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An avoidable crisis: Is India's affordable housing segment facing an IndiGo-style fiasco?

The affordable housing market in India faces a serious challenge as developers pivot towards upscale projects, creating a void in accessible housing options for the masses. This situation echoes the difficulties faced by IndiGo in its earlier operational phases.



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Just as IndiGo Airlines saw its massive market share crumble into operational chaos in December 2025 due to a failure to align aggressive scheduling with new regulatory labor standards, the affordable

housing segment in India appears to be staring at its own systemic fiasco. The aviation crisis, which saw over 5,000 flights cancelled and on-time performance plummet to a record-low 8.5%, was the result of human oversight stemming from limited carriers. While the country witnessed a huge surge in demand during this period, primarily driven by the massive increase of new fliers, the supply side was overlooked with additional carriers not being added. This lack of preparedness and failure of foresight led to a paralysis of national connectivity.

Similarly, the affordable housing sector is now hollowing out as developers pivot toward high-margin luxury projects, leaving the budget segment in a state of supply-to-demand collapse. With the supply of homes priced under ₹50 lakh plummeting from over half of new launches in 2018 to just 17% in late 2025, the real estate industry is facing a structural disconnect with a vast, underserved consumer base being left stranded by an ecosystem that has prioritized short-term profitability over sustainable urban planning. Much like the reliance on red-eye efficiency without a buffer of additional carriers, the real estate market's current neglect of the affordable sector threatens a catastrophic vulnerability that could turn the dream of owning a home for every Indian into a crisis of national displacement.

The aviation crisis serves as a cautionary example of what happens when a sector lacks sufficient supply. While the sheer lack of alternate carriers resulted in the Indigo episode snowballing into a national crisis, a direct comparison to real estate would be that of affordable housing. India is currently unable to provide adequate supply in critical urban areas, creating a shortage that could lead to considerable societal imbalance, if left unaddressed. By 2030, the nation will need approximately 31 million additional affordable housing units, and we are already grappling with a deficit of 10 million houses, primarily affecting aspiring middle class urge to own a home. While the government's previous achievement of delivering 10 million houses by 2022 was a landmark success, the current shift of the real estate sector toward luxury projects and the lack of adequate support to create affordable housing projects, suggests that the focus is shifting away from those who need it most.

To avert this looming disaster, the government must take a leading role in land management and urban planning. A primary hurdle is the shortage of affordable urban land and the complicated procedures required to acquire it. One transformative solution is for the government to acquire large land parcels belonging to public sector enterprises in city centres and utilize them for affordable housing construction. In exchange, these enterprises could be given larger compensatory land parcels on the outskirts of the city. This strategy offers a two-fold benefit, it provides a 'shot in the arm' for the housing sector by placing units where people actually work, and it opens up new economic micro-markets and infrastructure development at the city's edge where the public sector enterprises are relocated.

Beyond land, the fiscal burden on affordable housing, currently sitting at 25–30% for units up to ₹45 lakhs must be addressed. Strategic interventions such as removing GST, restoring the input tax credit, and eliminating stamp duty could reduce apartment costs by as much as ₹1,000 per sq. ft. This would make homeownership significantly more attractive than renting and, paradoxically, improve government revenue in the long run. By increasing the volume of homeowners, the state expands its taxpayer base, creating a sustainable cycle of wealth creation and urban development funding. This could also lead to respectable living for the aspiring middle class. Such measures are not merely helpful; they are necessary to make the segment viable for developers who are currently deterred by wafer-thin margins.

Furthermore, the regulatory environment requires a complete overhaul to prevent the kind of process-driven delays that characterized the IndiGo fiasco. Statutory clearances currently take 6–12 months, raising project costs by roughly 20%.

Additionally, an increase in the cap for affordable housing, upwards of the current 45 lakhs will help boost the segment.

In order for adequate and timely supply to be available for consumption, it is imperative to remove or reduce human intervention and elaborate paperwork by embracing a nationwide, faceless digital single-window clearance system. The other area that requires attention is the availability of seamless financing for lower-income groups, who often do not have the elaborate list of required documents. The government should work with NBFCs and microfinance firms for a work around. A multipronged approach where the government incentivizes established developers to re-enter the segment with renewed scale and credibility by providing long-term infrastructure finance support, to potentially reduce unit costs by another 5 to 6%, will be an additional bonus.

Ultimately, addressing the affordable housing crisis is a serious national issue that requires collective action from all stakeholders including the society, the private sector and state and central government bodies. The current trajectory suggests a market that has prioritized short-term gains over long-term stability, mirroring the fiasco that grounded the nation's largest airline. By focusing on both the demand side, through subsidies and infrastructure and the supply side, by reducing costs and risks for developers, we can turn a potential disaster into a major driver of national wealth. We must act now if we are to ensure that we fulfil the dream of every Indian having access to dignified housing.