

Affordable housing supply dips to 20% in June quarter, premium homes launches up: Report

Synopsis

The new launch trends in both the pre and post COVID-19 periods across the top 7 cities indicate that the new affordable supply share has been reducing post the pandemic.



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The pandemic has significantly altered previously dominant trends in the Indian residential market. Notably, it has dented the overall new affordable housing supply share across the top 7 cities.

Out of the total new launches of around 36,260 units across the top 7 cities in June quarter, the affordable segment priced less than Rs 40 lakh contributed a mere 20% share, while the **premium segment** priced upward of Rs 80 lakh had the highest share of 36% and mid-segment priced in the Rs 40- Rs 80 lakh range had a 32% share, showed data from Anarock Research.

“The main southern cities of **Hyderabad**, **Bengaluru** and **Chennai** together accounted for at least 72% of the total new premium supply in the second quarter. Prominent realty hotspots **NCR** and **MMR** had the highest share of affordable housing supply at 52% of a total of 7,230 units launched in this category,” said **Anuj Puri**, Chairman – **ANAROCK Property Consultants**.

The new launch trends in both the pre and post COVID-19 periods across the top 7 cities indicate that the new affordable supply share has been reducing post the pandemic.

In 2018, out of around 1.95 lakh units launched in the top 7 cities, affordable housing had the highest share at 40%, followed by 36% in the budget category and 16% in the premium segment.

Various factors can be attributed for the drop in share of affordable housing supply.

Abundant affordable supply was launched in the top 7 cities after the government began incentivizing this segment post-2014 to back the ‘Housing for all by 2022’ scheme. Demand for affordable housing remains high, but there is now a pileup of unsold stock across cities.

The target audience of the affordable segment (many employed in MSMEs) has been severely impacted by the pandemic in contrast to premium and luxury category buyers. Many affordable housing buyers have had to defer purchase decisions.

Affordable housing developers' profit margins are wafer-thin. Amid rising inflationary trends of basic input costs (cement, steel, labour, etc.), it has become difficult for them to launch budget homes since increasing prices in this highly cost-sensitive segment is inadvisable at this time. Also, overall sales volumes have declined in the last one year because of the pandemic.

Home loan eligibility for many affordable housing buyers has been impacted by the pandemic due to loss of jobs and many MSMEs being shut down - resulting in significantly lower sales in this category.

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