

Fillip for home buyers in Budget

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Most salaried folk living in rented homes envy peers and relatives who bought apartments several decades ago. And tales of fairy tale investments in flats purchased for Rs 3-10 lakh now quoting at Rs 1-3 crore are legion. Real estate prices in cities like Kolkata, Delhi and Mumbai leave people with little hope of buying a roof over our heads.

However, that ever elusive first home or second house might just be within your grasp. Positive changes have been made in the annual Budget to promote housing, which has been stagnant in the past 3-4 years. For those thinking of buying an

affordable house on the outskirts of the city, this might just be the right time. Our presumption is that a good flat made by a reputed builder will cost anywhere between Rs 11-20 lakh. You could also benefit financially over a five year period if you make that purchase now as dozens of new projects will be launched by builders in tier II and tier III cities.

Finance Minister Arun Jaitley's proposals have given a fillip to affordable housing, real estate companies launching those projects and housing finance companies providing loans for such purchases. Buyers have a choice to purchase a home, or shares of such listed companies who are major players.



The annual Budget brought affordable housing under the Infrastructure tag. Jaitley's gambit provides cheaper, long-term finance for builders who have been facing an acute financial crunch in the past three years. Builders like Ashiana Housing can now access flexible structuring of

long-term projects, can take funds from infrastructure oriented lenders at lower costs and for longer tenures. Builders like Prestige Estates can now float infrastructure bonds to meet working capital needs.

These steps will lead to lower per unit costs of

homes for buyers. Excessive competition among builders to woo potential buyers will also result in better pricing.

For a project to be designated under affordable housing, Jaitley tweaked an earlier provision for a 30-60 sq metre home to consider carpet area instead of the built up area. This allows 30-40 per cent more space and brings more projects under its ambit. The finance minister also extended the completion period of the scheme to 5 years, from 36 months earlier, for claiming 100 per cent deduction in profits of builders. This provision will attract more developers to the affordable segment, boosting competition and lowering prices.

Overall, housing is a thrust area for Prime Minister Narendra Modi. This Budget made provisions to construct 1 crore homes by 2019. It raised the allocation under Pradhan Mantri Awas Yojana by 38 per cent to Rs 29,043 crore. Also, the National Housing Bank will refinance Rs 20,000 crore worth of individual loans.

Apart from builders, finance companies such as Gruh Finance, Can Fin Homes and Mahindra & Mahindra Financial Services specialise in financing small ticket homes. They also present a chance for savvy investors to play the affordable housing theme by purchasing their shares.

However, this is

fraught with risk as their stock prices have already climbed substantially, leaving little or nothing on the table for stock investors.

So, should you decide to buy that affordable house, remember this checklist: Buy an existing house, or the one nearing completion in a couple of months. You don't want to make a potential purchase in a project on paper, which is subject to regulatory and bureaucratic uncertainty. Second, keep that EMI low and try and offset it by renting out the home and finally, if you decide to ride this gravy train by purchasing shares of such companies, do consult a good financial adviser before taking that step.