

#Budget 2020 Expectations: Realtors urge a change in definition of affordable housing

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Though the government has been focusing on boosting the affordable housing segment in the recent past, the real estate sector strongly hopes that the government changes the definition of affordable housing to encompass more categories under its ambit in the Union Budget 2020-21.

The economic slowdown, declining growth forecasts and a slow revival of the real estate sector have exacerbated the homebuyers' expectations from the Union Budget 2020-21. The announcement of an 'Alternate Investment Fund' (AIF) worth Rs 25,000 crore to revive the stalled real estate projects last year is a step in the right direction. Additionally, provision of a special fund called 'Affordable Housing Fund' to the tune of Rs 10,000 crore has also re-instated homebuyers' trust in the market. However, the real estate industry has been advocating a change in the definition of the affordable category itself so that more housing projects can come under its ambit and avail the attached benefits.

Why so? Let us examine the issue, implications and challenges in detail.

Affordable housing

Amid the rhetoric of achieving 'Housing for all by 2022' in mission mode, the term affordable housing needs to be clarified. In general, affordable housing is that category of houses, which can be afforded by the section of the population earning less than the country's average household income.

The Ministry of Housing and Urban Poverty Alleviation of Government of India, defines affordable housing on the basis of super built-up area, size, and price range.

- For the Economically weaker section (EWS), an affordable house would be a unit measuring between 300 sq ft and 500 sq ft (super built-up area), at a price tag below Rs 5 lakh for which a household has to pay Rs 4,000-5,000 in Equated Monthly Installment (EMI).
- For Low Income Groups (LIG), an affordable house would mean a unit measuring between 500 sq ft to 600 sq ft, in the price bracket of Rs 7 lakh - Rs 12 lakh for which a household might pay around Rs 5,000-10,000 in EMI.
- For Mid Income Group (MIG) citizens, an affordable house comprises of a housing unit measuring between 600 sq ft to 1,200 sq ft, priced between Rs 12 lakh to Rs 50 lakh for which a household may have to pay approximately Rs 10,000-30,000 in EMI.

Broadly, the current definition of affordable housing include a house with carpet area (as defined under [Real Estate Regulatory Authority \(RERA\)](#)) up to 90 sq m in non-metropolitan cities and 60 sq m in metropolitan cities and having a value of Rs 45 Lakh or both.

Why is the change desired?

Indian real estate industry is demanding a change/dilution in the definition of the affordable housing category because of the following reasons-

- The revision of the definition of affordable housing will help bring more projects under its ambit and let a greater number of people avail the benefits offered.
- As the threshold of price limit is very low, most of the homebuyers can not avail the benefits such as reduced [Goods and Services Tax \(GST\)](#) of 1 percent and the benefits of tax exemptions from such projects.
- In a recent note to the Ministry of Finance, the National Real Estate Development Council (NAREDCO) pointed the issue citing an example of Mumbai and Delhi. According to the note, most of the projects in the Mumbai Metropolitan Region (MMR) and Delhi-National Capital Region (NCR) do not qualify as affordable housing projects due to the set threshold.
- Increasing the limit will help in a quicker absorption of the ready yet unsold affordable inventory across the country.

Expressing his opinion over the matter, [Zulquer Nain, General Manager \(Projects\), Rudrabhishek Enterprises Ltd](#), says, "Affordable housing will be the most important driver of growth for real estate in 2020. It is important to extend the threshold limit of affordable category as the prices are expected to rise in coming years. Hence, many properties may lose affordable housing benefits like lower GST, cheaper bank loans etc.

It is suggested that the price cap of Rs 45 lakhs be removed and benefits cover a greater umbrella of properties, irrespective of the metro and non-metro classification. This will stimulate the housing demand and will help in clearing the unsold inventories."

In a nutshell, giving industry status to the [affordable housing sector](#) has been a step in the right direction. However, with burgeoning input costs and a continued slowdown in housing demand, the affordable sector is also facing the brunt of unsold inventory lying vacant in a huge number. To ramp up the unit sale and to let a greater number of homebuyers avail the benefits under the affordable housing scheme, the Government must seriously consider increasing the current threshold in Union Budget 2020-21.