

# Hit by Covid-19, affordable housing won't remain so affordable in times to come

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Though the demand for affordable housing had increased in recent times, but the lockdown came as a major setback for the sector which was already reeling under crisis.

As the coronavirus pandemic outbreak has slackened the economic growth across the globe it is most likely to take a major toll over scores of sectors in India. This would have a multiplier effect on the real estate sector which was eyeing revival in times to come. However, the wrath of the virus outbreak will be faced by both the commercial as well as residential segments, and affordable housing will be the worst-hit.

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% after the government announced PMAY in 2016, but this growth gradually decelerated owing to various factors and now it will further drop due to the 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, the 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% in 2020.

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Secondly, 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 labourers. Apart from this, manufacturers will also look to cover up for the loss they are suffering during the lockdown. Therefore, developers will have another uphill task to get the material at cheap rates.

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

Besides all these factors, weak buyer sentiment will also hit the segment as now 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 unsold stocks. This will give rise to rental housing, and further delay in improving market sentiments.

Therefore, looking at the current scenario, we can say that going forward, affordable housing will not remain so affordable for the stakeholders.

*(By Zulquer Nain, GM- Projects, REPL)*