

BUILDING
FINANCING &
FUNDING
MODELS

- 10th GRIHA Summit 2018

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Building Finance & Business Models

- Buildings are classified into
 - (i) Commercial
 - (ii) Residential
- The Commercial buildings include Office space, Hotels, Malls and Warehouses etc.
- The Residential buildings include individual Houses and Multi-storied buildings.
- Banks and Housing Finance Companies are major institutions for funding the Real Estate Business i.e Building Financing.
- The funding is based on the technical and economic viability of the project.

Building Finance

- The technical aspects include architectural design, structural design, cost of construction and the required state Government, central Government & local body approvals.
- The economic viability takes into account the saleability of the project, cost involved, profitability and pay back period of the loan, Internal Rate of Return etc.
- The residential project funding is based on the cash budget method as the project is funded from promoters equity, advance from customers and bank borrowings. It is a gap funding by the banks/HFCs to the developers for a period of 3-7 years depending on the size of the project.
- Banks also fund the home buyers in the project during construction and is for a long tenor up to 30 years at a competitive pricing of 8.75% to 9.25%

Green Building

- A 'green' building is a building that, in its design, construction or operation, reduces or eliminates negative impacts, and can create positive impacts, on our climate and natural environment. Green buildings preserve precious natural resources and improve our quality of life.
- The features which make a building 'green are:
 - Efficient use of energy, water and other resources
 - Use of renewable energy, such as solar energy
 - Pollution and waste reduction measures, and the enabling of re-use and recycling.
 - Good indoor environmental air quality

Green Building (Contd.)

- Use of materials that are non-toxic, ethical and sustainable
- Consideration of the environment in design, construction and operation
- Consideration of the quality of life of occupants in design, construction and operation
- A design that enables adaptation to a changing environment
- Any building can be a green building, whether it's a home, an office, a school, a hospital, a community centre, or any other type of structure, provided it includes features listed above.

Green Building Initiatives in India

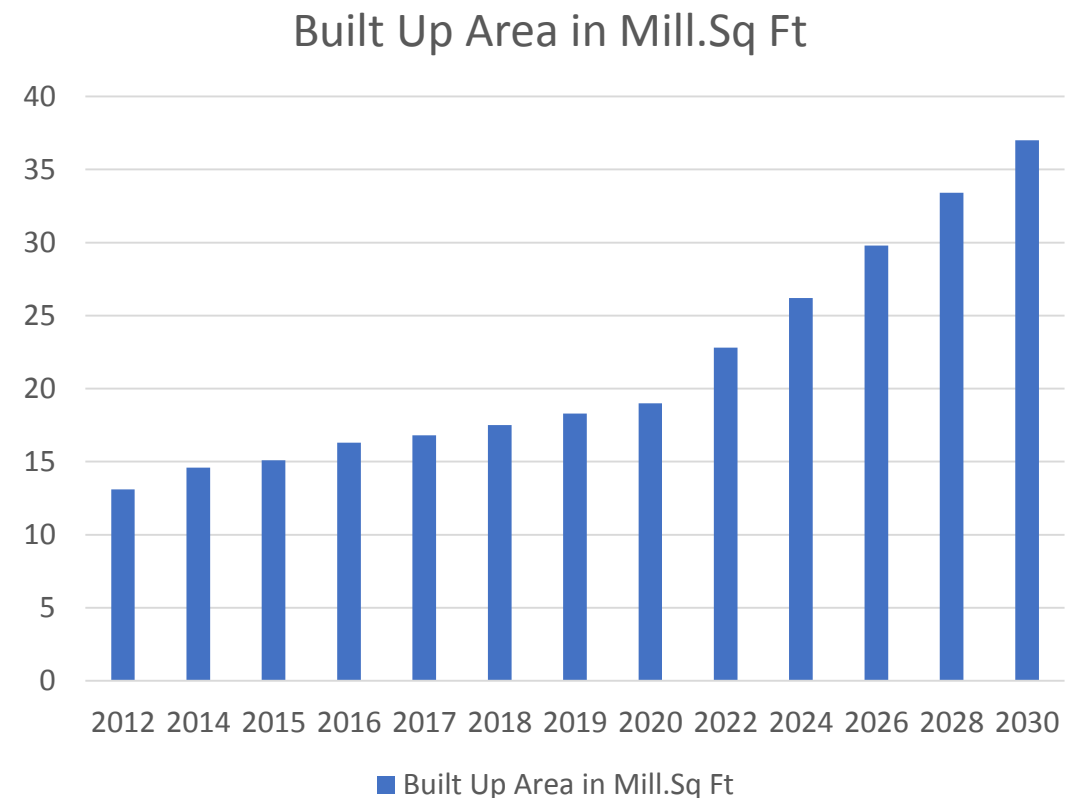
- Energy Conservation Building Code (ECBC) was developed in 2007 as per one of the mandate of Bureau of Energy Efficiency under the energy conservation Act 2001, which was adopted by majority of states for Commercial Buildings and Office Buildings.
- The Environment impact Assessment Notification 2006 has made Environment clearance compulsory for projects above 20000 sq mtrs.
- The above two policies and demand from large corporates including MNCs, Software Companies for green initiatives who have taken office space on lease has lead to construction of green and energy efficient commercial building in India.
- Large Housing projects of have also been rated by Green Rating agencies in order to improve the saleability of apartments.

Green Building Initiatives in India(Contd.)

- India is urbanising rapidly. In 2010, about 31% of India's population was residing in Urban area. It is expected to increase 50% by 2050 adding 441 million to the Urban population.
- The number of Urban Household is expected to double in 2032.
- Population increase, economic development and urbanisation are resulting in an increased demand for constructed built up area.
- It is estimated that India has to build 700-900 million sq mtr of Residential & Commercial spaces in the Urban area for the next 20 years.
- Housing for all by 2022, Smart City projects and provision of subsidy by Government for EWS, LIG & MIG will also increase the construction of residential Buildings.
- Due to scarcity and high cost of land as well as desire to curtail suburban sprawl, there is movement towards multi-storeyed buildings.

Projection of residential built-up area/new construction

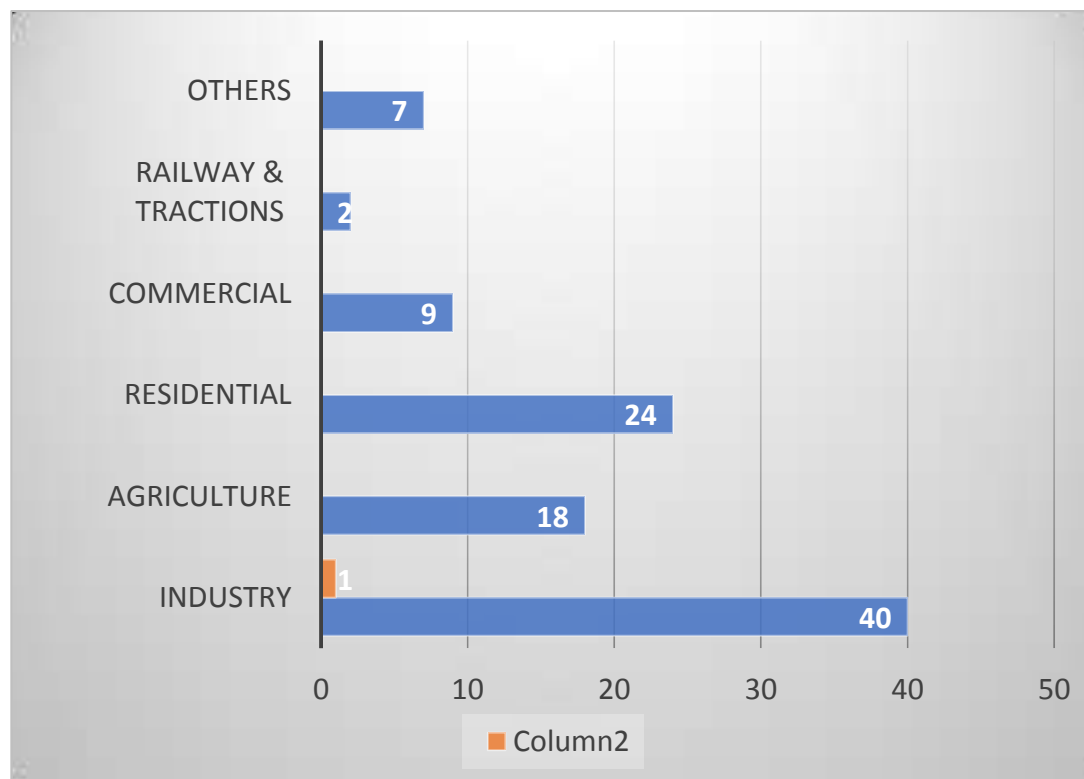
- By **2030**, the residential building stock will **double** to the existing stock
- This may be attributed to:
 - Increase in per capita income / increase in building space per capita
 - Increasing urbanization
 - Development of high multi storey buildings and large residential townships



India's Electric Scenario

TOTAL ELECTRICITY CONSUMPTION (BU) IN 2016-17

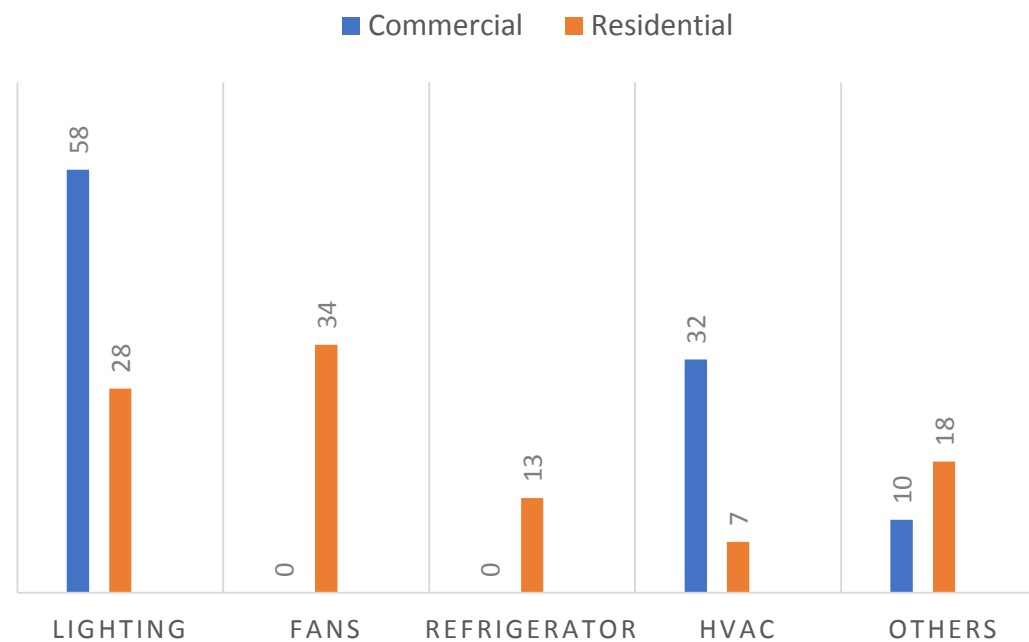
(Electric Consumption in 2016-17: 1066 BU)



Electricity Consumption Pattern

(Source Energy statistics-2018)

ELECTRICITY CONSUMPTION



Initiatives to be taken by All Stake Holders for Green Building

- Developers are getting their projects rated for Green Building.
- The rated buildings has increased over the years, which is voluntary at present. The rating agencies and rated projects number is:
 - ✓ Green Rating for Integrated Habitat Assessment(GRIHA):1200
 - ✓ The Leadership in Energy & Environment Design(LEED):196
 - ✓ Indian Green Building Council (IGBC):4891
 - ✓ Bureau of Energy Efficiency (BEE)
- World Bank & Other Country Govt development Agencies are extending line of Credits to Banks for promoting Green Initiatives.
- RERA Authorities of some states are planning to award star ratings to Residential projects based on their performance, adherence to timeline & as per plan approvals .

Initiatives By Banks/Government

- In SBI, we fund the projects which have all approvals including Environment Clearance and compliance of ECBC code.
- We stipulate a condition that Use of Fly Ash and other energy efficient material is must as per RBI directives.
- Ministry of Environment has issued notification in November 2018 by increasing the area (Upto 50000 sq mtrs) for issuance of EC by Local authorities wherein green building parameters like Rain water harvesting, Waste management, compliance of ECBC code, Air & noise quality and Green cover in Project is to be done/complied by the developers at the time of obtention of Completion certificate which will certainly help in reducing the Energy consumption by 20-30%.

Initiatives By Banks/Government (contd.)

- Maharashtra Govt is planning to incentivise the Builders and home Buyers by way of rebate in development charges by 2.50% to 7.50% in respect of LEED and GRIHA certified projects and rebate in property tax to consumers for a period of 5 years to the extent of 5% o 10%.
- Other States and Individual Municipal Corporations are planning to incentivise the developers and consumers for adopting green building technology.

SBI Green Initiatives

- Lending at Concessional rates for renewable energy projects with a focus on boosting investment.
- Establishing Digital Banking Platform.
- Implementing Energy Conservation & Energy Efficiency initiatives.
- Reducing paper consumption.
- Reducing Green House Gas Emission.
- Managing Waste Generation & Disposal (Hazardous & Non Hazardous).

SBI Green Initiatives (contd.)

- Reducing water Consumption.
- Adopting Environmental best practices, such as, establishing a robust environmental management system, installing mechanisms to harvest rainwater, setting up Solar ATMs across India, using LED lights across all the office building, composting waste etc. wherever possible.

State Bank of India in Real Estate & Housing

- Home Loans
- Home Top Up Loans
- Flexi Pay Loans
- Shourya & Privilege Home Loans
- SBI Her Ghar Loan
- Affordable Housing
- Green & Energy Efficient Buildings
- Builder Finance
- Asset backed Loan
- Loans for Solar Roof Top Panel
- SME funding for suppliers to Builders & Equipment Manufacturers & Energy Service Companies(ESCO)

THE SBI ADVANTAGE

- Unique Range of Products
- No Hidden Costs
- Complete Transparency
- Low Processing Fee
- Daily Reducing Balance
- No Prepayment Penalty



Way forward

- More number of Energy Auditors should get registered with Government.
- The Green rating Agencies should audit the projects till completion and thereafter.
- We should create awareness in the public about importance of Green Buildings and Energy Efficient Buildings.
- Use of star rated Air conditioners and LED bulbs will help in saving the Energy and reduction of CO2 emission.
- RERA websites of all State Governments will be a better place for creating awareness amongst the public as they are planning to rate the developers and their projects going forward.
- Grant to Financiers.
- Skill Development/ Institution for Trainings
- Construction Equipment that support sustainable buildings.
- Incentives & Awards.



Thank You