

How affordable housing can be propped up

A model where govt gives land and private investors capital to create social rental housing at scale seems financially viable

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It has been nearly 60 years since the slogan *Roti, Kapda, Makaan* was coined to win an election. While government efforts have delivered meaningful results in food and clothing, providing dignified shelter — especially to economically weaker citizens — continues to remain a challenge.

This is not for lack of trying. Governments have built houses directly, attempted to attract private developers with incentives, subsidised credit to make ownership more affordable, and even proposed building new cities. Significant sums are allocated every year in both Central and State budgets to address the “affordable housing” gap. Yet the gap persists and, by most estimates, continues to widen.

What is more worrying than the widening gap is the repetitive nature of the solutions proposed. Redefining what qualifies as “affordable,” lowering taxes for the industry, or pushing cheaper loans resurface year after year. But these solutions have had little impact on the housing shortage.

Some solutions remain attractive only until they are implemented. Until a few years ago, granting infrastructure status

to affordable housing was believed to be a silver bullet until it was granted and the gap remained. In other cases, poor execution undermines otherwise sound ideas, as seen with alternate development rights offered in lieu of building affordable homes. While units were created, they were often located far from centres of economic activity.

The reality is that India faces a massive shortage of homes for its poorer citizens, who must compete with the middle and upper middle classes for the limited urban land developed each year. This is because it is simply not in the incentive structure of key stakeholders to develop such housing at scale. So how do we break this logjam?

INCREMENTAL PROGRESS

First, we must accept that no single solution can address the entire housing shortage. Progress has to be incremental. Second, no solution will work unless it is financially sustainable, and sustainability is possible only when incentives are aligned. Third, we need to shift the narrative from ownership to decent living standards. Social rental housing offers a viable alternative and is easier to align with stakeholder incentives. While the poorest may still need support, a large segment of today’s workforce



AFFORDABLE HOUSING. Cementing the process GETTY IMAGES

would readily opt for good-quality housing at reasonable rents. Housing fundamentally requires two inputs: land and capital. In urban clusters, private land markets are priced for what the upper middle class and wealthy can afford. Any solution that assumes land acquisition at prevailing market prices is unlikely to succeed at scale. Developers simply cannot pass on such costs. This leaves government-owned land as the only realistic option.

Governments, however, are financially constrained and often view surplus land as a means to plug fiscal gaps. Dedicated land monetisation agencies are now being created to pursue this strategy more systematically. It is

troubling that public land monetisation continues while millions live without a decent roof over their heads. A rough estimate suggests that more than a quarter of India’s affordable housing requirement could be met using surplus land held by just four agencies — defence, ports, railways, and airports. To make this viable, any solution must generate revenue rather than impose an additional fiscal burden.

Private capital is abundant but demands risk-adjusted returns. Social impact investors are often willing to accept lower returns in exchange for meaningful social outcomes. This makes it possible to envision a sustainable model in which government contributes land and private investors provide capital through a special purpose vehicle to create social rental housing at scale.

Under such a model, governments earn a steady income stream, while early investors can exit through a REIT listing. A social rental housing REIT could attract long-term capital from pension funds and insurance companies seeking stable, yield-generating assets.

The tools already exist. So, what are we waiting for?

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