

Is the Government bridging the housing paradox?



Real estate industry lauds the hike in saleable carpet area for the MIG-I and MIG-II category flats under PMAY. Not only will this spoil the buyers for choices, but also help developers offload unsold inventory.

The Indian housing paradox was highlighted with reports suggesting a shortfall of 20 million households alongside a parallel estimate of accruing unsold inventory across cities. Two years after consistent efforts towards making the 'Housing for All' mission a success, reports indicate the housing deficit to have shrunk to 10 million households, while the unsold stock continues to exist across budget segments. Expanding supply amid passive demand seemed to widen the paradoxical situation in the Indian real estate. However, the government soon came to the sector's rescue and opened avenues for disposing the piling inventory with developers. In the latest move, the government hiked the saleable carpet area under the affordable housing scheme – *Pradhan Mantri Awas Yojana (PMAY)*.

	Old Saleable Carpet Area	Revised Saleable Carpet Area
MIG category with income Rs 6-12 lakh/annum	90 sq m (968 sq ft)	120 sq m (1184 sq ft)
MIG category with income Rs 12-18 lakh/annum	110 sq m (1290 sq ft)	150 sq m (1614 sq ft)

The step, which is hailed by all stakeholders of the real estate industry, is expected to aid developers in offloading the large volume of ready inventory lying unsold with them. Middle-income homebuyers can now access bigger homes at subsidised interest rates on home loans. Overall, the decision could trigger a renewed interest in the realty market, which has remained muted for long on account on multiple policy reforms such as RERA and GST.

Appreciating the government's decision to hike the saleable carpet area under PMAY, Gagan Banga, VC & MD, Indiabulls Housing Finance Ltd, says, "The cabinet's decision is a massive positive for the macros of housing. Homebuyers now have a larger pool of prospective houses to choose from. The fence sitters will now be given a further push to finalise deals. Builders, in the meanwhile, will not only enjoy the general uptick in the market in the forthcoming quarters, but can also accelerate the sale of housing units which were earlier missing out on a sizeable portion of the Middle Income Group (MIG) audience. The Government remains committed to its headline mission of 'Housing for All by 2022', and has yet again delivered a further impetus for homebuyers, home suppliers and home financiers by easing the ecosystem."

The affordable housing segment received a shot in the arm in Union Budget 2017-18 with the government granting it infrastructure status aiding easy funding and construction of low-cost homes. This latest step is another push from the government to aid fast absorption of the available ready units – benefitting both buyers and developers.

Here's what a few other industry experts have to say regarding this instrumental move –

Manoj Gaur, Vice President, CREDAI-National & MD, Gaurs Group

The major chunk of the benefits which will be available because of the changed carpet area will be for the MIG category of buyers. The government has been very proactive towards its mission of Housing for All by 2022 which has been very evident from the reforms which it has been introducing from time to time. Also, with projects registering under RERA and having strict guidelines on their completion, buyers will be more than willing to invest in projects which will offer affordable housing units under the revised carpet areas.