

How affordable housing has become possible

Focus on value engineering for reduction of prices

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CHENNAI: The increase in the number of residential projects in recent months at relatively less cost has not only generated considerable interest among the prospective buyers but also made many others curious on how the builders are able to do that. Particularly, given that most developers promise that the reduced cost does not mean a cut in the amenities.

Builders, however, say that affordable housing is the byword and made possible due to a combination of strategies. "Construction industry is going through a change in terms of how the project is executed," said Pratish Devadoss, Managing Director of VGN.

One of the key drivers is the increasing competition, making many of the builders do an exhaustive comparative study on the prices announced by others in the neighbourhood.

President of Sabari Realtors V.A.Ramash said the company was able to peg the price of the housing units at its project off Rajiv Gandhi Salai at a considerably low level because of various initiatives. "Our rate per sq.ft compared to other projects nearby was brought down by 15 per cent," he said.

The company also focussed on reducing the land cost as it was the most important factor in the pricing of the apartments. Instead of an outright purchase, it opted for a joint venture with the land owner.

Landowners have an im-

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portant role in making the housing units affordable, agreed Mr.Devadoss. However, with many landowners reluctant to reduce the price builders have started paying more attention on alternative methods of reducing construction cost.

"We have focussed on value engineering for reduction of prices," said Nakshatra Roy, Director (Corporate Operations) True Value Homes. The common area and electrical wiring has been optimised in order to reduce the prices, he said. Normally common area is around 20 per cent. We have to optimise the area of corridor, lobby and other super built-up area, he adds.

"Every square inch counts," says Mr.Roy, adding that better space management has helped in reducing the price of the apartments by 15 per cent.

Technology has also helped in reducing the construction cost. Builders have planned to manufacture the inputs needed for construction. "We are sourcing fly ash and silica for manufacture of concrete blocks," said Mr.Roy. Bulk order to steel plants is another measure, he added.

Many builders are evaluating new technologies available abroad for reducing costs. Prefabricated walls are found to be effective in reducing the costs. However the construction has to be large scale for use of such walls, said Mr.Devadoss. He added many build-

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ers were unable to use technology available in other countries as the infrastructure in India was not adequate for using the technology.

Focussing on minute aspects also helps, explains Padam Dugar, Managing Director of Dugar Properties. The infrastructure levies of multi-storied buildings are Rs.100 per sq.ft. But it is Rs.50 for low-rise buildings, he said. The construction charges also go up as the height of the building increases. The use of more lifts and power consumption also contributes to a rise in the construction cost. Optimisation of common amenities, painting materials and tiles are other important components of the cost-reduction strategy, he added.

Many construction companies accept they have reduced the number of employees as a cost cutting measure and to that extent limited their expenditure. According to Mr. Devadoss, customers should be ready to stay in places away from the city to benefit from the reduced price. He added that the specifications of the amenities in some cases may vary, he added. Values said a chunk of the amount reduced was the speculative component of the price increase in the past few years.