

Home size hike under PMA '17 to help clear inventory, revive housing demand

The government increased the carpet area in the MIG-I category of CLSS from the existing 90 square metre to up to 120 square metre and increasing the carpet area in respect of MIG II category of CLSS from the existing 110 square metre to up to 150 square metre



NEW DELHI: The government's decision to increase the home size for middle income group (MIG) under the credit linked subsidy scheme (CLSS) will help in clearing unsold stock and reviving demand in the real estate sector, say industry stakeholders.

The Union cabinet chaired by prime minister Narendra Modi on Thursday approved increasing the carpet area in

the MIG-I category of CLSS from the existing 90 square metre to up to 120 square metre and increasing the carpet area in respect of MIG II category of CLSS from the existing 110 square metre to up to 150 square metre. The changes are effective from January 1, 2017.

According to builders' body National Real Estate Development Council (NAREDCO), this move will bring the entire demand for affordable housing under the interest subvention scheme, accounting for almost 96% of the total demand for housing in the country. "This decision of government beside helping in clearing unsold stock, will also encourage developers to launch new projects," the body said in a release.

Jaxay Shah, national president, Confederation of Real Estate Developers' Associations of India (CREDAI) feels the average middle class in smaller towns and cities would now be able to afford bigger and better quality homes than before.

However, the increase in threshold limit will enable the middle income group buyers to avail interest rate subvention under CLSS, but will dilute the impact for the lower strata of the society with lower ticket size, according to Rajesh Krishnan, founder and CEO, Brick Eagle.

"We believe subsidies may be more effective, if restricted to EWS/LIG segment in the interest of inclusive goal of housing for all," he added.

Prime minister Narendra Modi in his new-year eve speech on December 31 last year had announced the CLSS under the Pradhan Mantri Awas Yojana (Urban) for people belonging to the MIG category, valid till the end of December this year. However, the government last month extended the validity of interest subsidy benefit by 15 more months till March 2019.

According to Gagan Banga, VC & MD, Indiabulls Housing Finance, the fence sitters specially, who were delaying their home purchase, will now be given a further push.

"Builders, meanwhile, will not only enjoy the general uptick in the market that is ahead of us, but can also accelerate the sale of housing units which were earlier missing out on a sizeable portion of the Middle Income Group audience," he said.

The CLSS for MIG covers two income segments - MIG-I from Rs 6 lakh to Rs 12 lakh per annum income and MIG-II from Rs 12 lakh to Rs 18 lakh per annum. MIG-I is eligible for an interest subsidy of 4% for loan amounts up to Rs 9 lakh, while MIG-II is eligible for an interest subsidy of 3% for loan amount of Rs 12 lakh.

This is how other industry stakeholders reacted:

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.