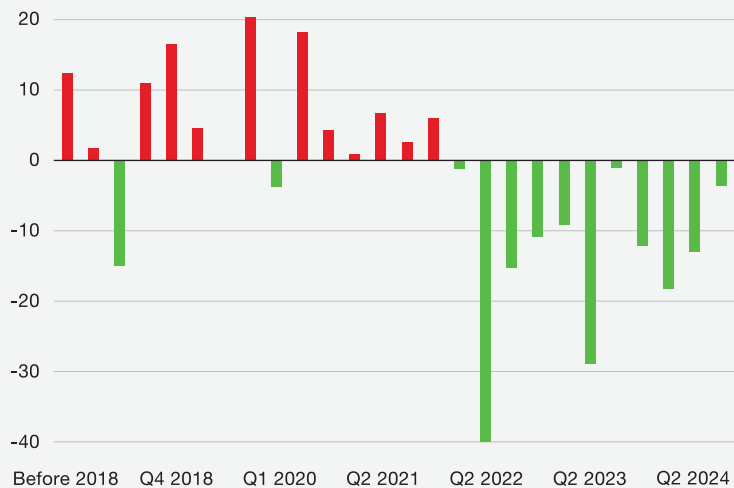
Timely Delivery and Improved Execution

Apartments are now being handed over to their owners in a more timely manner. While projects launched before 2022 faced delays of up to 20 months, those launched in 2022 and afterwards are either on track or running 10-40 months ahead of schedule.

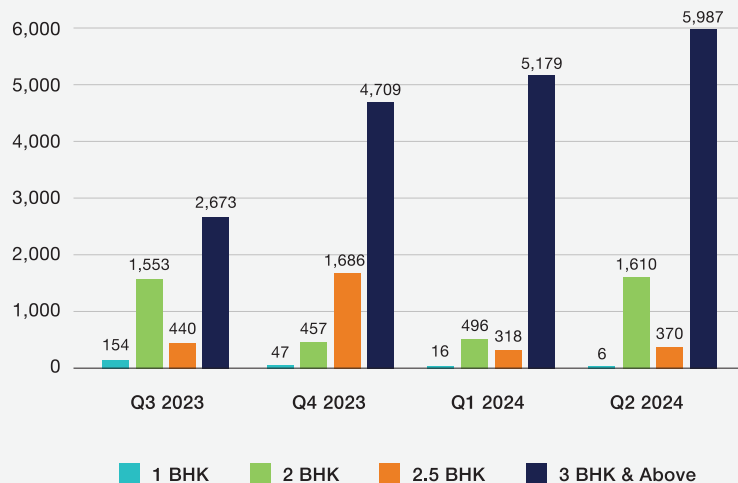
Luxury Launches

In the recent 4 quarters, sales have been primarily concentrated in 3 BHK or larger units, indicating a strong shift towards spacious and high-end residential properties.

Gurugram Average Delay (Months) By Launch Date



Gurugram Sales Volume By Apartment Type



Source: CRE Matrix, 1 Finance Research

Hyderabad's Tech-Driven Boom

Hyderabad, known for its historical heritage, has become a thriving metropolis. Several key factors have contributed to this evolution, shaping its property market and attracting significant investment, particularly in the luxury segment and emerging suburban areas

Government Initiatives

The Telangana government's pro-business policies and initiatives have created a favourable environment for investment. The introduction of various incentives, such as tax breaks and simplified procedures, has encouraged businesses to set up operations in Hyderabad.

Private Equity Investments

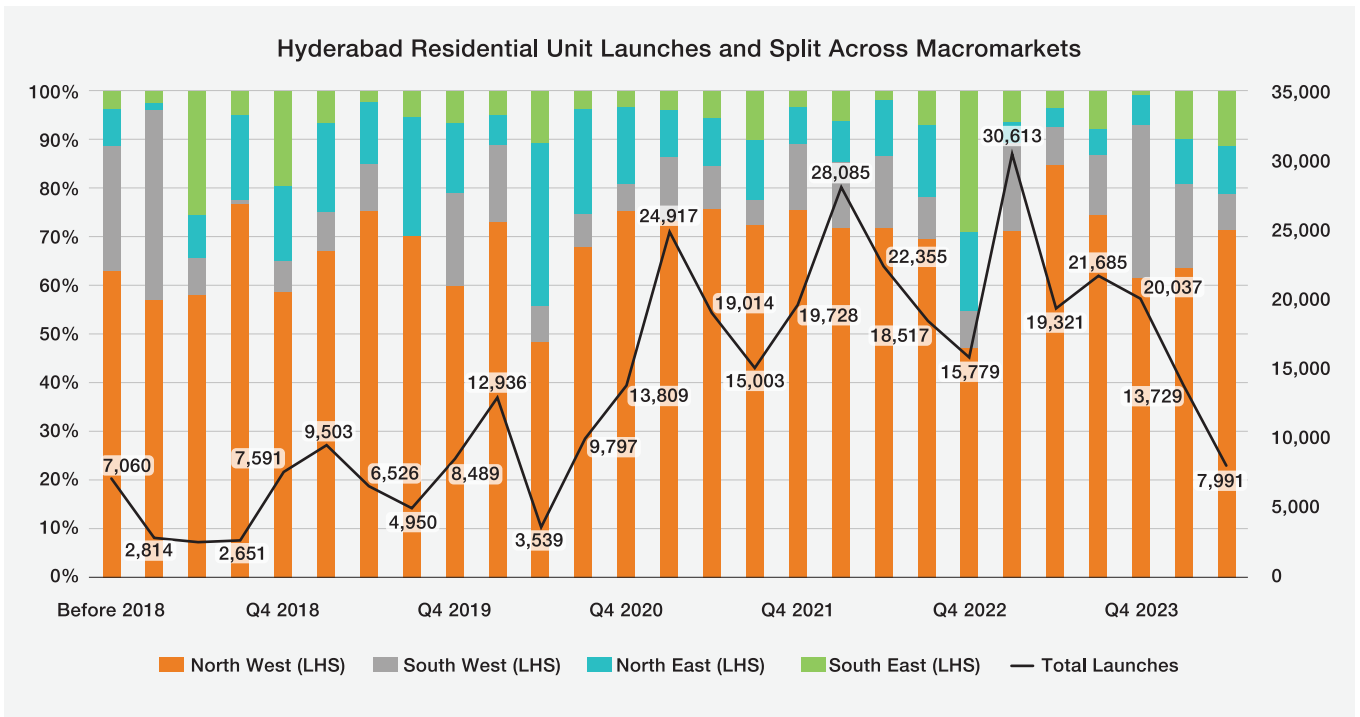
Since 2004, the city has attracted a total of \$4.8 billion³ in private equity investments in real estate, highlighting its attractiveness to institutional investors.

IT and Biotechnology Hubs

Hyderabad has solidified its position as a major centre for information technology (IT) and biotechnology. The influx of multinational corporations, research institutions, and startups has created a strong demand for office spaces, residential accommodations, and commercial properties - particularly in areas like Hi-Tech City, Gachibowli and Madhapur (North West Hyderabad). This macromarket has consistently captured 60% - 70% market share in all residential unit launches in Hyderabad over the last few years, as illustrated in the figure below.

Infrastructure and Development

The city's real estate growth is further supported by significant infrastructure developments like expansion of the Outer Ring Road (ORR), ongoing metro rail projects and the upcoming Regional Ring Road (RRR).



Source: CRE Matrix, 1 Finance Research. Data until Q2 2024 (Apr-Jun 2024).



04

Greater
Mumbai's
Real Estate
Today

04 Greater Mumbai's Real Estate Today

- *The average PSF rate in Greater Mumbai stands at ₹32,150.*
- *71% of homes sold in Greater Mumbai are priced below ₹2 crores.*
- *The average RERA carpet area in Greater Mumbai has contracted from approximately 900 sq ft in 2014-15 to 700-750 sq ft in recent years.*
- *In the 36-45 age bracket, the average 2BHK price is 5.1 times their annual income.*

Mumbai City, India's financial capital, stands at a critical juncture. As a major economic hub, the city faces challenges that require strategic growth and transformation, offering immense opportunities for continued success and long-term prosperity.

At the heart of these challenges lies a unique scenario: Greater Mumbai holds some of the country's most valuable real estate but faces issues like slow regulatory approvals, and high government premiums. These challenges present opportunities for creative solutions that can strengthen its position as a leading metro and drive its growth forward.

A. HOUSING AFFORDABILITY ANALYSIS

The stark reality of Greater Mumbai's real estate market is best illustrated through its per-square-foot (PSF) rates. A comparative analysis reveals that Greater Mumbai's PSF rates significantly outstrip those of other top Indian cities like Pune, Bengaluru, Gurugram, and Hyderabad. This disparity highlights Mumbai's premium status in the real estate market and underscores the need for innovative approaches to ensure the city remains accessible to a diverse range of homebuyers.

In Greater Mumbai's prime localities, the average PSF rate stands at a staggering ₹61,922. This figure dwarfs the rates in other major metros: Pune at ₹15,187, Bengaluru at ₹14,265, and Hyderabad at ₹10,103. With the exception of Gurugram's Golf Course Road (at ₹68,276), known for its ultra-luxury properties, Greater Mumbai's macromarkets are among the most highly valued in India, reflecting the premium nature of the city's real estate.

This extreme price point has far-reaching socio-economic ramifications

Urban Planning: High housing demand calls for effective urban planning, where formal expansion and redevelopment of existing real estate can help reduce informal settlements and improve living standards.

Social Dynamics: The high property values contribute to social inequality, where affluent buyers have greater access to prime areas, highlighting the need for inclusive development strategies.

Economic Productivity: Suburban growth has led many people to live farther from their workplaces, prompting greater investment in public transportation and infrastructure.

Average PSF Rates by Macromarkets for Top Indian Cities

City	Macromarket	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Gurugram	GCR	₹55,600	₹60,358	₹68,914	₹68,276
Greater Mumbai	Central Mumbai	₹47,313	₹49,152	₹53,806	₹61,922
Greater Mumbai	CBD Mumbai	₹48,392	₹41,823	₹46,345	₹51,879
Greater Mumbai	Central Suburbs	₹34,199	₹33,623	₹31,861	₹32,035
Greater Mumbai	Western Suburbs	₹24,952	₹25,125	₹26,338	₹27,372
Greater Mumbai	Eastern Suburbs	₹24,476	₹25,559	₹25,857	₹25,427
Gurugram	DLF Cyber City and nearby	₹22,440	₹23,970	₹24,740	₹24,740
Gurugram	GCRE	₹18,624	₹19,042	₹19,789	₹20,215
Gurugram	Old Gurugram	₹14,177	₹15,142	₹16,663	₹17,048
Gurugram	Dwarka Expressway	₹13,382	₹13,966	₹15,040	₹16,097
Gurugram	Nirvana Coutry and Nearby	₹14,520	₹15,510	₹16,010	₹16,010
Gurugram	Faridabad Road	₹10,871	₹11,483	₹11,982	₹15,896
Pune	Central Pune	₹15,922	₹16,229	₹15,642	₹15,187
Gurugram	New Gurugram to Manesar	₹12,158	₹13,732	₹14,053	₹14,757
Bengaluru	Central Bengaluru	₹13,764	₹13,926	₹14,060	₹14,265
Gurugram	Sohna Road	₹9,798	₹13,763	₹13,989	₹14,049
Gurugram	SPR	₹9,890	₹9,890	₹11,441	₹13,501
Pune	South West	₹11,364	₹11,857	₹12,132	₹11,833
Pune	North West	₹10,912	₹10,827	₹11,348	₹11,447
Gurugram	New Gurugram	₹9,209	₹9,838	₹10,560	₹11,238
Pune	North East	₹10,836	₹10,737	₹10,879	₹11,145
Gurugram	Sohna	₹10,827	₹10,137	₹10,432	₹10,366
Hyderabad	South West	₹9,771	₹9,999	₹10,081	₹10,103
Pune	South East	₹9,283	₹9,438	₹9,737	₹9,875
Pune	Pimpri-Chinchwad	₹9,184	₹8,940	₹9,082	₹9,536
Bengaluru	North West	₹9,024	₹9,115	₹9,272	₹9,315
Bengaluru	South East	₹8,464	₹8,716	₹8,910	₹8,965
Bengaluru	North East	₹8,427	₹8,547	₹8,654	₹8,860
Hyderabad	North West	₹7,802	₹7,965	₹8,045	₹8,151
Bengaluru	South West	₹7,808	₹7,924	₹8,026	₹8,008
Hyderabad	South East	₹6,505	₹6,708	₹6,888	₹6,905
Hyderabad	North East	₹6,008	₹6,197	₹6,228	₹6,355

Source: CRE Matrix, 1 Finance Research. Data reflects transactions executed in the specified quarters.

B. HOMEOWNERSHIP ASPIRATIONS IN A YOUNG INDIA

India's demographic dividend, with a median age of around 28 years, presents both opportunities and challenges. As young professionals enter their prime earning years, their housing aspirations play a crucial role in shaping urban development and economic growth. A comprehensive study of 2,996 affluent middle-class individuals across major Indian cities offers valuable insights into these aspirations and the challenges they face.

Homeownership % And Affordability Across Age Groups in Top Cities

City	Homeownership %			Avg. 2 BHK Prices	Avg. Unit Price-to-Income		
	35 yrs & below	36-45 yrs	46-55 yrs		35 yrs & below	36-45 yrs	46-55 yrs
Greater Mumbai	33%	79%	87%	₹2.0 Cr	8.9x	5.1x	3.7x
Pune	49%	82%	96%	₹1.3 Cr	4.9x	3.7x	1.6x
Bengaluru	36%	78%	95%	₹1.3 Cr	3.8x	2.6x	2.0x
Gurugram	26%	80%	82%	₹1.5 Cr	5.3x	2.7x	1.8x
Hyderabad	42%	79%	86%	₹1.3 Cr	4.7x	2.9x	2.5x
People count	1,939	890	167	Avg. Income	₹28L	₹43L	₹62L

Source: 1 Finance Research. Avg. Income in the above chart is the population average. It varies across cities and age groups.

The study reveals interesting patterns in homeownership rates among young professionals. In Greater Mumbai, 33% of those aged 35 and below own homes, compared to 49% in Pune and 42% in Hyderabad.

This difference becomes more pronounced when considering affordability metrics. In this case, the average unit price-to-income ratio for the different age groups was used as a proxy for assessing the affordability of the affluent middle-class living in the different cities.

Greater Mumbai's ratios are higher than its counterparts

- For those 35 years and below, the average 2 BHK price is 8.9 times the annual income.
- In the 36-45 years bracket, this ratio stands at 5.1 times.
- Even for the 46-55 years age group, the ratio remains high at 3.7 times.

These figures highlight both the opportunities and challenges faced by young professionals in Greater Mumbai. With its thriving job market and exceptional career prospects, the city remains a magnet for talent. Through strategic financial planning, aspiring homeowners can achieve their dream of owning property in the extended suburbs or the MMR region. This will not only help retain talent that might otherwise relocate to other metros but also strengthen Mumbai's position as a hub for opportunity and growth.

The implications of these trends are significant for a young nation like India

Economic Growth Potential

Young homeowners often drive economic activity through increased consumer spending. A delay in homeownership among this demographic could potentially slow down economic growth in key urban centres.

Urban Development Patterns

The affordability situation in cities like Greater Mumbai could accelerate the development of satellite towns and suburban areas.

Workforce Mobility and Talent Retention

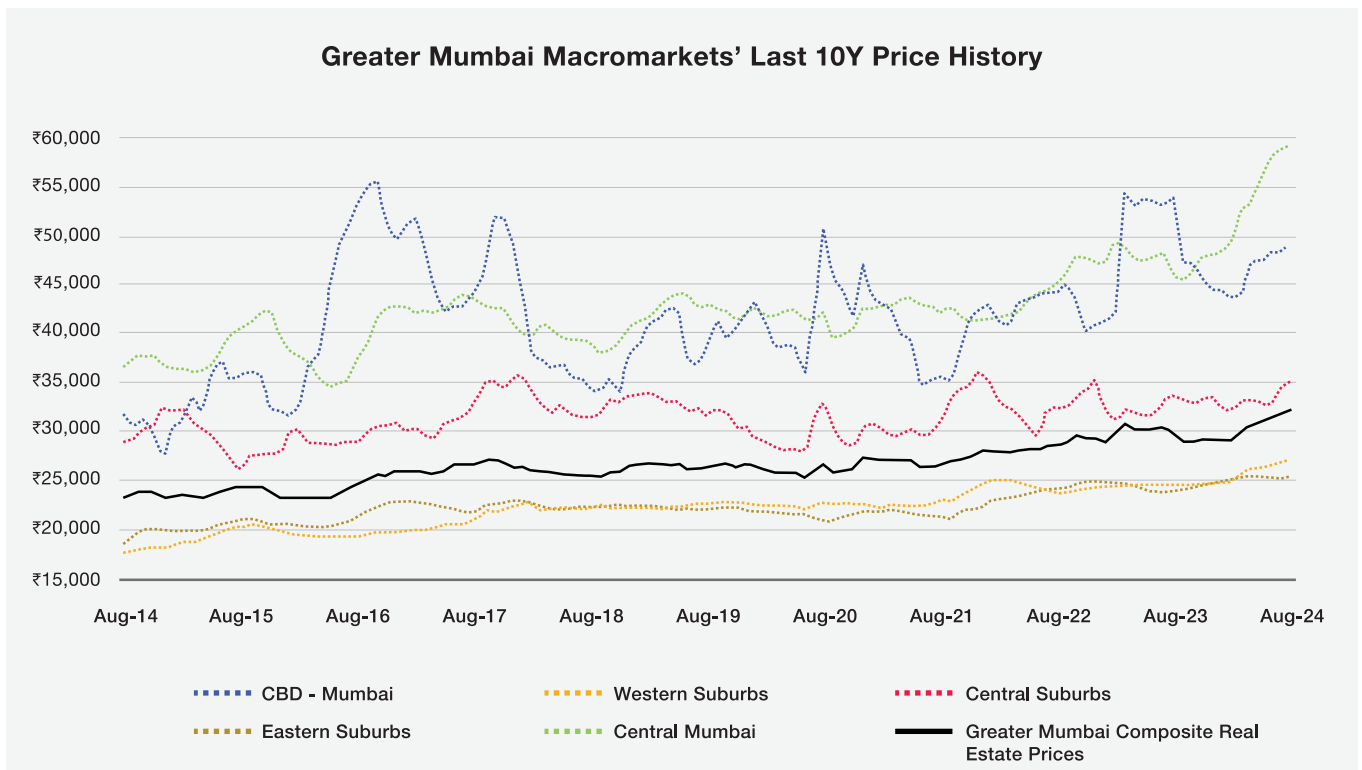
High housing costs may impact companies' ability to attract and retain young talent. This could lead to a redistribution of the workforce, with some industries potentially relocating to more affordable cities.

Pressure on Rental Markets

As homeownership becomes less attainable, there will likely be increased pressure on rental markets. This could lead to the need for more robust tenant protection laws and potentially government intervention in the rental housing sector.

C. GREATER MUMBAI REAL ESTATE PRICE TRENDS

While Greater Mumbai's real estate market faces challenges, a closer look at historical price increases shows its strength and ability to adapt. Despite economic uncertainties and regulatory changes, the city's property market has transformed into one of India's most promising real estate markets.



Source: CRE Matrix, 1 Finance Research

Historical Price Appreciation (CAGR %) of Greater Mumbai Macromarkets

Greater Mumbai Macromarket	Latest PSF Rates*	Price Appreciation (CAGR %)			
		5 Year	3 Year	2 Year	1 Year
CBD Mumbai	₹49,086	5%	11%	5%	-9%
Western Suburbs	₹27,108	4%	6%	7%	10%
Central Suburbs	₹35,108	2%	4%	4%	4%
Eastern Suburbs	₹25,466	3%	6%	3%	6%
Central Mumbai	₹59,269	7%	12%	15%	29%
Greater Mumbai Composite Real Estate Prices	₹32,150	4%	7%	6%	8%

Source: CRE Matrix, 1 Finance Research

*As of Aug-24



These returns underscore the consistency of Greater Mumbai's real estate market, particularly when compared to more volatile asset classes. The overall gains have notably outpaced inflation, reflecting the growth opportunities in home ownership in one of India's most prestigious real estate markets.

Key Observations from the Historical Data

- **Recent Acceleration**

The 3-year CAGR shows accelerating growth, particularly in prime areas like Central Mumbai, indicating increasing market momentum.

- **Consistent Growth**

Despite economic fluctuations, Greater Mumbai's real estate has maintained positive growth across all major macromarkets.

- **Long-term Growth Opportunities**

Steady compounding of returns has led to significant wealth accumulation, highlighting the potential for sustained growth that makes Greater Mumbai a compelling choice for potential homeowners aiming to secure future prosperity.

D. TRANSACTION VOLUME ASSESSMENT

At first glance, Greater Mumbai's real estate market appears very strong in terms of transaction activity, with 46,774 unit sales between Q3 2023 and Q2 2024, surpassing Gurugram's 26,228 units. However, a closer look reveals a more accurate picture.

Comparing Sales Volumes



Pune
89,680 units



Hyderabad
76,313 units



Bengaluru
60,730 units



Greater Mumbai
46,774 units



Gurugram
26,228 units

To understand these figures better, let's consider them in relation to each city's 2024 population estimates

City	Units Sold	Population	Transactions per lakh
Mumbai City	46,774	1.3 crores ^{4,5}	360
Pune	89,680	1.3 crores ⁶	690
Bengaluru	60,730	1.5 crores ⁷	405
Gurugram	26,228	12.8 lakhs ⁸	2049
Hyderabad	76,313	1.1 crores ⁹	694

Source: CRE Matrix, 1 Finance Research
Data is based on units registered between Q3 2023 (Jul-Sep 2023) and Q2 2024 (Apr-Jun 2024).

This population-adjusted perspective shows that Greater Mumbai's transaction volumes are low compared to other major Indian cities. In the one-year period studied, only 360 housing units were sold per lakh population in Greater Mumbai.



The pricing structure of these transactions further underscores Greater Mumbai's affordability concerns

Unit Sale Prices for Top Indian Cities (Q3 2023 to Q2 2024)

Price Range	Greater Mumbai	Pune	Bengaluru	Gurugram	Hyderabad
Less than ₹1 Cr	36%	83%	47%	20%	42%
₹1 Cr to ₹2 Cr	35%	14%	37%	19%	42%
Above ₹2 Cr	29%	3%	16%	60%	17%
Total Units Sold*	46,774	89,680	60,730	26,228	76,313

Source: CRE Matrix, 1 Finance Research
Data is based on units registered between Q3 2023 (Jul-Sep 2023) and Q2 2024 (Apr-Jun 2024).

In Pune, Bengaluru, and Hyderabad, 84%-97% of units sold were priced below ₹2 crores. In contrast, only 71% of Greater Mumbai's sales fell in this range, given the premium pricing nature of the city's real estate market.

This data paints a concerning picture

- **Middle-Class Squeeze**

The lower proportion of affordable units in Greater Mumbai is putting pressure on the middle class, forcing many to delay homeownership or move to distant suburbs.

- **Demographic Shifts**

The pricing structure might alter the demographic composition of the city, with younger, middle-income families increasingly priced out of the market.

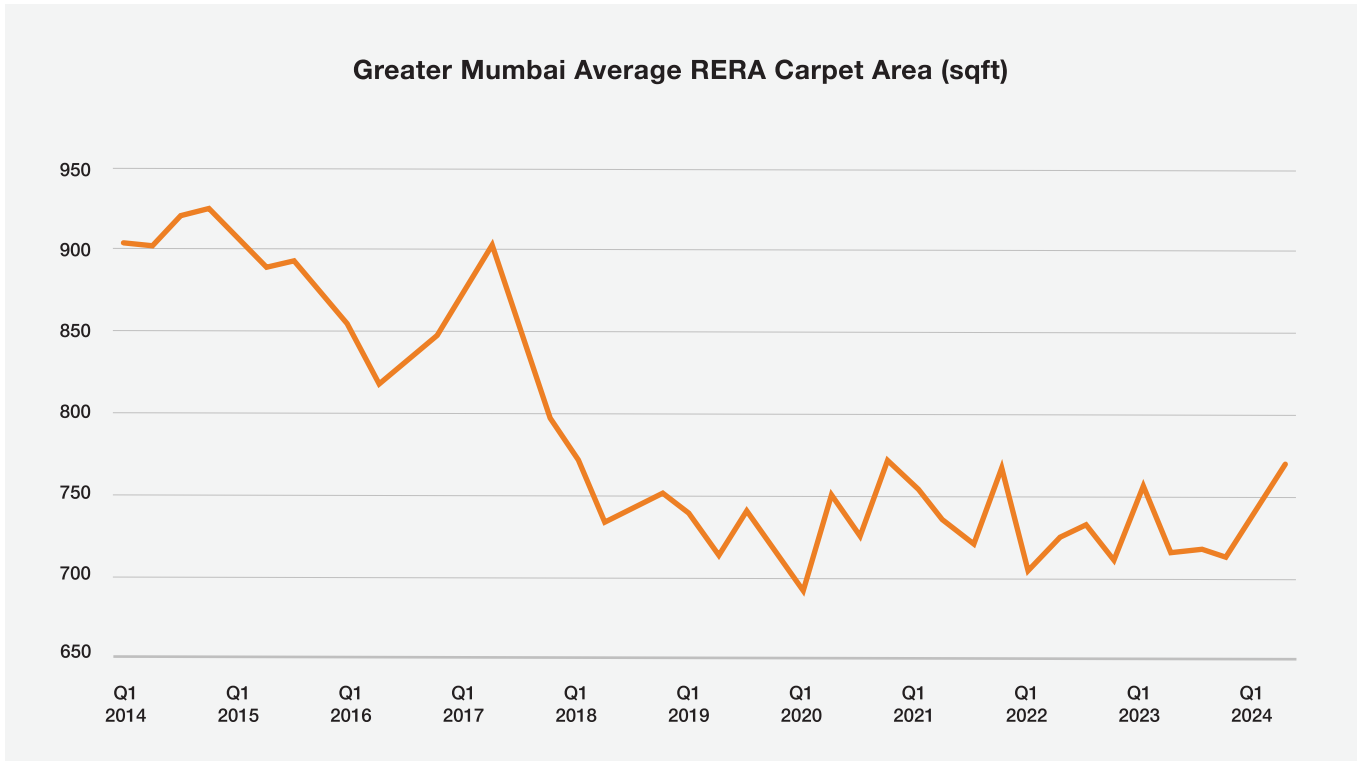
- **Economic Monoculture**

The concentration of high-priced properties may reduce economic diversity in certain areas, potentially impacting local economies' vibrancy and sustainability. Similar trends in cities like San Francisco, Vancouver, and Monaco have led to affordability crises and social imbalances.



E. RESIDENTIAL SPACE TRENDS

The affordability challenge in Greater Mumbai has not only affected property prices but has also led to a significant reduction in apartment sizes, a trend that carries profound implications for the quality of urban life.



Source: CRE Matrix, 1 Finance Research. Data until Q2 2024 (Apr-Jun 2024).

The average RERA carpet area in Greater Mumbai has contracted from approximately 900 sq ft in 2014-15 to a mere 700-750 sq ft in recent years. While this reduction in size has been a market response to maintain some semblance of affordability, it comes with its own set of challenges.

Quality of Life

Smaller living spaces can negatively impact quality of life, potentially affecting mental health and family dynamics.

Work-from-Home Challenges

The trend towards smaller apartments is at odds with the increasing need for home office spaces in the post-pandemic world.

Urban Density Pressures

The reduction in apartment sizes is leading to increased urban density, putting additional pressure on city infrastructure and services that are already strained.

Child Development

Smaller living spaces may impact child development, potentially affecting educational outcomes and future economic prospects.

F. REAL ESTATE AS AN INVESTMENT ASSET

- Real estate averaged a 12% return over the past decade, outperforming debt (7%) and matching gold (12%).
- Real estate has lower volatility and smaller price fluctuations than equities, providing stability and the tangible benefits of owning physical property.
- Reduced interest rates under PMAY empower women by making homeownership more affordable and encouraging investment.
- Real estate offers tax efficiency through capital gains exemptions (Sections 54, 54F) and home loan interest deductions (Section 24b).

While the challenges in Greater Mumbai's real estate market are evident, it's crucial to view real estate investment through a broader lens. Real estate, as an asset class, has consistently delivered competitive returns compared to other traditional investments such as equities, debt, and gold. Over the past decade, real estate (including rental yield) has provided an average return of 12%, which is comparable to gold and higher than debt, which averaged 7%. Furthermore, real estate offers unique advantages that set it apart from traditional investments, providing a balance of returns and security, making it an ideal asset for diversification.

Asset Class Returns

Asset Class	10Y	5Y	3Y	1Y
Equity	15%	18%	18%	33%
Real Estate	9%	7%	11%	8%
Real Estate (Incl. 3% rental yield)	12%	11%	14%	11%
Debt	7%	7%	6%	7%
Gold	12%	14%	14%	21%

Source: CMIE Economic Outlook, ACE MF, NHB, BIS, 1 Finance Research
Data as of 30th Jun 2024

Weathering Economic Storms

Real estate has demonstrated resilience during tough economic times. Unlike stocks, which can quickly lose value, real estate retains intrinsic value due to its tangible nature. The benefits of owning a physical asset like real estate provide a sense of security unlike volatile investments such as equities. During the COVID-19 pandemic, for example, while the NSE Nifty 50 fell by around 40%, residential real estate prices in Greater Mumbai declined by only 4-12%. This highlights the resilience of the real estate sector, even when other investments encounter difficulties.

Diversification Benefits

Real estate's low correlation with other asset classes (0.12 with equity, 0.22 with debt, and -0.15 with gold) offers more than just diversification. It provides a hedge against market volatility and can act as a counterbalance to portfolio fluctuations, especially during periods of high inflation or economic uncertainty.

Real Estate Correlation with other Asset Classes

Correlation*	Real Estate	Equity	Debt	Gold
Real Estate	1.00			
Equity	0.12	1.00		
Debt	0.22	0.16	1.00	
Gold	-0.15	-0.09	0.03	1.00

Source: CMIE Economic Outlook, ACE MF, NHB, BIS, 1 Finance Research
*Last 10-year correlations (as of 30th Jun 2024)

Leveraging Opportunities

Real estate investments provide opportunities for leverage, enabling homeowners and investors to control larger assets with smaller initial investments, potentially boosting returns. The leverage advantage is even greater with access to lower interest rates as against equities. Women investors benefit from even lower rates under Pradhan Mantri Awas Yojana (PMAY). Higher leverage at lower interest rates can significantly enhance returns, making real estate an attractive option for many. Market inefficiencies also allow savvy investors to identify undervalued properties and add value through strategic improvements.

Tax Benefits

Real estate investments come with significant tax benefits, including

- **Capital Gains Tax Exemptions on Reinvestment**

Under Section 54 and Section 54F of the Income Tax Act, investors can avail exemptions on capital gains by reinvesting in residential property.

- **Tax Deductions on Home Loan Interest**

Under Section 24(b), tax deductions on home loan interest payments can significantly reduce taxable income.

- **Benefits Under Section 80C**

Investors can claim tax benefits for principal repayment up to INR 1.5 lakh under Section 80C.

- **Standard Deductions on Rental Income**

Rental income can be partially exempt from taxes after standard deductions of 30% under Section 24(a).

Top Performing Micromarkets Across India's Major Cities

City	Macromarket	Micromarket	Latest PSF Rates*	10Y	7Y	5Y	3Y	1Y
Greater Mumbai	Eastern Suburbs	Mulund West	₹24,965	7%	2%	3%	6%	2%
Greater Mumbai	Western Suburbs	Borivali West	₹23,169	7%	4%	5%	8%	6%
Greater Mumbai	CBD Mumbai	Byculla	₹42,069	10%	9%	7%	13%	19%
Greater Mumbai	Central Mumbai	Worli	₹87,026	8%	7%	8%	12%	8%
Greater Mumbai	Central Suburbs	Khar	₹44,949	7%	4%	1%	8%	-9%
Pune	North West	Pashan	₹14,105	8%	4%	5%	4%	15%
Pune	Pimpri-Chinchwad	Charholi Budruk	₹8,075	7%	3%	4%	4%	9%
Pune	North East	Wagholi	₹13,658	11%	9%	11%	18%	42%
Pune	South West	Ambegaon Budruk	₹8,777	6%	7%	4%	2%	7%
Pune	South East	Fursungi	₹8,469	7%	7%	4%	8%	18%
Pune	Central Pune	Shivajinagar	₹20,869	6%	4%	3%	15%	7%
Bengaluru	Central Bengaluru	Binnipete	₹12,826	-	-	9%	13%	10%
Bengaluru	North East	Chikkabanahalli	₹11,120	-	-	22%	36%	5%
Bengaluru	North West	Yelahanka New Town	₹6,399	-	-	14%	18%	14%
Bengaluru	South East	Sompura	₹9,933	-	-	27%	43%	25%
Bengaluru	South West	Konanakunte	₹14,409	-	-	16%	27%	44%
Gurugram	Dwarka Expressway	Sector 36A	₹19,967	-	-	22%	31%	36%
Gurugram	GCRE	Sector 63A	₹17,715	-	-	28%	31%	33%
Gurugram	New Gurugram to Manesar	Sector 76	₹15,171	-	-	31%	56%	24%
Gurugram	New Gurugram	Sector 93	₹14,336	-	-	29%	53%	25%
Gurugram	Sohna	Sector 36	₹10,580	-	-	19%	19%	14%
Gurugram	SPR	Sector 70	₹9,092	-	-	12%	24%	31%
Hyderabad	North East	Kowkooor	₹6,297	-	-	9%	4%	3%
Hyderabad	North West	Khajaguda	₹10,071	-	-	18%	28%	16%
Hyderabad	South East	L.B. Nagar	₹5,615	-	-	10%	11%	4%
Hyderabad	South West	Kokapet	₹10,870	-	-	5%	5%	4%

Source: CRE Matrix, 1 Finance Research

*As of Aug-24

Value-Add Potential

Unlike passive investments, real estate offers homebuyers and investors the unique opportunity to directly influence their returns. Through strategic renovations, effective property management, or repositioning in the market, they can significantly enhance the value of their assets. This active management potential is a key differentiator from other investment classes.

Inflation Hedge

Real estate's ability to generate rental income further enhances its appeal, offering investors a steady cash flow. Moreover, real estate serves as an effective hedge against inflation. As prices rise, property values and rental incomes typically increase, preserving investors' purchasing power. This characteristic is particularly valuable in today's inflationary environment.

Micromarket Performance

While broader market trends are important, real estate's hyperlocal nature means that performance can vary significantly between micromarkets. To illustrate the potential for capital appreciation in real estate, let's examine the top-performing micromarkets within India's major cities over the past decade.

The table on left underscores the importance of careful market selection and the potential for substantial returns in well-chosen locations.

Conclusion

While challenges in Greater Mumbai's real estate market are evident, the fundamental strengths of real estate as an asset class remain compelling. Its ability to provide stable returns, tax benefits, and a hedge against inflation, combined with the potential for active value creation, makes it a valuable component of a diversified investment portfolio.

For people looking to buy homes in Greater Mumbai, the key lies in thorough research, a long-term perspective, and an understanding of the local market dynamics. By focusing on high-potential micromarkets, leveraging the inherent advantages of real estate, and aligning with reputable developers, they can own a home in Greater Mumbai while potentially reaping the rewards of this enduring and multifaceted investment option.



The background of the slide is a dark blue, semi-transparent image showing a hand holding a pen over a document, suggesting a professional or academic setting.

05

Government Policies and Their Impact

05 Government Policies and Their Impact

The affordability issue in Greater Mumbai due to high property prices is deeply linked with government policies and premiums. These policies, while aimed at regulating development and generating revenue for urban infrastructure, have become a double-edged sword, particularly in Mumbai's context. To fully understand the impact of these policies, it's crucial to examine the types of premiums developers face and how they compare across major Indian cities.

A. DEVELOPER PREMIUM STRUCTURE

Description of Premiums

Floor Space Index (FSI) and Related Premiums

FSI, also known as Floor Area Ratio (FAR), is a crucial concept in real estate development. It represents the total floor area a builder can construct and sell on a given plot of land. For example, if a 1,000 square metre plot has an FSI/FAR of 2, the builder can construct and sell up to 2,000 square metres of floor area.

In Mumbai, developers often need to pay premiums in the range of ₹25,000 to ₹60,000 per square metre to build beyond the basic allowed FSI.

- ▶ **Basic FSI Premium:** This is the standard charge for constructing up to the basic allowed FSI.
- ▶ **Additional Premium FSI:** Developers can purchase extra FSI beyond the basic limit by paying this premium.
- ▶ **Fungible FSI Premium:** This allows developers to include certain areas (like balconies and flower beds) in FSI calculations by paying a premium. It's capped at 35% of the permissible FSI for residential buildings and is calculated as a percentage of the Ready Reckoner Rate (RRR). For residential properties, it's typically 50% of the RRR¹⁰.

Additional City-Specific Charges

Developers in Mumbai contend with over 19 distinct types of premiums compared to just 4 in Bengaluru and a mere 3 in Hyderabad. This multitude of premiums complicates the development process and disproportionately increases costs in Mumbai.

Total Premium as a Percentage of Project Cost

The financial implications of these premiums are staggering. In Mumbai, government premiums can account for 20% to 30% of the total project cost. To put this into perspective, consider a residential project spread across 800 square metres with an overall cost of approximately ₹55 crore. In this scenario, approvals, premiums, government taxes and compliance fees could add to ₹17 - ₹20 crore or more solely for approvals, government taxes and compliance fees. This substantial financial burden significantly impacts project viability and affordability.

This high percentage of premiums leads to higher selling prices for home buyers. In mature micro markets, these increased costs result in projects being marketed primarily towards affluent buyers rather than middle- or low-income families who are desperately seeking affordable housing options.

Impact on Home Buyers

The cumulative effect of high premiums directly translates into elevated property prices for consumers. As per the Mumbai Residential Real Estate Index (MRREI), average selling prices in Greater Mumbai have surged to approximately ₹32,150 per square foot due to these added costs—creating significant barriers for first-time homebuyers and low-income families seeking affordable housing options.

As property prices continue to soar due to escalating government premiums and associated costs incurred by developers, many potential homebuyers find themselves priced out of the market entirely. This situation has led to an increase in demand for rental properties as purchasing a home becomes increasingly unattainable.

The affordability analysis of affluent middle-class individuals earlier in this report illustrates the challenges faced by home buyers in Mumbai compared to other metropolitan areas. In cities like Hyderabad and Bengaluru—where property prices are comparatively lower due to reduced premium burdens—home buyers enjoy a wider array of options within their budgetary constraints.

That analysis reflects not just property prices but also income levels; many families find it increasingly difficult to allocate their finances towards home ownership when faced with rising living costs alongside exorbitant real estate prices.

The burden of government premiums represents one of the most significant obstacles facing both developers and home buyers within Greater Mumbai. As we read through these complexities, it becomes increasingly clear that addressing these challenges through informed policy changes is essential for fostering an environment conducive to affordable housing solutions.

To fully understand the implications of government premiums on real estate development in Mumbai, it is essential to conduct a comparative analysis with other major cities across India.

B. COMPARATIVE PREMIUM ANALYSIS

Understanding the premiums imposed on developers across cities is crucial for evaluating India's real estate market, as these charges directly impact project costs and overall market dynamics. Mumbai imposes over 19 different premiums, while cities like Bengaluru and Hyderabad have far fewer. Rationalising these premiums could streamline operations for developers while benefiting homebuyers through increased affordability.

The table below illustrates the variety of premiums¹¹ imposed on developers in Mumbai compared to other major cities

Comparative Analysis of Premiums Across Cities

S.No.	Premiums	Mumbai	Bengaluru	Hyderabad
1.	Fungible FSI	✓	✓	✓
2.	Premium for Staircase	✓		
3.	Premium for Lift	✓		
4.	Premium for Lift Lobby Area	✓		
5.	Additional Premium FSI	✓		
6.	Paved R.G. Premium (Residential Ground)	✓		
7.	Carriage Entrance	✓		
8.	Layout Infrastructure Deposit	✓		
9.	Parking Projection in FOS	✓		
10.	Cantilever Building Line Projecting Within 3.0 Meters from Compound Wall	✓		
11.	Infrastructural Charges	✓		
12.	Environmental and Social Impact Fees	✓	✓	
13.	Premium Paid to MSRDC (Maharashtra State Road Development Corporation Limited)	✓		
14.	TDR Rates (Transferable Development Rights)	✓		
15.	Development Cess	✓		
16.	Other Regulatory Fees & Charges	✓	✓	✓
17.	Projection Beyond 2 Meters from Building Line Premium	✓		
18.	Building Line Projecting Within 2.50 Meters from Compound Wall Premium	✓		
19.	Fire Service Charges	✓	✓	✓

Source: 1 Finance Research

C. DEVELOPER CHALLENGES

Mumbai's real estate developers face a complex set of hurdles that make it difficult to build affordable and timely housing. From costly redevelopment projects and high government premiums to continuously changing regulations, developers are confronted with a lot of difficulties. These issues not only slow down construction but also drive up housing costs, making it harder for many people to buy homes. Understanding these challenges is key to improving Mumbai's housing market and making the city more livable for everyone.

Costly Redevelopment Projects

Mumbai is getting a facelift, with over half of its residential areas being redeveloped. This process is happening in two main ways: projects led by developers and self-redevelopment by housing societies. However, both these types of redevelopment face their own set of challenges:

● Developer-Led Redevelopment

When developers undertake redevelopment projects, they encounter steep government premiums which are similar to the premiums for new buildings, in addition to the expenses of extra area, corpus funds, rent, and relocation allowances for residents. These high costs limit the extent of benefits developers can offer to housing societies, making redevelopment a costly endeavour for both developers and societies alike.

● Self-Redevelopment

When housing societies opt for self-redevelopment, they must demonstrate sufficient financial resources to complete the project before submitting a resolution to the government. Typically, they collaborate with lenders who offer funding in return for a lien on the property until the loan is fully repaid.

While self-redevelopment projects enjoy lower government premiums than developer-led ones, securing financing can be challenging due to the substantial funds required. Additionally, achieving consensus among members poses another hurdle, making many redevelopment projects difficult to execute.

Despite many old buildings (30-50 years old) needing renovation both housing societies and developers struggle to find affordable ways to redevelop. This leads to uneven redevelopment across Mumbai, with some areas benefiting while others lag behind.

Mumbai's redevelopment initiatives present an opportunity to update the city's housing. However, existing financial and regulatory challenges pose significant obstacles. Tackling these issues is essential for fostering a more livable and equitable urban environment for all residents of Mumbai.

High Government Premiums

While the previous section outlined the types and comparative analysis of government premiums, it's crucial to touch upon how these high premiums specifically challenge developers in Mumbai's real estate market.

The exorbitant premiums in Mumbai, accounting for up to 30% of total project costs, create a significant financial burden for developers. This burden not only erodes profit margins but also forces developers to reconsider project viability. Many potential developments, especially in the affordable housing segment, become financially unfeasible due to these high premiums.

High premiums also significantly impact project timelines and cash flow management as the need to accumulate substantial funds for premium payments often delays project starts. Developers often need to alter project phasing to manage premium payments, affecting overall project efficiency. The high upfront costs due to premiums also make it challenging to secure project financing, especially for smaller developers.

The premium structure in Mumbai also creates market distortions that affect competition and diversity in the real estate sector. High premiums act as a significant barrier for new and smaller developers, limiting market competition. In addition, the financial pressure from premiums leaves little room for developers to innovate or experiment with new housing concepts.

Uncertainty of Rules and Regulations

In recent years, there have been frequent changes in rules and regulations governing Mumbai's real estate development, creating a complex and often unpredictable environment for developers. These new policies, amendments, and interpretations, while often aimed at improving the sector, create a moving target for developers trying to plan and execute projects.

The uncertainty in regulations has a direct impact on project timelines. For residential projects smaller than 3000 square metres that need basic approvals, the timeline to getting approval is typically 9-12 months. However, this gets extended significantly if there are changes in regulations during the approval process.

Larger projects face even greater challenges. For instance, construction projects with built-up areas higher than 20,000 square metres must undergo the Environmental Impact Assessment (EIA) process as per the Ministry of Environment and Forests' (MoEF) 2006 notification. While this assessment is crucial for environmental protection, in cases where the impact is minimal, it can result in delays of an additional 9-12 months.

These challenges increased holding costs of land and capital, impacting project profitability, and also often require additional investments in compliance measures, further straining project budgets.

The uncertainty makes it difficult for developers to introduce innovative concepts that may require sustained regulatory support or adopt new, environmentally friendly technologies and practices.

High GST on Raw Materials

The Goods and Services Tax (GST) framework has significantly increased the cost of real estate projects, especially since Input Tax Credit (ITC) is not provided on residential projects. These taxes contribute up to 15% to the overall cost of a project, leading developers to either absorb these costs or pass them on to consumers. This situation further complicates efforts to provide affordable housing options.

Different rates apply to various raw materials. The current GST Rates¹² on key materials are:

- ▶ Cement: 28% for Grade 53
- ▶ Steel: 18% for Reinforcement and Structural Steel
- ▶ Clear Glass: 18% for 6 mm and 8 mm
- ▶ Stone: 5% for Granite, Marble, Makrana, Kota, and Cuddappa
- ▶ Wood: 12% for Sandalwood and 18% for Plywood 12mm
- ▶ Paints: 18% for Emulsion
- ▶ Metals: 18% for Aluminium and Stainless Steel
- ▶ Plumbing: 18% for GI pipes, UPVC, and CI



D. RECOMMENDATIONS

To address the complex challenges facing Mumbai's real estate sector and to foster a more vibrant, affordable, and sustainable market, we propose the following comprehensive recommendations

Ready Reckoner Rate Reform



- Implement a data-driven, transparent methodology for RRR calculation
 - Use actual transaction data from property registration records.
 - Factor in infrastructure development and market demand.
 - Allow for micro-market level adjustments within larger zones.
- Introduce a bi-annual review mechanism for RRR
 - Establish an independent committee for rate revisions.
 - Allow for both upward and downward adjustments based on market conditions.

Regulatory Stability Measures



- Implement a "Regulatory Impact Assessment" for all new real estate regulations
 - Mandatory 60-day public consultation period.
 - Require cost-benefit analysis for proposed changes.
- Establish a 5-year moratorium on major policy changes post-implementation
 - Allow only minor adjustments during this period.
 - Require super-majority approval for any significant alterations.

Rationalisation of Government Premiums



- Consolidate the current 19 premiums into 4 core categories: FSI, Infrastructure, Environmental, and Development Rights.
- Implement a cap on total premiums as a percentage of the Ready Reckoner Rate (RRR).
- Introduce a staggered 40:20:40 payment structure for premiums
 - 40% at approval stage.
 - 20% at commencement certificate issuance.
 - 40% before issuing the occupation certificate, payable in instalments based on project completion milestones.

Streamlining Approval Processes



- Develop an integrated digital platform for all approvals, incorporating
 - Automated document verification.
 - Real-time application tracking.
 - Inter-departmental coordination.
- Implement strict timelines for approvals
 - 60 days for standard projects (up to 20,000 sq. m.)
 - 90 days for large-scale developments (above 20,000 sq. m.)
 - Automatic "deemed approved" status if not processed within the specified timeframe.
- Digitalise stamp duty processes
 - Implement blockchain based e-stamping.
 - Integrate with land records for real-time verification.

Urban Planning Reforms



- Adopt an "Infrastructure-First" approach for Mumbai 3.0
 - Prioritise high-speed rail connections to satellite cities.
 - Implement water transport systems along coastal areas.
 - Develop smart grid infrastructure for power distribution.
- Implement Transit-Oriented Development (TOD) policies
 - Allow FSI increase of up to 50% within 500 meters of major transit hubs.
 - Mandate minimum 20% affordable housing in TOD zones.
- Revise zoning laws for mixed-use developments
 - Require 15-25% commercial space in residential projects (above 10,000 sq. m.)

Redefining Affordable Housing for Metropolitan Cities



- Introduce a new "Workforce Housing" category
 - Price range: ₹1 crore to ₹1.5 crore.
 - Size limit: 80 sq. m.
 - Eligible for 50% of affordable housing incentives.

Redevelopment Support



- ▶ Fast-track redevelopment approvals
 - 30-day approval timeline for buildings over 30 years old.
 - 50% reduction in premium rates for such projects.
- ▶ Establish a dedicated Redevelopment Advisory Cell within the approving authorities which provides technical, legal, and financial consultation.

Income Tax Amendments for Homeownership



- ▶ Increase the maximum tax deduction on the interest paid on home loan under Section 24(B) for self-occupied residences
 - From ₹2 lakh to ₹5 lakh under the 'Old Tax Regime'.
- ▶ Revise HRA exemption under 'Old Tax Regime'
 - Increase the percentage of salary component from 40% to 50% for metro cities.

GST Reforms for the Real Estate Sector



- ▶ Reduce GST rates on essential construction materials
 - Cement: from 28% to 18%
 - Steel: from 18% to 12%
 - Metals: from 18% to 12%
- ▶ Implement a simplified Input Tax Credit (ITC) mechanism
 - Allow full ITC on raw materials for developers.
 - Introduce a mandatory pass-through of ITC benefits to homebuyers, reflected in the final property price.

Conclusion

By implementing these recommendations, we estimate that the overall cost of housing in Mumbai could decrease by 15-20%, making homeownership a reality for thousands more families. Moreover, these reforms would stimulate the real estate sector, potentially increasing GDP contribution from the current 7% to the projected 15% by 2030.

The path to a more affordable and sustainable real estate market in Mumbai is clear. It requires bold action, collaboration between public and private sectors, and a commitment to long-term urban planning. By addressing these critical areas, Mumbai can not only solve its housing challenges but also reinforce its position as India's premier metropolis, setting a benchmark for urban development across the nation.



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