

Real estate industry welcomes setting up of Rs 25,000 funds, wants quick implementation

Editor | November 7, 2019 @ 10:30 AM

The government on November 6 announced the setting up of a Rs 25,000 crore Alternative Investment Fund (AIF), aimed at providing relief to developers with unfinished projects to ensure delivery of homes to buyers.

The real estate industry believes the move will be strongly welcomed by the market. Finance Minister Nirmala Sitharaman said while the government has earmarked Rs 10,000 crore towards the fund, Life Insurance Corporation and State Bank of India would also infuse money. Here what the real estate industry said:

Dr. Niranjana Hiranandani, MD, Hiranandani Group and President (National), NAREDCO

The vexed problem of delayed and stalled real estate projects appears to have found a solution, with the Hon'ble Finance Minister announcing Cabinet Approval of the scheme to provide 'last mile funding' for such projects, which she had proposed earlier.

The funds will be used to provide priority debt financing for the completion of stalled housing projects in the Affordable and Middle-Income Housing sector, providing relief to developers with unfinished projects as also ensuring delivery of homes to buyers.

This will be a win-win for home buyers and real estate developers, as it will help alleviate financial stress faced by homebuyers who have invested their hard-earned money, while also releasing funds stuck in such delayed/ stalled projects for productive purposes.

The fund will help nearly 1,600 stalled housing projects in the country, and it is positive that the aspect of NCLT/ NPA will not be a stumbling block to prevent stalled and delayed projects from approaching the fund.

Positive impact of the move include generation of employment, revival of demand for cement, iron and steel industries and relieve stress in other major sectors of the economy.

The announcement that State Bank of India (SBI) and Life Insurance Corporation of India, sovereign and pension funds would also contribute to the fund, is welcome, he said, adding that the announcement will prove to be a win-win for both, home buyers as also real estate developers – but the devil in the detail in this case will be quick implementation.

Satish Magar, President, CREDAI National

CREDAI fraternity and the housing industry welcomes the Government's decision to set up an Alternative Investment Fund (AIF) to rescue stalled housing projects. By providing last-mile funding to net worth positive projects, up to 5 lakh homebuyers will now be able to get the delivery of their dream home. As NPAs and NCLT listed projects would be eligible for funding from AIF, all developers have been enabled to rise above all challenges and complete their project without further delay. I also believe that these measures would have a wider impact by accelerating the much-sought investments, growth and above all employment.

Parveen Jain, Vice Chairman NAREDCO and CMD Tulip Infratech

Today's announcement by the Finance Minister is a well thought of measure which shall take care of the funds for the stalled projects. The scheme of AIF (Alternative Investment Fund) along with investments from various institutions amounting to huge corpus which shall be put in an Escrow account. This is an outstanding step which shall prove to be a big boon and relief for the real estate sector.

Rohit Poddar, Managing Director, Poddar Housing and Development Ltd and Joint Secretary, NAREDCO Maharashtra

This stimulus package has been announced majorly for the NPA projects under RERA. The funds will bankroll the stalled projects in the affordable and mid-income housing segment and keep the needle moving in the micro markets. It will also revive the demand for construction materials and assuage the stress in other major sectors in the economy.

Bijay Agarwal, MD, Salarpuria Sattva group

This is a welcoming move by the cabinet and the fund will help provide relief to more than 4.5 lakh home buyers. This step proposes to bail out many housing projects and revive hope for the home buyers. The extension of fund to mid-income projects is reassuring step forward. Faster implementation of the funds will only enhance the sector further. Some reforms to stamp duty or GST are the boosters that majority of the developers are anticipating from the government.

Anshuman Magazine, Chairman & CEO - India, South East Asia, Middle East & Africa, CBRE

We welcome the government's decision to set up a new alternative investment fund to complete stalled housing projects. With the 25,000 crore fund, close to 1600 projects with 4.58 lakh units are expected to benefit, especially in the affordable and mid income category. This move will go a long way in building confidence into the real estate sector not only from the end-user perspective but also from an investors perspective.

Manju Yagnik, Vice-Chairperson Nahar Group and Vice President NAREDCO, Maharashtra

Cabinet's approval for funding of stalled Affordable and Middle-Income housing projects will enable home-buyers to get delivery of homes locked in stalled housing projects. The total funds committed by the Government would be upto INR 10,000 crore which will be set up as Category-II Alternate Investment (AIFs) entrusted to professional Investment Managers. This will, in due course, help relieve the financial stress faced by a large number of middle class home buyers who have invested their hard earned money. This will also restore trust between buyers and developers and boost the sentiments of the housing sector as Investment Manager will be responsible to ensure that the funds are used only for construction through appropriate safeguards mandated by RERA and also through deployment of external project monitoring agencies. Besides, revival of the sector will also lead to demand of Cement, Iron & Steel Industries giving further impetus to generate more employment. This initiative will have a positive effect on releasing stress in other major sectors of the Indian economy as well.

Avneesh Sood, Director, Eros Group

We welcome the Government initiative to provide a structured method of infusing liquidity into stuck projects, and thereby seeks to address the key issues of project funding, completion and delivery. The fund is expected not only to support the real estate sector but also generate commercial return for its investors. The special window that has been structured as an Alternate Investment Fund (AIF) to pool investments from other government-related and private investors including public financial institutions, sovereign wealth funds, public and private banks, domestic pension and provident funds, global pension funds and other institutional investors, etc.

Shishir Baijal, Chairman & Managing Director, Knight Frank

The inclusion of developments under NPAs and NCLT into the gamut of eligible projects, albeit these are net positive projects, into the Special Window Funding is a welcomed decision. The extension of this benefit to mid income beyond the affordable housing segment is a critical step forward. We welcome these changes and feel that this will help create greater momentum in inventory movement. There are many projects which are near completion but have not been able to garner last-mile funds will benefit from this move. This step will definitely create greater confidence and credibility and may, in due course, encourage private segments to extend their support in last-mile funding, helping the beleaguered sector to go over this period of slowdown.

Parth Mehta, Managing Director, Paradigm Realty

The recent announcement by Finance Minister to let the AIF with corpus of Rs 25,000 crore to even look at NPA and NCLT projects a modification from earlier non-NPA and Non-NCLT will help lot of stuck projects which are at a good construction stage but have got stuck due to lack of project finance and / or adequate sales helping the buyers of Rs 1 crores & less ticket sizes which is typically a first home for salaried families in metro.