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Interim Budget: Middle-class housing push could stimulate housing demand in 2024, say property developers



The Interim Budget may have delivered on furthering the Prime Minister's pet 'Housing For All' scheme. Announcing that the PM Awas Yojna (Grameen) had already led to the construction of 3 lakh homes, FM Nirmala Sitharaman announced that the government was targeting the construction of 2 lakh more homes within a five-year period.

However, it was another announcement in the FM's interim budget — the decision to focus on mid-income housing — that won praise from the real estate sector. In her brief budget speech, Sitharaman said the government would introduce a scheme to help the middle-class, presently residing in rented homes, slums and unauthorized colonies build or buy their own homes.

"The announcement will provide further impetus to the strong housing demand," said Ashish Puravankara, Managing Director at Puravankara Ltd. "The initiative seems to be aimed at addressing housing needs of those living in substandard conditions like slums and chawls, or burdened by rent," said Sandeep Runwal, President at NAREDCO Maharashtra.

Runwal added that facilitating home ownership, the government was not only looking to improve living standards but also stimulate the realty sector and associated industries.

India's real estate sector has been primed for growth in the new year. A report by Concorde Homes has projected a CAGR of 9.2% for the country's real estate sector between 2023 and 2028, with 2024 earmarked for marked growth on the back of continuing urbanisation, rental growth and price-appreciation.

"Increased focus on transit-oriented development and expansion of metro rail systems in cities, along with strengthening the electric vehicle ecosystem, will encourage people to settle in the peripheries of urban centres," Ashish added.

Incidentally, JLL's Home Purchase Affordability Index has singled out Mumbai, Delhi and Chennai as three cities that could grow rapidly in the New Year — a factor that could be bolstered by impending repo-rate cuts, which would in turn make homes more affordable to the Indian homebuyer.

However, some others believe that more focus on affordable housing and tax provisions ought to be the need of the hour. "Hopefully, the government will revisit areas like affordable housing and tax provisions, particularly individual income tax, which directly impacts areas like housing development and overall economic development," said Murali Malayappan, Chairman and MD, Shriram Properties Ltd.

He added, "With India becoming a world power, we can expect a comprehensive regular budget this year that fulfils the aspirations and expectations of various industries and individuals."

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Real Estate In Budget 2024: No major announcements for real estate in Interim Budget 2024



NEW DELHI: As anticipated, the Interim Budget 2024 made no big-bang announcements for the Indian real estate industry. Finance minister Nirmala Sitharaman made few announcements focussed towards affordable housing, middle-class housing, rooftop solarization and transit oriented development.

Despite the challenges due to COVID, implementation of Pradhan Mantri Awas Yojana (Grameen) continued and we are close to achieving the target of three crore houses. Two crore more houses will be taken up in the next five years to meet the requirement arising from increase in the number of families.

Through rooftop solarization, one crore households will be enabled to obtain up to 300 units free electricity every month.

Our government will launch a scheme to help deserving sections of the middle class “living in rented houses, or slums, or chawls and unauthorized colonies” to buy or build their own houses, said finance minister.

We have a fast-expanding middle class and rapid urbanization is taking place. Metro Rail and NaMo Bharat can be the catalyst for the required urban transformation. Expansion of these systems will be supported in large cities focusing on transit-oriented development, said Sitharaman.

Ankit Hakhu, director, CRISIL Ratings said, "The plan for supporting solar rooftops in 1 crore households augurs well for developers and module manufacturers as it will bump up rooftop demand. It will also be attractive for households given the potential to save electricity cost of Rs 15-18,000 per annum per household. That said, the quantum and mechanism of disbursements and timelines around the support will determine the pace of progress of the scheme and will bear watching.

"Ashoo Gupta, Partner, Shardul Amarchand Mangaldas & Co said, "The housing for middle class scheme is a commendable initiative that empowers the middle class to fulfill their dream

of home ownership. This step is anticipated to boost economic growth, providing a sense of stability and prosperity within the middle-income segment.

"While acknowledging the commendable strides, we believe that further catalysing growth in the real estate sector could have been facilitated through measures such as a reduction in customs duties or GST, enabling developers to expedite the completion of under-construction properties and boost housing supply," said Venkatesh Gopalakrishnan, MD & CEO, Shapoorji Pallonji Real Estate.

G Hari Babu, national president, NAREDCO said, "The reiteration of a new scheme for the urban middle class population, also would boost confidence of both the common man and the real estate sector. We now look forward for a clear roadmap of this scheme.

"Murali Malayappan, chairman and managing director, Shriram Properties said, "The aim to reduce/contain the fiscal deficit to 4.5% by 2025-2026 is good. The plan to build 2 crore more houses and launch a new plan for the middle class will be a booster for housing development and depict the concern of the government towards providing housing for all. Capex of Rs. 11.1 lakh crore in 2025 will be the biggest and most welcome. Hopefully, the government shall revisit the areas like affordable housing and tax provisions, particularly the Individual Income Tax which directly impacts areas like housing development and overall economic development, while submitting the regular budget.

Sandeep Runwal, president, NAREDCO Maharashtra said, "The announcement of a new housing scheme for the middle class is particularly noteworthy. This initiative seems to be aimed at addressing the housing needs of those living in substandard conditions like slums and chawls or those burdened by rent. By facilitating home ownership, the government is not only looking to improve living standards but also to stimulate the real estate sector and associated industries.

"The vision of 'Housing for all' gains momentum with the announcement of a new housing scheme for the middle class and plans to build 2 crore houses in the next 5 years under the rural housing plan. Initiatives like rooftop solarisation are expected to reduce electricity bills, encouraging middle-class investment in affordable housing," said Domnic Romell, president, CREDAI-MCHI.

Ashish Puravankara, managing director, Puravankara said, "The financial prudence being displayed in bringing down the fiscal deficit to an estimated 5.1% is fantastic. It shows that the government is committed to strengthening the economy, controlling inflation and, therefore, interest costs while maintaining growth with investments in infrastructure.

"Anuj Puri, chairman, ANAROCK Group said, "As anticipated, the Interim Budget 2024 made no big-bang announcements, but it continued its focus on infrastructure upgrades and building connectivity across the country. This will benefit real estate growth in not just the top cities but in Tier 2 & 3 cities across the country. While the interim budget didn't directly address the real estate sector's key demands, the upcoming Union Budget might hold more concrete measures addressing industry concerns and potentially impacting market trends."

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Housing for all resonates in the Budget



The Interim Budget presented by Finance Minister Nirmala Sitharaman saw the Pradhan Mantri Awas Yojana (Grameen) set out an additional 2 crore homes to be built for the rural poor. As per budget estimates, the outlay which was ₹79,590 crore in 2023-24 has been pushed to ₹80,671 crore for 2024-25.

The Ministry of Rural Development which is implementing the Pradhan Mantri Awas Yojana-Gramin (PMAY-G) since April 2016 had an overall target to construct 2.95 crore houses with basic amenities by March 2024. As of December 2023, according to the ministry as against the target of 2.95 crore houses, more than 2.94 crore houses had already been sanctioned to the beneficiaries by various States/UTs and the construction of 2.5 crore houses had been completed at the end of November 2023.

"Despite the challenges due to COVID, implementation of PM Awas Yojana (Grameen) continued and we are close to achieving the target of three crore houses. Two crore more houses will be taken up in the next five years to meet the requirement arising from increase in the number of families," says the finance minister in her speech.

Samantak Das, chief economist and Head of Research & REIS, India, JLL, says that while on the real estate front, there were no big bang announcements, however, the infrastructure augmentation, housing for all, and creation of tourist centres will be important elements in creating a robust ecosystem for the sustainable growth of India's real estate sector.

The government has also indicated that it would launch a scheme targeting the middle class "living in rented houses, or slums, or 'chawls' and unauthorised colonies" to buy or build their own houses.

While the details of the scheme are anticipated in the full budget, Anuj Puri, chairman of ANAROCK Group, says that this scheme will help deserving sections of the middle class, living in rented houses or slums, or 'chawls' and unauthorised colonies, to buy or build their own houses is likely to free encroachment areas like slums for easier redevelopment.

The long-standing demand of the real estate sector for industry status or tax incentives to

home buyers might have been missing, but Murali Malayappan, chairman and managing director of Shriram Properties, says that the announcement of capex of ₹11.1 lakh crore in 2025 is a welcome move. "We can expect better provision of infrastructure development in the regular budget that will be tabled in July 2024," he says.

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Union Budget 2024-25: Opinions



Some key highlights related to cement and the building material Industry are:

Government to launch a scheme to help deserving sections of the middle class living in rented houses or slums or chawls and unauthorised colonies to buy or build their own houses - Likely positive for cement and building material.

Capex outlay for next year increased by 11.1 per cent to Rs 11.11 tn i.e. 3.4 per cent of GDP – Infrastructure development remains in focus.

Three major economic railway corridor programmes will be implemented. These are

a) energy, mineral and cement corridors,

b) port connectivity corridors and

c) high traffic density corridors. Together with DFC, these three economic corridor programmes will help reduce logistic costs. . Additionally, the conversion of 40,000 normal rail bogies to Vande Bharat standards is set to enhance passenger safety, convenience and comfort.

PM Awas Yojana Grameen Yojana: Now close to achieving target of 30 mn homes; 20 mn more homes planned over the next 5 years due to growing need.

As part of the Green Energy programme, announced to set up Coal gasification and liquefaction capacity of 100 MT by 2030. This will help in reducing imports of natural gas, methanol, and ammonia.

Ministry reiterated its focus on development of Eastern region which can support infra and housing development in the region.

Emphasised on development of Metro Rail and NaMo Bharat in large cities.

Reactions to the budget:

- Murali Malayappan, Chairman and Managing Director, Shriram Properties

“The Union Budget has further strengthened the government’s commitment towards long- term social and infrastructure development. It places a significant emphasis on Green Energy, a vital move that aligns with India's 'net-zero' environmental goals while also boosting sustainable and development. Its comprehensive strategy towards the Electric Vehicle (EV) ecosystem is especially noteworthy. This holistic approach is set to benefit a wide range of stakeholders, including original equipment manufacturers (OEMs), service providers, e-payment companies and, crucially, the end-users. It is encouraging to see the focus on research and innovation to further grow the EV ecosystem. Overall, it demonstrates a well-rounded vision that promises to propel India towards a more sustainable and economically robust future.”

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**Post Budget Quote from Murali Malayappan,
Chairman and Managing Director
Shriram Properties Ltd**



This is yet another proactive and progressive roadmap for faster and sustained growth of the country. The (interim) Budget 2024 reflects the government's efforts towards accomplishing the prognosis of 7% growth or higher in the coming year when the world is struggling to grow at 2%. Indeed, in the decade 2014-2024, the country has witnessed transformative growth –from fragility to stability and strength, with the Indian economy undergoing many structural reforms, strengthening the macroeconomic fundamentals, and thus making India emerge as the fastest-growing economy and set to hit the \$5 trillion mark in the next three years, also becoming the third largest in the world. The interim budget is focused in this direction. The aim to reduce/contain the fiscal deficit to 4.5% by 2025-2026 is good. The plan to build 2 crore more houses and launch a new plan for the middle class will be a booster for housing development and depict the concern of the government towards providing housing for all. Capex of Rs. 11.1 lakh crore in 2025 will be the biggest and most welcome. We can expect better provision of infrastructure development in the regular budget that will be tabled in July 2024. The government's objective to reduce logistic costs by building three major railway corridors and expanding metro rails to more cities is laudable. Similarly, the approach of having a Bilateral Investment Treaty for promoting FDI. The establishment of the corpus of Rs. 1.1 lakh crore towards long-term finance will encourage the technology sector in a big way.

Hopefully, the government shall revisit the areas like affordable housing and tax provisions, particularly the Individual Income Tax which directly impacts areas like housing development and overall economic development, while submitting the regular budget. With India becoming a world power, we can expect a comprehensive regular budget in July 2024 fulfilling the aspirations and expectations of various industries and individuals.