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## Affordable Housing Finance Sector to Reach ₹2.5 Lakh Crore by FY28: ICRA

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India's affordable housing finance sector is expected to see substantial growth in the coming years, with assets under management (AUM) projected to rise from ₹1.4 lakh crore in March 2025 to ₹2.5 lakh crore by the end of FY28, according to a report by ICRA.

The sector is part of the larger retail mortgage lending space, which is anticipated to expand significantly. Retail mortgage loans provided by non-banking financial companies (NBFCs)

and housing finance companies (HFCs) are estimated to grow from ₹13 lakh crore in FY25 to ₹20 lakh crore by FY28. While the overall segment is projected to grow at a compound annual growth rate (CAGR) of 17 to 19 percent, affordable housing finance companies (AHFCs) are expected to grow faster at a CAGR of 20 to 22 percent.

AHFCs currently account for around 11 percent of the total mortgage AUM. These firms largely serve self-employed borrowers and provide smaller-ticket loans, including loans against property. Nearly 40 percent of their portfolio is directed towards self-construction, reflecting their deep reach in semi-urban and rural markets.

The ICRA report noted that credit quality in the affordable housing segment has remained steady over the past three years. Gross non-performing assets (NPAs) have stayed between 1.1 and 1.3 percent, and average credit costs have remained close to 0.3 percent of average managed assets. The loan-to-value (LTV) ratio for these loans is typically conservative, averaging around 55 percent.

A M Karthik, Senior Vice President and Co-Group Head of Financial Sector Ratings at ICRA, said the segment is being driven by strong borrower demand and the lack of access to unsecured credit options. He added that the affordable housing finance space has consistently delivered healthy returns with limited credit losses.

Despite the sector's strong performance, the report also highlighted potential challenges. Growing competition from larger financial institutions, tightening margins, and the need for increased operating efficiency could pressure profitability. The segment's dependency on physical infrastructure for loan origination and collections will also require strategic investments as these companies scale up operations.

AHFCs are expected to play a vital role in expanding housing access across India's underserved regions, provided they continue to adapt to evolving market conditions.