

Govt opens Rs 20,000 crore window for unfinished housing projects

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Finance Minister Nirmala Sitharaman announced much-needed relief to around 3.5 lakh homebuyers on Saturday with a Rs 20,000 crore special window for last-mile funding for stalled housing projects.

These do not include projects that are deemed NPAs (Non-Performing Assets), or face bankruptcy proceedings under National Company Law Tribunal (NCLT). The Centre will contribute Rs 10,000 crore for the special window and roughly the same amount is expected from investors.

The steps are likely to benefit an estimated 3.5 lakh homebuyers out of a total of around 8.5 lakh homebuyers stuck in incomplete projects. The fund would be managed by a team of experts from housing and banking sectors.

This will help affordable and middle-income housing projects that are 60% complete, and the fund will be managed by professionals.

The Minister also said the interest rate on the house-building advance will be lowered and linked to the 10-year G-sec yields. "Government servants are a major component of demand for houses," she said. "This will encourage more government servants to buy new houses."

External Commercial Borrowing (ECB) guidelines will also be relaxed to help housing developers obtain overseas funds, which will facilitate the financing of homebuyers eligible under the Pradhan Mantri Awas Yojana, in consultation with the central bank.

SWEET SOP

Apart from the Centre's contribution, roughly the same amount is expected from investors.

Last-mile funding won't apply to projects that are NPAs, or face bankruptcy under NCLT

Anuj Puri, chairman of ANAROCK Property Consultants, said the announcement is the perfect festive treat for lakhs of homebuyers waiting anxiously for their prized possession. "However, since it doesn't include projects that are under NPAs and NCLT, there is a possibility that not all homebuyers will feel relief," he added. Shishir Bajaj of Knight Frank India said the measures do not address the issues of the sector sufficiently.

"The larger issue of demand creation has not been addressed in any way and form," he said. "We will have to wait for the results of the measures and targeted relief announced for other sectors such as auto, manufacturing to see how the economy is revived."

According to Niranjana Hiranandani, president of NAREDCO, the Rs 20,000 crore fund is akin to the 'stress fund' used to bail out incomplete projects stalled by liquidity problems. "We need to remove the price-cap while defining 'affordable housing' and focus on the project size," he said. "I do not understand why someone would think that Rs 45 lakh is a suitable benchmark for affordable housing when it makes no sense for projects in Delhi, Mumbai and Chennai. We have been advocating increasing the price-cap to Rs 1 crore which could spur buying and resuscitate a stagnant housing market."

The Finance Minister will meet the heads of the Public Sector Banks (PSBs) on September 19 to assess the transmission of interest rate cuts to consumers. The Reserve Bank of India (RBI) had announced back-to-back repo rate cuts to the tune of 110 basis points since February.

The Forum for People's Collective Efforts (FPCE) called it a landmark move. "The government has made it clear that it wants to resolve the issue of real estate projects delayed for years and understands the suffering of homebuyers," association president Abhay Upadhaya said.

Manoj Gaur, chairman of Affordable Housing Committee, Confederation of Real Estate Developers Association of India (Credai), said, "Several mid-income and affordable housing projects progressing slowly due to lack of funds will be expedited. Also, the decision to link housing building advance with yield on 10-year T-bill is likely to reduce effective interest rate for government employees, which should encourage them to buy new homes. Relaxation of ECB norms for affordable housing should also boost housing demand as the cost of funds will reduce for housing finance companies."