

WILL JAITLEY'S BUDGET REVIVE HOUSING DEMAND IN METROS?

With the Union Budget 2016-17 offering major incentives for the middle class home-buyers, will it come out as a saviour for the under-performing Metros of India

Words: Sanjeev Sinha



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though Budget 2016 failed to meet the expectations of the embattled real estate developers, reeling under severe slowdown and liquidity crunch, it has definitely given a boost to affordable housing in line with the government's initiative to provide housing to all by 2022.

For instance, while the budget has allowed 100% deduction on profits made by entities constructing them, it has also announced – among other things -- service tax exemption for construction of affordable housing (as per prescribed limits) under state and central housing scheme.



“The finance minister's proposal to allow 100% deduction for profits to projects for building homes up to 30 sq. mtrs. in the four metros and 60 sq. mtrs. in other cities is a major booster for the affordable housing sector. The government has also exempted service tax on construction of houses up to 60 sq. mtrs. This is a significant step, and in line with the incumbent government's intention to boost affordable housing,” says Rajesh K Gouri, vice president, Homestead.

Apart from these sops, “First-time home buyers have been given the benefit of an additional deduction of Rs. 50,000 on home loan inter-



est for loans not exceeding Rs. 35 lakh, where the value of the house is no more than Rs. 50 lakh. These concessions are likely to give impetus to investments in affordable/low-cost housing in medium and small cities. Housing projects approved under the Pradhan Mantri Awas Yojana between June 2016 and March 2019 would receive full tax deduction on profits. This will benefit developers focused on affordable housing,” says Ajay Khetarpal, CMD, Sunhill Homes Pvt. Ltd.

However, while the budget has given a boost to affordable housing, are its proposals positive enough to also help revive housing demand in big cities, particularly metros?

Experts differ in their views on this. For instance, some of them are of the opinion that overall, Budget 2016 augers well for the real estate sector, having addressed affordable housing, Real Estate Investment Trust (REIT) and infrastructure.



According to Shishir Bajjal, CMD of Knight Frank India, “REIT has finally got its due with the abolishment of the DDT that was holding back asset own-

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ers. With this move, there will be no road block in launching REIT schemes any time now. Also, infrastructure and rural development focus in the budget has been encouraging and is expected to give the much-needed fillip to the real estate sector.”



Rahul Chamola, MD, One Leaf Group, says, “There was a clear indication in this budget that the Central government is very serious towards reviving the real estate sector. Now that the Real Estate Bill has passed the test in Rajya

Sabha, it is evident that it will be a reality soon and once implemented, it is sure to change the entire landscape of the Indian real estate. It will help greatly in letting go the unorganised nature of the sector and additionally build upon the trust which buyers need to have upon the developers’ fraternity.”



The Union Budget also gave a clear indication that the government will pump in all it has to promote the ‘Housing for All’ mission. “Although a majority of it will be in the suburbs, but still the metros will not skip its limelight. Pick up

any metro and you will find that there are provisions of affordable housing in the city. Whatever land bank is left in the metros would be used up more towards the development of affordable housing and ultimately owning an affordable house in a metro would be the first choice of any home buyer,” asserts Ankit Aggarwal, CMD of the Devika Group.



The proposal of an additional Rs. 50,000 tax deduction on interest and an increase in housing rent reduction limit is also believed to be positive for the real estate sector in big cities. “Metro cities have got a real boost given the benefit of

an additional deduction of Rs. 50,000 on home loan interest for loans not exceeding Rs. 35 lakh for the



first time home buyers. Also the fact that the annual housing rent reduction limit has been increased from Rs. 24,000 to Rs. 60,000 could lead to an almost immediate uplift for rental housing across the major cities,” says Pawan Jasuja, director, Finlace Consulting.

All developers, however, are not convinced. According to them, the budget certainly promises relief for the first time homebuyers up to a certain limit, is beneficial for those in construction of budget houses, does away with the regressive dividend distribution tax on REITs and talks of some other sops, but it doesn’t talk about the problems of buyers who suffer due to delays in construction and is also silent on the need to revive the luxury sector of real estate which has suffered the most in the recent past.



“Even Hon’ble Prime Minister’s dream of ‘Housing to All’ has not been addressed in this budget. Unless sops are provided for small houses particularly in tier II and tier III cities with support to infrastructure and industry

in those regions, value housing needs of these segments cannot be fulfilled. Also, when we try to locate whether the budget will affect the real estate market in metropolitan cities, all we can find is an increase in the upper limit of HRA and the finance minister’s promise of implementation of the 7th Pay Commission report. These factors may have a slight impact on the market, but we definitely need an extra push to revive the sector,” observes Atul Banshal, president-finance and accounts, M3M.

(The author is a senior journalist with over two decades of experience in writing)