

Stagnation in housing sector

Why in news?

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A recent study reveals real estate market of metro cities have fallen to a seven year low.

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What is the status of Indian real estate markets?

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- According to a white paper 'Indian Housing Industry' by research and consultancy firm RNCOS, the housing shortage is expected to rise to 34.8 million units by 2022.

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- India's real estate sector is in the stagnations and there is a huge pile-up of unsold inventory.

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- 'Quoted rates' are just that for conversation purposes while real rates have already fallen by a fifth, with buyers still not showing up.

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- New project launches in urban India or at least in the major markets of the National Capital Region, Mumbai, Pune, Ahmedabad, Bengaluru, Chennai, Kolkata and Hyderabad have fallen to a seven-year low.

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- Only one lakh units being started this year compared to the average of over five lakh units between 2010 and 2013.

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What are the reasons for this stagnation?

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- The outer stretches of almost every major Indian city are littered with the skeletons of completed and partially completed projects.

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- The introduction of the Real Estate (Regulation and Development) Act, 2016 (RERDA) albeit by just a handful of States so far promises to make the situation worse.
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- Most of the under-construction projects in RERDA States are stuck because the developers cannot meet the new, stricter provisions of the Act, and cannot sell them without RERDA approval.
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- The problem is also with definition of affordable price by private sectors, the price is lower doesn't mean those needing houses buy them.
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- Most of the so called affordable houses are unliveable from a practical point of view too far away from economic or employment hubs, poorly connected, and lacking social and soft infrastructure like education and entertainment.
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- So the private sector's solution isn't really working.
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What is the performance of state housing boards?

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- Most of the State Housing Boards have built very little.
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- The Gujarat Housing Board has built around 1.76 lakh units so far in over half a century.
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- The Odisha State Housing Board, set up in 1968, has built around 28,500 houses.
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- The Madhya Pradesh Housing Board manages around 6,000 houses a year.
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- These housing boards have also gone the way of the private sector, jacking up prices.
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- So much so that earlier this year, the Delhi Development Authority, which has a monopoly in Delhi, attracted only around 8,000 applications for 11,000 flats in the economically weaker section category, because of its high prices and shoddy construction in past projects.
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- Despite all the noise the government makes about housing to all, it does not get either policy bandwidth or adequate funding.
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Source: The Hindu

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