



Coronavirus impact: Affordable housing not to remain so affordable in times to come

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As the coronavirus pandemic outbreak has slackened the economic growth across the globe, in India, it would take a major toll over scores of sector. This would have a multiplier effect on the real estate sector which was eyeing revival in time to come.

However, the wrath of the virus outbreak will be faced by both, commercial as well as residential, segment but affordable housing will be the worst-hit segment.

Riding on the support of government initiatives such as Pradhan Mantri Awas Yojana (PMAY), Housing for All by 2022, infrastructure status to the segment – to name a few – the affordable housing segment recorded a growth of 27 percent after the government announced PMAY in 2016 but this growth gradually decelerated owing to various factors and now it will further drop due to COVID-19 woes.

Despite government-initiated public-private partnership projects, developers were reluctant to join the segment due to various reasons such as land scarcity, unrecognized bottlenecks of property records, business dynamics, unfavorable weather conditions, socio-political impact and skilled labor supply over the entire lifecycle of the project.

Recently, Union Minister for Housing and Urban Affairs in Parliament said that a revised demand assessment was made and now the demand is for 1.12 crore houses and he is sure that it can be met in terms of sanctioning in the next month or so. However, a recent study by a property consultant seems to be in contrast to the claims of the minister as it suggested that the unsold inventories in the affordable segment may rise by 1-2 percent in 2020.

Though the demand for affordable housing increased in recent time but the lockdown comes as a major setback for the sector which was already reeling under crisis. This would now further discourage the developers from barging into the affordable segment as they were already struggling with the cost optimisation in order to improve the bottom line in such projects.

Let's see how the affordable housing will get more challenging post COVID-19 crisis:

The developers need to keep several factors like planning and designing, research and development, input materials, labour and time in consideration while cost optimisation. Of these, input materials, labour and time will become a major challenge for the developers while meeting up with the cost.

Amid COVID-19 scourge, the labourers fled from the metro cities or big cities to their respective native lands amid fear of losing out on the earnings. The lockdown has further extended their stay which will now create a big-time crisis of availability of labours which would have a huge impact on the sector which was already struggling from the availability of skilled labour.

Secondly, the developers will also face the problem in acquiring cheap input material as the manufacturing units are closed and in time to come they will also feel the heat of the shortage of the labourers. Apart from this, the manufacturers will also look to cover up for the loss they are suffering during the lockdown, therefore, the developers will have another uphill task to get the material at cheap rates.

With shortage of labour, timely completion of the projects will also come as a major challenge. The developers are raising this issue and hopefully, the government will consider giving relaxation for delivery of the projects. Still, the delay in the delivery invariably leads to cost overruns.

Above all these factors, the buyer sentiments will also hit the segment as now the buyers will wait before investing in any kind of housing project. With limited income and fears of unemployment, affordable housing buyers will delay purchasing decisions, leading to a rise in the unsold stock. This will give rise to rental housing, further delay in improving market sentiments.

Therefore, looking at the current scenario we can say that affordable housing as of now is not so affordable for the stakeholders.

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