

HOUSING PRICE INDEX

4.45 Urbanization, economic growth, land acquisition for special development hubs and growing liquidity have resulted in real estate assets becoming a significant part of private sector wealth; and housing loans constitute an important component of credit portfolio of the financial sector. Recognizing the need to develop a reliable database on the actual price trends in the real estate sector, the National Housing Bank (NHB) constituted a technical advisory group to deliberate on all aspects of constructing a representative housing price index (HPI). Initially, a pilot study of Bangalore, Bhopal, Delhi, Kolkata and Mumbai was undertaken, taking into account the actual transaction prices of residential properties for 2001-05, with 2001 as the base year. This complex exercise, which factored in such challenges as localities, covered area, community facilities, individual layouts, data distortions caused by transactions costs, etc., led to the launch of NHB RESIDEX in July 2007.

4.46 The HPI aims to track price movements in residential properties in selected cities over time and develop an all-India composite index to capture inter-temporal price variations, with the scope to

be expanded to commercial properties subsequently. Three categories of housing products were considered based on built-up area of less than 500 sq. ft., built-up area greater than 1,000 sq. ft and area in-between these limits. The cities/towns have been classified according to tax or administration zones, municipal wards or any other criteria, with data collected from 20-30 colonies in each city or town, with the sample size being 500–600 observations every year.

4.47 The index and the annual increase in the housing prices of the five major cities updated to 2007 had been released, details of which are indicated below (Table 4.18). Figure 4.6 plots the rise and fall in the HPI.

4.48 Considerable volatility in the HPI, with inter-year and inter-city variations were observed which were also significant. The NHB has set up an institutional mechanism to facilitate release of NHB RESIDEX on a regular basis. The 63 cities of the Jawaharlal Nehru National Urban Renewal Mission are expected to be covered under the HPI in phases, the first phase covering 10 cities — Ahmedabad, Chandigarh, Chennai, Kochi, Hyderabad, Jaipur, Bhubaneswar, Lucknow, Pune and Surat.

Figure 4.6 : Rise and fall in prices of houses across 5 major cities

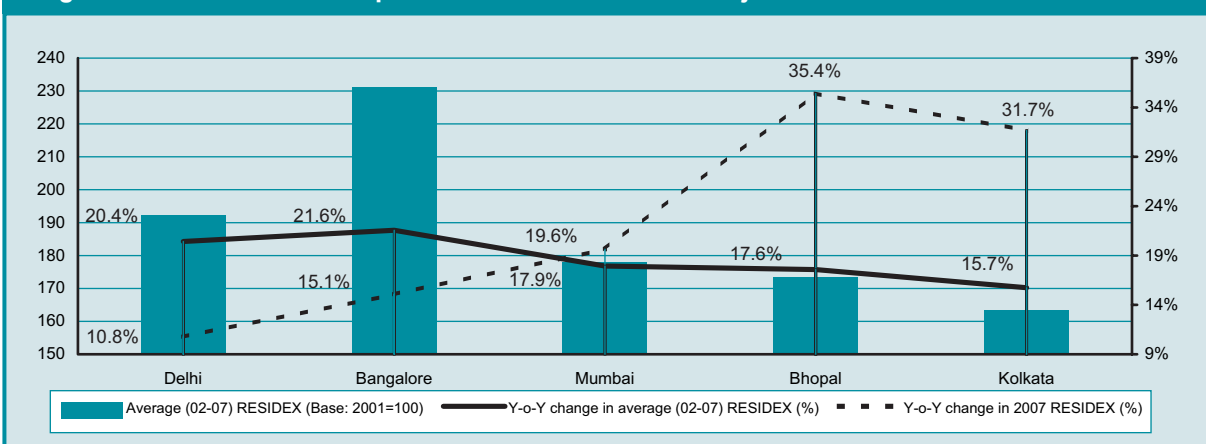


Table 4.18 : Trends in the housing price index (Base 2001=100)

City	2001	2002	2003	2004	2005	2006	2007	02-07
City-wise index								
Delhi	100	106	129	150	201	269	298	192.2
Bangalore	100	133	170	224	275	272	313	231.2
Mumbai	100	116	132	149	178	224	268	177.8
Bhopal	100	120	136	154	179	192	260	173.5
Kolkata	100	115	129	148	172	180	237	163.5
City-wise year-on-year growth rate (%)								
Delhi		6.0	21.7	16.3	34.0	33.8	10.8	20.4
Bangalore		33.0	27.8	31.8	22.8	-1.1	15.1	21.6
Mumbai		16.0	13.8	12.9	19.5	25.8	19.6	17.9
Bhopal		20.0	13.3	13.2	16.2	7.3	35.4	17.6
Kolkata		15.0	12.2	14.7	16.2	4.7	31.7	15.7

Source : National Housing Bank

website: <http://indiabudget.nic.in>