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Covid crimps budget housing mkt

ARNAB DUTTA
New Delhi, 21 July

Amid widespread economic distress and sinking income levels, the country's real estate sector is undergoing a massive overhaul. This comes at a time when a broad swathe of consumers is cutting down on expenses, further crimping the affordable housing market.

The data from market analyst firm Anarock Property Research shows the share of affordable homes (priced below ₹40 lakh) in the overall new launches in the top seven metros fell sharply since the Covid-19 pandemic upended lives in India. From 40 per cent in early 2020, its share is now down to 20 per cent (April-June 2021).

Meanwhile, the demand for new launches in the luxury segment (priced between ₹80 lakh and ₹1.5 crore) has shot up.

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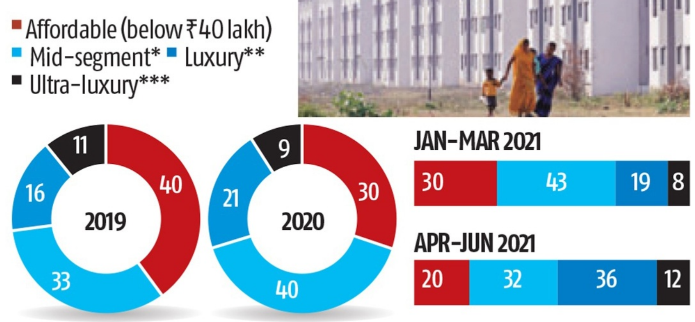
REALTY CHECK
Share in total housing launches in %



*₹40 lakh to ₹80 lakh; ** ₹80 lakh to ₹1.5 cr; ***above ₹1.5 cr Source: Anarock, JLL & industry

According to Manoj Gaur, chairman and managing director of Gaurs Group, and vice-president of the northern region for Credai National, the precipitous rise in input costs and delays due to repeated lockdowns have made affordable housing projects unviable. "Input costs have gone up by over 20 per cent in the last one year. Further, this year's lockdown has delayed projects and added to costs. There is no extension of the Real Estate (Regulation and Development) Act deadlines yet. Given the slim margins most affordable housing developers work with, starting a new project is no more a feasible proposition," said Gaur.

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Covid crimps...

Till end 2019, while it had 15 per cent share of the newly launched projects, it grew to 20 per cent by the end of 2020 and to 36 per cent in the June 2021 quarter. The share of mid-segment homes (₹40-80 lakh) stood at 32 per cent in June, after growing to 40 per cent in the calendar year 2020.

Once the key driver of volumes in the residential real estate market, the steady fall of the affordable segment is rooted in the ongoing crisis. According to industry experts and realtors, multiple factors have led to the recent slowdown, with both demand and supply getting hit.

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Signature Global, a predominantly affordable housing developer that focuses on Gurugram and adjoining regions in Haryana, is gradually moving towards plot development and mid-segment housing projects. To tap into the demand for larger apartments and floors, the realtor is banking on the state's new housing policy that incentivises projects with unit sizes up to 170 square (sq.) yards — much larger than the affordable housing scheme's 90-sq. yard cap, said Pradeep Aggarwal, chairman of Signature Global and Assocham National Council on Real Estate.

According to Mani Rangarajan, group chief operating officer, PropTiger, a steep rise in raw material costs is pushing developers away from the affordable segment.

Home loan disbursements validate these trends. According to Deepak Parekh, chairman of HDFC, despite weaker credit growth, the average size of home loans for the leading private lender surged by ₹2.5 lakh to ₹2.95 lakh during the pandemic.

The data from rating agency ICRA shows the portfolio of housing finance companies, which only caters to the affordable housing segment, grew by about 11 per cent to ₹60,000 crore in 2020-21. However, the growth rate fell from over 20 per cent in the previous years.

According to Anarock, of the total 654,000 unsold units in the top seven cities end-June, the affordable segment comprises 33 per cent — the highest in comparison to any other price segment.

According to Aggarwal, it is due to this factor that most large-scale developers are intent on clearing inventory.

With inputs from Sanjay Kumar Singh & Abhijit Lele