

AFFORDABLE HOUSING

Addressing the challenges in Dubai



The Pillars of Affordability

Developer ■ Government ■ Financial Institutions ■ Customer

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1. Foreword by the Chairman



I would start this new case study “Affordable Housing, Addressing the Challenges” by a note of gratitude to all those who appreciated our inaugural Case Study “Sustainable Strategies, RE Development Paradigms Withstanding the Recession”. I sincerely hope, like last year, I am once again able to meet your expectations of offering befitting insights into the Real Estate Development Industry.

I have come from humble beginnings in life and know very well that the emotion attached to owning your first 'home' is unparalleled. When you decide to build residential building the core sentiment is building a 'home' for people and to treat this work with the purest intent is what we remind our team time and again.

Affordable housing is a unique challenge. In our last decade in Dubai it was for the first time in recent months that we saw the market take notice of the affordable housing gap. It augurs well for the city as it serves the real estate needs of all economic sections. This shows that we are enhancing the reputation of Dubai being a world class city, weighed on all parameters.

There have been many seminars, articles in magazines and news papers and a lot of people from the industry that have shared thoughts on this subject. We have an experience of building affordable homes in India over the past 30 years and some of the approaches we follow are shared in this case study. Here I must also add that this is often overlooked by Developers as a viable business opportunity but if executed sufficiently it is always an economically viable business.

Lastly, in a bid to share our vision for Affordable Housing, we are launching a project that we believe will be a “Share all on Affordable Housing”. Our aim is to answer questions on Quality, Design and more importantly Affordability. So our new project “SunBeam Homes” will be a prototype or a real pilot project on how we wish to build affordable homes. The details of the project are shared towards the end of this case study and we truly hope that this becomes a small step towards many such projects flourishing in Dubai!

A handwritten signature in black ink that reads "Rajan" with a stylized flourish underneath.

Mr. Rajan Israni - Chairman

2. The Need for Affordable Housing



"It is the collective responsibility of the Developers and Public sector organizations to address this challenge of Affordable Housing in Dubai."

The need for affordable housing in Dubai is obvious and it has been vastly documented and discussed. Various researches indicate a limited housing option which means people relocate to areas far from their place of work. In such cases, the workforce is not able to sustain living together with their families and have to send them back to their home town or country. Lack of option also forces families to share accommodation, thereby upsetting privacy and overall home atmosphere.

It is the collective responsibility of the Developers and Public sector organizations to address this challenge of Affordable Housing in Dubai.

Affordable Housing will help provide 'homes' to young Emiratis and also grant investment opportunities to Emiratis and expats alike, wherein they get a regular income from these premises.

For the young Emiratis and expats it will be an opportunity to rent a premise closer to work at affordable rates and some may even choose to buy these apartments. This will generate respect, self worth, better performance and a better sense of belonging in an individual, which will eventually synthesize 'happy residents' in Dubai.

3. Defining Affordable Housing

There are many misconceptions regarding Affordable Housing. To clarify we shall define parameters for the same.

Quality Parameters

Affordable Housing must offer a compact apartment that

1. Is structurally stable
2. Utilizes good quality material
3. Offers light and ventilation
4. Has adequate internal amenities
5. Offers privacy despite being compact
6. Provides sufficient car park
7. Has a lower running cost

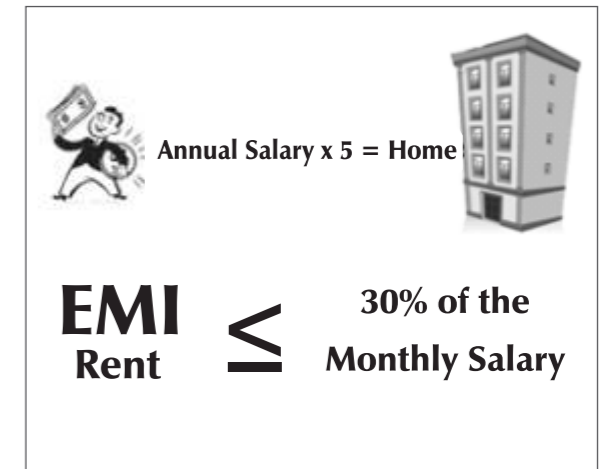
The area where we develop Affordable Housing must have the following:

1. Ready infrastructure like road, power, water and drainage.
2. It must be within 30 minutes commuting time from essential areas like place of work, schools, markets, hospitals, etc.
3. Public transport like RTA buses should be available in the area.

Financial Parameters

It is desirable that the value of an apartment which a person can afford to buy follows the rule of thumb, ie

- a. Apartment Value = Annual Salary x 5
- b. EMI must not exceed beyond 30% of monthly Salary.
- c. The monthly rent must not exceed beyond 30% of monthly Salary.



Based on these criteria, by buying land in an open market the Developers can cater to housing needs of a person earning AED 6,000 per month for a 1BHK home.

However the cost for a Developer involves construction cost and land cost. If land is available at incentive the final pricing of the apartment will go down further and people from an even lower income group can be accommodated.

4. The Challenges In Affordable Housing

Land	Final Sale Price	End User Finance	Sustaining Affordability
<p>A.) Infrastructure : Roads, Power, Water, and Drainage must be ready.</p> <p>B.) Accessible to place of work, schools etc.</p> <p>C.) Within 30 min commuting time</p>	<p>A.) The Developer will have to bring value engineering in design and execution so as to control construction cost without compromising on quality.</p>	<p>A.) End user receives finance at low interest rates.</p>	<p>A.) To put barriers to “flipping”, the secondary sales at higher prices will be counterproductive.</p>
<p>D.) Public Transport: like RTA Buses must be available.</p>	<p>B.) Developer must keep his over heads in check.</p>	<p>B.) Micro financing schemes with enough flexibility to have access to as many customers as possible.</p>	
<p>E.) Price: If the Developer is buying from the market it is desirable that the land cost should not exceed 25% of the construction cost.</p>		<p>C.) No early repayment fees and charges.</p>	
<p>F.) Density: If a Developer is purchasing land from the market, he will have to look for land at low FAR to make the project affordable. FAR should not exceed 1.</p>			

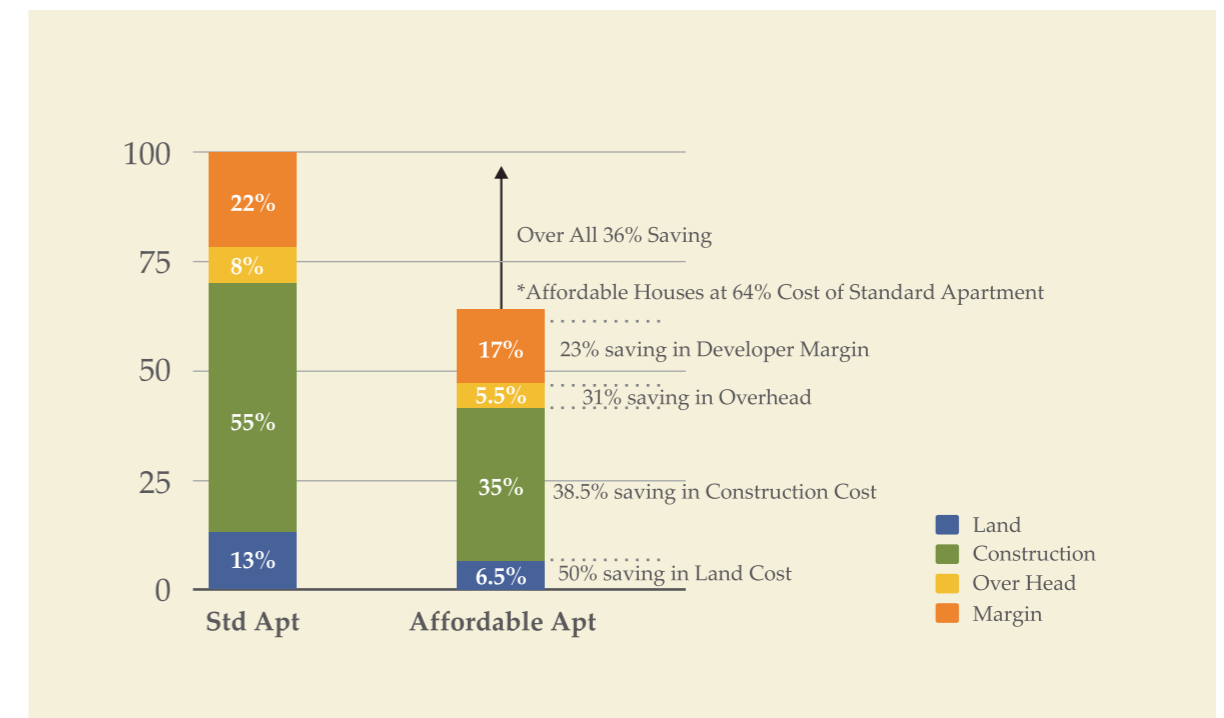
5. The Four Pillars Of Affordable Housing

The Success of Affordable Housing rests on four pillars

- 1. The Developer.**
- 2. The Support of Government.**
- 3. The Support of the Financial Institutions.**
- 4. The Customers.**



Each of these will have to simultaneously and effectively contribute to make Affordable Housing a success. If the Developer and the Government and Financial Institutions support each other seamlessly the cost of a standard apartment can be reduced by nearly 36 %.



6. Achieving Affordable Housing- The Role of the Developer

Affordable Housing is often overlooked as an investment opportunity by Developers. It also sounds less exciting than creating a Unique Luxurious Housing Product. Often in creating a niche "Brand" we end up making analogous products but the real big branding opportunity will be - achieving quality Affordable Housing.

The Developers Contribution to Affordable Housing

1. Paradigm Shift , Create a Brand of Affordable Housing

Affordable housing in no way means low quality housing. To achieve success one must use good quality material, perfect specification and unparalleled workmanship. It must offer amenities in common areas and be marketed in a way that urges people to be associated with it.

2. Control Costs

Construction Cost and over heads must be controlled. This can be done by extensive research, use of specific approved material and innovation in design and working with the right contractor.

3. Reduce Margin of Profit

The single goal of this project is to provide a product that is affordable to the end user and this can only be achieved by

the Developer looking at economies of scale, increased production and reduction in the profit margin.

4. Lower Running Costs

To sustain affordability one must look at options that can help lower running costs. This may mean use of solar panels to light up common areas and water heaters. Alternately, the use of materials that can insulate the building thermally, thus reducing heat transfer in the building which will further reduce the burden on air conditioning

5. Timely Completion and Hand Over

Timely completion not only helps the Developer in controlling costs, but it also helps the customer. Any delay in possession puts a burden on the consumer as it increases interest cost paid to banks and adds to the rental paid to occupy existing premise.



7. Achieving Affordable Housing- The Support Of The Government/ Master Developer

Support from the Government / Master Developer in Land allocation.

1. Land must not be free, it must involve infrastructure cost paid to the Government.

The Government / Master Developer must allocate land for a designated affordable housing at actual infrastructure cost. Land should not be free, or the sale of land must not be an economic loss to the government/ Master Developers.

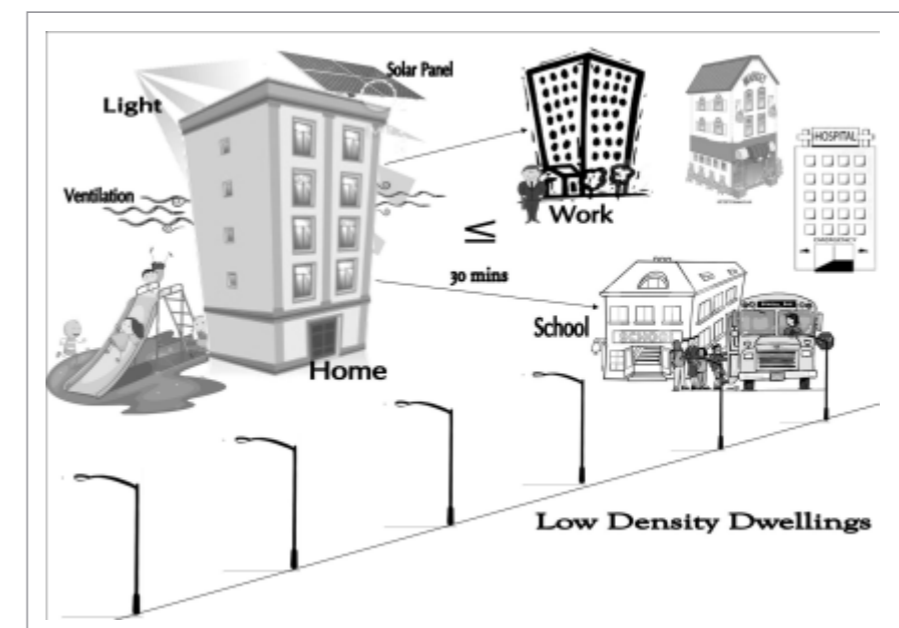
2. Land with Infrastructure that is spread throughout the city.

It is desirable for affordable housing options to be spread across various pockets around the city rather than

having a separate single city. Providing infrastructure in a raw land would further increase the cost. Moreover having pockets within already existing Master Development will give people an option to stay close to their place of work, schools, hospitals and markets.

3. Low Density Dwellings - Lower FAR - 30 min commuting distance.

Land allocation away from the city but within 30 min commuting distance must be Lower Density Dwelling (i.e. FAR not exceeding 1. This will help in having low construction cost and low operational cost. Public transport like RTA Buses must be available in the area.



7. Achieving Affordable Housing- The Support Of The Government/ Master Developer

4. High Density Dwellings - Higher FAR - Along upcoming Metro Lines - Lower Car Park Specification.

We may also propose land allocation for areas at walking distance from upcoming Metro Lines that can be of higher FAR, but with revised minimal parking allocation. This will help achieve lower construction costs and the tenants will have access to public transport encouraging them to use this as a way of life.

5. Barriers to Flipping.

While the apartment may be available at an Affordable Price, to ensure its affordability is sustained, the Developer may have a minimum tenure during which the apartment cannot be resold.

6. Encouraging Companies and Employees to Buy.

The employers based on the size of the organization must be encouraged to buy/ lease Affordable Housing for their staff.



8. Achieving Affordable Housing- The Support Of The Financial Institutions



1. Lower interest Rates for the buyers that impact the overall affordability of the apartment.
2. Flexibility over Tenure.
3. No Early Payment Charges.
4. As per present guidelines for off plan sales, banks may finance up to 50% loan to value. If the customer finds it difficult to arrange 50 % of the payment all by himself, then by giving adequate guarantees to the bank to safe guard the banks interest, a mechanism is worked out where the bank and customer simultaneously pay the installments which help reduce the burden on the customer. The installment is therefore paid 50% by the bank and 50% by the customer simultaneously.

9. Achieving Affordable Housing- The Support of the Customers

We seek the support of the customers.

1. Adopting Affordable Housing Sizes.

As cities develop over the years, the size of apartments continuously changes. In comparison to some prominent cities, the size of apartments in Dubai is still on the higher side.

As the size of the apartment increases so does the cost. A compact apartment with sufficient privacy is the way ahead.

The customers must support the market in adapting to these sizes in Dubai.

2. Investing and Curtailing Flipping

The customers are encouraged to invest and make a calculated move to own an apartment. However, one must be vary of flipping and making a profit out of such a project. The investors are also encouraged to look at real estate as long term investments.

	London	Singapore	New York	Japan	India Maharashtra	Dubai
Studio	37 m2	35-45 m2	37 m2	-	28 m2	40-50 m2
1BHK	50 m2	45 m2	-	-	40 m2	60-79 m2
2BHK	61 m2	60-65 m2	-	40 m2	60 m2	110-130 m2



3D view of Apartment
SUNBEAM
HOMES

10. The Pilot Affordable Housing Project

To test the market's appetite for such a project, Sun and Sand Developers is launching a pilot project SUNBEAM Homes in the Dubai Industrial City. Sun and Sand Developers has procured land

from the Master Developer at prevailing market rates. The project aims to showcase the group's vision for Affordable Housing. The project will be available for rental by 2017.



SUNBEAM
HOMES

10. The Pilot Affordable Housing Project

About The Developer

Sun and Sand Developers have been in Dubai Since 2005 and have completed two commercial projects, **Sunrise Building** near Noor Bank Metro on Sheik Zayed Road followed by **Suntech Tower** in Dubai Silicon Oasis (DSO) in 2011. They are currently building **Sunshine Residences**, an exclusive project of 3 BHK sky villas. This unique project is built to target top executives and SME owners who long for the amenities of a villa at the price of an apartment. It is scheduled to be completed by mid 2016. In a short period of time this debt free group has built a reputation of being a trustworthy Developer. They have been awarded for the **Best Constructed Building in DSO** in 2011 followed by Best Maintained Building in DSO in 2012. They have also been a SME 100 Company of Dubai in 2011. They have 30 year of experience in building Affordable Housing in India, and they intend do the same in the Dubai market now.

The Real Affordable Housing

The real affordable housing looks at families that can save up to AED 2000 - AED 2,500 per month for their housing needs. Affordable Housing in no way means lack of quality. It presents a unique challenge in design and construction as the core principle is that a customer must have a respectable, good quality home at affordable rates.

About Dubai Industrial City

Dubai Industrial City is an industrial cluster designed to attract and support the growth of manufacturing and logistics hubs in the UAE. More than 150 companies located at this Dubai industrial park enjoy easy access to a complete industrial real estate solution. This includes industrial land in Dubai for self build, pre-built warehouses for logistics and light industrial use, retail showroom, labor villages, office spaces, open storage yards, commercial land, as well as onsite assistance with construction, facility start-up and operations.

Some of the reputed names regionally that have set up base in Dubai Industrial City include–

BASF Kanoo (Chemical Company), **Arabian Automobiles**, **Al Futtaim Logistics**, **Dofreeze** (Bakers), **Assent** (Structural Steel Design), **Terrazzo** (Precast Concrete Manufacturers) and many more.



10. The Pilot Affordable Housing Project



Project Details

- Project Name : SUNBEAM Homes
- No of Buildings : 4
- Apartment types : 1 and 2 BHK
- No. of Apartments per building : 8
- Total no of Apartments: 32
- Total 1 BHK : 20
- Total 2 BHK :12
- **Amenities:**
 - Landscape
 - Ample Parking space
 - Designed Lobbies
- **Specification:**
 - Each 1 and 2 BHK apartment has 2 Toilets
 - Terraces/ Balcony

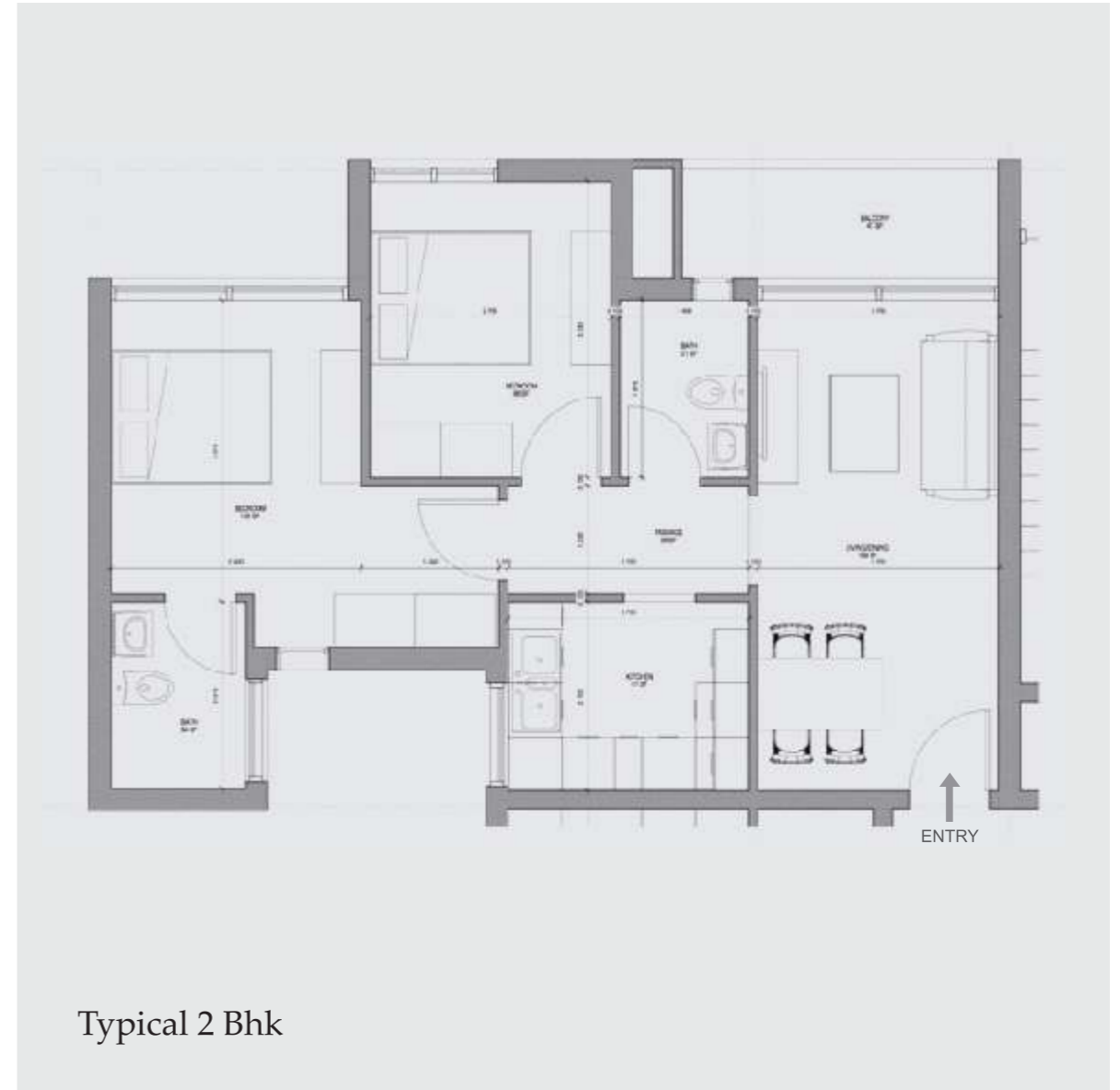
10. The Pilot Affordable Housing Project



Typical 1 Bhk



10. The Pilot Affordable Housing Project



Typical 2 Bhk



10. The Pilot Affordable Housing Project

Rental Proposal

SR No.	Size		Annual Rent
	m2	Sq ft	AED
1BHK	48 m2	518 sq ft	29,000
2BHK	67 m2	719 sq ft	39,000

This particular project is not up for Sale. However, if it was, the sale pricing for a 1 BHK would be AED 325,000 and a 2BHK would be AED 450,000.

Location:



11. The Human Face Of The Affordable Housing Challenge

1. Mr. BV, senior accountant with a real estate firm shares his 1BHK apartment with three colleagues. Two of them are engineers in an IT firm and one is an Accountant. They all earn AED 7,000/- to AED 8,000/- per month and stay in a shared accommodation in Dubai.

2. Mr. SK, a junior manager in a reputed pizza chain in Dubai travels 75 minutes daily to come to work from Ajman. Mr. SK stays with his wife and newborn child in a studio flat as he cannot afford one in Dubai.

3. Mr. PB, an engineer in a contracting firm, along with his wife and kid has to share his 1 BHK Apartment with PD, a structural engineer in a consultancy firm in Dubai.

Affordable housing will make a world of difference to many such citizens.



12. Vote of Thanks

The Government of Dubai

The Government of Dubai has ensured creation of a level playing field for all entrepreneurs, which means one can succeed irrespective of nationality and all corporations have equal opportunity and terms of reference. The e-governance systems in Dubai allows hassle free transactions for all, involving the government regulatory bodies. These systems not only help save effort and costs but also time. It has been our pleasure interacting with the staff at all government institutions who are well informed, helpful and being customer-centric, offer solutions that are practically workable. We express our gratitude to them as our primary reason to start business in Dubai.

Dubai Land Department and the Real Estate Regulatory Agency (RERA)

They have played a significant role in creating a positive environment within the real estate industry in Dubai. Forward-looking & insightful regulations have curtailed speculation and enabled a structural approach to managing a development cycle. Initiatives such as 'Unit Area Registration', 'Rental Index' and requirements for 'Developer Registration and Escrow Account' have ensured standardization, transparency and empowered customers to make the right choices. Other initiatives such as

the new E-mart initiative provide a great platform for both buyers and sellers.

Dubai Economic Department & Dubai SME

Our company was the only Real Estate Development enterprise short-listed in the SME 100 in the year 2011. We are encouraged and grateful for the recognition we have received for our efforts. These awards have served as motivation to us to do better, think bigger and perform to our fullest potential contributing to the economy and the consumer.

Dubai Silicon Oasis

The Dubai Silicon Oasis free zone offers excellent infrastructure and has supported us completely especially during the challenging times we faced. Our efforts were recognized with awards for the 'Best Constructed Building' and 'Best Maintained Building'. Today Dubai Silicon Oasis also houses our office.

Dubai Industrial City

Dubai Industrial City is an industrial cluster designed to attract and support the growth of manufacturing and logistics hubs in the UAE. More than 150 companies located at this Dubai industrial park enjoy easy access to a complete industrial real estate solution, in a single location. This includes industrial land in Dubai for self build,

12. Vote of Thanks

pre-built warehouses for logistics and light industrial use, retail showrooms, labor villages, office space, open storage yards, commercial land, as well as onsite assistance with construction, facility start-up and operations.

I would like to make a special mention and thank our Partner, Investors, Our Customers, Team of Suppliers, Team of Sub Contractors, and last but certainly not the least our Staff - they have been our strength and have helped turn our dreams into reality.

13. References

1. London Plan and Housing Supplementary Planning
2. A Blueprint for addressing Global affordable Housing Challenge- Mckinsey Global

SASD - PROJECTS



SUNSHINE
RESIDENCES Nadd Hessa St., Dubai Silicon Oasis



SUNTECH
TOWER Nadd Hessa, Dubai Silicon Oasis.



SUNRISE Sheik Zayed Road, Dubai