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## Budget 2024-25 failed to boost shrinking affordable housing segment, say developers



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Union finance minister Nirmala Sitharaman announced the expansion of the Pradhan Mantri Awas Yojana (PMAY ), with an investment of Rs 10 lakh crore including a central assistance of Rs 2.2 lakh crore over next five years from 2024, in the budget on July 23.

However, there was no specific announcement on the long-pending demand for redefining affordable housing.

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Real-estate developers and experts have been demanding an increase in the threshold of affordable homes from 60 sq m (for LIG) to 90 sq m and the price bracket from Rs 45 lakh to Rs 75-80 lakh. They have also sought incentivising developers and home buyers to develop and invest in green projects.

Developers say that the government will have to do more to support the shrinking affordable housing sector and meet the increasing demand.

According to a recent report by property consultant ANAROCK, the share of sales in affordable housing have decreased from 37 percent five years ago to 20 percent in 2023.

Housing sales in several metro cities have dipped. Housing sales in Bengaluru fell by 2 percent in January-March quarter of 2024 as compared to the same period in 2023 following a sharp drop in the affordable housing segment, Moneycontrol reported in April 2024.

The downward spiral of this erstwhile poster child of the Indian housing industry began during COVID-19 and has been falling rapidly.

Murali Malayappan, CMD, Shriram Properties, said that there is a substantial demand for affordable housing but supply remains limited due to lack of incentives for developers.

“The rise in land prices in urban areas over the past few years has made it increasingly difficult for affordable housing projects to be viable. Developers are shifting towards higher-margin segments like upper-middle-income and mid-market housing due to better returns. For a revival of affordable housing, the government must address issues and incentivise developers,” he said.

Experts said that barring a few indirect ones, there were no direct benefits for the affordable housing segment. These benefits were widely anticipated since they have been on a decline since the pandemic.

“As things stand now, unless sales rise, developers will continue to shy away from launching affordable housing projects. Business-wise, it is impractical to build them because of high land prices,” Anuj Puri, Chairman, ANAROCK Group, said.

#### Boost for demand in Tier-2, Tier 3 cities

Experts say that while there were no direct benefits for the affordable housing segment, a few indirect benefits announced in the budget may stir up demand in Tier-2 and Tier-3 cities.

Puri said that the focus on rural and urban job creation, if effective, may provide some boost to affordable housing. “The move can help stir up housing demand in not just the top 7 cities but also in Tier 2 and 3 cities. Further, the credit guarantee scheme for MSMEs will provide impetus to overall industrial development, and this can have a rub-off effect on the real-estate sector,” he said.

Anil RG, Managing Director, Concorde, said that the indirect announcements may boost affordable housing in Tier-2 and 3 towns.

“We anticipate a significant increase in housing availability in Tier-2 cities, with developers exploring opportunities in city peripheries and new infrastructure corridors. To manage costs, developers will leverage economies of scale, though the extent of private sector involvement remains uncertain,” he said.

He added that in metro cities like Bengaluru, Mumbai and Delhi, where land is expensive, there is a need for government initiatives, such as special schemes, tax benefits, reduced GST, and lower stamp duties to encourage affordable housing projects.

#### Tax holiday for developers

Puri of ANAROCK said that, earlier, there were many interest stimulants for both buyers and developers but they have stopped in the last two years and there is a need to revive high-impact measures like tax breaks for developers, so that they will focus more on building

affordable housing and ensure affordability for buyers.

For instance, to boost supply and incentivise developers to launch more affordable housing projects, the government should have re-introduced the '100% Tax Holiday' benefit available earlier under Section 80-IBA in the Finance Act, 2016.

“This section provided for a major tax relief on profits for developing and building affordable housing projects. As it is, amidst low buyer demand and rising input and land costs, developers find it unviable to build affordable housing since their profit-margins are almost negligible,” he said.