



**NITI Aayog**



**A COMPREHENSIVE  
FRAMEWORK  
TO PROMOTE AFFORDABLE  
HOUSING**



**Ministry of Housing  
and Urban Affairs  
Government of India**



सत्यमेव जयते

**NITI Aayog**



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and Urban Affairs  
Government of India**

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# **A COMPREHENSIVE FRAMEWORK TO PROMOTE AFFORDABLE HOUSING**

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Ministry of Housing  
and Urban Affairs  
Government of India

# A COMPREHENSIVE FRAMEWORK TO PROMOTE AFFORDABLE HOUSING





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## FOREWORD

India's rapid urban transformation is at once an immense opportunity and a formidable challenge. As cities grow, driving economic growth, catering to the demand for affordable housing has emerged as one of the most critical issues for ensuring that urbanization remains inclusive and equitable. Housing is not only a basic human necessity but also foundational for economic and social stability, shaping access to essential services, employment, and overall well-being.

Over the past decade, notable progress has been made through various initiatives of Government of India such as Pradhan Mantri Awas Yojana (Urban). However, the persistent mismatch between demand and supply, especially for low-income households, calls for a comprehensive approach. Expanding access to affordable housing requires concerted actions that address the availability of land supply, access to capital, regulatory reforms, and innovative models of public & private collaboration.

Recognizing this gap, a committee comprising NITI Aayog, Ministry of Housing and Urban Affairs, Department of Financial Services, and subject matter experts was constituted. "*A Comprehensive Framework to Promote Affordable Housing*" brings together evidence-based analysis, cross-sectoral insights, and global best practices to propose actionable measures. The report emphasizes the need to view housing as an integral component of urban planning and economic development, rather than as an isolated welfare measure. The recommendations range from land-use and zoning reforms to financial instruments, rental housing, and data-driven systems. The report presents a roadmap to make housing accessible, viable, and sustainable across India's diverse urban contexts.

Delivering affordable housing at scale will determine the inclusiveness of India's urban future. It calls for coordinated action from Governments, private sector, financial institutions, and communities. This report contributes meaningfully to that collective effort by setting out a clear, reform-oriented path forward.

  
(Rajiv Gauba)

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## **MESSAGE**

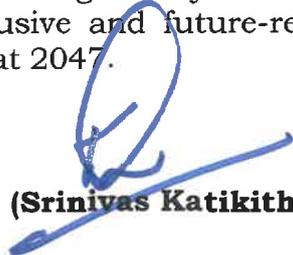
India is urbanizing at an unprecedented pace. Our urban population, estimated at 50 crores in 2021, is expected to cross 85 crores 2050. This transformation brings with it a substantial rise in the demand for accessible, affordable, and resilient urban housing. Livability in urban India depends on ensuring every citizen has access to safe housing, essential services, and opportunities for mobility and growth. Affordable housing is a core element of urban planning.

India's efforts to provide adequate urban housing are hindered by limited land, insufficient affordable housing stock, poor access to formal finance, and many vacant but unavailable for rent houses. High land costs, weak rental systems, and credit barriers further restrict availability. Addressing these issues requires coordinated reforms in land management, housing supply, finance, and urban planning to better support vulnerable households.

The Government of India has launched flagship mission- the Pradhan Mantri Awas Yojana-Urban (PMAY-U) which has played a key role, supporting nearly 1.12 crore houses, with 96 lakhs already completed. In 2024, PMAY-U 2.0 was introduced to assist another 1 crore urban households, with an enhanced emphasis on linking benefits to State-level Affordable Housing Policies. Despite these momentous gains, both schematic and policy interventions are needed to ensure sustained supply of accessible housing in decades.

The Approach Paper on Promoting Affordable Housing proposes a holistic framework for meeting India's urban housing needs. It synthesizes research-driven insights and various national and international examples to outline practical policy directions. Highlighting the need for a well-functioning housing ecosystem that enables both homeownership and rental opportunities.

This Approach Paper provides a clear, reform-oriented roadmap to guide policymakers in addressing the structural barriers. Its insights and directions towards strengthening the affordable housing eco-system will serve as a foundation for building a scalable, inclusive and future-ready urban India, contributing to the vision of Viksit Bharat 2047.

  
**(Srinivas Katikithala)**

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## PREFACE

Affordable housing forms the cornerstone of India's inclusive and sustainable urban development agenda. As urbanisation accelerates and housing demand continues to rise, ensuring access to safe, adequate, and affordable homes for low-income and vulnerable communities has emerged as a national priority. Beyond fulfilling a basic human need, affordable housing serves as a catalyst for economic growth, social stability, and enhanced quality of life. It must therefore be positioned as a key driver of urban transformation, enabled through coordinated action across land, finance, and governance frameworks.

In order to address the challenges in affordable housing ecosystem, a committee with following composition was constituted:

- Anna Roy, Programme Director, Managing Urbanisation, NITI Aayog - Chairperson
- Kuldip Narayan, Joint Secretary & Mission Director (Housing for All), Ministry of Housing and Urban Affairs
- Manoj Muttathil Ayyappan, Joint Secretary, Department of Financial Services, Ministry of Finance
- Piyush Doshi, Operating Partner, Foundation for Economic Development
- Sandeep Bedi, Chief Executive Officer, Janaadhar
- Urmila, Director, Managing Urbanisation, NITI Aayog - Member Secretary

The mandate of the Committee was to prepare a detailed Approach Paper proposing a comprehensive framework to promote and enable affordable housing in India. The objective of the Committee was to develop actionable recommendations to guide national and state-level efforts in scaling up the supply of affordable housing, improving access for low-income households, streamlining development processes, and fostering sustainable and inclusive urban growth.

This Report presents an analysis of the current landscape of affordable housing, focusing on supply-demand trends, cost determinants, and systemic constraints. Furthermore, it examines policy, regulatory, market, and financial barriers that influence housing affordability and draws lessons from international best practices. The analysis forms the evidentiary basis for the strategies and interventions detailed in the subsequent sections of this report.

The Committee gratefully acknowledges the guidance, support and insights received from Shri Rajiv Gauba, Member, NITI Aayog in the preparation of this Report.

Dated: 22<sup>nd</sup> October 2025

  
(Anna Roy)



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## 1. Background

India is urbanising at an unprecedented pace. As of 2021, 35% of the population resides in urban areas, a figure projected to reach 50% by 2050<sup>1</sup>. This rapid growth is expected to lead to a significant increase in the demand for urban housing. Urban population estimated at 50 crore in 2021 is expected to reach 85 crore by 2050. The dynamics of real estate sector would amongst other factors play a significant role in creating the demand for urban housing.

The real estate sector is a significant pillar of the Indian economy and its contribution is projected to rise steadily from approximately 7% to India's GDP in 2021 to approximately 13% by 2050. This anticipated growth reflects the sector's expanding role in urban development, employment generation, infrastructure creation, and housing.

Real estate differs from other sectors due to its unique characteristics and structural

inefficiencies. Unlike traditional markets, the demand-supply equation in real estate often fails to align efficiently. Low rental yields discourage rental housing and fuel speculative investment in land. With land costs forming 40-50% of project expenses in metros, often financed outside formal credit, the sector remains highly capital-intensive. Construction finance is costly, limiting smaller developers. Demand is localized, shaped by infrastructure and job hubs, while archaic tenancy laws and low rental yields further constrain the formalisation of rental housing market.

Government of India has launched multiple initiatives to address the housing challenge. Yet, despite numerous schemes, informal settlements continue to grow, reflecting the gap between the housing needs of low-income groups and their ability to afford formal housing. Going forward, demand for affordable housing segment is unlikely to be met by market forces alone, necessitating specific government policy interventions.

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<sup>1</sup> Reforms in Urban Planning capacity in India, 2021; NITI Aayog

In the last decade, the Pradhan Mantri Awas Yojana-Urban (PMAY-U) supported the construction of nearly 1.12 crore houses of which 96 lakh houses are complete. In 2024, PMAY-U 2.0 has also been launched to support 1 crore additional household of urban area with a focus on reform by linking the benefit under the scheme with notification of 'Affordable Housing Policy' by the State Government concerned. However, these schemes are mostly demand-driven programmatic interventions and thus not geared at ensuring a targeted supply of affordable housing supported by policy reforms. Data shows that formal housing market remains skewed toward middle and high-income groups, with limited supply for the EWS and LIG.

Recognizing this gap, a committee comprising NITI Aayog, Ministry of Housing and Urban Affairs (MoHUA), Department of Financial Services (DFS), and subject matter experts was constituted under the chairpersonship of Principal Economic Adviser, NITI Aayog. The Committee was mandated to prepare a detailed paper proposing a comprehensive framework to promote and enable affordable housing in India. The composition and Terms of Reference (ToR) of the Committee are provided in Annexure 1.

## 1.1 Objective and Scope

- » The goal of this paper is to prepare a comprehensive framework to promote and enable affordable housing in India's urban areas.
- » The objective is to provide actionable recommendations that can guide both national and state-level efforts in:
  - ◆ Scaling affordable housing supply,
  - ◆ Improving access,
  - ◆ Streamlining processes, and
  - ◆ Fostering sustainable and inclusive urban growth

The scope was specifically on promoting affordable housing in urban areas.

## 1.2 Multiple definitions of affordable housing

The Committee in the first instance noted the lack of any uniform definition of affordable housing, with multiple definitions being used in different context, formulated for varied policy, financial, and programmatic purposes. These definitions were systematically reviewed by the Committee to develop a comprehensive understanding of the subject, its diverse applications and recommend a uniform definition for purposes of this report.

### Definition of affordable housing used in various policies & reports of the GOI:

- » **National Urban Housing & Habitat Policy (NUHHP), 2007:** Instead of giving a definition of affordable housing, the report underscores the objective of making housing accessible to EWS, LIG, and the marginalized communities<sup>2</sup>.
- » **Report of the High-Level Task force on Affordable Housing for All, 2008:** The Task Force proposed a combination of criteria based on: (i) household gross annual income, (ii) size of the dwelling unit, and (iii) EMI or rent as a percentage of household income to identify the beneficiaries of affordable housing. The Task Force also concluded that prescribing a single, uniform definition of affordable housing would be counterproductive given India's socio-economic diversity<sup>3</sup>.
- » **Draft National Urban Rental Housing Policy (NURHP), 2015:** Draft Policy, 2015, recognised that affordable housing need not be confined to ownership and recommended a rental housing framework for EWS, LIG, and other vulnerable groups, addressing "need-based rentals" for migrant workers,

<sup>2</sup> National Urban Housing & Habitat Policy (NUHHP), 2007

<sup>3</sup> Report of the High-Level Task force on Affordable Housing for All, 2008

students, and government or public-sector employees<sup>4</sup>.

### Pradhan Mantri Awas Yojana Urban (PMAY- U) 2.0, 2024:

A dwelling unit with a carpet area of up to 60 sqm in metropolitan cities and 90 sqm in non-metropolitan areas, and a total value not exceeding ₹45 lakh, is considered within the affordable housing category.

Furthermore, the target beneficiaries i.e. EWS (Annual household income <₹3 lakhs), LIG (₹ 3-6 lakhs) and MIG (<₹9 lakhs) are classified

by income segments to ensure that benefits and incentives are appropriately aligned to each category with special focus on EWS.

### Reserve Bank of India (RBI) - for affordable housing for priority sector lending (PSL) (updated in april 2025)

The guidelines mandate location based on population and cost of a dwelling to determine the eligibility of individuals to seek bank loans under the category of affordable housing in urban areas. The guidelines updated<sup>5</sup> in 2025 have increased the limits by 60-80%. Present guidelines provide following limits:

(Amount in ₹ lakh)

Population centric criteria	Max Housing Loans	Max Property Cost
Centres with pop. ≥ 50 lakh	50	63
Centres with pop. 10-50 lakh	45	57
Centres with pop. <10 lakh	35	44

### Goods and Services Act, 2019:

The Act in its intent to promote affordable housing mandates preferential rates applicable for smaller dwellings based on the criteria of area, cost and location as follows:

- ◆ **Maximum house value:** ≤ ₹45 lakh
- ◆ **Maximum carpet area in metropolitan cities:** ≤ 60 sq. m
- ◆ **Maximum carpet area in non-metropolitan cities:** ≤ 90 sq. m

### Harmonized Master List of Infrastructure Sub sector - Department of Economic Affairs, Ministry of Finance October 2022:

Affordable housing projects are defined as those in which “at least 50% of the permissible Floor Area Ratio (FAR) or Floor Space Index (FSI) is allocated to dwelling units with a carpet area not exceeding 60 sq. m”

<sup>4</sup> Draft National Urban Rental Housing Policy (NURHP), 2015

<sup>5</sup> Reserve Bank of India (RBI) - for affordable housing for priority sector lending

## 1.3 Definition adopted by the Committee in this report

### 1.3.1 Improving livability

Towards improving livability the Committee proposed the goal of ensuring that every individual has access to safe housing, essential services, and opportunities for social and economic mobility. In any urban/peri-urban context, it is upheld through three critical pillars i.e. affordable and secure housing, holistic urban planning to provide basic amenities, and accessible public transport. A balanced housing ecosystem must support both ownership and rental options, backed by accessible home loans and protective legal frameworks. Urban planning plays a crucial role in shaping inclusive, livability communities by ensuring access to jobs, education, healthcare, and social infrastructure. Concepts like “walk to work,” integrated vocational hubs, and quality public spaces enhance community wellbeing. Public transport, as a vital connector, must be reliable, multimodal, and affordable, enabling equal access to opportunities. Transit-oriented development and value capture financing models can drive sustainable growth while preventing displacement.

However, this report has given special focus on, making affordable housing an integral part of urban planning and ensuring that quality of life, especially for the weakest viz. EWS/LIG are not compromised while planning and implementing of affordable housing projects.

### 1.3.2 Affordability

Housing is generally deemed affordable when a household spends less than 30-40% of their income on housing related expenses. Here, the term “housing related expenses” not only limits to the cost of ownership of house and payment for essential services such as water and electricity but also includes cost of accessing the housing i.e. the rental expenses. Therefore, if the household can afford the

dwelling either through ownership or rent, then it is assumed that the household has access to affordable housing.

The information pertaining to city level household income are usually not available. Therefore, this Committee is under the limitation to define affordable housing in Indian context.

The Committee recognizes that prescribing a standard, uniform definition of affordable housing with diverse socio-economic backgrounds, would be counterproductive. However, for the purposes of this report, the following working definitions have been adopted:

- ◆ **Affordable house:** A dwelling unit with a carpet area of up to 60 sq. m in metropolitan cities and 90 sq. m in non-metropolitan cities, with a value not exceeding ₹60 lakh in metropolitan areas and ₹45 lakh in non-metropolitan areas.
- ◆ **Affordable housing project:** A project in which at least 50% of the permissible Floor Area Ratio (FAR) or Floor Space Index (FSI) is dedicated to affordable housing dwelling units.

The term ‘Affordable Housing,’ used in this report refers to the above definition. These working definitions are broadly consistent with prevailing government guidelines, including those under the PMAY-U framework and RBI’s Priority Sector Lending guidelines.

In its deliberations the Committee noted that the EWS/LIG within the broader Affordable Housing category face particular challenges in accessing formal housing.

## 1.4 Limitation of official data on affordable housing

The Committee also noted that India lacks a comprehensive and up-to-date official data on affordable housing – both on demand and supply. In absence of official data,

various studies and reports have relied on periodic estimates by international property consultants, real estate service providers, and select think tanks. However, these datasets differ widely in scope, methodology, and time frame, particularly for affordable housing.

Reference to affordable housing in various government reports over time presents a mixed picture and does not include the basis or detailed methodology for the estimates. The 11th Five Year Plan (2007-12) pegged the shortage at 2.47 crore units. The Technical Group on urban housing for the 12<sup>th</sup> Five Year Plan in its Report submitted in 2012 revised this to 1.88 crore. Since 2015, under PMAY-U, construction of nearly 1.12 crore houses has been supported of which 96 lakh houses are complete, with 1 crore additional houses will be supported under PMAY-U2.0 by 2029. In addition to this, affordable houses have been constructed under various state schemes for which the Committee did not have data readily available. However, PMAY-U is demand-driven it does not maintain the data on urban housing shortage. The Committee could not also ascertain whether similar data is maintained by any of the state government agencies.

For any affordable housing policy to be effective, it must be based on reliable and actionable data. At present, there is a significant gap in publicly available information on the launch, construction, and occupancy of affordable housing projects, as well as on the dynamics of slums and informal settlements. Similarly, there is no reliable data available in public domain on houses occupied/unoccupied on rent/owned basis despite the fact that it is collected during decadal census operations. Without availability of such data, it becomes difficult to assess the effectiveness of government interventions, monitor progress, or identify areas requiring urgent attention.

There are independent studies estimating the urban housing demand in the housing sector. A CII-Knight Frank report (Dec 2024) projects a 3.12 crore urban deficit by 2030, while FED estimates range between 5-7 crore units. 'Housing for All' targets to add another ~ 3 crore units (1 crore urban, 2 crore rural) by 2029<sup>6</sup>.

These divergent estimates reflect not only varied methodologies but also different reference periods, making direct comparison difficult. Government data emphasizes sanctioned and completed stock, while private studies capture latent and future demand, often projecting a larger deficit. This lack of convergence risks underestimating the true challenge.

The Committee underscores the need for a centralized, technology-enabled housing database to support accurate demand assessment and evidence-based policymaking.



<sup>6</sup> Urban: 1 Crore urban houses during FY 2024-25 to 2028-29. Scheme guidelines, September 2024

Rural: 2 Crore additional rural houses during FY 2024-25 to 2028-29. PIB Progress of PMAY-G Rural housing targets, July 2025



## 2. Current Housing Scenario

The current state of affordable housing in India is best understood by looking at both the scale of the shortage and the affordability

trends across geographies. Estimates of the housing deficit vary considerably, depending on the methodology adopted.

Estimates as per global methodology of lack of urban formal housing can go as high as 5-7 crores

	No. of households (Crores)	Available Quality Houses (Crores)	Deficit (Crores)
Metro <sup>1</sup>	5	2-3	2-3 (40-60%)
Urban <sup>2</sup>	3.8	1.8-2.3	1.5-2 (40-50%)
Semi Urban <sup>3</sup>	4.8	~3	~1.5 (30-40%)
<b>Total</b>	<b>13.5</b>	<b>7-8</b>	<b>5-7</b>

- ◆ Deficit has been estimated based on UN reported estimates of lack of formal housing
- ◆ The estimates are based the global methodology on household deprivations where the inhabitants suffer one or more of the following 'household deprivations: Lack of access to Improved water services, Lack of access to improved sanitation facilities, Lack of sufficient living area
- ◆ Number of houses is calculated as balancing figure

**Source:** FED analysis (<https://data.worldbank.org/indicator/EN.POP.SLUM.UR.ZS.?locations-IN>: <https://assets.koma.com/content/dam/pma/pdf/2014/92/Decoding-Housing-for-al-2922.pdf>)

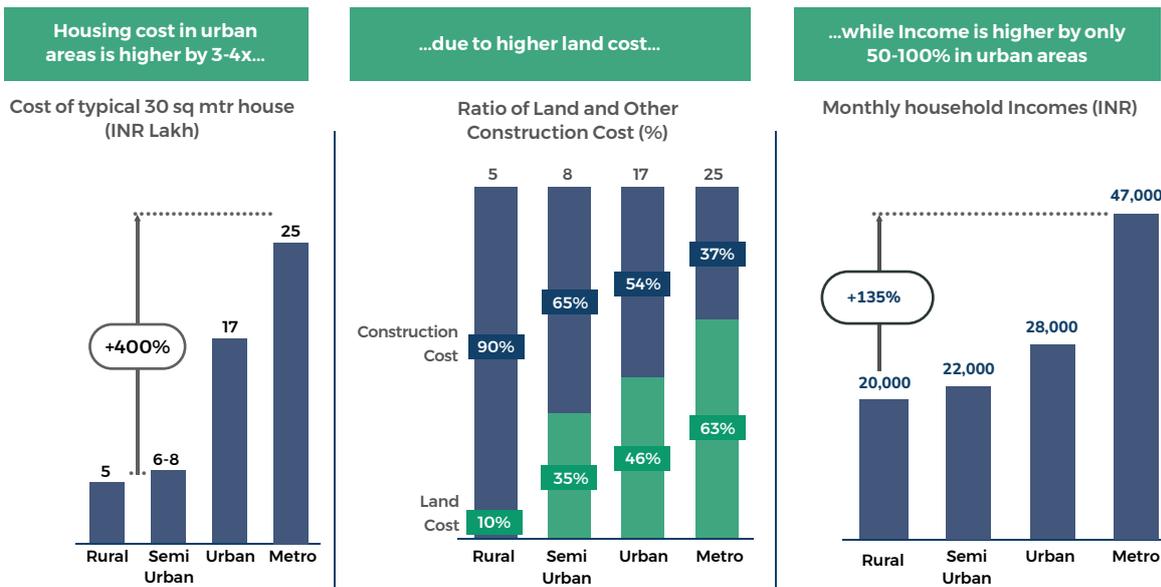
**Note:** Assumption of 3.7 individuals per household in urban areas and 4.7 in rural areas has been considered for calculation of households from population

1. Defined as Delhi, Mumbai, Chennai Kolkata Bangalore, Hyderabad, Ahmedabad and Pune 2. Defined as cities with population 1 lakhs as per Census 2011, 3. Defined as other urban centres

While around **96 lakhs urban houses have been constructed** under PMAY-U since 2015, in the absence of any authentic data of the demand for such housing, the Committee was not in a position to identify the gap in this segment. However, approximating from estimates given by different sources, even

without including the houses constructed under state schemes, the Committee was of the view that it can be safely proposed that this segment remains significantly underserved, requiring specific interventions from the Government.

## Meeting the demand for AH is particularly challenging in metro & urban areas due to both supply side & demand side factors



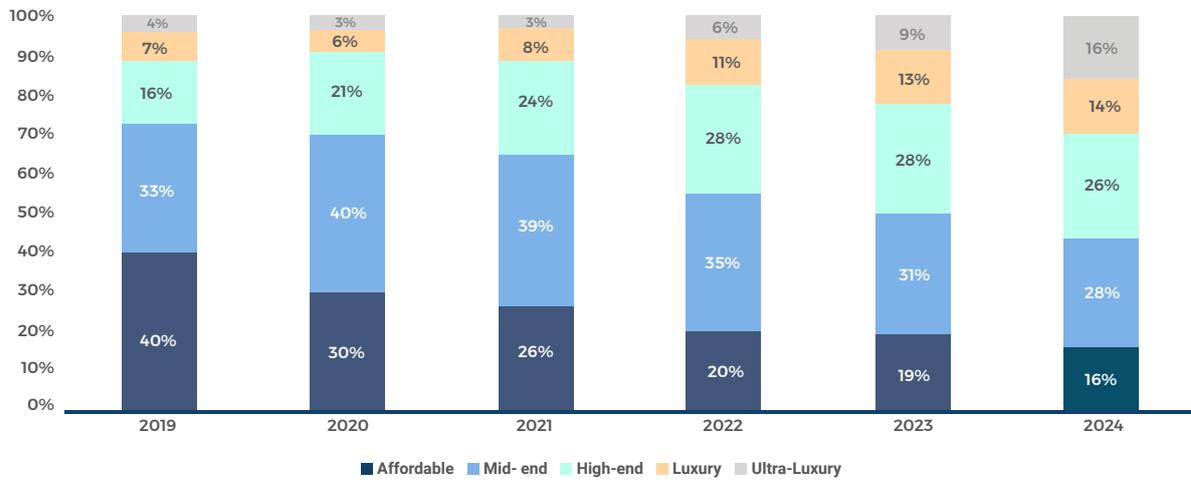
**Source:** FED analysis ([https://www.mospi.gov.in/sites/default/files/publication reports/Report 591 HCES 2022-23New.pdf](https://www.mospi.gov.in/sites/default/files/publication%20reports/Report%20591%20HCES%202022-23New.pdf), <https://www.ice360.in/app/uploads/2021/06/ICE-360-Proposal.pdf>, <https://microdata.gov.in/NADA/index.php/catalog/213>), <https://arsgroup.in/blog/average-house-construction-cost-in-india-per-square-foot.html>

**Note:** Considered average income of urban and rural areas based on monthly per capita expenditure and savings of 15% and 20% respectively. Urban income categorization to metro, urban and semi urban has been done based on PRICE survey

The picture becomes sharper when affordability is examined at a more granular level covering both supply side as well as demand side factors. As per a study undertaken by FED, on the supply side the cost of constructing a typical **30 sq.m. house rises steeply from ₹6-8 lakh in rural areas to nearly ₹25 lakh in metros**, a fourfold increase. While construction costs remain broadly comparable across geographies, the share of land cost changes dramatically. In rural areas, land contributes only **10% of the total cost**, but in metros it rises to **63%**, with land alone driving up housing prices.

The same study by FED indicated that this cost escalation is not matched by household income growth. Average monthly household income in rural areas is about **₹20,000**, compared to **₹47,000 in metros** - an increase of roughly 135%. This increment is far lower than the 300-400% jump in housing costs across the same spectrum. As a result, even with subsidies, **a majority of metro and urban households remain unable to afford even a standard 30 sq.m. unit**, whereas rural households have been better able to benefit from schemes due to lower land costs.

## High-end housing stock is increasing while the affordable segment witnessed a gradual decline



**Budget Segmentation:** Affordable (< INR 40 Lakh), Mid-end (INR 40 Lakh - INR 80 Lakh), High-end (INR 80 Lakh - INR 1.5 Cr), Luxury (INR 1.5 Cr-INR 2.5 Cr), Ultra-luxury (> INR 2.5 Cr)

**Source:** Indian Residential Real Estate, Annual Report 2024, Anarock

Market data further illustrates the imbalance in the housing sector. Over the last decade, housing supply has become skewed

towards high-end and luxury units, while the affordable segment has steadily declined.

## There is an increasing gap in supply & demand in housing stocks over the past decade in both Tier 1 & 2 cities



**Source:** PropEquity 2025

- ◇ There is a **visible gap between new supply and total absorption** over the past decade (2010-2024), especially during and post COVID.
- ◇ Inventory overhang reduced shows faster clearance of unsold stock.
- ◇ The market is moving toward **sellers' market (undersupply)**, especially in Tier-II cities, which could impact affordability if supply is not ramped up.

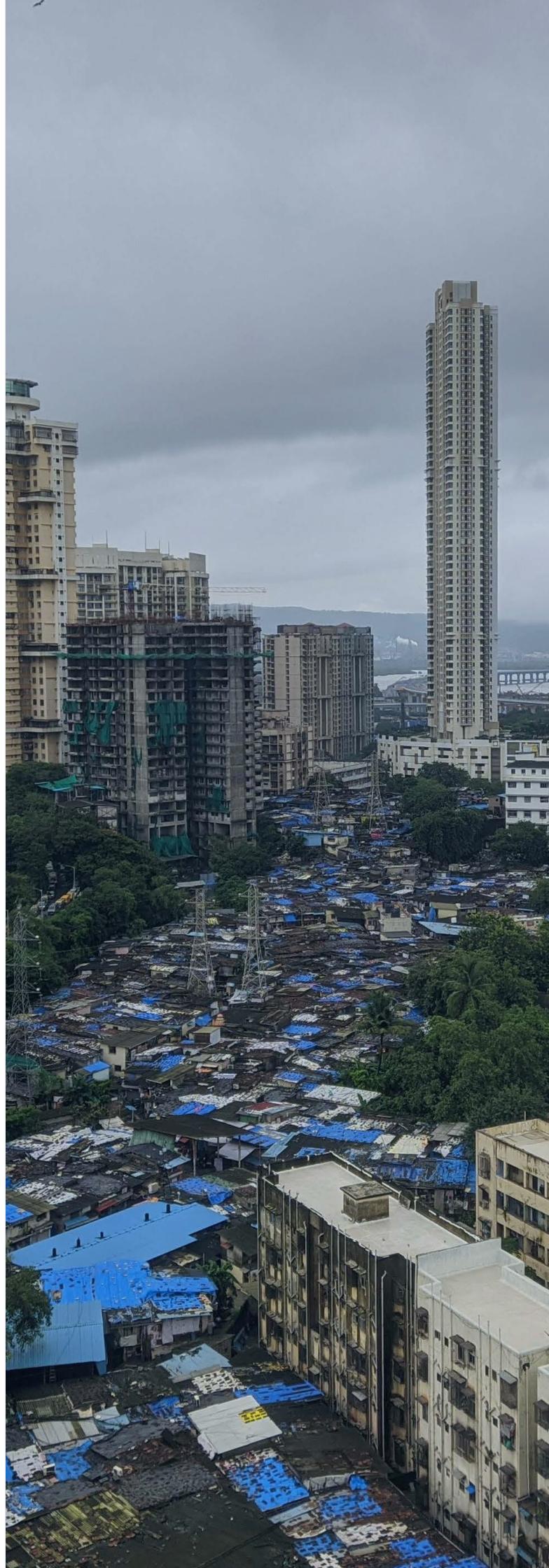
In Tier-I cities, inventory overhang has reduced because higher-end stock is being cleared faster and not because affordable housing supply has increased. In Tier-II cities, undersupply has pushed the sector into a seller's market, driving up prices and making affordability even more elusive.

Another important aspect of the current housing scenario is the anomaly due to **vacant houses**. Urban India has close to **1 crore houses lying vacant**, which remain outside the housing market due to low rental yields, weak tenancy frameworks, and litigation risks. This results in a mismatch where new housing demand remains unmet even as a significant number of constructed units go unused.

In summary, the current housing scenario in India is marked by:

- ◆ **Lack of official estimates** on unmet housing demand, especially in the affordable housing segment. Wide variation in the available estimates from other sources, depending on whether quantity or deprivation-based quality measures are used.
- ◆ **Steep cost escalation in urban areas**, driven largely by land, which makes units unaffordable despite subsidies.
- ◆ **Market skewness**, with supply concentrated in higher-value segments and affordable stock shrinking.
- ◆ **Underutilization of existing homes**, as high vacancy persists alongside unmet demand.

This sets the context for understanding why affordable housing remains a pressing policy priority and frames the ground for examining the structural challenges discussed in the next section.





### 3. Challenges in Housing Sector

The Committee notes that the ambition of ensuring access to adequate and affordable housing in urban India continues to face multiple systemic barriers, is driven by a vicious cycle of limited availability, poor affordability and inadequate access to finance. To enable clear understanding, the Committee considered **the issues and challenges under five broad categories: (i) Land Supply, (ii) Housing Stock, (iii) Access to Capital, (iv) Vacant house dilemma, (v) Lower Land Consumption Rate to Population Growth Rate in India and (vi) Other miscellaneous issues.** Each category captures a set of issues that reinforce one another, collectively constraining the emergence of a sustainable and inclusive affordable housing ecosystem.

#### 3.1 Land supply

- » **Limited availability of land:** Urban master plans have not been effective in making land available for affordable housing. Weak adoption of land pooling, inadequate provision of trunk infrastructure, and delays in land-use conversion have further constrained supply.
- » **Increasing land prices:** Rapid appreciation in urban land values has made projects unviable which eventually leads to high land acquisition costs accounting for **50-70% of total project costs**, a share far higher than in comparable infrastructure sectors. This disproportionate cost burden effectively **excludes 75-85% of urban**

**households** from formal housing markets.

- » **High acquisition costs and formal credit constraints:** Developers struggle to secure land at scale. Land purchases are rarely supported by formal credit channels, forcing reliance on high-cost finance.
- » **Emerging informal slums:** Inadequate planned land supply has pushed expansion into slums, unauthorized colonies, and peri-urban fringes, reinforcing inequitable growth patterns.

#### 3.2 Housing stock

- » **Limited housing stock supply:** Developers consistently report that margins in the EWS/LIG segment are too thin to justify investment. As a result, private sector activity has concentrated on MIG and above, leaving low-income supply heavily dependent on public schemes.
- » **MIG crowding-out EWS/LIG:** Smaller-unit markets, which are meant for EWS/LIG, are increasingly being purchased by **middle-income households** due to higher purchasing power, particularly in metro regions. This development further adds to the declining stock for the EWS/LIG segment.
- » **EWS/LIG affordability:** Even units sized **60 sq.m.** (in metros) and **90 sq.m.** (in non-metros), while technically classified as “affordable” under PMAY-U, often, dwellings even less than 60 sq.m., cost **₹30-40 lakh or more**, placing them beyond the reach of EWS/LIG households who are defined as households having

annual incomes below ₹6 lakh.

- » **Weak frameworks to promote rental housing:** Factors like location, poor maintenance and high rents on account of construction costs have limited the growth of rental housing in the affordable housing sector. Rent Control Acts have become archaic and do not support development of formal rental ecosystem.

### 3.3 Access to capital (demand and supply side)

- » **Lack of credit history & stable income for formal loans:** A large proportion of EWS/LIG households are self-employed or informal workers with irregular incomes with no formal credit history. This makes them ineligible for bank loans, even though they are the primary target for affordable housing.
- » **High interest rates for borrowing due to perceived risks:** For those who can access loans, interest rates are higher due to lenders' perception of risk. Elevated EMIs push households into financial distress or deter them from home ownership altogether.
- » **Affordability gap despite subsidy:** In metros, **85% of households cannot afford a 30 sq. m. house even after subsidy**, underscoring limits of demand-driven subsidies.
- » **High-risk perception for developers:** Affordable housing is regarded as a **high-risk, low-return segment**. Banks and NBFCs hesitate to lend, and when they do, it is at higher rates and shorter tenures, making projects financially unattractive for investors and developers.
- » **Lack of infra financing benefits:** While affordable housing has been given infrastructure status, the affordable housing projects have not been able to leverage opportunities of ECB access or Viability Gap Funding (VGF).

This inconsistency makes housing less competitive compared to other infrastructure sectors like roads or power.

- » **Tax and regulatory barriers:** Notional capital gains taxation discourages landowners in redevelopment projects, while **low rental yields and eviction hurdles** deter private rental investments.

### 3.4 Vacant house dilemma

- » **Vacant but unavailable housing:** India has nearly **1 crore vacant houses in urban areas**, but these remain locked due to **low rental yields, weak tenancy laws, and fear of litigation**, thereby denying housing to those in need. Similarly, there are a number of land parcels which are either vacant or the built-up area is significantly lower than the maximum permissible built-up area
- » **Restrictive tenancy framework:** Rent control and tenancy laws in many states discourage owners from renting out properties, as repossessing houses can be lengthy, uncertain, and costly.
  - ◇ **Litigation risks:** Property owners fear tenants overstaying, non-payment of rent, and prolonged legal disputes, which often leads them to keep houses locked instead of leasing/renting them.
  - ◇ **Low rental yields:** Rental returns in most Indian cities are typically only 2–3% of property value annually, offering limited incentive to rent compared to capital appreciation.
  - ◇ **Informal occupancy patterns:** The absence of robust formal tenancy mechanisms pushes both landlords and tenants into informal arrangements, increasing uncertainty and disputes.
  - ◇ **Impact on housing availability:** This combination of legal, economic, and regulatory barriers prevents the release of vacant housing stock into the market, inflating demand-supply

gaps and pushing low- and middle-income households into informal or overcrowded housing.

These aspects drive out institutional investment from the rental housing sector.

### 3.5 Lower land consumption rate to population growth rate (LCRPGR) in India

A persistently low LCRPGR can escalate land values, fostering informal settlements, and overburden existing infrastructure, even where progressive regulatory tools such as FARs are in place.

India's urban land per person remains low at 46 m<sup>2</sup> in 2020, compared to the global average of 143 m<sup>2</sup>. Between 2015 and 2020, China's Built-up Area (BuA) per person rose by 20%, compared to 14% increase in India during the same period.

LCRPGR data further highlight India's lag, with a rate of just 1.8 in 2019 significantly lower than Thailand (3.3), China (4.3), and Korea (3.9). Vietnam, (3.1). These comparative benchmarks underscore the urgency of accelerating planned city expansion in India to improve land use efficiency, reduce land price pressures, and align with global urban development trends.

#### LCRPGR in SE Asian countries in 2019

Country	LCRPGR
China	4.3
Korea	3.9
Thailand	3.3
Sri Lanka	3.4
Vietnam	3.1

### 3.6 Other miscellaneous issues

- » **Bias toward ownership models:** Existing policies overwhelmingly promote ownership, even though **rental housing is a critical need** for everyone especially for migrants, industrial workers, and the urban poor. This imbalance reduces flexibility in meeting diverse housing needs.
- » **Absence of authentic data:** Lack of authentic data on demand for affordable housing hinders evidence-based policymaking.
- » **Fragmented governance:** Affordable housing spans multiple agencies (urban local bodies, state housing boards, development authorities, and financial institutions), with overlapping mandates and slow approval systems. This results in **procedural delays, weak coordination, and poor accountability.**
- » **Short-term subsidy focus:** Current schemes prioritize upfront cost reduction through subsidies, without addressing long-term factors such as maintenance, affordability over time, and the sustainability of the housing stock.
- » **Life cycle costs:** The focus of government schemes has not sufficiently addressed the issue of meeting the maintenance of houses made for the EWS categories, especially in multi-storied dwellings thus making them less attractive for the beneficiaries.

These issues form a web of mutually reinforcing structural barriers resulting in limited success in urban areas, The Committee, therefore, concludes that only a comprehensive, market enabling and reform-linked approach is needed to break this cycle.

## 4. Case Studies

### 4.1 Brief overview of global best practices

The Committee referred to the various global best practices for affordable housing as shown in the following table. Further details are in Annexure – 2.

Country	Approach	Key Instruments	Impact
Vienna	Public housing through Rental model	Capped land prices 1% interest public loans Long-term rent control	50% of population lives in affordable public/co-op housing
Singapore Hong Kong	Mass public housing through Ownership model	HDB/HA-owned supply Integrated planning with transit/jobs Income-linked resale & rental	70–80% population in public flats
South Korea	High-density, state-led mass housing. Focus on rentals (with ownership options)	FAR relaxation (300%+) State-led land acquisition Public-private development	Over 2 million homes built in 1990s housing drive
UK/ Germany/ France	Demand-side support	Housing vouchers (APL, Wohngeld) Subsidized mortgages (1-3%) Digital benefit systems	Millions reached; rapid disbursement & private developer role
United States	Tax-driven private capital mobilization	Low-Income Housing Tax Credit: 10-year federal tax credits Competitive state-level allocations Long-term affordability mandates	3M+ affordable rental units created since 1986
India	Demand-side support	Subsidy provided to eligible beneficiaries for purchase of housing. Rental subsidies provided for beneficiaries opting for the rental option.	9.6 million affordable houses constructed with 10 million houses under in pipeline

## Learnings from other countries:



### Increase land supply

- ◆ Dedicated Zoning to increase supply of land for affordable housing (*Vienna and South Korea*)
- ◆ Liberalize bye-laws for affordable housing units (*South Korea and London*)
- ◆ Plan areas at city outskirts to reduce burden on city area (*South Korea*)



### Build Housing stock

- ◆ City to provide land for affordable housing projects (*Vienna, South Korea and London*)



### Access to capital and other recommendations

- ◆ Provide loans at low interest rates for affordable housing projects (*Vienna, South Korea*)

### vis-à-vis the existing status in India

- ◆ No dedicated zoning for affordable housing
- ◆ No existing framework for differentiated bye laws for affordable housing
- ◆ Limited and low scale public / PPP projects (E.g. Sanand in Gujarat)
- ◆ Shelter fund policy in specific states like Tamil Nadu
- ◆ **Demand side:**
  - ◆ Interest subsidy under PMAY-U to buyer
  - ◆ Housing credit classified under Priority sector lending
  - ◆ Credit guarantee of upto INR 20 lacs loans (Credit Risk Guarantee Fund Trust for Low Income Housing)
- ◆ **Supply side:** No significant interventions

## 4.2 Overview of best practices under PMAY-U: nationwide case studies

In pursuance of the Government of India's vision of "Housing for All," the Ministry of Housing and Urban Affairs (MoHUA) has been implementing the Pradhan Mantri Awas Yojana - Urban (PMAY-U) since 25 June 2015. Under this flagship mission, the Ministry provides central assistance to States and Union Territories to address the housing

requirements of people belonging to the EWS, LIG, and MIG categories through various sub-schemes. Under the mission, about 122 lakh houses have been sanctioned, of which more than 96 lakh have been completed and delivered to beneficiaries across the country.

Building on the success of the scheme, the Union Cabinet has approved the second phase of the mission, targeting the construction of 1 crore additional houses for the urban poor over the next five years.



Across India, States/UTs have implemented a range of innovative and context-specific strategies under the PMAY-U to strengthen delivery of affordable housing. These initiatives highlight the need efficacy, innovation, inclusion, and convergence in meeting the

demand for housing. These interventions have aimed at enhancing financial access, accelerating construction, ensuring tenure security and promoting sustainable urban development. Some of these initiatives are given below:

State	Best Practices Adopted	Impact
Madhya Pradesh	Model Tripartite Agreement to integrate EWS beneficiaries into formal financial system.	The tripartite agreement among Banks/HFCs, ULBs and PMAY-U beneficiaries made ULBs guarantors for EWS loans, achieving high occupancy and easing financing, later replicated by other States.
Uttar Pradesh	Advance Financial Assistance for Faster House Construction	To accelerate house construction under the BLC vertical, the State Government provided ₹50,000 advance assistance post-sanction, boosting confidence, speeding construction, and securing top performance under PMAY-U.
Andhra Pradesh	Special Drive to Provide Housing Sites	Allotted housing sites and land pattas in women's names, adopted low-cost technologies, and offered 3% loans for beneficiary contributions.
Gujarat	Affordable Housing Zoning Reforms	Gujarat's Town Planning (TP) Scheme is a land pooling system that enables planned urban growth by reorganizing private land for infrastructure and amenities, then returning serviced plots to owners. It supports equitable development and has been key in reserving land for affordable housing and slum redevelopment
Maharashtra	Policy Concessions and Process Reforms	To overcome high land costs and regulatory hurdles in affordable housing, Maharashtra introduced key policy reforms under PMAY-U like providing Govt. land at ₹1/sqm, higher FSI, and reduced stamp duty, lowering costs and promoting private participation.
Rajasthan	Policy reform	To promote affordable housing for EWS and LIC, the Government offers 25% free land, fee exemptions, and FAR up to 2.25 to developers at a government-fixed sale price, thereby encouraging active private sector participation in projects on government land.
Kerala	Multi-Faceted Convergence and Community-Based Model	The LIFE Mission integrated housing with livelihood, health, and skill support, empowering communities through multi-sectoral convergence with PMAY-U. This inclusive, multi-stakeholder model enhanced coverage, community empowerment, and sustainable urban development.
Tamil Nadu	Promotion of Rental Housing	Tamil Nadu has been leader in providing affordable rental housing, especially industrial worker housing and working women housing by converging efforts of PMAY-Urban and State incentives including innovative financing through TNIFMC.

Haryana	Incentivisation Policy for Affordable Group Housing Projects	The policy boosts affordable group housing through clear norms and developer incentives, permitting limited commercial use (up to 8%). Fee waivers, EDC incentives, and transparent, government-supervised allotment make it a strong model of public-private collaboration ensuring affordability and timely Q.
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Various states have also adopted innovative models for focusing on empowering women, slum redevelopment etc. Some of these are presented as below:

- » Tamil Nadu, Rajasthan, West Bengal, Jharkhand, Karala and Odisha have leveraged self-help group (SHG) networks for on-ground monitoring of PMAY-U projects, where women’s groups supervise construction quality, support geo-tagging, ensure timely instalment release, and motivate beneficiaries to complete houses promptly.
- » Andhra Pradesh, Tamil Nadu, Odisha and Rajasthan have advanced housing initiatives for the urban poor. Tamil Nadu has effectively implemented slum redevelopment projects and provided land-rights-based housing support for landless families, while Rajasthan’s strategy of granting land rights to landless beneficiaries has enabled vulnerable households to build affordable homes and expand the housing stock for the poorest sections.
- » Under the PMAY-U, In-Situ Slum Redevelopment projects have been successfully implemented by several States, including Gujarat, Odisha, Tamil Nadu, Maharashtra etc. to rehabilitate slum dwellers by providing decent, permanent housing with essential amenities free of cost. These projects have transformed informal settlements into well-serviced, livable communities without displacing slum dwellers from their original locations. While implementing slum upgrading projects, States have actively partnered with Civil Society Organizations (CSOs) for community mobilization, beneficiary identification and participatory planning. This collaborative approach has strengthened the inclusiveness, transparency, and long-term sustainability of the slum redevelopment process.

In summary, global experiences show that no single measure is enough; successful affordable housing strategies combine land availability, supply-side incentives, financing support, and rental housing expansion. Building on the lessons from international experiences, addressing India’s affordable housing challenge will require a mix of structural reforms, targeted incentives, and innovative financing mechanisms. While global models cannot be replicated wholesale, they offer valuable insights that

can be adapted to India’s unique urban and socio-economic context. The following section outlines a set of actionable steps to bridge the affordability gap and create a sustainable housing ecosystem.

The Committee is of view that the these global and national best practices need to be widely disseminated amongst states to help them evolve policy initiatives . Policy reforms are needed to crowd in private investments and promote rental housing to meet future shortage of affordable housing.



## 5.0 Recommendations

The global experiences underline the need for having a multipronged approach to address the demand for affordable housing, including land reforms, supply-side incentives, innovative financing and rental housing frameworks. For India, the challenge is to adapt these lessons to its urban realities and build a model that is contextual and achieves the balance between affordability and ensuring financial viability for these projects.

While the PMAY has substantially reduced India's housing deficit, the program alone cannot cater to the full range of affordable and rental housing needs. Broader reforms in land, finance, and tenancy are, therefore, essential.

Following broad strategies are suggested as critical pathways for shaping India's affordable housing agenda:

- » **Increase land supply:** Ensure ways to defray cost of land for affordable housing projects and improve supply of serviced land.
- » **Housing stock supply:** Enable investments
- in affordable housing projects by promoting PPPs, establish dedicated funds, publish model project structuring frameworks that address life cycle cost and rental accommodation.
- » **Access to capital:** Address the need for access to capital for both the developers and buyers. Provide differentiated financing, and usher in broader reforms that incentivizes affordable housing, including tax reforms with rationalized municipal service charges.
- » **Promoting Tenancy Reforms** would be crucial to promote rental housing sector, reduce vacant houses in urban areas and unlock these underutilized assets. By making the rental market more secure and attractive, tenancy reforms would not only increase the availability of affordable housing but also optimize the use of existing urban infrastructure. This approach reduces pressure on new housing construction, curbs urban sprawl, and supports more sustainable urban development.
- » **Other Reforms:** Address the data gap in

this sector to promote evidence-based planning for improved policies and capacity building as well as monitoring the progress.

## 5.1 Strategic interventions to increase land supply

### 5.1.1 Zoning reforms and dedicated zoning for affordable housing

Expanding the availability of land is one of the most important initiatives that needs to be taken to enable affordable housing at scale. It is proposed to designate Affordable Housing Zones within city Master Plans and



Vienna has long institutionalized land-use regulations that mandate a significant share of residential land for subsidized and affordable housing, ensuring a continuous pipeline of supply while keeping housing costs stable.

South Korea similarly adopts a zoning-based approach, acquiring and reserving a

Town Planning Schemes, with a minimum of 10% of all residential land earmarked for this purpose. Such zoning provisions would systematically nudge both Urban Local Bodies (ULBs) and private real estate developers to deliver dedicated affordable housing projects, thereby ensuring land supply does not become a structural barrier to meeting demand.

This measure can be adopted by States through future Master Plans, Town Planning Schemes and Land Pooling Schemes, especially in new development zones and fast-growing Tier-II/III cities, where serviced land is currently scarce

proportion of developable land specifically for public and affordable housing. These practices demonstrate how integrating affordability mandates within urban planning frameworks can create predictable land availability, incentivize developers, and safeguard inclusivity in fast-growing urban areas.

### 5.1.2 FAR relaxation & building norms (ground coverage, setbacks & parking)

Targeted reforms in building regulations can allow higher density development and reduce unnecessary cost burdens. It is recommended that the permissible Floor Area Ratio (FAR) may be increased from the prevailing 1.5-3 range to at least 5-6 for affordable housing projects.

Complementary relaxations in development norms can further facilitate project finance making them more attractive and viable. For example, capping parking requirements at 10% for affordable housing, rationalizing setback norms to 3-5 meters for high-rise

buildings (>18 m) and 0 - 2 meters for other multi storied structures, rationalizing/lowering ground coverage restrictions, recalibrating density norms at zonal or city level to reflect the unique requirements of affordable housing projects are some of the norms that need to be considered in this regard.

Applicable through notification of FAR and building norm relaxations in building bye-laws by States and ULBs. It can also be implemented through revisions in State Unified Building Bye-laws and city level Development Control Regulations. Relevant for brownfield redevelopment and for greenfield clusters earmarked for affordable housing.



Many countries have rationalized building bye-laws to enhance the attractiveness of affordable housing projects for developed. Singapore, Malaysia, Hong Kong, and the Philippines have enabled large-scale affordable housing supply by allowing higher FAR for affordable housing. These countries allow FARs above 8, while in South Korea, the permitted FAR is set at 2.5 and can be increased to 3 for projects that include affordable housing units. For redevelopment projects undertaken in partnership with state authorities, the FAR allowance is further raised to 5. In New York, FAR goes up to 15 and can reach 18 for projects that include affordable housing units. Los Angeles also allows FAR of 3-13 which increases by 30-

55% for 100% affordable housing projects. Japan provides another notable example, where flexible building codes have supported compact, high-density, yet high-quality housing development in dense urban areas.

These examples demonstrate how flexible building norms and regulatory adaptability can unlock land value, enhance housing density, reduce project cost, and enable large-scale delivery of affordable housing.

Multiple states in India like Gujarat, UP and Maharashtra have removed ground coverage requirements and allowed ~2sq.m. of parking area per dwelling unit for affordable housing units.

### 5.1.3 Expansion of planned urban areas

Affordable housing at scale requires a significant reduction in urban land costs, which can only be achieved through an expansion in the supply of serviced land. Planned urban extensions, supported by essential infrastructure and strong connectivity, are critical to creating land reserves dedicated to affordable housing. By easing scarcity pressures, this approach lowers entry barriers for both developers and households.

To strengthen housing supply, it is recommended that States prioritize the acquisition and planned development of new land, particularly on city outskirts and in peri-urban areas. Such land can be strategically designated as affordable housing zones, equipped with trunk infrastructure, public transport, and social amenities. This approach prevents unplanned sprawl while enabling large-scale, organized expansion.

Advanced monitoring tools, such as satellite imagery and spatial analytics, should be adopted to track land use changes, assess

growth patterns, and guide evidence-based planning. Integrating housing, infrastructure, and mobility in expansions beyond municipal limits will allow States to manage urban growth more effectively and mitigate the risks of disorderly development.

In parallel, States should be encouraged to leverage Public-Private Partnerships (PPPs) to develop urban extensions. By integrating housing with transport and basic services, PPPs can accelerate the delivery of serviced land, balance risks between public and private stakeholders, and ensure that expansion benefits both developers and low- to middle-income households. Notably, Gujarat and Maharashtra have pioneered Town Planning Schemes that pool and service peri-urban land, demonstrating how orderly expansion can simultaneously provide infrastructure and preserve affordability.

Through adoption of peri-urban land pooling and Town Planning Schemes by States to systematically extend serviced areas across essential infrastructure and connectivity nodes. Also, through leveraging underutilized brownfield sites within city cores for affordable housing.



Seoul, South Korea: During 1960s, many illegal settlements were formed in Seoul due to explosive population growth. Between 1989 and 1996, five major new towns with the planned housing units ranging from 40,000 to 100,000 each just outside of the Seoul's greenbelt were constructed to support balanced urban growth by creating

self-contained satellite cities with housing, jobs, and infrastructure. Seoul coordinated the large-scale planning and massive mobilization of public and private resources. The plan also contained transportation networks, including roads and subway extensions, parks, regional heating system, and other urban public infrastructure.

**Recommendation:** The acquisition of new land and planning to improve affordable housing stock, availability of public transport and social amenities would improve the affordability and quality of housing stock. To ensure sustainable growth, it is also recommended that States must actively monitor Land Consumption Rate to Population Growth Rate (LCRPGR).

affordable housing also disincentivize gentrification, while making efficient use of urban land close to transit nodes.

#### 5.1.4 Transit-oriented development (TOD) and precinct development

Value Capture Financing (VCF) mechanisms should also be institutionalized so that the rise in land and property values due to infrastructure projects (like metros, highways, and ring roads) can be harnessed to fund both infrastructure and affordable housing.

Affordable housing can be more effectively integrated with city infrastructure by embedding it within Transit Oriented Development frameworks. It is recommended that cities should earmark **areas near metro and mass transit stations** exclusively for mixed-use development, combining offices, commercial spaces, and affordable housing. This approach would simultaneously expand the housing stock and improve access to jobs and services, reducing commuting costs for low-income households. These can form ToD precincts in which more relaxed and lighter byelaws may apply to promote growth.

In India, several TOD policies have already been introduced but remain inconsistently implemented. For instance, in Mumbai, the Development Control and Promotion Regulations (DCPR) 2034 designates TOD zones within 500 metres of metro and monorail stations. Similarly, in Delhi, TOD zones are defined as a **2 km corridor** with a 300-metre influence area on either side of metro lines. While density norms have been specified (up to **800 dwelling units per hectare**) and minimum housing unit allocations mandated clear FAR benchmarks are absent. It has gained limited traction due to lack of private sector participation. However, pilot projects, such as the one at Karkardooma, Delhi remain incomplete even after 14 years due to an overreliance on government led development rather than unlocking potential through zoning reforms and FAR relaxation for private developers.

Within these TOD precincts, affordable housing projects should be permitted with an **FAR of up to 8**, along with exemption from parking requirements to lower costs and optimize land use. Density norms may be revised upwards to around 1,000 units/hectare, ensuring compact yet liveable environments. By enabling higher FAR with dedicated density thresholds, TOD based

For TOD to realize its transformative role in affordable housing, States need to establish clear FAR benchmarks, priority for affordable housing within these precincts, and

streamlined approvals. Coordinated planning among state urban bodies, transport bodies,

development authorities and other line departments is equally critical.



Curitiba in Brazil provides a strong example of TOD implementation. The city defined TOD zones along its major transport corridors and adjoining lanes, permitting FAR of 4 (as against FAR of 1 in other adjoining areas), extendable to 6 around structural axes using Transferable Development Rights (TDRs). This model enabled compact, high-density development aligned with public transit,

reducing urban sprawl and ensuring that affordable housing was built near job hubs and services. California has removed parking requirements near major transit stations and allows 100-120% density bonus and 40-55% FAR bonus. Dwelling units / hectare vary from 250-950 in Los Angeles, 1000+ in Hong Kong and ~1,500-2500 in New York.

For cities with operational or planned metro and rapid transit systems. TOD-linked affordable housing can be advanced through greenfield corridors as well as brownfield precinct redevelopment within 500 m influence zones around existing transport nodes.

### 5.1.5 Transferable development rights (TDR)

To improve the viability of affordable housing projects, developers need to be permitted to sell unused TDRs, provided the corresponding FAR is not utilized on the original land parcel for a minimum period of 50 years. Furthermore, all TDR restrictions should be made publicly available through online registries to improve transparency for buyers and investors.

At present, most states restrict TDR usage to land acquired for public purposes, limiting its utility in unlocking land supply. The scope of TDR should be expanded to cover not only land surrendered to the government but also land retained by owners with limited or partial development potential. This would provide flexibility in land markets, channel development rights to high-demand areas, and reduce project costs for affordable housing.

In Maharashtra, TDR is permitted for land acquired for public purposes, heritage conservation, and slum rehabilitation. Typically, 2-3 times TDR is granted, with Development Rights Certificates issued only when land is surrendered free of cost to the authorities. TDR loading is allowed in the range of 30-70% (equivalent to 0.5-1.5 FAR). In Telangana, provisions allow the construction of one additional floor without requiring changes to setback norms, reflecting a more flexible approach. However, across most states, usage remains limited and fragmented.

Expanding coverage of TDR can unlock under-utilized land parcels and make affordable housing financially sustainable. Development rights currently restricted in airport zones, forest areas, and heritage sites should also be made usable through TDR for procurement of affordable housing project, in addition to land acquired for public purposes. Such rights should be transferable both for land surrendered to authorities and for land retained by owners, thereby creating a secondary market in development rights that improves liquidity and efficiency.

Expansion of TDR frameworks beyond public purpose land to include brownfield

redevelopment areas, with transparent registries that can be adopted across

metropolitan regions and emerging urban centres to improve land market liquidity.



Globally, several best practices present interesting insights in this regard as indicated below

- ◆ **Seattle:** The city permits TDR generated by affordable housing projects to be sold, creating a transparent market mechanism that channels value directly back to low-cost housing initiatives.
- ◆ **New York:** A structured TDR framework

defines sending and receiving sites, with prices determined by market forces. Transfers are capped at 20% of the receiving unit's FAR, ensuring balanced growth while enabling land value capture.

- ◆ **São Paulo (Brazil):** Deployed TDR for heritage conservation and affordable housing by creating a transparent, tradable market for development rights.

### 5.1.6 Creating land banks

Creation of land banks can provide a steady pipeline of land for Affordable Housing projects and associated infrastructure through creative redevelopment. Government may explore the possibility of mapping and aggregating vacant or underutilised land under various ministries, departments and Central/State Public Sector Undertakings (PSUs), and bring them into land banks. Land parcels from such banks may be leased to public/private agencies for 30-50 years lease, without possibility of renewal, enabling them to undertake the construction of affordable housing (particularly rental housing) and associated infrastructure creation. This inventory should be digitally accessible to enable transparent planning and allocation. The inventory should not only list the vacant land parcels in the Residential zones / affordable housing zones but also list the vacant and underutilized land held by government departments and PSUs, such as the Railways, Airport Authority of India, and Defence.

- » The Indian Railways alone holds ~460 sq.

km of vacant land, constituting nearly 10% of its total landholding.

- » Defence authorities hold ~182 square km of vacant land.

Through this model, the land ownership shall remain with the concerned department/public bodies, PSU or other land-owning agencies, while unlocking land value for public good. After expiry of lease period land will again be available for redevelopment to land owning agencies. This model can remove land from equation and foster housing and public infrastructure development which is devoid of speculative investment.

Within India, Kerala has developed a state-level land bank, though primarily focused on industrial use, while Jharkhand has mapped 2.1 million acres of land for infrastructure and industrial purposes. A notable housing-specific example is the Dharavi Redevelopment Project in Mumbai, where 47.5 acres of railway land in Mahim were leased for 30 years to deliver over 10,000 housing units for railway staff, slum dwellers, and local residents.



Internationally, Vienna has established a land bank of 3 million sq. m by repurposing underutilized rail corridors, empty hospitals, and surplus public property for affordable housing. In Seoul, South Korea, has converted military-owned golf course into sites for 10,000 apartments. Further, the Korea Land and Housing Corporation (LH) develops peri-urban areas into planned new towns, integrating affordable housing with infrastructure from the outset.

In Singapore, the Housing and Development Board (HDB) acquires and banks land centrally, releasing it systematically for public housing projects. This approach has enabled over 80% of the population to access affordable homes.

In Cleveland, USA, municipal land banks reclaim tax-delinquent or abandoned parcels and repurpose them for affordable housing and community development.

## 5.2 Increase supply of affordable housing stocks

### 5.2.1 Rental housing for industrial workers

Ensuring access to affordable rental housing for industrial and informal sector workers is critical to strengthen urban economies and avoiding the proliferation of informal settlements. Worker housing on rental basis should be developed in close proximity to industrial hubs, manufacturing clusters, and logistics corridors to reduce commuting time and costs, while improving productivity and quality of life.

The Ministry of Housing and Urban Affairs (MoHUA) has already laid out industrial and employee housing models (under Affordable rental housing models and SAFE housing model), which states and urban local bodies can adapt to local contexts. These models emphasise public-private partnerships, integration of worker housing into industrial development plans, and leveraging incentives such as higher FAR and reduced approval timelines for projects that include worker accommodation.

Integrating worker housing into a broader slum avoidance and formalization strategy is equally important. By proactively providing formal, serviced housing near employment centres, cities can reduce the pressure on informal settlements and ensure workers have

access to basic services such as sanitation, clean water, and transit connectivity. This approach also contributes to urban resilience by preventing the creation of unplanned settlements that are difficult and costly to upgrade later.

### 5.2.2 Reservation for EWS/LIG housing in all real estate projects and creation of state shelter fund

To ensure a steady supply of affordable housing in rapidly growing urban areas, there should be a mandatory reservation of 10-15% of the built-up area for EWS/LIG housing in all housing & commercial projects exceeding 10,000 sqm built-up area or 5,000 sqm plot area. This mandate would significantly expand the availability of housing stock under the affordable category while ensuring that such units are integrated within mainstream urban development.

In cases where the builder is unable to construct the reserved units within the same project site due to any justified reasons, provision may be made for construction of the reserved housing units within a 4-kilometer radius from the original project site thereby maintaining accessibility to urban services and employment opportunities. Additionally, flexibility may be provided for developers to partner with specialized agencies or third-party developers for constructing the same reserved units on their behalf.

If none of the above options are not feasible, developers should be required to contribute to a dedicated Shelter Fund roughly twice the prevailing cost of construction, in order to account for the project's land value. The option to contribute to shelter fund should be seamless/automatic and not subject to validation by authorities on possibility of creating EWS/LIG units

However, for the projects beyond 1,000 sqm of built-up area, developers should be mandated to contribute to the Shelter Fund. Such contributions must be transparently assessed and periodically revised to reflect prevailing construction costs, thereby ensuring adequate and sustainable financing for affordable housing initiatives.

The dedicated fund can also be strengthened by collecting 1.1-3% of registration value from residential and commercial units. States may

additionally allow the sale and purchase of the credits of the said fund, creating a market for financing affordable housing. The fund should be utilized as a capital grant for affordable housing, with the percentage allocation to be determined on a case-to-case basis by the fund manager.

Such a multi-pronged mechanism would ensure that compliance is practical for developers, while also guaranteeing a cross subsidization of affordable housing. It will also ensure continuous flow of resources, either in the form of new housing stocks or corpus funds for the affordable housing. Some examples of the policy broadly exist in Tamil Nadu, Maharashtra, Telangana, Rajasthan and West Bengal. The provisions need to be strengthened, aligned with other reforms and rates should be rationalised to promote creation of additional stock. Further, similar policies need to be adopted by other States.



### Shelter Fund (Tier-1) in Tamil Nadu

Tamil Nadu has pioneered in this regard by having reservations for EWS Housing and setting up a dedicated fund called the Tamil Nadu Shelter Fund. Tier-I fund is a government regulated fund which receives funds from the various sources like levy of fees such as shelter charges (1-3% of guideline

value) and other collections approved by the Government. A substantial portion of the fund is used to finance the housing projects by the Government including the grant component of State Housing Schemes/state government share in the Centrally Sponsored Housing Schemes.

### 5.2.3 Policy for creation of a dedicated fund for affordable rental housing

In continuation of earlier recommendations, it is proposed to establish a dedicated fund to provide long-term financing for affordable rental housing, thereby reducing reliance on direct subsidies. This may be achieved in following manner:

- » Institutions such as the National Housing Bank (NHB) and Housing and Urban

Development Corporation (HUDCO) may be engaged, with access to low-cost capital sourced through tax-free bonds or Priority Sector Lending (PSL) shortfalls.

- » Enabling External Commercial Borrowings (ECBs) and granting relief from the Minimum Alternate Tax (MAT), payable under Section 115JB of the Income Tax Act, to support the development of particularly affordable rental housing.

This dedicated fund may be deployed towards

investments in rental housing, including industrial worker accommodation, hostels for working women, and similar projects. To ensure professional management, transparency, and accountability, the investment committees should comprise a majority of representatives from the private

sector. The fund should be managed in a professional manner and designed to offer a comprehensive suite of financing instruments for affordable housing projects, including equity finance, mezzanine finance, debt, and subordinate debt.



### Shelter Funds (Tier- 2) in Tamil Nadu

- ◆ Tier-II fund is registered with SEBI as Social Alternative Investment Fund and is managed by Tamil Nadu Infrastructure Fund Management Corporation Limited
- ◆ Gov. of TN is an anchor investor. This money is used to mobilise institutional and private capital from other sources such as ADB and World Bank to fund affordable housing projects such as ownership, rental, co-living, student/senior housing, women's hostel.
- ◆ The fund is managed professionally by Investment Committee (IC) comprising of industry experts. IC approves the investment/exit proposals submitted by the Investment Team.
- ◆ Current portfolio includes Tamil Nadu

Working Women's Hostels Corporation Limited. Tamil Nadu Industrial Housing Private Limited, Ambur Properties Private Limited. Kaivalyam Eco-Life Private Limited etc.

- ◆ Tier-II fund has added approximately 16000 rental beds, and 6000 affordable housing units are under development
- ◆ Six private projects and eight public-private partnership projects with a combined project cost of \$130 million are in pipeline. Of this, \$67 million was invested by TNSF. Focusing on industrial and affordable housing across cities such as Coimbatore, Chennai, Madurai, and Hosur, 47% of the investments were directed towards Tier I cities and 38% towards Tier II cities, demonstrating a balanced approach to urban development.

## 5.2.4 Reforms in rental housing legal framework

Not everyone in a city needs to own a house, nor is ownership always the most practical or desirable solution. Urban populations are highly mobile, with large segments comprising migrants, students, industrial workers, and low-income households who often require flexibility and mobility rather than permanent ownership. A balanced housing ecosystem must therefore provide both ownership and rental options, ensuring that people can choose according to their income levels, life stage, and mobility needs.

For this to work, rental housing must be supported through clear legal frameworks

that safeguard both tenants and landlords, while home ownership must be made more accessible through affordable and inclusive housing finance options. Building such an ecosystem would reduce pressure on ownership-based schemes, make cities more inclusive, and respond more effectively to the diversity of housing demand.

Acknowledging the importance of requirements of rental housing, the Ministry of Housing and Urban Affairs shared the Model Tenancy Act (MTA) 2021 with States/UTs for adoption by either legislating new law or amend the existing rental laws on lines of

MTA that aims to promote rental housing by balancing and protecting the rights and interests of both the tenants and landlords by regulating renting of premises in an efficient and transparent manner. It will also help in overhauling the legal framework with respect to rental markets across the country by providing speedier dispute resolution mechanism framework and is expected to give a fillip to private participation in rental housing. Time bound and robust grievance redressal mechanism comprising of Rent Authority, Rent Court and Rent Tribunal to provide fast-track resolution of disputes. MTA seeks to provide the confidence to landlords to rent out vacant premises with no fear of not getting the premises back post tenancy period and thus it will help in unlocking the potential vacant stock. MTA will promote vibrant, sustainable, inclusive & formal rental market and also help in utilizing the potential economic opportunities in rental segment. States of Andhra Pradesh, Tamil Nadu, Uttar Pradesh, Uttarakhand, Assam, Arunachal Pradesh and UTs of Jammu & Kashmir, Andaman & Nicobar Islands, Dadra & Nagar Haveli and Daman & Diu and Lakshadweep have enacted their State rental laws on lines of MTA.

Reforming India's rental housing framework is, therefore, key to addressing urban housing shortages and unlocking over 1 crore vacant homes. Modern rental laws and implementation of the Model Tenancy

Act can build trust between landlords and tenants, a reform which has to be introduced to mobilise the rental markets. Further, to support the mobile but financially stable population, institutional models, like in Singapore or the Netherlands, can be introduced, where companies or not-for-profits invest in rental housing.

To scale up affordable rental housing, States should adopt dedicated rental housing stock policies through **Public-Private Partnership (PPP) models**, in lines PMAY-U 2.0 Affordable Rental Housing (ARH) vertical. Under this approach, private sector may bid for government-owned or acquired land, construct affordable rental housing, and rent it out while ensuring long-term maintenance. Alternative models like BOOT, DBOFT, annuity, hybrid etc. could be considered depending on the context on a case-to-case basis.

In addition, private developers could be **incentivized to acquire land parcels** and build rental affordable houses for the poorest sections of the society. Viability gap funding has been explored as a potential option to make it financially attractive for developers to invest in affordable housing projects

Given substantial sunk funds in such projects, the developers could be further incentivized by offering long-term loans (say 20-40 years) through development financing institutions like NaBFID, NHB, HUDCO.



Several countries, including Austria and South Korea, provide subsidised rental housing as a critical component of their housing policy. For example, in Vienna, Austria, net rents are capped by law at €4.97 per sq. m, with land prices limited to €188 per sq. m. Private rental market rates, however, reach as high as €7.5 per sq. m (excluding running costs), creating an effective discount of 30-40% in social housing. France provides 50 year loans for affordable housing projects. Prêt

Locatif à Usage Social (PLUS) is a loan with a maximum term of 40 years (or 50 years for land purchases) with subsidy of 5-22% of cost. Dwellings are subject to maximum rent levels that differ between regions. These loans are made available through deposits in Livret personal savings Accounts (Special tax-free, high interest rate, state guaranteed accounts). This scheme has funded Euro 10 billion in 2019 for affordable housing

**Way Ahead:** Reforming Rental housing Ecosystem on lines of Model Tenancy Act and evolving National Urban Rental Housing Policy.

### 5.2.5 Rationalization of municipal service charges for affordable rental housing provided by institutions/ companies

In many States, companies/institutions that provide affordable housing units under rentals are considered as commercial units with higher municipal service charges like electricity, water and property taxes payable on such properties. On the other hand, any rental housing maintained and operated by individual owners face residential rates of such charges. Similarly, rental agreements made by companies face GST while properties rented out by individuals do not face GST. This has restricted the growth of such formal rental affordable housing operated/maintained by companies / institutions / developers, wherein investments in lifecycle costs can be contributed by a developer instead of individual households.

In addition, individual tenements under company-owned rental units, when operated as paying guest (PG) accommodations, co-living facilities, or service apartments, are currently not treated as residential tenements. At present, such units are often billed at commercial utility tariffs for water, electricity, and waste disposal, which raises the cost burden on tenants and operators. To encourage private participation in Affordable Housing segment, such projects which are falling under the category of Affordable Housing should be treated as residential and charged at residential tariff rates. Companies such as OYO Life, Stanza Living, Zolostays, and NestAway demonstrate the growing scale of such co-living and managed rental housing models in India. Extending rental income incentives alongside residential utility charges will help attract market driven solutions while supporting a vibrant, inclusive, and sustainable rental housing market for Affordable Housing.

Affordable Rental housing units should be considered as residential activity for the

purpose of levying of municipal charges and GST irrespective of the fact who is operating. It is the final use of such units that should determine the taxes, fees and charges and not the operator.

## 5.3 Access to capital

Affordable housing remains constrained not only by the high cost of land and low supply of units, but also by systemic weaknesses in the financing ecosystem. Both households and developers face barriers that make affordable housing a high-risk, low-return segment. To address these gaps, the following interventions are recommended:

### 5.3.1 Incentivize affordable housing projects by restoring section 80-IBA

To boost the affordable housing segment, it is recommended to reintroduce provisions under Section 80-IBA of the Income Tax Act, which earlier allowed 100% income tax exemption on profits and gains derived by developers from the operation of approved affordable housing projects (applicable from June 2016 to March 2022). The revival of this incentive will provide a strong fiscal push to developers, improving project viability and encouraging greater participation from the private sector.

### 5.3.2 Tax incentives for affordable housing REITs

**A Real Estate Investment Trust (REIT)** is a company or trust that owns, operates, or finances income-generating real estate. To encourage affordable housing units to raise funds through REIT and reduce the cost of funds for affordable housing units, it is proposed that rental and capital gain income for investors from REITs whose underlying assets are affordable housing projects should be exempted from tax. Together, these interventions can drive inclusive and market-responsive housing growth.

### 5.3.3 Enhanced credit guarantee for buyers

Many buyers of affordable housing units are EWS and LIG individuals who often face issues with access to formal credit from banks due to low income and lack of education on formal financing. Credit Risk Guarantee Fund Scheme for Low Income Housing (CRGFTLIH) provides guarantee cover for loans upto ₹ 20 lakhs. However, these guarantee cover should be increased to ₹ 40 lakhs to sufficiently cover sale of affordable housing units.

### 5.3.4 Lower interest rate through tax free bonds

Capital cost is a major contributor to the construction cost. Real estate developers face high interest rates to the tune of 12-15% due to perceived high risk involved in such projects. Moreover, the affordable housing finance sector still faces issues in availing finance under Priority Sector Lending.

It is proposed that National Housing Bank (NHB) should be allowed to issue tax free bonds under Section 54EC of Income Tax Act. The proceeds of these units should be used for providing concessional funding for Affordable Housing projects that build affordable housing dwelling units targeted at the EWS/LIG category of buyers.

### 5.3.5 Land use charge exemption

Different kinds of land use zoning in urban areas restrict the usage of land for residential areas. Moreover, the available land often gets priority for luxury and middle-income housing units over EWS and LIG segments. Land use changes from agriculture or other uses to residential uses require charges to be paid to State authorities. This restricts the conversion of available land into affordable housing units.

Charges for change of land use should be exempted with the condition that only affordable housing units can be constructed on such land, while utilizing at least 50% of the permissible FAR.

To address this, Maharashtra and Haryana have introduced their Affordable Housing Policies under PMAY-U scheme, offering land at concessional rates, fee exemptions, and higher FAR/FSI for affordable projects on government or converted land. Other States should also adopt similar measures to make land more accessible for affordable housing and encourage greater private sector participation.

### 5.3.6 Stamp duty and registration charge exemption

Stamp duty and registration charges can amount to **5-7%** of the transaction cost of the house. However, this makes the existing houses unaffordable for low-income categories.

Stamp duty and registration charges should be exempted for all PMAY-U 2.0 houses and other dwelling units which are part of 'Affordable Housing Projects'. This will meaningfully reduce the price of lowest end of affordable housing and make 'Affordable Housing' more accessible to buyers and attractive to builders.

Several States including Gujarat, Maharashtra, Jharkhand, Madhya Pradesh, Uttar Pradesh, Telangana etc have also eased the financial burden on beneficiaries by reducing stamp duty and registration charges for EWS housing under PMAY-U, often charging only a token amount between ₹1 and ₹1,000 for houses up to 60 sq. m. This measure has significantly improved affordability and should be adopted widely across the country.

## 5.4 Other recommendations

Beyond the above reforms and recommendations, the report underscores the need for complementary measures that strengthen the overall ecosystem for affordable housing in India. These measures aim to create an enabling environment by addressing institutional capacities, improving underwriting practice, and leveraging technology to support large-scale delivery of

housing for all.

### **5.4.1 Promoting ease of doing business**

To improve the supply of housing, a time bound, and Single Window Clearance System is essential for ensuring faster approvals of projects by developers. At present, housing projects are delayed due to the requirement of multiple clearances from different departments, leading to cost escalation and reduced investor confidence. A single window mechanism, preferably digital, can integrate approvals related to land use, environment, safety, and infrastructure services, while setting strict timelines for decision-making. This would not only reduce bureaucratic delays and transaction costs but also enhance transparency, improve ease of doing business, and accelerate the delivery of affordable housing projects, thereby increasing overall supply. There is also need to focus on streamlining processes, improving transparency, and enabling faster, accountable decision-making

### **5.4.2 Evidence-based planning - tackling the data gap**

A National Housing Data Grid should be established to consolidate information on stock, supply, rentals, and vacancy rates, creating a reliable evidence base for affordable housing planning. By leveraging technologies such as AI, blockchain, and geospatial analytics, this grid can function as a decision-support system for land reforms, demand-supply monitoring, and evidence-based interventions. To strengthen its foundation, the RERA Act should be expanded to mandate systematic collection and maintenance of housing data across States. Building on this infrastructure, a digital marketplace for affordable housing can be developed, enabling transparent listing of verified projects and improving access for low-income households, while also streamlining government subsidies and rental vouchers.

### **5.4.3 Capacity building**

The Committee recommends that the Ministry of Housing and Urban Affairs (MoHUA) develop a Model Housing Policy to serve as a guiding framework for states. The policy should be designed with flexibility, enabling states to adapt and adopt it in line with their local contexts while ensuring alignment with national priorities on affordable housing. In parallel, MoHUA should facilitate the systematic sharing of best practices from states such as Haryana and Maharashtra, where urban planning reforms and affordable housing initiatives have demonstrated tangible impact. Wider dissemination of such models would not only accelerate policy adoption but also reduce fragmentation and enable more consistent, effective implementation across the country.

### **5.4.4 Innovative underwriting practice**

A tailored credit product which has been developed under the aegis of Indian Banks Association (IBA) should be popularized for the Economically Weaker Sections (EWS) and Low-Income Groups (LIG), where access to institutional finance remains weak. Cash flow-based underwriting templates, suited to informal income streams such as daily wages or self-employment, can expand housing finance access, reduce reliance on informal lenders, and enhance creditworthiness for vulnerable households. Also, design and implementation of the alternate credit information models, similar to Gramin Credit Score announced in the Union Budget 2025-26, will help the lenders in better risk assessment and enable the financing needs in Affordable Housing sector.

### **5.4.5 Provision for O&M support**

In order to address the issues relating to O&M, it is recommended that in all Affordable Housing projects, mixed-use development be adopted, wherein the ground floor (+1) is allowed for commercial use and the upper floors for affordable housing. Recommendation for higher FAR, as outlined in the previous section 5.1.2, can also be

leveraged to enhance the financial viability of such projects. Rental income generated from the commercial spaces can then be channelled towards the upkeep of housing assets, thereby ensuring proper lifecycle maintenance.

There are various States that have taken such initiatives under PMAY-U. The Government of Telangana has developed several multi-storeyed housing projects that integrate commercial spaces such as shopping complexes/retail shops on the ground floor of residential blocks in Hyderabad. These commercial units are designed to generate revenue, either through monthly rentals or

one-time sales, to create a maintenance corpus for the housing colonies. The funds are utilized to cover Operation and Maintenance (O&M) expenses, including lift operations, common area lighting, water supply pump sets, and Sewerage Treatment Plants (STPs). To ensure sustainability, Resident Welfare Associations (RWAs) have been formed to manage rent collection and oversee the overall O&M activities of these housing project.

Similar initiatives have been taken up by the States of Madhya Pradesh, Maharashtra, Gujarat amongst others.

## Summary of Recommendations and Implementing Responsibilities

The following table summarises the recommendations of the Committee along with the proposed instruments for operationalisation and the agencies responsible for their implementation.

S.No.	Recommendation	Instrument for Operationalisation	Responsibility for Action
1.1	Reserve ≥10% residential land for Affordable Housing in Master Plans/TPS.	Inclusion in Master Plans and URDPFI Guidelines.	MoHUA to include provision in URDPFI Guidelines; State Governments to adopt.
1.2	Raise FAR to 5-6 and ease parking/setback/density norms for affordable projects.	Update Model Building Bye-laws and National Building Code (NBC).	MoHUA/BIS to revise; States/ULBs to adopt.
1.3 (a)	Adopt land pooling and PPP for peri-urban growth with spatial monitoring tools.	Inclusion in URDPFI Guidelines and adoption by States.	MoHUA to include provision in URDPFI Guidelines; State Government to adopt
(b)	Expand planner urban areas through monitoring LCRPGR	URDPFI metrics and State GIS systems.	MoHUA to issue guidance; States/UDAs to monitor/report.

S.No.	Recommendation	Instrument for Operationalisation	Responsibility for Action
1.4	Reserve mixed-use TOD precincts near mass transit with higher FAR (up to ~8), relaxed parking, and density norms.	Update TOD Policy, Development Control Regulations, and Building Bye-laws.	MoHUA to update TOD Policy and URDPFI Guidelines; State Governments/ULBs to adopt.
1.5	Provision to allow TDR from affordable housing to be sold to make them financially viable	Update Value Capture Policy and Model Building Bye-laws.	MoHUA to revise Value Capture Policy; State Governments/ULBs to adopt.
1.6	Digitally map all vacant public & private land; prioritise EWS/LIG housing and tax idle plots.	Inclusion in URDPFI Guidelines; creation of State-level land-banks and fiscal disincentive framework.	MoHUA to prepare guiding framework; State Governments/ Urban Development Authorities to implement.

## 2. Increase supply of affordable housing stocks

2.1	Develop rental units near job hubs using MoHUA models that emphasise PPPs and integration with industrial plans.	Adopt MoHUA model frameworks; include in State Affordable Housing Policies and industrial area regulations.	MoHUA to review and update policy; State Governments/ULBs to implement.
2.2	Mandate 10-15% EWS/LIG housing in projects exceeding 10,000 sqm BUA or 5,000 sqm plot area; where on-site construction is not feasible, permit off-site delivery within 4 km, for projects >1,000 sqm to contribute to Shelter Fund (~2× cost) funded by 1.1-3% levy and tradable credits.	Update Model Building Bye-laws; notify new Affordable Housing Policy.	MoHUA to prepare guiding provisions; State Governments to adopt best practices

S.No.	Recommendation	Instrument for Operationalisation	Responsibility for Action
2.3	Create NHB/HUDCO-anchored fund using tax-free bonds, PSL shortfalls and ECBs for rental projects.	Establish fund vehicle(s); enable tax/ECB provisions;	MoHUA/ DFS/NHB/ HUDCO to design; Dept. of Revenue to amend relevant Acts; States Governments to notify.
2.4	Promote diverse rental housing models and rental reforms	Review and update National Urban Rental Housing Policy and Model Tenancy Act.	MoHUA to examine and update the National Urban Rental Housing Policy (2015) MoHUA to review changes, if any required in the Model Tenancy Act. States to adopt and implement
2.5	Treat affordable rental as residential use for utilities, property tax and GST	Revision of GST and municipal tariff rules.	MoHUA to initiate; GST Council and States to implement.

### 3. Access to capital

3.1	Reintroduce 100% profit exemption for affordable housing projects	Amendment to Income Tax Act.	Department of Revenue.
3.2	Exempt rental and capital gains income for Affordable Housing REITs.	Amendment to Income Tax Act.	Department of Revenue.
3.3	Raise CRGFTLIH limit from ₹20 lakh to ₹40 lakh for EWS/LIG buyers.	Revision of CRGFTLIH scheme.	MoHUA and NCGTC

S.No.	Recommendation	Instrument for Operationalisation	Responsibility for Action
3.4	Allow NHB to issue 54EC tax-free bonds for affordable housing finance.	Section 54EC of Income Tax Act; bond issuance by NHB.	DFS to propose; Department of Economic Affairs to approve.
3.5	Land use charge exemption for projects having affordable housing units constructed on at least 50% of permissible FAR	Revision of municipal and state charges	MoHUA to issue guidance; State Governments to adopt.
3.6	Exempt stamp duty for PMAY-U 2.0 and other affordable units	MoHUA guidelines and State adoption.	MoHUA to guide; State Governments to adopt.

#### 4. Other recommendations

4.1	Implement digital time-bound clearances for housing projects.	Integration of clearance systems and procedural reforms.	MoHUA to coordinate with States.
4.2	Create digital database of stock, supply, and vacancy linked to RERA.	Amend RERA rules for data and creation of National Housing Data Grid.	MoHUA
4.3	Develop a Model Housing Policy and disseminate best practices amongst states	Preparation and circulation of Model Policy.	MoHUA.
4.4	Adopt IBA cash-flow templates and alternate credit scores for informal incomes.	Collaboration with the Indian Banks Association and DFS.	DFS and MoHUA.

S.No.	Recommendation	Instrument for Operationalisation	Responsibility for Action
4.5	Allow commercial use (G+1) in affordable housing projects to fund maintenance.	Inclusion in Affordable Housing Policy and Building Bye-laws.	MoHUA.

## 5. Nudging the states

5.1	Reform linked financial incentives. Linking funding not just to housing outcomes, but also to allocations under flagship urban schemes and Finance Commission transfers.	Central financial support linked to state level reform.	MoHUA and Department of Economic Affairs
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## 6. Nudging states through Reform-linked financial incentives

To nudge states towards adopting various reforms, the Committee recommends the following reform-linked financial incentives under various Urban Missions of MoHUA like PMAY-Urban 2.0, Atal Mission for Rejuvenation and Urban Transformation (AMRUT), Urban Transport (Operationising Metro Network), PM e-Bus Sewa Scheme etc.

- » **Incentives tied to reforms:** Central financial support should be directly linked to state-level policy changes that promote affordable housing.
- » **Conditional disbursement:** Release of funds should be contingent upon notification and implementation of key policy reforms, ensuring accountability and progress.

- » **Comprehensive funding coverage:** Reform-linked incentives should extend beyond housing to include allocations for metro projects, MoHUA flagship schemes, and Finance Commission transfers, thereby creating a holistic funding ecosystem.

Beyond these specific programmatic incentives, the Committee further recommends establishing strong reform linkages across all future schemes and funding mechanisms, both direct and indirect, that influence affordable housing outcomes. This integrated approach will ensure policy coherence, enhance fiscal accountability, and create a sustained ecosystem that incentivizes states to prioritize and mainstream affordable housing within the broader urban development agenda.



## 7. Conclusion

Affordable housing in India stands at the critical intersection of social welfare, economic growth, and urban sustainability. Despite significant policy momentum under the Housing for All vision and efforts through PMAY-U and PMAY-U2.0, the persistent shortage of Affordable housing, particularly EWS housing in urban areas underscores the depth of the challenge. High land costs, shrinking supply, weak rental frameworks, and limited access to finance have combined to widen the affordability gap, leaving large sections of low- and middle-income households excluded. Global lessons from Singapore, Vienna, and Seoul show that large-scale public housing, land-use reforms, and innovative financing can create sustainable housing ecosystems that balance affordability with viability.

This report highlights that bridging India's affordability gap requires moving beyond subsidies towards structural reforms. Unlocking land supply, reforming building norms, expanding rental housing, and

enabling developer and consumer financing are central to this effort. By combining targeted incentives with evidence-based planning and state-level reforms, India can create a robust, inclusive, and scalable housing model—turning affordable housing from a welfare imperative into a driver of equitable economic development.

# Annexure 1

**No. NI/PPP/AffHousing/2024-MU**  
Government of India  
NITI Aayog  
(Managing Urbanisation)  
\*\*\*\*\*

Sansad Marg, New Delhi  
Dated: May 29, 2025

## **ORDER**

**Subject: Constitution of a Committee to prepare a detailed approach paper proposing a comprehensive framework to promote and enable affordable housing-reg.**

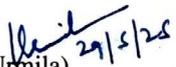
In 2015, the Hon'ble Prime Minister launched 'Housing for All', as a significant policy initiative to address housing needs in the country. Under several initiatives launched thereafter considerable progress has been achieved in this regard. Promotion of Affordable housing ecosystem is an important pillar of this initiative. It has been decided to review the status, identify gaps and recommend way forward to promote housing ecosystem in general and affordable housing in particular. The competent authority has decided to constitute a committee to prepare a detailed approach paper on the subject, with the following composition:

<b>S. No.</b>	<b>Designation, Organisation</b>	<b>Role</b>
1	Ms. Anna Roy, Pr. Economic Adviser & PD (MU), NITI Aayog	Chairman
2	Sh. Kuldip Narayan, Joint Secretary & Mission Director (Housing for All), MoHUA	Member
3	Sh. Manoj Muttathil Ayyappan, Joint Secretary, Department of Financial Services	Member
4	Sh. Piyush Doshi, Operating Partner, Foundation for Economic Development	Member
5	Sh. Sandeep Bedi, CEO, Janaadhar	Member
6	Director (MU), NITI Aayog	Member Secretary

2. The Terms of Reference of the Committee are as follows:
- Assess the current and projected demand for housing across various income segments and existing housing stock scenario.
  - Identify key bottlenecks/challenges in the augmentation of affordable housing stock particularly from prism of availability, affordability of housing and accessibility of home loans.
  - Examine past and current initiatives undertaken by the Union Government aimed at promoting affordable housing. Analyze such incentives which have been

1/2

- ended/dropped for enabling affordable housing and impact of reinstating or modifying such incentives.
- iv. Identify and evaluate best practices in housing sector, adopted by various states across India to bridge the affordable housing gap. Highlight innovative approaches, implementation strategies, and outcomes that can be replicated or scaled.
  - v. Explore the integrated approach of 'urban transport', 'urban planning' and 'housing'. Analyze existing policy frameworks such as land value capture, land pooling, and other innovative funding mechanisms, their relevance and effectiveness in supporting affordable housing development.
  - vi. Examine an enabling framework for rental housing market for different income segments.
  - vii. Recommend practical and implementable policy recommendations and strategic interventions.
  - viii. Any other related matter.
3. The Committee may co-opt members and/or invite experts as may be considered necessary.
4. The Committee will submit the approach paper within 21 days of its first meeting.
5. This issue with the approval of the competent authority.

  
(Urmila) 29/5/20  
Director

To,

**The Chairman and members of the Committee**

Copy to:

1. PPS to Member (RG), NITI Aayog
2. PSO to CEO, NITI Aayog

## Annexure 2

### Learnings from Global Best Practices

Many countries around the world have successfully expanded affordable housing supply through targeted public interventions, supply side and demand-side measures. As

shown in Figure 2, Singapore has the highest share of public housing at 75%, followed by Hong Kong (50%), Vienna (46%), and London (23%).

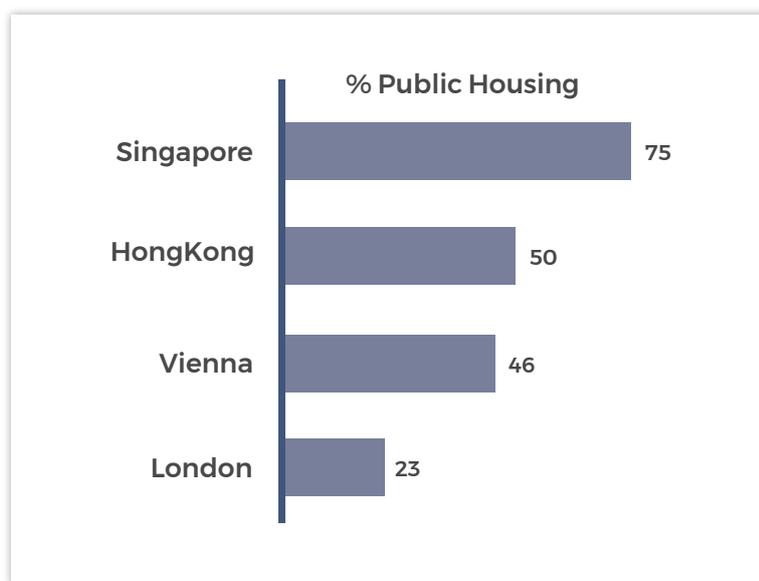


Figure 2

Singapore has developed about 11 lakh public housing units, while Hong Kong has 8 lakh—figures comparable to India’s ~8 lakh units under PMAY in metro cities.

South Korea also undertook a massive housing drive in the early 1990s, adding 2 million low-cost units and bringing nearly 6% of its population under public housing. The results are striking: Vienna’s renters, for example, pay only about a third of what tenants in London, Paris, or Dublin spend for similar homes.

These cases highlight how large-scale, state-led housing provision can expand supply, stabilize rents, and make urban housing more affordable. The following section delves into country-wise experiences to understand how these models can inform India’s affordable

housing strategy.

### Vienna (Austria)

Vienna has established one of the world’s strongest affordable housing systems, where nearly half of all residents live in public or subsidised cooperative housing. This success stems from deliberate state intervention in both land and finance markets, ensuring a continuous supply of affordable rental units shielded from speculative pressures. At the heart of this model, the city holds about **3 million square metres of land** reserved exclusively for affordable housing construction, primarily rental-based.

**Land prices for such projects are capped, and regulations stipulate that rentals must be capped for at least 66% of the**

**units** to guarantee long-term affordability. This approach not only stabilises project economics but also prevents windfall gains from land speculation, ensuring that a majority of units remain accessible to low- and middle-income households over time. Net rent is limited by law at Euro 4.97 per square meter and land price limited to Euro 188 /sq.m.

The model is reinforced by subsidised capital. Housing associations and limited-profit developers can access **public loans at interest rates as low as 1%**, covering a significant share of construction costs. These loans, coupled

with modest tenant contributions and mandatory reinvestment of surpluses, enable a cost-rent framework where rents reflect actual costs rather than market fluctuations.

The result is a resilient and inclusive housing ecosystem: about **50% of Vienna's population** currently resides in public or cooperative housing, benefiting from rents well below private market levels. By combining land reserves, capped pricing with a 66% rental requirement, and subsidised long-term finance, Vienna demonstrates how sustained policy design can embed affordability at the core of urban development.



*George-Washington-Hof, one of Vienna's landmark public housing estates, represents the city's large-scale affordable housing model.*

**Source:** Housing4.us (2020)

## Singapore

Singapore's public housing system is globally recognised for its scale and inclusiveness, with approximately **80% of residents living in Housing and Development Board (HDB) flats**—providing homes for the vast majority of citizens through systematic state-led delivery. Home-ownership among these residents is even more remarkable, exceeding **90%**,

underscoring the effectiveness of structured, affordable access to housing.

This success is anchored in **integrated urban and transport planning**: HDB developments are systematically located next to **Mass Rapid Transit (MRT) systems, job centres, schools, and social infrastructure**, facilitating shorter commute times and high liveability. The Urban Redevelopment Authority (URA)

works closely with HDB to align land use and transport planning.

Singapore's affordability is further grounded in a **robust capital subsidy framework**. The state provides HDB developments with land at below-market costs, while households receive significant financial support through the **Central Provident Fund (CPF) housing grants**. In addition, HDB provides concessionary housing loans pegged at **2.6%**, just 0.1 percentage point above the CPF Ordinary Account savings rate, making financing far more affordable than

commercial mortgages.

The cumulative outcome is transformative. HDB estates now form the backbone of Singapore's urban identity, delivering **secure, high-quality, and affordable homes at scale** while fostering urban cohesion, social integration, and widespread homeownership. Through deliberate public delivery, integrated planning, and targeted financing support, Singapore demonstrates how housing affordability can be embedded within broader socio-economic strategies.



*City Vue @ Henderson, a Housing and Development Board (HDB) public housing project in Singapore, was completed in 2019. It illustrates high-density affordable housing integrated with community facilities and green spaces.*

**Source:** Bloomberg (2020)

## South Korea

South Korea's public housing system offers a mix of **short-term leases (10-30 years) and permanent rental units**, ensuring options for different income groups. Categories such

as permanent rentals, national rentals, and temporary leases were introduced to widen tenure choices, while programmes like the *Happy Housing scheme* target young adults and students with rents set at **60-80% of market rates**.

To accelerate supply, the **Housing Construction Acceleration Act** enabled higher-density housing with **floor-area ratios up to 300%** and buildings above five storeys. This was supported by **subsidised land allocations and low-interest government loans** administered through institutions such as the **Korea Land and Housing Corporation (KLHC)**. By reducing financing costs and providing capital injections, these measures encouraged developers to expand construction of affordable rental housing at scale.

In the early 1990s, a national housing drive constructed over **2 million homes**, creating a significant expansion in affordable supply.

As of recent data, around **1.74 million public rental units** exist nationwide, covering nearly **6% of the population**, primarily concentrated in large metropolitan areas like Seoul.

The system is further reinforced by national programmes such as the **National Public Rental Housing Program** and targeted initiatives like Happy House, which provide subsidised housing below market levels for younger households and those with moderate incomes. The outcome has been a **substantial increase in affordable rental housing**, with diversified tenure options and price stability that demonstrate how large-scale state-led interventions can effectively address housing needs during rapid urbanisation.



*Housing units in Seoul, viewed from N Seoul Tower (file photo, July 14, 2025). Seoul alone accounts for approximately 210,000 units of public lease housing, about 6.1% of its total stock. Source: Yonhap / The Korea Herald (2025).*

## London, UK

London's affordable housing strategy is anchored in the Affordable Homes

Programme (AHP) 2021-2026, which is funded by the UK government and delivered by Homes England and the Greater London Authority (GLA). Nationally, the programme

provides £11.5 billion to deliver up to 180,000 new affordable homes by March 2026.

To speed up approvals and boost delivery, London employs the “**Fast Track Route**”: developments on private land providing at least **35% affordable housing, or 50% on public/industrial land**, can bypass detailed viability assessments.

Capital-side support is also core. Through AHP, the government provides **capital grants and subsidised land** to local authorities and housing associations, conditioned on delivering affordability—typically ensuring **at least 50% of units are affordable**, including social rent, London Affordable Rent, London Living Rent, and shared ownership



*The South Kilburn Regeneration Programme, led by Brent Council, is transforming a 40-hectare estate in Zone 2 London into a sustainable, inclusive neighbourhood. Over 1,500 new homes—many affordable—have already been delivered, alongside parks, schools, health facilities, and public realm improvements.*

**Source:** Brent Council / [nla.london](http://nla.london)

## Germany

Germany’s housing affordability system rests on a dual support framework: direct subsidies to households through Wohngeld (housing allowance) and subsidised capital programmes administered by the state development bank **KfW (Kreditanstalt für Wiederaufbau)**.

**Wohngeld** is a rent and housing cost allowance paid directly to low-income tenants and homeowners to bridge the

affordability gap. It is co-financed by the federal and state governments and helps households whose income is insufficient to cover housing costs. Following reforms in 2020 and 2023, eligibility was expanded, and benefit amounts increased to reflect rising rents and energy costs. In 2022, around 600,000 households received Wohngeld, with federal and state governments allocating over **€1.6 billion annually** to the scheme.

On the capital side, **KfW housing programmes** provide highly subsidised

loans for home construction, purchase, and retrofitting. Interest rates are often in the **1-3%** range, compared to market rates of 4-5%. Programmes such as *KfW Home Ownership and Energy-Efficient Construction and Refurbishment* have channelled more than **€20 billion annually**, supporting millions of households. In 2021 alone, KfW committed **€35 billion** in promotional funds for housing and energy-efficient construction, benefitting about **4.5 million households** over the past decade.

This dual system—**Wohngeld as a consumption subsidy** and KfW as a capital subsidy—ensures that affordability measures support both renters and aspiring homeowners. By directly supplementing household budgets while also lowering borrowing costs for construction and retrofits, Germany has embedded affordability within a framework that also advances energy efficiency and long-term sustainability.



*kisches Viertel, Berlin—one of Germany's largest social housing estates, recently modernised through KfW-supported energy-efficient refurbishments to maintain affordability.*

**Source:** GESOBAU AG / Urban Sustainability Exchange

## France

France's housing affordability framework combines a direct subsidy to households via the **Aide Personnalisée au Logement (APL)** and a subsidised loan mechanism for home buyers through the **Prêt à Taux Zéro (PTZ)**.

**APL** is a means-tested housing allowance paid

directly to tenants or homeowners via a fully digital system managed by CAF. Applications are typically processed within two months, with the allowance paid retroactively from the month following application submission. The digitalisation of the process has helped ease access and accelerate disbursement for low-income households.

The **PTZ** is an interest-free home-purchase loan targeted at first-time buyers. It covers up to **50% of the purchase cost** for new apartments, with eligibility assessed by income and property location. Recent reforms, effective April 2025, have expanded PTZ access nationwide—now including detached houses and older units requiring renovation—thereby broadening affordability

support to more households.

In terms of impact, APL and the PTZ together support around 6 million recipients, amounting to nearly **9% of France's population** benefiting from housing affordability interventions through direct allowances or reduced financing costs.



*Public Housing project by Jakob + MacFarlane Architects in Paris, delivering affordable housing units within the ZAC Masséna-Bruneseau redevelopment. It reflects France's shift toward design-led, sustainable, and socially inclusive housing.*

**Source:** *The Architectural Review*

## United States

The United States addresses housing affordability primarily through the **Housing Choice Voucher Program** (often known as Section 8). This federal initiative assists over 2.3 million low-income families by paying a portion of their rent directly to landlords with the tenant pays paying up to 30 per cent of their income as rent. The average annual subsidy is approximately **\$9,400 per household**.

On the finance side, the U.S. government

greatly supports housing through **federal mortgage guarantees** and tax incentives. **The mortgage interest deduction** allows homeowners to deduct interest paid on home loans from taxable income, further subsidizing affordable homeownership.

Together, these mechanisms constitute a dual-tiered affordability model: **the Housing Choice Voucher Program** delivers direct rental assistance, while the **government-backed finance and tax incentives** make mortgage borrowing more accessible, reducing housing cost burdens for homeowners.



*Via Verde, Bronx, New York—an award-winning affordable housing development with 222 units. The project integrates rental and cooperative homes with green roofs, community gardens, and sustainable design features.*

**Source:** Dattner Architects.

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FRAMEWORK TO PROMOTE  
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