

## Rental Housing In Mumbai

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**Over the decades, Mumbai has been and continues to be the destination of countless migrants from all parts of India. This steady influx of people has also been driving perhaps the highest demand for rental housing in Mumbai than in any other Indian city.**

Close to one-third of these migrants hail from towns and cities while the remaining come from rural areas (as per UNDP's Mumbai Human Development report and Indian Ministry of Housing). The primary reason for Mumbai's ceaseless attractiveness as a destination for migrants is, of course, employment

Understanding the rental housing market in Mumbai is like solving a complex web of matrices. Nevertheless, if we trace this web on the basis of certain fixed criteria, what emerges is near-clear visibility of tenants' location preferences:

Preferences change according to levels of seniority within the organized (corporate) segment of Mumbai's employment landscape. A senior executive would give high priority to quality of life, followed by homemaker/family needs, whereas a junior executive would first consider budget constraints, followed by commute time.

Based on these factors, it emerges that the rentals across various popular rental localities in and around Mumbai reflect the element of desire of each category of executives. However, minor changes in the rental dynamics can also be foreseen in near future, based on certain externalities.

In every sub-market within Mumbai, we have identified precincts which are popular for rental housing based on available supply and current trend dynamics. The table below lists 14 such localities and ranks each on the basis of the four dominant parameters. Based on the overall scores, it is then possible to assign the degree of importance of each locality to the three categories of migrant working population.

### **Rental Market For Senior Executives**

Out of the fourteen precincts considered in table-1, we assign five prominent South/Suburban locations (refer table-2) that are most suitable for senior executives. The assignment criteria are that at least two of the four factors considered must have 'Very High' or 'High' score, with high importance assigned to 'Quality of Life' and 'Family Needs'.

While we see rentals across these five locations reflecting the balance between preferences and rentals, we do observe a few disconnects. For instance, while the overall score of Napean Sea Road is equal to that of Worli and Bandra, its rentals are much higher. The former commands high rentals merely because of its high ranking in terms of quality of life / status value and a generally better neighbourhood profile.

However, we do not believe that this disconnect will prevail for much longer because:

Previously, offices were largely concentrated around Mumbai's CBD. They are now increasingly penetrating into the deeper suburbs, so there is every likelihood that commute times from Napean Sea Road will increase.

Worli has been receiving a massive face-lift with launches of high-end apartments. Along with its improved connectivity to the Suburbs, it will soon command a premium even over Napean Sea Road.

Bandra will see a faster rise in rents than Napean Sea Road for similar reasons, although it may take longer before they match or exceed them due to its distinct suburban qualities.

### **Rental Market For Mid-Level Executives**

The rental homes market for mid-level executives is relatively larger, although disconnects are also wider. We compare the overall scores of various short-listed precincts to rentals of 1000 sq. ft. 2-BHK apartments. Precincts which have an overall score of above 3.0 have been identified, although the low rank of commute time has been avoided. Featured precincts are predominantly well-connected suburban locations

This category of executives generally prefers to maintain a balance between all four selection criteria. Irrespective of any factor scoring less, a location is acceptable if the other factors score high enough. However, 'Commuting Time' still gets a marginally higher score since mid-level executives usually are dependent on public transport and if not so, still commuting time is a big consideration when they expect frequent longer hours of work and therefore try to achieve shorter commuting time. Rentals for these precincts (see table-3) convey that any location is better than the other if it manages to strike a workable balance between all four factors. One observed disconnect is between the rentals of Juhu and Powai. They appear exceedingly high and therefore act as outliers, considering their relatively poor scores in the most important factor for this executive category – commuting time. Seen in this light, the heavy rental budgets required for these localities should logically make them unattractive. However, the mid-level executive class is wide - these two outlying localities are still suitable to upper mid-level executives, considering they offer a high quality of life.

Going forward, we foresee a radical change in the rental dynamics of precincts identified in table-3. This is because there are currently a number of infrastructure projects in various stages of progress in and around these localities. These projects have direct implications on the commuting time factor.

For instance, the anticipated completion of the monorail in the near future and the recent inauguration of the Eastern Freeway will boost demand for rental housing in areas such as Wadala and Chembur. Another factor is the rapidly improving quality of construction and neighbourhood profiles of precincts such as Powai, Goregaon, Wadala, etc. These areas may soon challenge Juhu, which currently commands a premium on rent purely based on these factors.

### **Rental Market For Junior Executives**

As already mentioned, budget constraint is an important criterion for junior executives, followed by commuting time. Junior executives are usually new entrants in the job fray, or having a maximum of 1-3 years of work experience, resulting in relatively low salaries. The preferred locations for this category therefore include those in the deeper suburbs such as Kandivali-Borivali, Thane, Kharghar, and Dahisar-Mira Road.

However, localities such as Andheri, Chembur and Goregaon do manage to accommodate this cadre to a certain extent, mostly because of their supply of smaller apartments. Availability of such apartments is much lower in South Mumbai and the immediate suburban locations (excluding poorly-maintained tenements and chawls).

A unique characteristic of junior executives is that they are more mobile than the other two categories. This helps them to more easily satisfy the second-most important factor after budget – Commuting Time. Thus, while Senior and Mid-level executives would be stickier as well as more stable in their choice of location and apartment quality, junior executives provide opportunities for developers and landlords offering options in newer, cheaper locations of the deeper suburbs. These

options provide a reasonable quality of life and an acceptable degree of connectivity. Overall, the rental market for junior executives is relatively more sorted

### **Conclusion**

For a city like Mumbai, rental housing is estimated to house about 33% of its population, rental housing as an independently catered-to market segment is not yet prevalent in Mumbai or for that matter in India, largely due to poor yields as against high capital appreciation. For instance, while annual rental yields in Mumbai are in the range of 3-5% in Mumbai, annual capital appreciation is much higher at 10%, forcing investors to focus on the latter. However, the market for rental housing is mature, as can be observed through the near-perfect match between monthly rentals and locations' offering across various precincts in Mumbai.

Currently, each of the city's precincts offers distinct features in terms of quality of life, commuting time, budget and other amenities. With improving infrastructure, rising quality of construction and deeper penetration of facilities across various precincts, rental dynamics in Mumbai are going to undergo a radical change in the near-to-medium term

Source: [www.indiainfoline.com/Markets/News/JLL-Rental-Housing-In-Mumbai/5805717148](http://www.indiainfoline.com/Markets/News/JLL-Rental-Housing-In-Mumbai/5805717148)