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Affordable Housing: The Way Forward



Affordable housing, the buzzword, has been receiving special attention from the government giving a much-needed fillip to the real estate sector as a whole. In lay parlance, affordable housing is distinguished from others by means of three distinct pillars — Speed, quality and value for money. Burgeoning middle-class sector and the growing spread of urbanisation have together fuelled the demand for affordable housing. According to estimates, around 600 million people are expected to settle down in urban India by 2031, a rise of whopping 59 per cent over 2011. The current housing deficit in India stands at 19 million units, which in the absence of any meaningful intervention, is slated to double to 38 million units by 2030. Almost 95 per cent of this deficit is around the EWS (Economically Weaker Sections) and LIG (Low Income Group) segments, which technically puts the figure at a staggering 18 million units in this category (approximately).

Efforts solely made by the government may not be enough to redress the crisis. Hence, there is a need for a public-private partnership. However, according to a report by leading research company Deloitte, high land costs, delay in project approvals, increasing raw material costs and low-profit margins have made low-cost housing projects less attractive to the private developers. Also, housing (including Affordable Housing) is a state subject and creates complexities in implementation due to precarious financial condition of development authorities, state/city-level agencies and their limited capacities in handling in these projects.

With the government incentivising the affordable housing sector, buyers are rushing to convert their projects into affordable housing ones. However, this could end up being a challenge for developers as land in some locations demand a high price than others. This implies that the buyer ends up paying premium location charges, completely missing the aim of affordable housing. Also, crafting successful affordable housing demands a certain level of expertise in scientifically balancing the residential spaces with substantial amenities.

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Given the current state of affordable housing projects, it is beyond doubt that the sector needs urgent reforms. First, the government should intervene to release the land held by various government agencies making available huge land parcels. This way more affordable housing will be constructed in areas where it is needed the most. Another solution is the creation of Special Residential Zones on the lines of Special Economic Zones (SEZ) for industries, granting them all tax benefits such as tax breaks for both developers and buyers. Second, single window clearances. Delay in clearances adds substantially to the labour costs, thus, increasing the cost of the project. Third, the government should push to reduce REGISTRATION charges, eliminate STAMP DUTY and exempt it from sales tax, all of which push up the price of the property by 30-35 per cent. Fourth, there is an urgent need to overhaul the archaic Rental Act and put the new one in place. Fifth, the need to focus on the maintenance of quality of construction after the units are handed over to the buyers. The Pradhan Mantri Awas Yojana(PMAY) misses out on this crucial aspect. Developers should also be abreast on the latest technology to ensure the sustainability of projects.

The recent legislations including the passage of the Real Estate Law and budget incentives have brought forth high hopes. However, much is still needed to be done. One should take lessons from Hong Kong, Singapore and Kuala Lumpur wherein affordable housing projects have been successful in addressing the needs of growing population for housing and civic amenities.

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