

Housing start-ups in Kolkata, Chennai and Bangalore on a decline, finds new index

The results of the pilot, which was conducted in 27 cities from 2009 to 2011, show rise in housing start-ups in smaller cities

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The housing industry has forward and backward linkages with more than 250 ancillary industries and, thus, the index is likely to be a key economic indicator. Photo: Aniruddha Chowdhury/Mint

New Delhi: The pilot results of a housing start-up index (HSUI), which will track the number of housing units coming up in the country, show housing start-ups in Kolkata, Chennai and Bangalore was on a declining trend, but there was a rise in smaller cities such as Ahmedabad, Bhopal, Hubli, Dehradun and Sangli.

The results of the pilot, which was conducted in 27 cities from 2009 to 2011, were released on Monday jointly by the ministry of housing and urban poverty alleviation and the Reserve Bank of India (RBI).

The index is aimed at gauging construction activity in a particular region, and courtesy of its forward and backward linkages with more than 250 ancillary industries, it acts as a key economic indicator. The index, which was to be launched in 2010, collects data from all licensing authorities, which includes urban local bodies as well as various other government agencies. The government is aiming to release this index regularly on a quarterly basis with coverage of most of the Indian cities.

To be sure, the survey is still in its pilot stages and scaling up will take some time as it will involve huge administrative challenges of collecting and collating information from various local bodies.

"The contribution of this sector is about 10% of the GDP (gross domestic product) and hence, it is a key macroeconomic indicator. It will help both the

private and government sector in assessing the economic activities in the region. It will also benefit consumers and promoters," said Girija Vyas, housing and urban poverty alleviation minister. She added that the index will help policymakers and administrators to understand the thrust areas in terms of housing provision and associated infrastructure and civic amenities required.

The minister said that HSUI will soon include 300 cities. She, however, did not specify the time frame for the launch of the full-fledged index.

Vyas added that India will be the seventh country to have this kind of an indicator after Canada, the US, Japan, France, Australia and New Zealand.

Amitabh Kundu, a professor at Jawaharlal Nehru University and a member of the technical committee set up to devise this index, said there are many challenges to be overcome before the index can be scaled up to include more cities. "We have a challenge since many new building activities do not follow the prescribed norms. We can only count the buildings which have a formal approved plan," he said.

"To bring out the survey every quarter, the ministry will have to do large scale networking with municipal bodies to collect data," he added.

There are around 4,900 municipalities and an equal number of census towns.

Though the government and RBI had to physically collect data for the pilot, it will be much more easier to do it now as the whole process is now online and real-time data can be collected.

According to the National Buildings Organization, housing and building construction activities have powerful multiplier effects on the economy. A higher-than-expected increase in housing activity triggers economic growth and is considered inflationary, a decline slows the economy and can push it into a recession.

Vyas pointed out that the data collected for the index will also be useful for various schemes of the ministry, including Rajiv Awas Yojana, which focuses on construction of houses for the urban poor and Rajiv Rinn Yojana, which offers loans for construction of houses to the urban poor.