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Rental Housing in India:
A Study of the Upcoming Wave

Contents

The Premise

In our limited circulation paper on rental housing nearly a year ago, we had underscored the fact that India's rising urban population, and its ambitious mission of Housing For All by 2022, make a compelling case for development of rental housing in our cities. The demand for rental housing was never in doubt. The supply side had to find a way through the economics of business planning, and with the support of the enabling ecosystem. The last one being the key.

The events and policy initiatives over the last few years – including the establishment of RERA, PMAY, Model Tenancy Law, and others – have laid the foundation for development of rental housing. The missing piece of the puzzle was about making it viable and sustainable for the development and distribution process. This is because the returns from residential real estate have remained very low. It fails to attract capital, or, long-term operations-interest. This missing-part received a significant boost through the central government's announcement of creation of rental housing for poor urban migrants during the COVID-19 induced lockdown. During lockdown, the migrant workers and economically weaker sections, frequently symbolised the plight, mainly because impermanent housing and the attendant economic woes forced them into reverse-migration.

This class of society has, for long, been the biggest latent demand-segment for such housing. However, high land costs in cities (coupled with overall project costs) have historically rendered any solution ineffective, as rent-paying capacities of the subject demand segment did not provide any buoyancy to project cashflows. Moreover, lack of suitable operational mechanisms for long-term, made it impossible to address this issue in the past.

The Affordable Rental Housing Complexes (ARHCs), Operational Guidelines July 2020 released by Ministry of Housing and Urban Affairs, has now laid a roadmap. This is a remarkable attempt in this direction. We may say that this could prove to be a possible watershed development in the direction of sorting housing woes of urban poor.

As mentioned above, we had published a limited circulation paper in 2019 which delved into this; and had already given some strains of possible solutions. The current paper is about analysing the two models proposed by the aforementioned Operational Guidelines of July 2020; and presenting a birds eye view of the possible strengths and challenges.

The subject of rental housing in India remains a continually evolving one. We will present more analyses and deeper studies in future, as will other knowledge-experts serving the industry and contributing to the thinking processes. These will greatly enhance the society's learning in discovering and implementing solutions that are tailored for the Indian urban landscape.

Introduction

India's real estate market, much like any large market, has been buoyed to a great extent by commercial office space and warehousing of late, but the residential market has had its challenges even in the pre-COVID times. It has repeatedly grappled with liquidity issues, funding concerns, slowdown in sales and demand supply mismatch. The residential market in the last few years had indicated a sort of slow revival or bounce back until the pandemic put a hold to the slow momentum build-up.

Unsurprisingly, most of the activity in terms of sales, launches and supply has been happening in the affordable housing segment. Affordable housing, be it owned, or rental has been receiving significant policy push from the government, the segment has been clearly identified as the focus area. In spite of regulatory attention and market's affinity towards the affordable housing segment, there remains an acute shortfall of EWG and LIG houses specially in urban centres of the country.

Notwithstanding the financial and commercial aspects, which have drained residential markets of their investment attractiveness, there remains a massive and overarching human and social perspective in residential real estate. After the hardships faced by the lower strata of population during the pandemic, the government has fast-forwarded the rental housing solution.

The recently released Operational Guidelines on Affordable Rental Housing Complexes (ARHC) is a long-awaited giant leap in the right direction. Before we analyse the guidelines and the models proposed therein, we have tried to set up a base by providing some insights into the evolution of the policy landscape for the affordable and rental housing segment in the country.

Urban Housing- A Quick Fact Sheet

20%
Houses on rent in urban India

80%
EWG/LIG share in households on rent in urban India

90%
EWG/LIG share in urban India's housing shortfall

Source Census 2011, Savills Research

Three Key Factors:
The Demand Drivers of Affordable Rental Housing

Factor I
Rapid Urbanisation

- India's urban population share has grown more than threefold in just over a century- ~ 10% in 1900s to current levels of more than 34%
- 40 cities with a million plus population; with 50% in 15-44 age group

Factor II
Migration to cities

- Estimated annual inter-state migration is about 9-10 million annually (over time, this will only accelerate)
- Though COVID-19 led to temporary reverse migration, income-pulls still hold good and will lead to continued migrations

Factor III
Rising cost of home ownership

- Home cost as a multiple of annual income gives a good indication of affordability of homes
- This indcator has shot up beyond the sweet spot of 5 times, to almost 9-12 times in the previous decade
- Cost of house ownership across India has shown a CAGR of ~ 5% in the past few years

FACTOR-I (Rapid Urbanisation)

By 2030, India may well be the most populous nation, as well as its urbanisation would have picked up more pace to reach 40% from the current estimated 34%. The cities have not grown significantly, and the pace of population addition beats the former by a significant margin.

FACTOR-II (Migration to cities)

It is evident that the cities are not merely growing, but they are growing at an increasingly rapid pace, as shown in Figure 2. Hyderabad, for example, has grown by nearly two and half times between the previous two census. Bangalore and Chennai have similarly more than doubled in this time. Larger cities like Mumbai and Delhi have also added populations at significant pace.

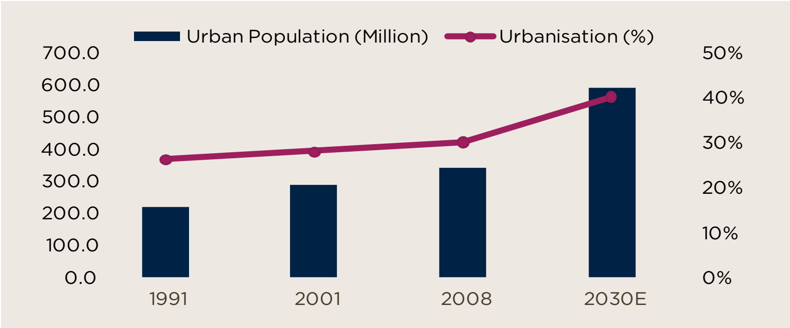
FACTOR-III (Rising cost of home ownership)

The most interesting, if worrying, part of the urbanisation puzzle lies in the movement of incomes over a long period as compared to house prices. Figure 3 succinctly indicates the movement of incomes over the last 4 decades, along with house prices and affordability.

It is evident that the prices took a marked departure during the first decade of the new millennium, and turned highly unaffordable. Whilst a correction has been in the making, the prices still remain almost 8-9 times the sweet spot (which is about 5 times the annual income).

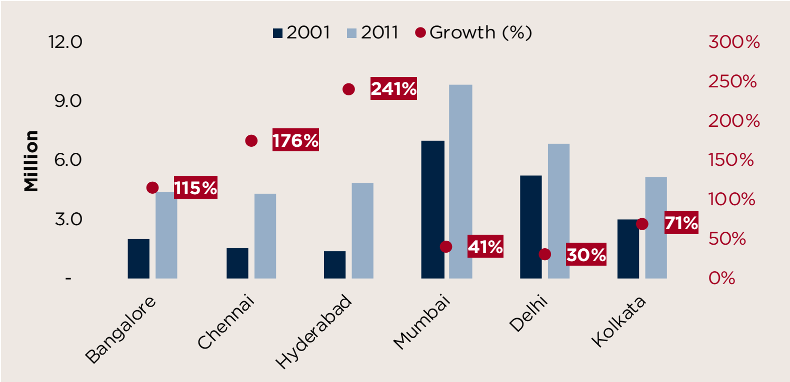
The above three factors demonstrate how the housing issues have developed over a period of time. It is therefore, natural to expect the demand to move increasingly towards renting than buying – as has been regularly manifested in India. The stumbling block however, has been the high rental values, which remain out of bounds for the largest segment of India's urban population.

Figure 1: Rapid Urbanisation



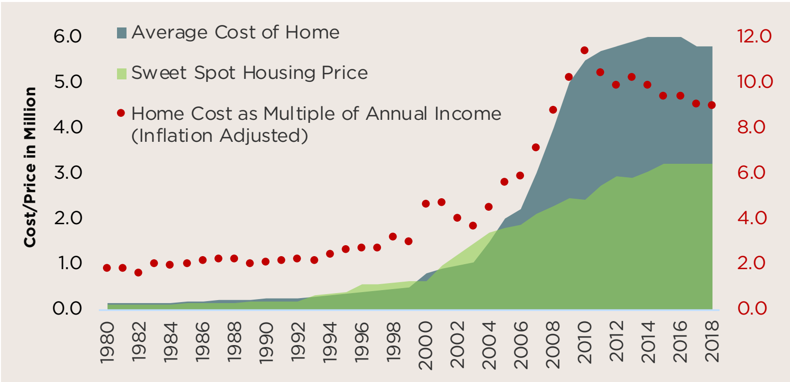
Source Mckinsey, RBI

Figure 2: Migrant Population & Decadal Growth



Source Census 2011

Figure 3: Home Prices, Incomes & Affordability



Source Savills Research

The Solutioning Pathway: Urban & Housing Policies

India has an unresolved mission of providing housing for its urban poor.

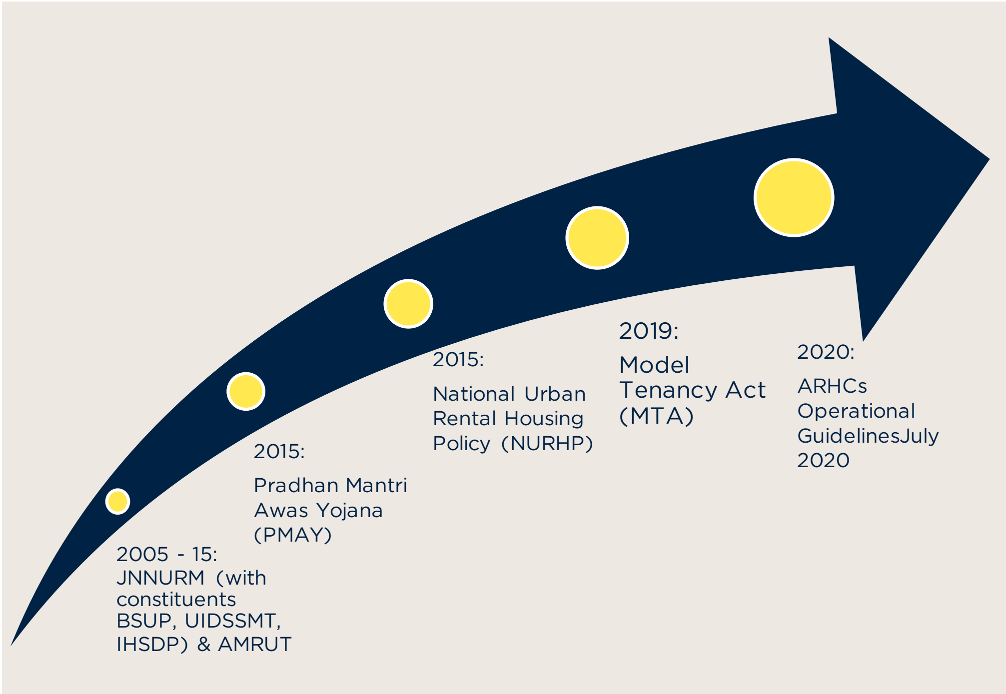
By various estimates, India's fast - paced urbanisation, will create a need for over 25 million houses in less than a decade. The current shortfall itself is assessed at approximately 10 million.

This requires high-speed work on two complementary fronts, viz.,

- Urban development, and
- Housing creation within urban centres.

Over the last 15 years, various central governments have undertaken multiple measures, which are depicted in the Figure 4 here. It is also seen that the policies which have a direct correlation with the current ARHCs policy have taken shape from 2015 to 2020. NURHP and MTA tried to concentrate on rental housing in the country. While NURHP was focussed on promoting shelter facilities for the most vulnerable groups within the homeless population, MTA was specific in addressing the relationship between the lessor & lessee realistically and fairly, formation of a rental regulatory authority and capping of security deposit.

Figure 4: Evolution of Urban & Housing Policies



Source Savills Research

Liveability Worries During Lockdown Sped-up ARHCs

It is worth noting that the acceleration on the policy came about as the nationwide lockdown due to COVID-19 pandemic steeply aggravated living conditions of urban poor. These were often the migrant labour, whose economic conditions slid rapidly during the lockdown, spanning almost three months.

At the end of July, the central government's announcement of Operational Guidelines for ARHCs has created the necessary traction for rental housing creation. It can, arguably, be called the most important of all the policy measures since 2005, since it can enhance liveability in the quickest time – compared to other measures which require longer implementation-timeframes. If implemented via one of the two models, the rental housing availability can begin in less than 2 years.

We discuss the speed & certainty of viability – among these two models – in the following section. We call them M-1 and M-2 for the sake of easy recall.

ARHCs: Two Models

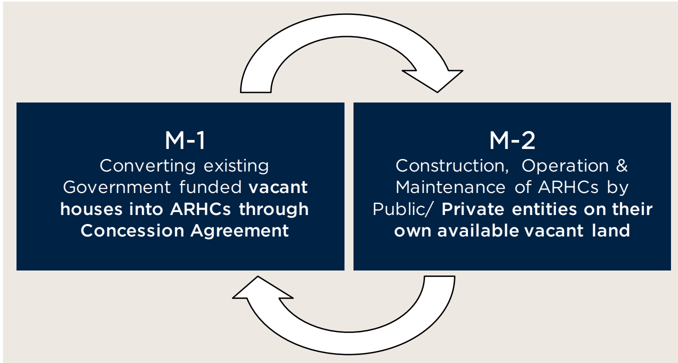
ARHC is a sub-scheme of the PMAY-Urban and is a part of the government's economic package to address the economic stress that has arisen from the COVID-19 crisis.

The July 2020 Operational Guidelines for ARHCs have laid down two models. While we will not go into a detailed reproduction of the guidelines in this paper, we highlight the key features which help in assessing the efficacy and executability of these models. We call them M-1 & M-2 as shown in Figure 5.

At the core, the models vary as:

1. **M-1**: Provides for operation of **vacant government funded houses** as ARHCs by a bidder (Concessionaire) for 25 years
2. **M-2**: Provides for Public & Private **Entities to create ARHCs on their own vacant lands** for benefits like extra FAR of 50%

Figure 5: The Two Models



We advise a detailed reading of the 56-page Operational Guidelines for a clear understanding of various features, terms and allowances. A summary of the same is given below

Figure 6: Salient Features of ARHC Development Guidelines

SALIENT FEATURES

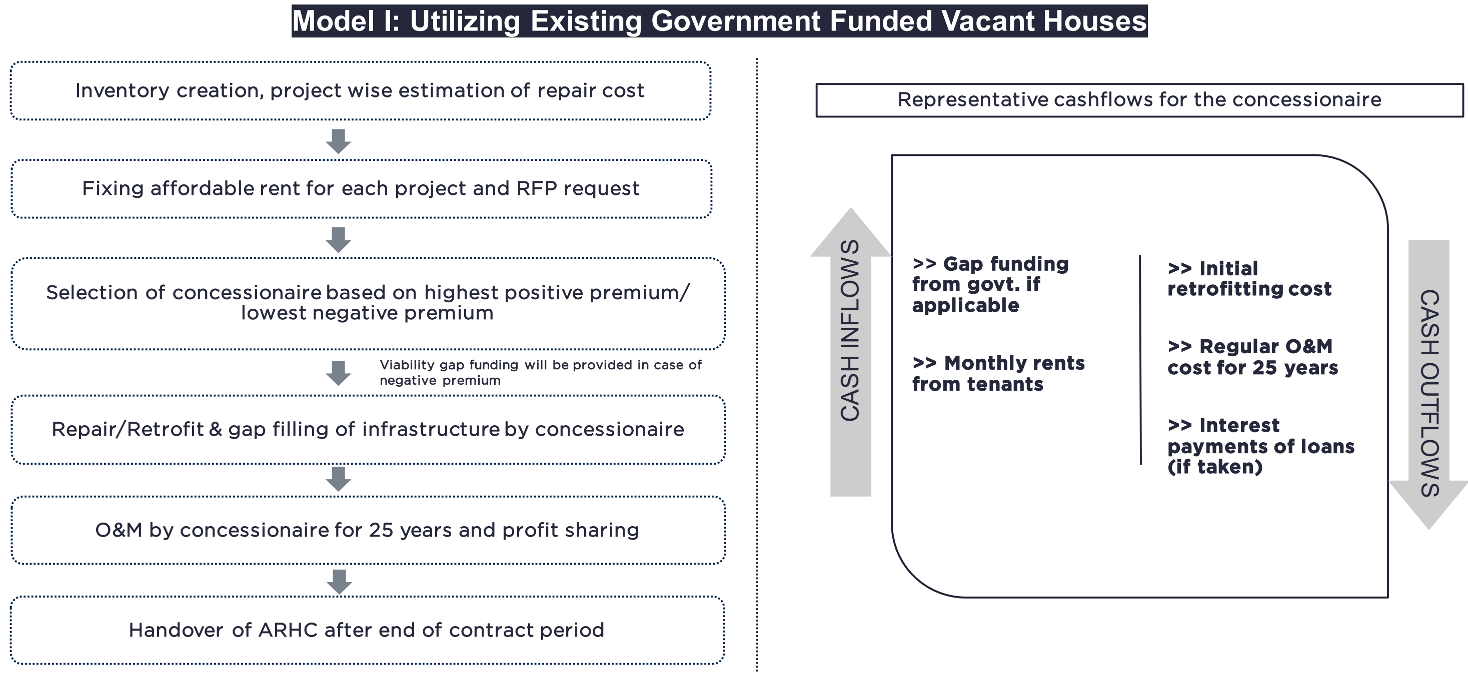
ARHCs are meant to be aligned with the Atma Nirbhar Bharat vision.

- The primary target beneficiaries are expected to be from the EWG and LIG sections
- Urban migrants and economically weaker engaged in sectors such as manufacturing, hospitality, health, construction, etc.
- The creation of a new rental housing ecosystem with focus on dwelling units near the places of work of the inhabitants
- Each ARHC will consist of Dwelling Units (DUs) as
  - Single bedroom (upto 30 sq.m.)
  - Double bedroom units (upto 60 sq.m.) with living area, kitchen, toilet and bathroom
  - Dormitory beds (upto 10 sq.m.) as well
- Dormitories can accommodate 4-6 beds per unit
- Double bedroom DUs will not be allowed to consume more than 33% area to stop misuse of scheme
- The initial rent of ARHCs will be fixed by the local empowered authority

Affordable Rental Housing Complex: The Models Deciphered

M-1 Operation Details

Figure 7: Illustrates the functioning of M-1, in a schematic manner



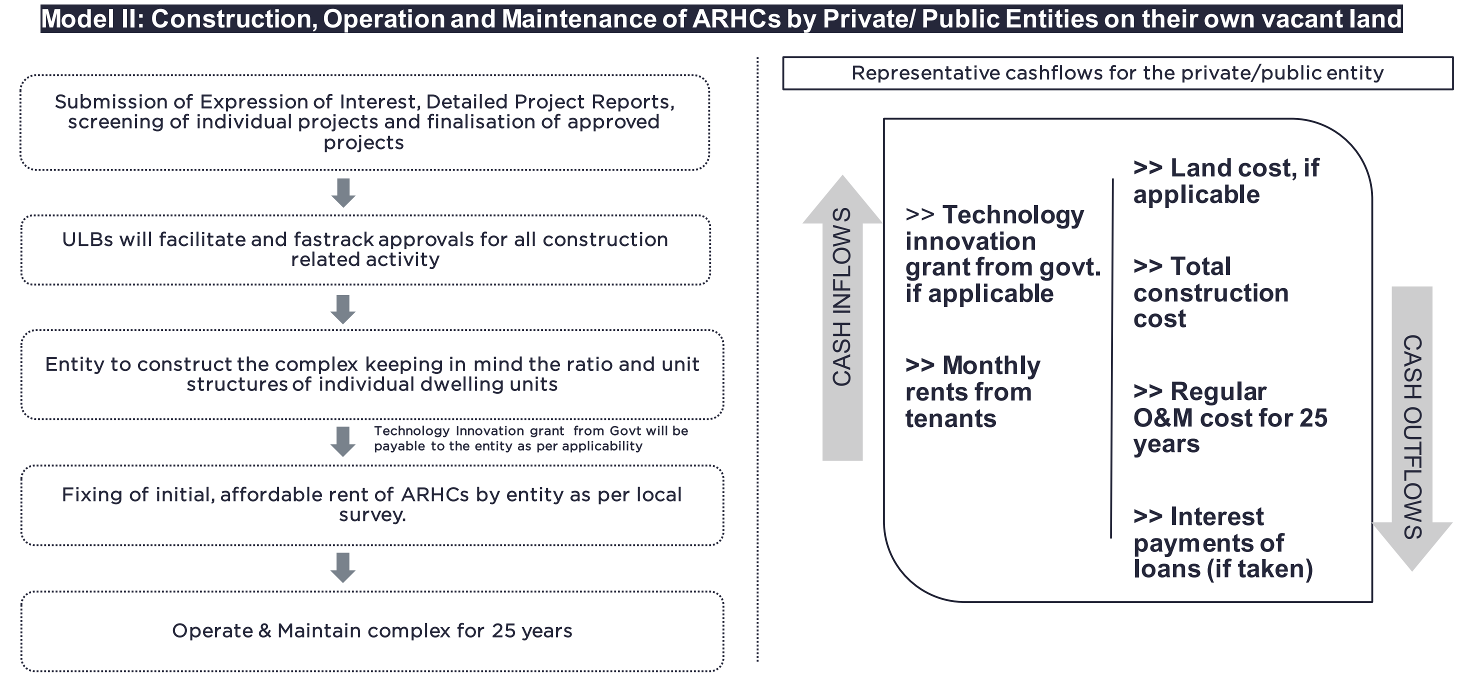
Source Savills Research

The key features of M-1 include:

1. Inventory creation – ascertaining government funded vacant housing stock in each location.
2. Selection of viable bidders (Concessionaires) from among the interested parties who will fulfil the RFP process. These will be primarily real estate companies or developers with the capacity to upgrade and operate rental housing for 25 years.
3. Concessionaries bid by offering 'premium' (a positive or a negative premium). The one offering highest positive premium would be selected. Alternatively, in cases where there is a negative premium (loss on overall operations of 25 years), the lowest negative premium will qualify.
4. The guidelines state that Viability Gap Funding will be made available to concessionaires for negative premium.
5. The schemes will use funds allocated for JNNURM and RAY previously.
6. Concessionaries will collect rents (as fixed by the local authority) and will incur costs to maintain the property over the period of operations.
7. Concessionaires can avail tax benefits under Sec 80(I)B and relief from GST, as per the Operational Guidelines.
8. The ARHC will be reverted at the end of the 25-year period

M-2 Operation Details

Figure 8: Explains the functioning of M-2.



Source Savills Research

The key features of M-2 are:

1. Public or Private Entity owing land, applies for project selection & listing (by the ARHC authority) after examining Detailed Project Reports.
2. ULBs to facilitate and approve construction in 30 days. If not approved in the timeframe, it is deemed approval.
3. Technology grants may be approved and allowed depending on the proposals
4. The period of construction is envisaged as 18 months. The project will be allocated for 25 years after this initial 18 months, making it approximately a 27-year planning horizon.
5. Public Private Entities will collect rents (as fixed by the local authority) from each occupant and will incur costs to maintain the property over the period of operations.
6. The entity is allowed various tax benefits including those under IT Sec 80(I)B and relief from GST, as per the Operational Guidelines.

In the following section, we provide examples (from the Guidelines document) and explain through summaries of cashflows, the viability of these schemes, as well as their challenges.

Illustrations & Critical Analyses of Models

Based on the details provided in the guidelines, we now illustrate through 25 year cashflow summaries, the overall cash positions and project evaluations from the operators' perspectives.

It is important to analyse from operators' point of view, since only if there is economic viability with respect to concessionaires (for M-1) or entities (for M-2), will the ARHC model work. Please note that we are showing summary cashflows and sensitivities here for easy comprehension and conclusions.

Our focus is on assessing the efficacy of each model and also to compare them on key project evaluation parameters. Detailed cashflows for 25-years and 27-years respectively for M1 and M2 have been constructed for these illustrations, but not produced in the main report.

M-1 Project Analysis

The key to a successful project implementation in the M-1 model will be the upfront Premium amount.

In this illustration, which is based on actual data of 2,545 vacant houses in Faridabad[1], we have determined that a Premium of approx. INR 11.10 crores provides a very attractive IRR of 20% and an otherwise viable NPV and Payback periods.

The key inputs and assumptions are summarised here:

- Monthly Rent: **INR 3,000** per month with 8% escalation every 2 years (as per the Operational Guidelines)
- O&M Expenses: **INR 1 per sq.ft**; 10% increment every year
- Major Maintenance: 1/10th of Retrofitting cost every **5 years** with annual escalation of 10%
- Retrofitting cost: **INR 90,000** per DU
- Loan interest: **8% p.a.**; Equal repayment schedule over 20-year amortisation period
- The average occupancy over the planning horizon is assumed at 80%
- The workings are pre-tax calculations – as also demonstrated in the guidelines.

Sensitivity of Premium: Sweet Spot Bidding Points

It is evident that if the overall operational costs remain as projected, the projects' success will depend on the upfront Premium. Hence, we have demonstrated a sensitivity between the IRR and Premium variation, which is shown in Figure 11.

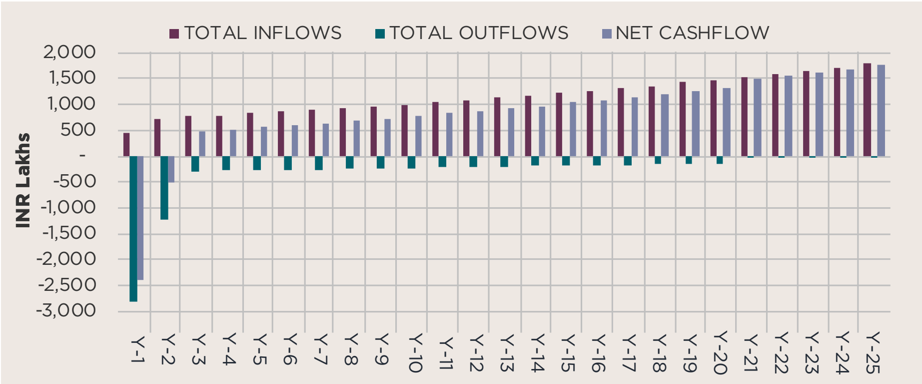
Following are the key conclusions from this which can be termed as success determinants for the M-1 model:

- As is seen, **higher the premium, lower the project's viability** (lower IRR, to the right on X-Axis).
- The **sweet spot**, in this example, lies if the premium is in the range of INR 10 crores to 24 crores.
- For the **ARHC authorities** to make the most viable award of Concessionaire, they must try to **maximize bidders**, as it will provide optimal Premium, at the most workable IRRs.
- The **Concessionaires will determine a lower** limit (probably not less than the sweet spot range shown), in order to present a bid.

In summary, M-1 is a workable model if the market conditions support the rent of INR 3,000 per month and occupancies remain in the range of 80%-90%.

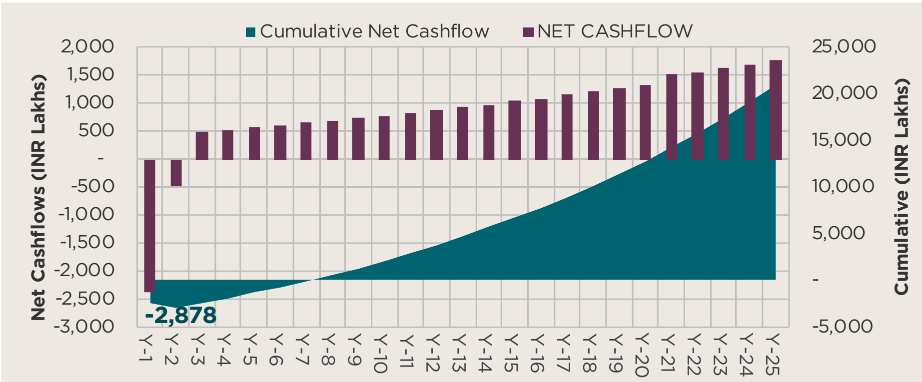
1. As provided on Page 50 of Operational Guidelines

Figure 9: M-1 PROJECT SUMMARY



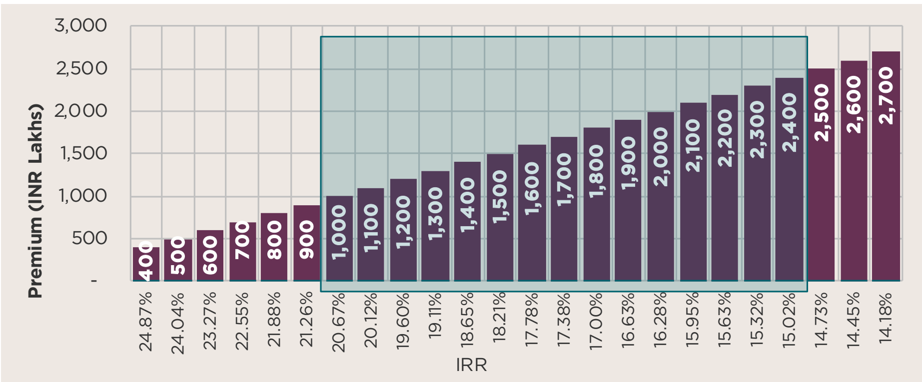
Source Savills Research

Figure 10: Net Cash (LHS) & Cumulative Flows (RHS)



Source Savills Research

Figure 11: IRRs vs Premium



Source Savills Research

KEY FEATURES

NPV (INR Lakhs)	IRR (Pre-Tax Project IRR)	PBP (Years)	Peak Investment (Y-2) (INR Lakhs)
2,280	20%	8	-2,878

M-2 Project Analysis

The basic assumptions in the model are as follows:

- Land of 2 acres at INR 5 crores per acre
- The basic FAR/FSI is assumed as 1.5, with an additional 50% available as per the guideline
- Construction cost of INR 1,600 per sq.ft, with construction period spread over 18 months
- Interest is calculated at 8%: same as in M-1
- The assumption on DUs are shown in the table below. It may be noted that we have assumed a higher occupancy in this case.

	UNITS	RENT	PEAK OCCUPANCIES
1 BHK	290	4,500 / month	95%
2 BHK	100	7,500 / month	90%
Dormitory	30 (6 beds each)	16,500 / month	95%
Commercial	40 (approx. 550 sq.ft.)	130/sq.ft./month	80%

M-2 Project Analysis

The key to a successful project in M-2 model will lie in two crucial aspects: the land value & construction costs.

The two costs lead to a massive capital outlay as seen in Figure 8.

The key takeaways from the M-2 model are:

- Large capital outlay necessitates increased rent
- Success of 2-BHK and Commercial segment will be crucial though the focus of development will be 1-BHK and Dormitories
- Land cost must be kept minimal, else the projects may become unattractive. In order to tackle this, we refer back to our paper of last year, where we had advocated land as 'Social Equity' to make the projects viable. If the Entities use historic land parcels and keep the land cost minimal the projects will be attractive, as they will benefit from lower capital costs, and the terminal yield at the end of the 27th year will create better IRRs.

Sensitivity of Land Value in M-2

Land price will play a crucial role, and even define the locations which can work for the M-2 model.

Also, the project must be maintained in a way that its O&M costs are always kept in check.

In the current example, the sweet spot land pricing lies below INR 5.5 crores per acre. At a value higher than this, the IRR begin to diminish below 10%.

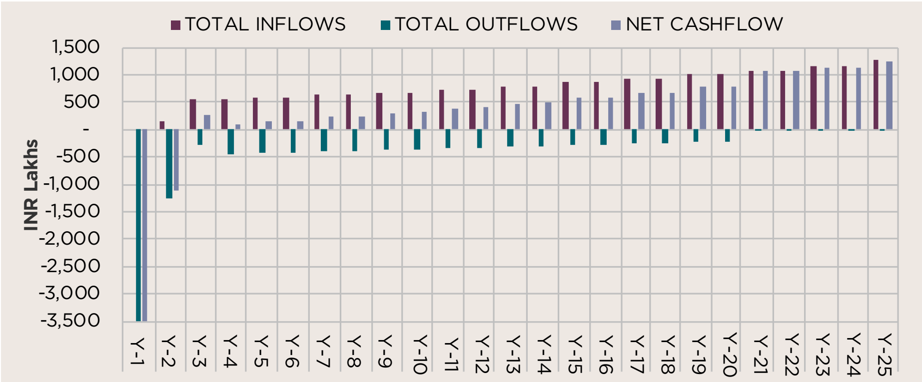
Viable Locations For M-2: Is it Viable?

In case the M-2 model needs to be successful, it will have to fulfil one of the two conditions:
1. Zero or minimal land cost
2. Significantly higher rentals

As mentioned above, the first condition can be fulfilled by bringing land as 'social equity' wherein the market value of the land is subsidised. It can also be done by using large scale unused land with various entities.

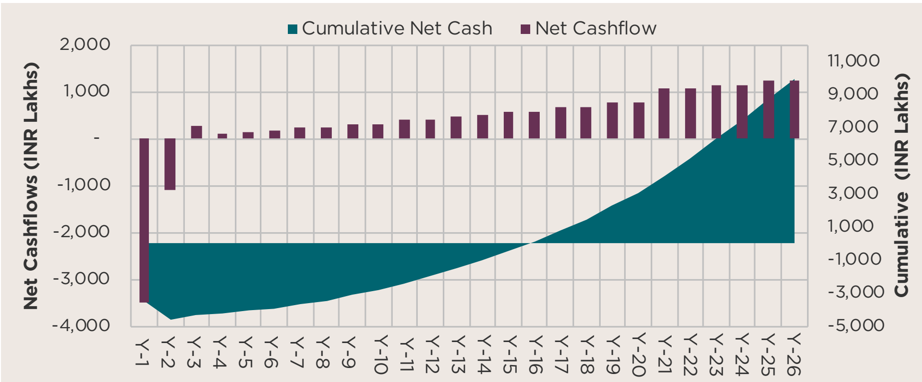
If however, the projects, reply on market values, they will not remain viable inside larger city precincts. Most locations which can fulfil such minimal land prices lies far outside city limits. This will defeat the purpose of ARHCs, which explicitly focuses on creating rental housing for urban poor and migrants closer to their work.

Figure 12: M-2 PROJECT SUMMARY



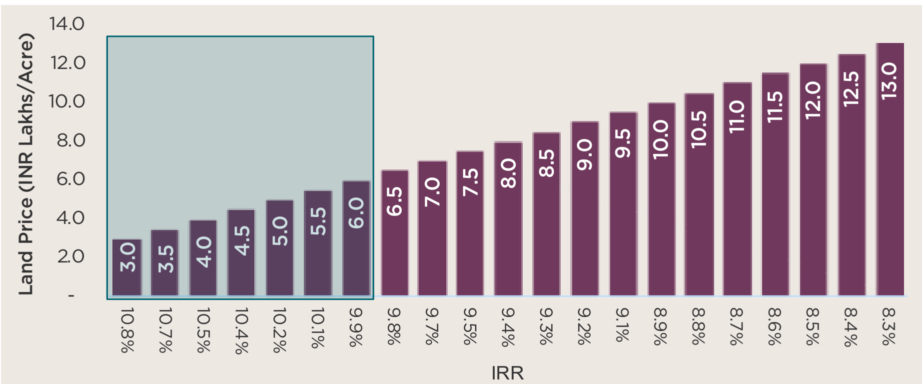
Source Savills Research

Figure 13: Net Cash (LHS) & Cumulative Flows (RHS)



Source Savills Research

Figure 14: IRRs vs Premium



Source Savills Research

KEY FEATURES

NPV (INR Lakhs)	IRR (Pre-Tax Project IRR)	PBP (Years)	Peak Investment (Y-2) (INR Lakhs)
137	10.2%	16	-4,603

As a demonstration, we show three large cities of India, where land at INR 5 crores per acre can be procured only 50-70 km away from the cities' CBDs.

- For Bangalore: The viable locations would be Anekal, Devanhalli, Budigere Road, Nelemangala, etc. which will be 20-30 km from the city centre
- For Mumbai: The viable locations would be Mhape, Dombivali, Vasai-Virar, which are similarly 50-70 km from old CBD of NarimanPoint and 30-40 km from the new CBD of Bandra Kurla Complex
- For Delhi: The viable locations will be only in Greater NOIDA, Manesar, Ballabhgarh, etc, which will be far from city centre and economic hubs.

A Summary Comparison of M-1 & M-2

The implementation and success of rental housing in India is greatly dependent upon the two models proposed in the Operational Guidelines of the Ministry of Housing & Urban Affairs. Summary of the two examples discussed in this paper is given in the table below.

- Premium (calculation & payment) will hold the key to M-1
- M-2 is viable in city locations, if land comes at historic value, or used as Social Equity
- Self-construction or options like contract will become vital: Construction cost outlay creates a vast difference between the two models
- Capital per unit could be 4-5 times in M-2; Outflow could be 5-6 times in M-2
- M-2 may be difficult in large cities: as land at INR 5-cr per acre or less market value is in far flung locations

	M-1	M-2
Outflow Per Unit (INR)	3,18,000	23,60,000
Capital Deployed Per Unit (INR)	1,36,000	9,23,000
Net Income to Capital Deployed	2.58	2.41
NPV Per Unit (INR)	90,000	30,000
Peak Investment Per Unit (in Y-2 for both) (INR)	-1,13,000	-10,00,000

A Future of Possibilities

Rental housing in India is in its infancy. However, there is a tremendous upside potential for the market participants to explore. Much like REITs, India can take a leaf out of the immense learning experience worldwide.

Singapore, Hongkong, Germany, UK, etc., have significantly mature rental housing markets. In due course, the Indian market should explore some of the concepts in play in these countries, such as

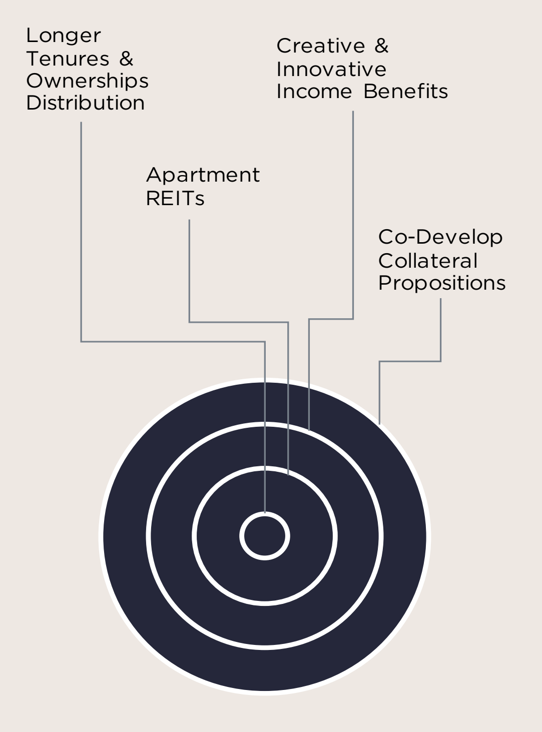
- 99-year lease models,
- Greater private and community ownership of assets
- Negative Gearing, a concept in use in Australia (which we had highlighted in our previous paper)
- As is seen in the cashflow graphs, the income stream stabilizes over a period of time in each model. For M-1, the stabilisation could be attained as early as the 5th or 6th year, while for the M-2, it could be longer. These would create large portfolios of professionally managed real estate assets. Such an environment will create a favourable ground for allowing Aparment or Residential REITs in India. Such a proposition will create massive interest in Indian residential real estate, especially if done in conjunction with tax-effective measures like negative gearing, etc.
- Utilisation of centrally sponsored savings schemes to fund buying or leasing of rental houses

A quick glimpse of the interesting features of the Singaporean and German rental housing markets has also been provided in the Annexures.

Interestingly, senior living and co-living segments have also commoditised the monthly rentals derived from households. Only, their target segments are obviously different, since they focus on elderly population and the millennial age bracket, instead of the low-income group focus of affordable rental housing schemes.

These classes of rental houses are clearly complimentary in nature, and can well be stepping-stones for investors to achieve higher returns and diversification of residential portfolio.

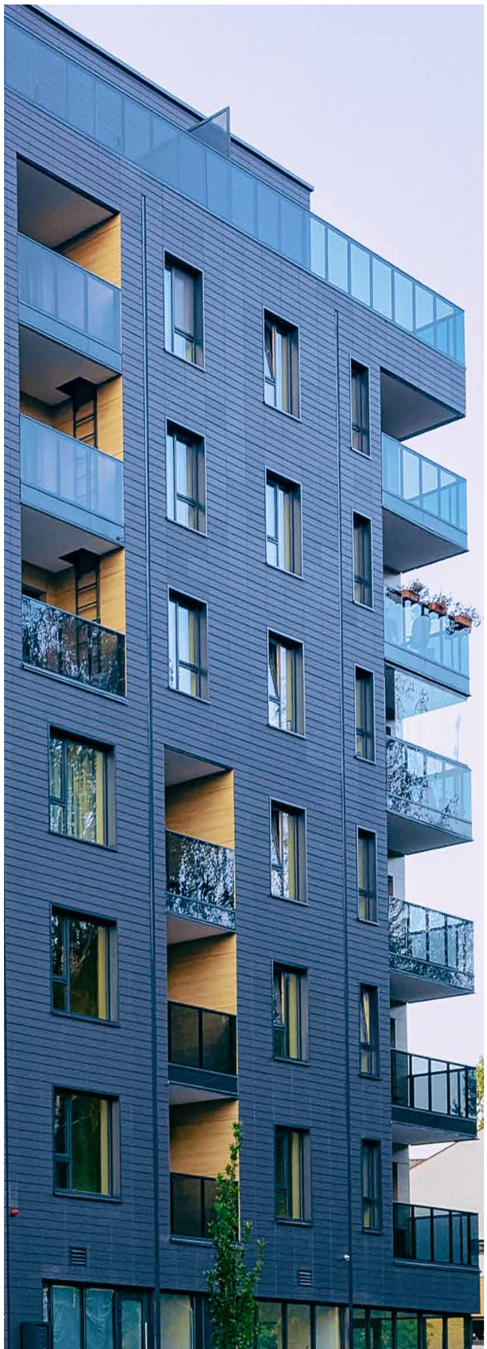
Areas of Future Exploration



Conclusions

We have focused on providing examples-based analytics on the Operational Guidelines of July 2020 in this paper, since, the future of the rental housing in India is now solely dependent on it. Using any other means to analyse the situation would be purely a conjecture. We have also provided a quick view of possible challenges, while comparing the two models.

This should assist the general readers – as well as the future participants – the authorities as well as the Concessionaires or Entities a broad pathway in assessing the efficacy of projects. After all, it is these two, along with the eventual user that will determine if the 25 year model yields favourable results.



Strengths & Challenges

The main strengths of the solutions lie in

- **Social Objective:** Aiming to develop rental housing for poor migrants closer to workplaces, within the city suburbs
- **Private Participation**: Incentivizing private participation with viability gap funding, floor space relaxations, technology grants and liberal tax subsidies
- **Administrative Strength**: Creation of a Monitoring Committee for supervising the entire lifecycle of ARHCs
- **Speed**: Single window clearance for approvals
- **Previous Schemes and Stock Utilization of vacant government premises for housing**: Also the funds of JNNURM & RAY

However, the **challenges** remain. In our examples shown earlier, we have provided some of the possible answers for overcoming them, but it will be crucial to observe the unfolding of events. Some challenges of note are:

- Land cost remains a challenging proposition in urban areas. It might hinder private participation if not carved out carefully and with incentives for the Social Objective
- New social and security set-ups in proximity will require municipal and development authority's active role
- Competition among bidders and pre-bid marketing efforts should receive focus, to maximise the Premium potential in M-1

Investor Viewpoints

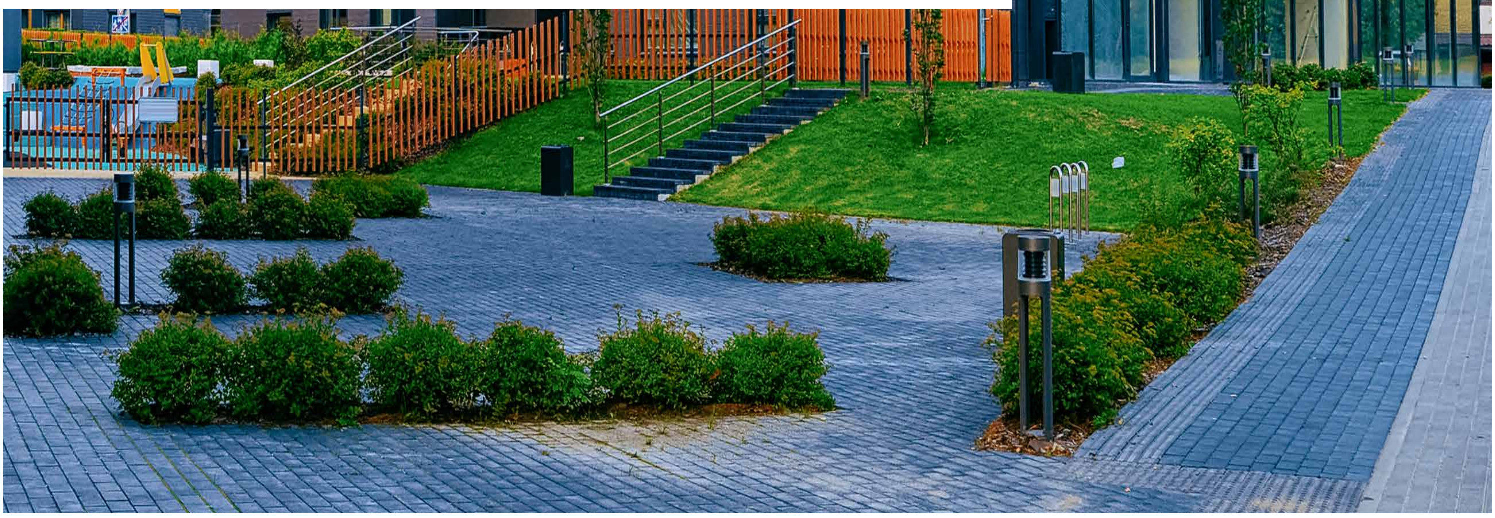
A real estate proposition must make financial sense for the private and institutional investors in due course, to remain sustainable. While keeping the social objective firmly in place, if the returns remain as good as they have been theoretically envisioned, the investor interest in rental housing should rise. The key points in this regard are:

- The rental housing can create long term investment play, with higher than current returns
- Relatively stable returns: Linked to continued support from incentives and policy push
- Favourable entry point for large investors aiming for a public listing
- The product can eventually match the risk-return profiles of offshore wealth, insurance and sovereign funds

In the eventual analysis, the die seems to have been cast. It does appear to be a workable solution. The eventual success will lie in implementation, though.

Large public and private sector organisations including HMT Bearings (14.48 acre in Hyderabad), Hindustan Antibiotics 62 acres in Pune), HEC (60 acres in Ranchi), IDP in Gurgaon, MTNL, Air India, and several others, could lead the way in demonstrating the efficacy of the model.

As observers and analysts, we think this is a remarkable step forward towards the mission of Housing for All, even if it fulfils a part of it.



Annexures

Abbreviations

Please note that these are listed according to their natural proximity in terms of use in the report or closeness of meaning.

ARHC	Affordable Rental Housing Complex
DU	Dwelling Unit
EWG	Economically Weaker Group (with incomes up to INR 3,00,000 per year)
LIG	Lower Income Group (with incomes between INR 3,00,00 – 6,00,000 per year)
FAR	Floor Area Ratio (ratio of total built area to plot/land area)
FSI	Floor Space Index (same as FAR)
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
RAY	Rajiv Awas Yojana
BSUP	Basic Services to Urban Poor
UIDSSMT	Urban Infrastructure & Development Scheme for Small & Medium Towns
IHSDP	Integrated Housing & Slum Development Programme
AMRUT	Atal Mission for Rejuvenation and Urban Transformation
PMAY	Pradhan Mantri Awas Yojana
RERA	Real Estate (Regulation & Development) Act, 2016
ULBs	Urban Local Bodies

Reference and Reading

PUBLICATION	OWNER/AUTHOR
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State of World Population Report (for each year that has been published is a useful reading)	United Nations Population Fund (formerly United Nations Fund for Population Activities)
India has 139 million internal migrants. They must not be forgotten	Krishnavatar Sharma Article in World Economic Forum's (wefoum.org). The article is a part of India Economic Summit (01-Oct-2017) Source: https://www.weforum.org/agenda/2017/10/india-has-139-million-internal-migrants-we-must-not-forget-them/

Rental Housing: In other countries

Singapore

Housing is a social asset in the country. The Housing and Development Board (HDB) provides affordable and high-quality housing for most of the country's residents. More than 80% of Singapore's residents live in housing provided by the development board. Houses are issued on a 99-year lease basis, with financing readily available, including that provided by the Central Provident Fund (CPF). CPF is a compulsory scheme like the EPF in India- Homebuyers can fund leasing of an HDB flat by using the corpus in CPF

Germany

The country has the largest rental market in Europe. As per 2011 census, the country has more than 40 million housing stock, and more than 50% of that is used for rental purposes. Rental market is quite regional in nature - with a low-high range of 24%-82% (percentage of rental apartments in the total housing stock of the district). Interestingly, almost two-thirds of rental apartments are owned by private individuals. Private companies have a very low share in the country's rental market. Deep diving into the private company share, points to a high concentration in Berlin (~17%).

Co-Living: Supporting Rental Housing Market

Co-living market is a segment which has garnered significant interest amongst investors. India with its high number of graduates, postgraduates and working professionals in urban centres is the perfect launchpad for exciting trends that are emerging in this market segment. The operators have started to opt for built to suit models which offer a holistic community experience for the customers.

The nascent market is expected to ride through the pandemic shakily however, emerging stronger on the other side. In a post pandemic world, consolidations and M&As by more organised players are likely, resulting in market expansion.

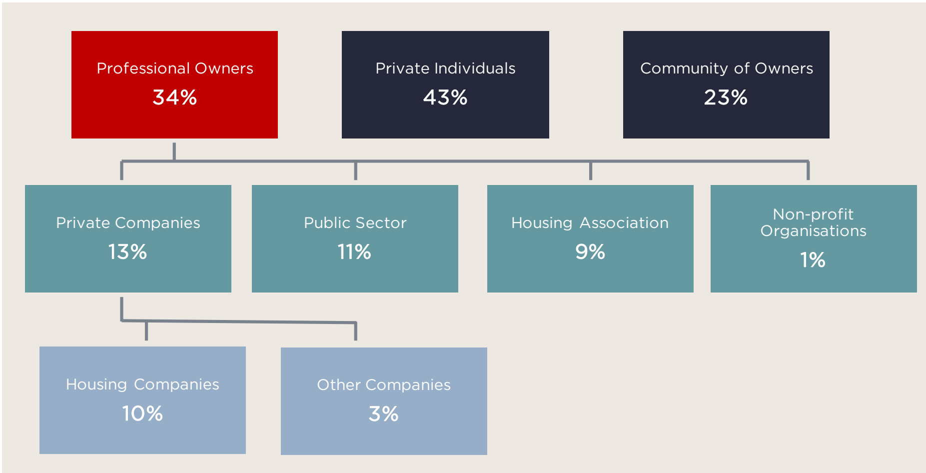
Figure 15: Singapore Rental Approvals by HDB (2019)

0% 1 Room	2% 2 Room	32% 3 Room
34% 4 Room	26% 5 Room	7% Executive

Source hdb.sg

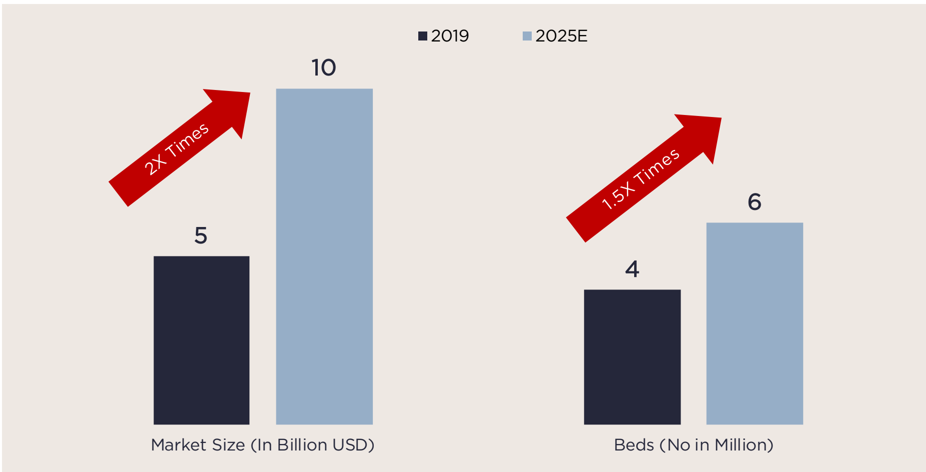
* Rounded percentage in 1 Room is 0%

Figure 16: Germany's Rental Apartment Market Structure



Source FSO, Savills Research

Figure 17: Co-Living Market Size



Source Savills Research

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