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Industry lauds PPP model policy for affordable housing



The recent proposal to introduce PPP model for development of affordable housing has been lauded by the real estate industry. Developer community finds the move lucrative enough to construct low-cost homes, a segment that remained unprofitable owing to high construction costs and low margins.

After granting [infrastructure status to affordable housing](#) under Union budget 2017, the Centre has now proposed to introduce Public Private Partnership (PPP) model under *Pradhan Mantri Awas Yojana* (PMAY). The move has been taken in order to encourage the participation of private developers in the endeavour to meet the low-cost housing requirements of the country. Considering the several incentives that the scheme would introduce for the builders, the real estate industry anticipates an enhanced interest from their community for developing affordable homes.

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The [Housing for All by 2022 scheme](#), which was launched in 2015, was conceptualised to be run under government subsidies. However, it failed to lure private developers. The grant of [infrastructure status](#), too, was aimed at improving the appeal of this sector for private players who continued to remain wary of venturing in it due to high land and construction costs. The new PPP policy has been drafted after considering these challenges and is aimed at reducing risks pertaining to land, finances, investments and recovery of capital.

Touting the move to be a pivotal step towards the progress of affordable housing, Vineet Relia, Managing Director, SARE homes says, "The incorporation of affordable housing segment with infrastructure projects in the Budget 2017 had already lessened the liquidity constraints in the sector due to assortment of several funds. For instance, the move opened avenues for pension funds and insurance firms to contribute to affordable housing developments. With the PPP model in place, the projects on private land, too, will now enjoy the benefits from the government through interest subsidy and direct 'per-beneficiary' amount, giving a vital push to affordable housing."

The policy is a transformative force towards making the low-cost housing sector a win-win arena of development for both the government and private developers. The proposed model serves to offer alternative solutions to the biggest challenge of exorbitant land costs. As per the proposal, instead of investing in land, developers would rather invest in the construction of these projects. This investment by private players can be later recovered with additional profit through models which are formulated based on aspects such as land ownership, type of development, type of recovery, and maintenance and allotment of houses.

The idea of getting private players to develop affordable homes on government land definitely does away with the biggest hurdle of land investments. With no hassles over land acquisition, clear titles and hefty investments, the last few obstacles to conquer remain proper implementation, fast approvals and transparency in the system.

Expert Speak

This is a much-needed decision by the Ministry of Housing and Urban Poverty Alleviation (HUPA). A PPP model will aid PMAY and provide the required push to affordable housing. PPP will increase the private sector's role in the vision of the Union Government in providing everyone a house by 2022. It will also help in overcoming the challenges faced by the real estate sector in constructing affordable housing.

**Ssumit Berry, Managing Director,
BDI Group**