

**GOVERNMENT OF INDIA
MINISTRY OF HOUSING AND URBAN AFFAIRS
RAJYA SABHA
STARRED QUESTION NO. 87**

ANSWERED ON 28/07/2025

IMPACT OF INFLATION ON AFFORDABLE HOMES

***87. DR. ASHOK KUMAR MITTAL:**

Will the Minister of *Housing and Urban Affairs* be pleased to state:

- (a) with housing prices and rents rising 6-10 per cent this year faster than inflation whether rate cuts alone would be enough, given poor connectivity and services in new suburbs;
- (b) whether it is a fact that major developers are exiting affordable projects, citing low margins and rising land/construction costs;
- (c) the measures which are in place to reduce land cost or provide Floor Space Index (FSI) incentives for affordable homes in urban centers; and
- (d) whether Government has planned to provide first-time buyers access to housing without structural affordability reforms, if so, details thereof, if not, the reasons therefor?

ANSWER

**THE MINISTER OF HOUSING AND URBAN AFFAIRS
(SHRI MANOHAR LAL)**

(a) to (d): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO RAJYA SABHA STARRED QUESTION NO. 87 FOR 28.07.2025 REGARDING “IMPACT OF INFLATION ON AFFORDABLE HOMES”

(a) to (d) ‘Land’ and ‘Colonization’ are State subjects as per Entry 18 of List-II (State List) of the Seventh Schedule of the Constitution of India. The data on prices of housing units and rent is not centrally maintained by the Ministry of Housing and Urban Affairs (MoHUA). The prices of housing units and rent are determined by market forces like demand, supply, input prices and various other factors.

As per the information received from National Housing Bank, the Housing Price Index (HPI) has moved from 100 (March 2018) to 143.29 (March 2025) with a Compounded Annual Growth Rate of 5.3%.

Further, to increase the supply of affordable housing and make it financially viable, the Central Government has taken various measures, such as:

- Reduction of Goods and Services Tax (GST) on under-construction Affordable Housing project from 8% to 1% without Input Tax Credit (ITC) and in case of other housing projects from 12% to 5% without ITC;
- Exemption of Income Tax on profits and gains derived from the operation of Affordable Housing Project introduced in 1st June 2016 under section 80-IBA of Income Tax Act and the same was extended till 31st March, 2022;
- Additional deduction of ₹1.5 Lakh on Home Loan Interest for Affordable Housing unit for first time homebuyers introduced in 1st April 2019 under section 80EEA of Income Tax Act and the same was extended till 31st March, 2022;
- Accordance of infrastructure status to ‘Affordable Housing’ by including it in Harmonized List of Infrastructure.

Moreover, the Reserve Bank of India (RBI) has reduced repo rate from 6.5% to 5.5% during last 6 months thus, resulting in cheaper loans to homebuyers. Further, RBI revised its Priority Sector Lending guidelines effective from 1st April 2025, to boost affordable housing segment, as below:

- For the dwelling unit upto ₹63 lakh in centres with a population of 50 lakh and above, the eligible housing loan limit is ₹50 lakh.
- For the dwelling unit upto ₹57 lakh in centres with a population between 10 lakh and less than 50 lakh, the eligible housing loan limit is ₹45 lakh.
- For the dwelling unit upto ₹44 lakh in centres with a population below 10 lakh, the eligible housing loan limit is ₹35 lakh.

Further, MoHUA has been implementing Pradhan Mantri Awas Yojana- Urban (PMAY-U) since 25th June 2015 to provide affordable pucca houses with basic amenities to all eligible urban beneficiaries. Based on 9 years of experience and learning from implementing PMAY-U, MoHUA has revamped the scheme and launched PMAY-U 2.0 'Housing for All' Mission with effect from 1st September 2024 to assist 1 crore additional eligible urban beneficiaries. Interest Subsidy Scheme (ISS), vertical of PMAY-U 2.0, particularly focuses on expanding credit flow to affordable housing sector by providing subsidy on home loans taken by eligible beneficiaries for first time purchase and construction of house.

PMAY-U 2.0 Guidelines require States/UTs to formulate 'Affordable Housing Policy' along with key reforms to attract private investment and create an enabling eco-system for augmenting the affordable housing stock in the country particularly the million plus cities. These reforms include:

- i.** Nominal (less than 1%) Stamp duty/Registration Charges for houses (up to 60 sqm) registered under PMAY-U 2.0;
- ii.** 50% additional FAR with TDR facility free of cost and built-up area used for EWS/LIG, not to be counted in overall FAR of the project;
- iii.** Reservation of Land/Area for Affordable Housing in relevant Scheme/Policy/ Building Byelaws;
- iv.** Inclusion of Affordable Housing Zones in the Master Plans/Town Planning Schemes;
- v.** Exemption of charges in Land Conversion/Land Use changes for affordable housing projects;
- vi.** Mandatory reservation of 5% of built-up area for EWS/LIG housing in all housing projects beyond 10,000 sqm built-up area or 5,000 sqm plot area;
- vii.** Creation of land bank(s) for construction of houses under AHP by mapping the land available in their jurisdiction along with the ownership details.
