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Affordable housing needs government push, say realtors



With affordable housing losing its sheen in the past couple of years, top property realtors believe that intervention from government, in terms of subsidy schemes for borrowers or reduction in interest cost for land acquisition is the only way to revive interest in it.

In the past couple of years, the share of affordable housing among total sale of properties has been consistently falling. In 2020, it constituted of 39% of total sales. This number has dwindled to 19% in 2023, according to data from Anarock Property.

Pavitra Shankar, managing director, Brigade Enterprises said that they will look at launching new affordable projects if government comes out with new incentives for the segment. “There is definitely a need for government intervention in the form of incentives for developers, if the affordable housing segment is to grow significantly,” Shankar said.

With land prices in both metro and non-metro cities on the rise, along with input costs of construction material, it makes it highly challenging for builders to create viable projects in segment. Also, the cap the Rs 45 lakh for buyers to take advantage of the earlier-introduced subsidy scheme (credit-linked subsidy scheme) was also an impediment, added Shankar.

In addition, the withdrawal of Section 80-IBA (5) where developers were allowed a deduction of 100% of the profits derived from such projects, subject to certain conditions was not extended beyond March 21. This also led to builder disinterest.

Added Niranjan Hiranandani, managing director of Hiranandani group said without CLSS, affordable housing would be hit. “We have to understand that interest on housing loans has gone up from 6.5% to 8%. During the CLSS days, buyers were getting loans at 5%. I feel some sort of incentive needed for buyers, not for developers, to buy affordable homes,” Hiranandani said.

He also said that state governments should also look lowering levies for developers, adding

that 50% of a project cost in Mumbai are government levies such as stamp duty, GST, land under construction and so on.

“In MMR, when premiums were reduced by 50% in 2021 and affordable housing sales went up by 12 to 15%. Those schemes should be brought back” he said.

In the recent interim Budget, the Finance Minister announced a scheme for the middle class to buy residential properties. However, the fine print of the scheme is yet to come out.

In schemes like CLSS, the subsidy was credited upfront to the accounts of borrowers and rate of interest subsidy varied between 3 to 6.5% depending on income groups and deducted from the loan account for a tenor of 20 years at the most. Launched in 2015 as part of Pradhan Mantri Awas Yojana-Urban, the scheme continued till last financial year and was not renewed in the last year’s budget.

Sanjay Dutt, managing director and CEO of Tata Realty & Infrastructure also believes that CLSS had benefitted affordable housing across the country in a big way.

“Tax benefits for affordable housing in terms of input credit should be given for developers and lower interest rates should be given for buyers of such homes,” he said, adding that since affordable housing has lower margins, approvals should be given fast to make them cost efficient.

Dutt added that since land prices have gone up, developers are selling units at higher prices.

“State governments should release lands at subsidised rates for affordable housing,” he said.

Kamal Khetan, chairman and managing director at Sunteck Realty said that incentives will help filling the urban housing gap, and may encourage many more developers to the mid-income and lower-income urban housing segment. However, he added that it is advisable to enforce stricter regulatory measures on the scheme to prevent its misuse. In 2023, Sunteck, partnered with IFC to invest up Rs 750 crore to build half-a-dozen mid income projects on the outskirts of Mumbai.

Land financing is another issue that builders believe will help. Murali

Malayappan, chairman and managing director of Shriram Properties said, “In the affordable housing segment, land constitutes a significant portion of unit value (20-30%), and its acquisition plays a pivotal role. While funding for construction is generally available, the availability of funding for suitable land at a reasonable rate of interest is paramount for developers.”

Shankar of Brigade Enterprises said government should provide land to developers ‘on sale basis’ at a significantly lower cost when compared to what is currently available in the market.