# TAMIL NADU INFRASTRUCTURE FUND MANAGEMENT CORPORATION LTD

**CHENNAI 600028.**

**Tamil Nadu Shelter Fund**

# Case Study on Affordable Family Rental Housing in Tamil Nadu

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## 1. Executive Summary

Tamil Nadu stands at a critical inflection point in its urban development trajectory. As India's most urbanized state, with 48.4 percent of its 8.5 crore population residing in urban areas, Tamil Nadu faces an unprecedented demand for affordable housing that ownership models alone cannot adequately address. This case study presents the strategic rationale, market analysis, and implementation framework, with a specialized focus on affordable family rental units.

**Table 1 Tamil Nadu Rental Housing: Key Indicators**

| Indicator | Value |
|---|---|
| TN Urban Population (48.4%) | 4.1 Cr |
| Factory Workers in TN (#1 in India) | 2.8 Mn |
| Vacant Urban Houses in India | 11.1 Mn |
| India Rental Housing Market 2024 | $20.3 Bn |

The fundamental thesis of this case study rests on three pillars. First, India's urban housing shortage — pegged at 18.8 million in 2012 and projected to reach 3.1 crore (31 million) by 2030, which represents the most significant housing crisis in the country's history. The supply-to-demand ratio for affordable housing in India's top eight cities has plummeted to 0.4 in 2025, down from 1.1 in 2019, signaling acute undersupply. Second, the paradox of 11.1 million vacant urban houses coexisting with massive housing shortage points to structural market failures — primarily weak tenancy laws, low rental yields, and lack of institutional rental housing supply — that create a compelling investment opportunity. Third, Tamil Nadu's unique demographic and economic profile — the state with the highest number of factories (40,100+), the largest industrial workforce (2.8 million+), and the highest women's participation in manufacturing — creates a natural demand base for affordable rental housing that few other Indian states can match.

This case study examines six global models of affordable rental housing at scale — Singapore's HDB, Germany's social housing regime, Vienna's Gemeindebau, Malaysia's PPR, Nigeria's FHFL blended-finance platform, and South Korea's Jeonse deposit system — and distills four funding structures adaptable to Tamil Nadu: Housing REITs as an exit and liquidity vehicle, impact investing and blended finance for the primary capital stack, an adapted Jeonse deposit model for industrial worker housing, and long-term land lease concessions leveraging state land holdings. The case study closes with three recommendations: (i) design every project for REIT-readiness from inception; (ii) concentrate deployment on three high-conviction corridors — Chennai CMA, Coimbatore–Tiruppur, and Sriperumbudur–Oragadam — before geographic expansion; and (iii) mandate IFC EDGE or GRIHA green certification across the portfolio to capture rental premiums, cost savings, and ESG-mandated capital.

## 2. Introduction and Context

### 2.1 About Tamil Nadu Shelter Fund (TNSF)

The Tamil Nadu Shelter Fund (TNSF) is a Category I Alternative Investment Fund (AIF) registered with the Securities and Exchange Board of India (SEBI), established under the policy initiatives of the Government of Tamil Nadu. TNSF is managed by TNIFMC, an asset management company promoted by the Government of Tamil Nadu with 49 percent ownership and institutional shareholders holding the remaining 51 percent. The fund operates with a clear triple-bottom-line mandate: delivering commercial returns while creating positive social impact and environmental sustainability.

Fund I of TNSF has raised $92 million (Rs 658 crore). The fund has deployed capital across a diverse portfolio of affordable housing projects, including the pioneering Thozhi Working Women's Hostel platform (2,200+ beds operational across more than 20 locations), the Tamil Nadu Industrial Housing Private Limited (TNIHPL) initiative targeting SIPCOT industrial workers and other private sector projects in affordable housing, rental senior living and industrial housing sector. Fund I's track record demonstrates that affordable rental housing in Tamil Nadu can generate risk-adjusted returns while addressing critical social infrastructure gaps.

### 2.2 Rationale for Affordable Family Rental Housing

Several structural shifts support the case for a focused affordable family rental project:

**Demographic Pressure Intensification:** Tamil Nadu's urban population has grown from 27.5 million in 2003 to an estimated 41 million in 2025, representing a compound annual growth rate of approximately 2.0 percent. The Chennai Metropolitan Area (CMA) alone is projected to reach 14.8 million by 2035, up from 8.9 million in 2011. This urbanization wave, driven by industrial expansion in electronics manufacturing, textiles, automotive, and IT/ITES sectors, creates sustained demand for workforce housing.

**Structural Shift from Ownership to Rental:** India's housing market is undergoing a fundamental transition. The proportion of rental dwellings declined from 53 percent in 1971 to 28 percent in 2011, but evidence suggests a reversal is underway. Young professionals, migrant workers, and even middle-income families increasingly prefer rental housing for its flexibility and affordability. The electronics manufacturing boom — with Tamil Nadu capturing one-third of India's electronics exports — has created a new class of mobile workforce that requires quality rental accommodation near industrial hubs.

**Policy Tailwinds:** The Government of India's PMAY-Urban 2.0 (launched September 2024) explicitly includes Affordable Rental Housing (ARH) as one of its four verticals, alongside Beneficiary-Led Construction, Affordable Housing in Partnership, and the Interest Subsidy Scheme. The Model Tenancy Act 2021, which Tamil Nadu has fully adopted, provides the legal framework for institutional rental housing. NITI Aayog's comprehensive framework recommendations, released in January 2026, provide a roadmap for states to unlock vacant housing stock and incentivize rental housing development.

## 3. Problem Statement: The Housing Crisis

### 3.1 India's Urban Housing Deficit

India's urban housing shortage represents one of the most significant unaddressed challenges facing the country's development trajectory. According to the Technical Group on Urban Housing Shortage (TG-12), the urban housing deficit stood at 18.8 million units in 2012. While the Pradhan Mantri Awas Yojana — Urban (PMAY-U) has made substantial progress — sanctioning over 122 lakh houses and completing 96 lakh units as of November 2025 — independent estimates suggest the deficit remains significant. The CII-Knight Frank report projects a 3.1 crore urban housing deficit by 2030[1], while Foundation for Economic Development (FED) estimates range between 5–7 crore units.

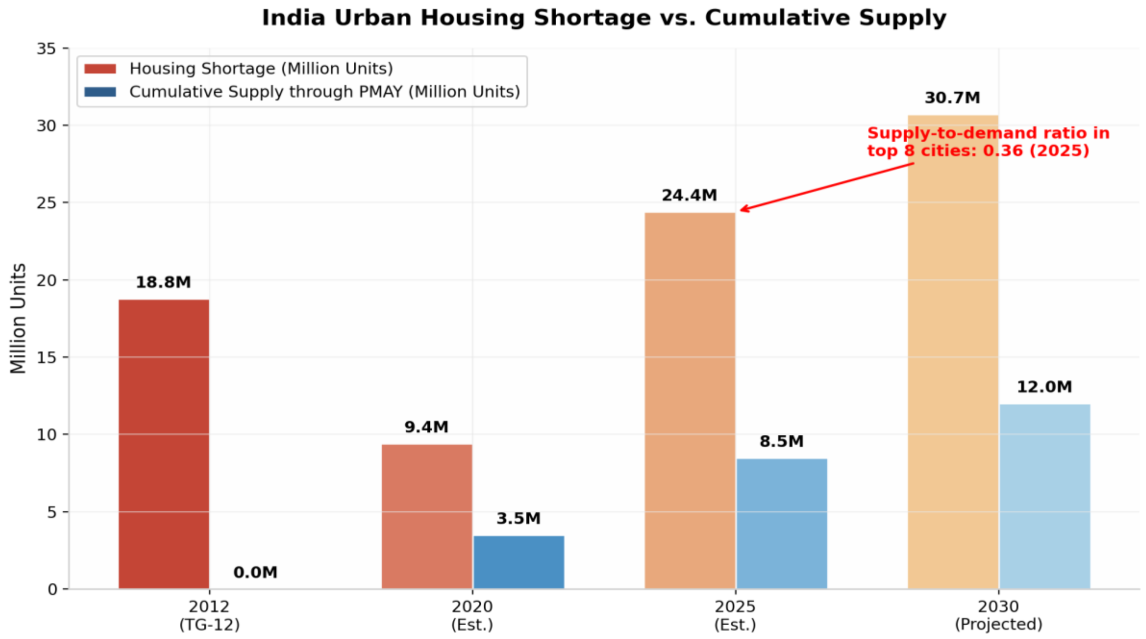


***Figure 1:*** *India's urban housing shortage continues to outpace supply, with the supply-to-demand ratio in top 8 cities falling to 0.4 in 2025. Sources: MoHUA, CII-Knight Frank, EY Analysis*

The shortage is disproportionately concentrated among Economically Weaker Sections (EWS) and Low-Income Groups (LIG). As per NHB's Report on Trend and Progress of Housing in India 2025, the affordable housing finance market was projected to grow at a CAGR of 8–10 percent from FY23 to FY27, reaching Rs 14.4 trillion by FY27[2]. However, supply-side constraints have intensified: the share of affordable housing in new launches dropped from 26 percent in 2021 to just 17 percent by 2024, representing a structural withdrawal by private developers from a segment with compressed margins.

### 3.2 The Vacant Houses Paradox

Perhaps the most striking feature of India's housing market is the coexistence of massive shortage with significant vacancy. Census 2011 recorded 11.1 million vacant urban houses, representing 12.4 percent of India's urban housing stock — up from just 6.3 percent in 2001[3]. This paradox is sufficient to

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[1] *CII-Knight Frank. (2024). India Affordable Housing Report 2024. Knight Frank Research.*
[2] *National Housing Bank (NHB). (2025). Report on Trend and Progress of Housing in India 2024–25. NHB, New Delhi.*
[3] *Census of India. (2011). Housing Stock, Amenities and Assets in Slums. Office of the Registrar General, India.*

house an estimated 50 million people, yet these units remain locked out of the market due to structural failures[4].

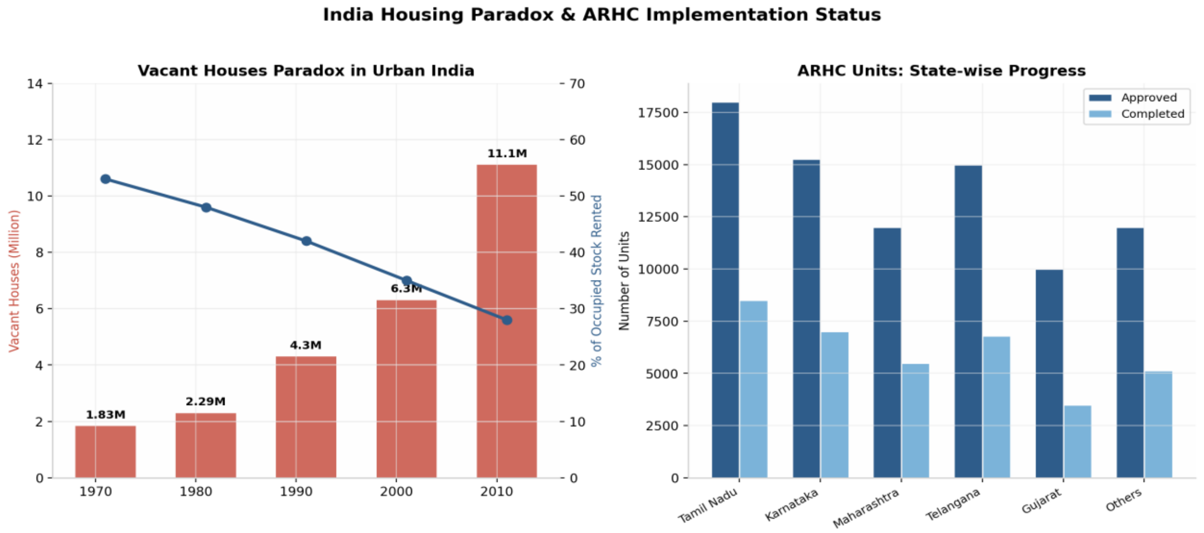


***Figure 2:*** *Left: Urban vacant houses grew from 1.8 Mn (1971) to 11.1 Mn (2011) while rental housing declined from 53% to 28%. Right: ARHC approved vs completed units by state. Sources: Census of India, MoHUA*

Three primary factors explain this paradox. First, archaic rent control laws in many states created a regime where landlords could not charge market rents or easily evict tenants, disincentivizing rental participation. Second, low rental yields — typically 2–3 percent in Indian cities compared to 4–6 percent in global markets — make rental housing an unattractive asset class for institutional investors. Third, the absence of a robust dispute resolution mechanism meant landlords faced prolonged litigation (average ~4 years for civil suits as per World Bank's 2018 Ease of Doing Business Report), creating fear of tenant lock-in[5].

The Model Tenancy Act 2021 directly addresses these issues by capping security deposits at two months' rent, mandating written tenancy agreements, establishing Rent Authorities for fast-track dispute resolution, and providing clear guidelines for eviction and rent revision. Tamil Nadu's early adoption of the MTA creates a first-mover advantage for institutional rental housing players.

### 3.3 Tamil Nadu: A Microcosm of National Challenges

Tamil Nadu exemplifies India's housing challenges while possessing unique structural advantages that make it an ideal laboratory for affordable rental housing innovation[6]. The state's urban population of approximately 4.1 crore (2024) is projected to reach 5.5 crore by 2041, driven by sustained industrial growth. The Chennai Metropolitan Area, with a 2011 population of 8.9 million, is expected to reach 14.8 million by 2035[7] according to CMDA's Second Master Plan.

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[4]*Centre for Social and Economic Progress (CSEP). (2023). India's Housing Vacancy Paradox: Empty Houses and Housing Shortages.*
[5]*Observer Research Foundation (ORF). (2024). Vacant Urban Homes in India. ORF Expert Speak.*
[6]*World Bank. (2023). Tamil Nadu Housing and Habitat Development Project (P168590): Implementation Status Report. World Bank Group.*
[7]*Chennai Metropolitan Development Authority (CMDA. Second Master Plan for Chennai Metropolitan Area 2026. CMDA, Chennai.*

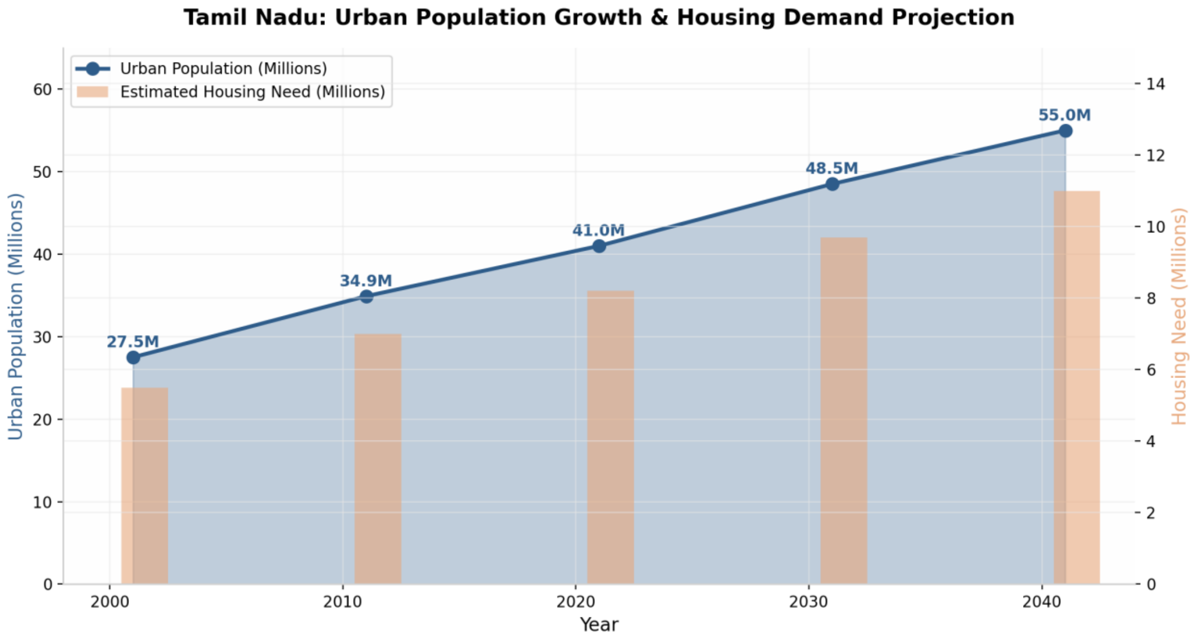


***Figure 3:*** *Tamil Nadu's urban population is projected to grow from 41M (2021) to 55M (2041), creating sustained housing demand. Sources: Census of India, CMDA Master Plan, UN World Urbanization Prospects*

The state's industrial profile creates specific housing demand patterns. Tamil Nadu has 40,100+ registered factories — the highest in India — employing over 2.8 million factory workers, representing 15.2% of India's total factory workforce. The state's electronics manufacturing sector alone, driven by Apple's diversification strategy and suppliers like Tata Electronics, Pegatron, and Salcomp, has attracted investment commitments exceeding Rs 6.6 lakh crore ($80 billion). Each mega-factory requires tens of thousands of workers, creating concentrated demand for affordable rental housing near industrial corridors[8].

Beyond industrial workers, Tamil Nadu's housing demand spans multiple segments: IT/ITES professionals in Chennai, Coimbatore, and emerging tier-II cities; working women (the state has India's highest female factory workforce participation); migrant construction workers (significant given the state's infrastructure pipeline); students and healthcare workers (Chennai is a major education and medical hub); and senior citizens seeking assisted living options. This multi-segment demand reduces portfolio risk and enables cross-subsidization strategies.

## 4. Market Analysis: TAM, SAM, and SOM

### 4.1 Total Addressable Market (TAM)

The Total Addressable Market for affordable family rental housing in Tamil Nadu is defined as the total urban population that could theoretically benefit from such housing. With Tamil Nadu's urban population estimated at 4.1 crore in 2024, and assuming an average household size of 3.7 persons as per urban India norms, the total addressable market comprises approximately 1.1 crore urban households. This represents the entire universe of potential demand, encompassing all income segments from EWS through MIG who currently rent or would consider renting if quality affordable options were available[9].

[8]*NITI Aayog. (2025). S.A.F.E. Accommodation: Worker Housing for Manufacturing Growth.*
[9]*EY India. (2025). New Horizons for Affordable Housing in India.*

The TAM is further validated by India's overall rental housing market valuation. The India rental housing market was valued at USD 20.3 billion in 2024[10], with South India emerging as the dominant region. Tamil Nadu, as South India's most industrialized state, likely captures 25–30 percent of this regional market, implying a state-level rental housing market of approximately USD 5–6 billion (Rs 40,000–48,000 crore) annually.

### 4.2 Serviceable Addressable Market (SAM)

The Serviceable Addressable Market narrows the TAM to segments that can realistically target based on income eligibility, geographic focus, and alignment with TNSF's social impact mandate. We define SAM as urban households in Tamil Nadu from EWS, LIG, and lower-MIG segments who are either: (a) currently renting in informal/substandard housing; (b) migrants and industrial workers requiring rental accommodation near workplaces; (c) working women, students, or seniors seeking safe, affordable rental options; or (d) families living in congested conditions (more than 3 persons per room) who would prefer rental housing if quality options existed.

Based on Census 2011 data and subsequent projections, approximately 40 percent of Tamil Nadu's urban households fall within EWS/LIG categories (annual income below Rs 6 lakh). Applying India's estimated rental housing demand ratio of 35–40 percent for these segments, and accounting for geographic concentration in six priority corridors (Chennai CMA, Coimbatore, Tiruppur, Salem, Madurai, and Trichy), the SAM is estimated at 16.4 lakh households, or approximately 60 lakh individuals.

### 4.3 Serviceable Obtainable Market (SOM)

The Serviceable Obtainable Market represents the realistic target that can be captured. Assuming a fund size of Rs 1,500 crore with potential upsizing to Rs 2,000 crore and deploying capital at an average of Rs 5–7 lakh per rental unit (including construction, land, and soft costs), the fund can develop approximately 21,000–40,000 rental units.

However, the SOM calculation has accounted for portfolio concentration limits, phased deployment, and the need to demonstrate portfolio effect before scaling. We estimate a realistic SOM of 2.5 lakh rental units over 10–12 years, representing approximately 15 percent of the SAM. This would require not just Fund's capital but also leveraged capital from banks, NBFCs, and co-investors, with TNSF acting as the catalyst and impact anchor. At 2.5 lakh units with an average occupancy of 3 persons per unit, Fund's ecosystem could house approximately 7.5 lakh individuals, creating one of India's largest affordable rental housing platforms.

**Table 2 Market Sizing Summary: Affordable Family Rental Housing in Tamil Nadu**

| Market Segment | Definition | Estimated Size |
|---|---|---|
| TAM | Total TN urban population needing housing | 4.1 Cr people / 1.11 Cr households |
| SAM | EWS/LIG/MIG rental-seeking households in priority corridors | 16.4 Lakh households / 60 Lakh people |
| SOM | Achievable units over the Funds horizon (with leverage) | 2.5 Lakh units / 7.5 Lakh people |
| Leverage Multiplier | Debt/co-investor capital per rupee of fund equity | 3–5x |

[10] *TechSci Research. (2024). India Rental Housing Market: Size, Growth and Forecast 2030.*

## 5. SWOT Analysis


***Figure 5:*** *Comprehensive SWOT analysis for affordable family rental housing strategy in Tamil Nadu, synthesized from research on market conditions, policy environment, and TNSF's operational experience.*

The SWOT analysis reveals a fundamentally favorable environment, with strengths and opportunities significantly outweighing weaknesses and threats. Tamil Nadu's structural advantages — highest factory count, largest industrial workforce, most urbanized state, and strong government support through TNIFMC and TNUHDB — create a defensible market position. The primary weaknesses (low rental yields, limited institutional investor participation, weak secondary market) are being addressed by policy reforms including the Model Tenancy Act, proposed REIT tax exemptions from NITI Aayog, and the emergence of technology-led property management platforms that can improve yield through operational efficiency.

The most significant opportunity lies in the 1.1 crore vacant urban houses across India, representing a potential immediate supply source if unlocking mechanisms can be designed. For Tamil Nadu specifically, the state's World Bank-assisted Tamil Nadu Housing and Habitat Development Project (TNHHDP) is already piloting diversified housing solutions.

## 6. Global Best Practices in Affordable Rental Housing

International experience provides valuable frameworks. Six models that have achieved scale and sustainability, extracting lessons applicable to Tamil Nadu's context are examined.

**Table 3 Global Models: Key Features and Adaptability for Tamil Nadu**

| Model | Key Feature | Coverage / Funding | Adaptability Score |
|---|---|---|---|
| Singapore HDB | State-owned, CPF-linked | 80% population; S$3B+ annual | Medium (land acquisition challenge) |
| Germany Social Housing | WBS voucher, time-limited | 5% stock; EUR 18.2Bn | High (aligned with ARHC) |
| Vienna Gemeindebau | Broad eligibility, LPHA | 60% population; EUR 1.5Bn | Medium-High (mixed-income focus) |
| Malaysia PPR | Flat nominal rent, standardised design | Low-income urban; RM 124/month rent | Medium (subsidy-dependent, limited private leverage) |
| Nigeria FHFL | DFI blended finance, dedicated rental fund | 2,304+ homes (Legacy Estates); 30 Bn Sukuk | High (direct structural parallel to TNSF/AIF model) |
| South Korea Jeonse | Lump-sum deposit, no rent | 48-70% Seoul rentals | Medium (cultural adaptation needed) |

## 7. Government Support and Policy Landscape

The policy environment for affordable rental housing in India has undergone a transformative shift since 2020, with multiple Central and State government initiatives creating a supportive ecosystem for institutional investment. This section examines the key policy frameworks that directly impact the sector.

### 7.1 Pradhan Mantri Awas Yojana — Urban 2.0

PMAY-Urban 2.0, launched in September 2024, represents the Government of India's renewed commitment to "Housing for All" with a target of 1 crore additional urban houses by 2029[11]. Building on PMAY-U 1.0's achievement of sanctioning 122.1 lakh houses and completing 96.1 lakh units, the 2.0 version introduces significant innovations.

Most critically, PMAY-U 2.0 includes Affordable Rental Housing (ARH) as one of its four verticals, explicitly recognizing rental housing as a legitimate and necessary component of India's housing strategy. The ARH vertical provides Central Government incentives including: (1) income tax exemption under Section 80-IBA for rental housing projects; (2) GST exemption on rental income; (3) concessional finance through the Affordable Housing Fund (AHF) by NHB; (4) Priority Sector Lending (PSL) status for bank lending to rental housing; and (5) Technology Innovation Grant (TIG) for adopting modern construction methods.

The Interest Subsidy Scheme (ISS) under PMAY-U 2.0 has already shown traction: as of September 2025, 230 Primary Lending Institutions signed MoUs with NHB, and subsidy of Rs 45.6 crore had been sanctioned for 11,962 applications. The Credit Linked Subsidy Scheme (CLSS) legacy under PMAY-U 1.0 disbursed interest subsidies totaling Rs 58,868 crore to 25.0 lakh beneficiaries, demonstrating the government's fiscal commitment to housing affordability.

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[11] *Ministry of Housing and Urban Affairs (MoHUA). (2025). Pradhan Mantri Awas Yojana — Urban 2.0: Scheme Guidelines.*

### 7.2 Affordable Rental Housing Complexes (ARHC)

The ARHC scheme, originally launched as a sub-scheme under PMAY-U in 2020 as part of the AatmaNirbhar Bharat Abhiyan, provides the most directly relevant policy framework. ARHCs are designed to offer "dignified living with all civic amenities to eligible beneficiaries at affordable rates" near their workplaces, targeting urban migrants and poor from EWS/LIG categories[12].

ARHC implementation follows two models: Model-1 utilizes existing government-funded vacant houses (constructed under JNNURM and RAY) converted into rental housing through PPP concessions for 25 years; and Model-2 enables private/public entities to construct, operate, and maintain ARHCs on their own vacant land. As of March 2025, 5,648 existing government houses had been converted under Model-1, while 82,273 new ARHC units were approved in 7 states under Model-2, of which 35,425 have been completed.

**Table 4 ARHC Scheme: Key Parameters and Incentives**

| Parameter | Details |
|---|---|
| Unit Types | 1-BHK (30 sqm), 2-BHK (60 sqm), Dormitory (10 sqm/bed) |
| Minimum Project Size | 40 dwelling units |
| Maximum 2-BHK Ratio | 33% of total units |
| Concession Period | 25 years |
| Initial Rent Range | Rs 2,500–6,000/month (varies by city) |
| Rent Escalation | 8% biennially, max 20% over 5 years |
| Income Tax Benefit | Section 80-IBA exemption |
| GST | Affordable residential rentals are exempt from GST on rental income |
| Additional FAR | 50% free of cost. Subject to State planning regulation |
| Finance | AHF/NHB refinance at concessional rates; PSL status |

The ARHC framework provides a ready-made regulatory structure with proven incentives. Tamil Nadu's leadership in ARHC implementation — the state has the highest number of approved and completed units — demonstrates both bureaucratic capacity and political commitment.

### 7.3 Model Tenancy Act 2021

The Model Tenancy Act (MTA) 2021 represents the most significant reform of India's rental housing market in decades[13]. Prior to the MTA, rental housing was governed by a patchwork of state-level rent control laws enacted between 1948 and 1960, which heavily favored tenants and created severe disincentives for landlords. The MTA replaces civil court jurisdiction over rental disputes with specialized Rent Authorities, mandates written tenancy agreements, standardizes security deposits, and provides clear eviction procedures.

Tamil Nadu has fully adopted the MTA, making it one of the most landlord-friendly rental markets in India. Key provisions include: (1) security deposit capped at 2 months' rent for residential properties; (2) rent increase limited to once per year with mandatory written notice; (3) fast-track dispute

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[12] *Ministry of Housing and Urban Affairs. (2020). Affordable Rental Housing Complexes (ARHC): Operational Guidelines.*
[13] *Model Tenancy Act, 2021. (2021). The Model Tenancy Act, 2021.*

resolution through Rent Authorities with 60-day timelines for appeals; (4) clear eviction grounds including non-payment, property misuse, and landlord's genuine need; and (5) digital registration of tenancy agreements for transparency. The fast-track dispute resolution mechanism reduces the average resolution timeline from 1,445 days to approximately 120 days, dramatically improving asset manageability.

### 7.4 NITI Aayog Recommendations

The NITI Aayog report "A Comprehensive Framework to Promote Affordable Housing" (January 2026) provides a policy blueprint that directly supports the investment thesis[14]. The report estimates India's urban housing deficit at 3–7 crore units and projects the urban population to reach 85 crore by 2050. It defines affordable housing as units up to 60 sqm carpet area valued below Rs 60 lakh in metros and 90 sqm below Rs 45 lakh in non-metros — definitions that encompass the target segments.

Key recommendations relevant to TNSF include: zoning and land reforms mandating at least 10 percent land reservation for affordable housing in city Master Plans with FAR increased to 5–6; mandatory EWS/LIG reservation requiring 10–15 percent of built-up area in large projects; restoration of Section 80-IBA tax incentives and REIT exemptions; credit support raising the Credit Risk Guarantee Fund Scheme limit to Rs 40 lakh; tenancy reform aligning state laws with the MTA 2021; and a National Housing Data Grid establishing a centralized database for demand, supply, vacancy, and rental trends.

### 7.5 Tamil Nadu State Policies

Tamil Nadu has emerged as a national leader in affordable housing policy innovation, creating a multi-layered support system. The Tamil Nadu Affordable Urban Housing and Habitat Policy (TNAUHHP) 2020 aims to reduce the long-term fiscal burden on government through increased private sector involvement, explicitly promoting mixed-income and mixed-use developments where middle-income units cross-subsidize low-income units — the exact model TNSF has pioneered.

The Tamil Nadu Urban Habitat Development Board (TNUHDB), formerly the Tamil Nadu Slum Clearance Board, has constructed 193,891 tenements since 1970 and manages one of India's largest slum rehabilitation programs. Under the World Bank-assisted TN Housing and Habitat Development Project (P168590), TNUHDB is piloting diversified housing solutions, including PPP-based rental housing, with TNSF as a key implementation partner. The Tamil Nadu Combined Development Building Rules 2019 and the state's industrial housing mandate (including the S.A.F.E. Accommodation framework) further reinforce the enabling environment.

## 8. Innovative Funding Models: Analysis and Recommendations

Based on global best practices and India's regulatory environment, this section analyzes six innovative funding models for affordable family rental housing strategy. Each model is evaluated across three dimensions: implementation risk, return potential, and government support requirements.

[14] *NITI Aayog. (2026). A Comprehensive Framework to Promote Affordable Housing.*

### 8.1 Housing REITs

Real Estate Investment Trusts (REITs) have transformed real estate investment globally by enabling fractional ownership and providing liquidity to an otherwise illiquid asset class. While India introduced REIT regulations in 2014, the framework has primarily been used for commercial real estate. NITI Aayog's recommendation for tax exemptions on capital gains and rental income for affordable housing REITs could unlock this instrument for exit strategy. The UK model of "Social REITs" — required to allocate at least 75 percent of assets to affordable housing and distribute 90 percent of rental income to unit holders — provides a useful template.

A "Tamil Nadu Affordable Housing REIT" (TNAH-REIT) could be established as the primary exit mechanism. It would develop rental housing assets during the first 5–7 years, then transfer stabilized assets to the REIT at Year 7–10, providing liquidity to early investors while retaining operational control. The REIT structure would enable retail investor participation, provide a perpetual capital vehicle, create a liquid secondary market, and attract ESG-mandated institutional capital.

### 8.2 Impact Investing and Blended Finance

The global impact investing market has grown to over USD 1.1 trillion (GIIN 2024 estimate)[15], with housing as the largest sector. Blended finance — combining concessional capital (grants, guarantees, soft loans) with commercial capital to improve risk-return profiles — is particularly relevant for affordable housing. DFIs such as IFC, ADB, DFID, and USAID have established blended finance facilities specifically for housing in emerging markets.

The fund should be structured as a Category I AIF (Social Venture Fund) with a blended capital stack: Tier 1 concessional capital (5–6 percent target return) from DFIs and philanthropic investors providing first-loss protection; Tier 2 commercial capital (12–14 percent target return) from domestic institutional investors, HNIs, and family offices; and Tier 3 anchor capital from the Government of Tamil Nadu (10–15 percent of corpus) providing signaling value and de-risking.

### 8.3 Adapted Jeonse Model for India

An adapted "Modified Jeonse" model could address specific challenges in Tamil Nadu's rental market. The proposed adaptation works as follows: tenants provide a refundable deposit of 15–25 percent of the unit's capital value (significantly lower than Korea's 50–80 percent); in return, tenants pay monthly rent at 40–60 percent below market rates; the deposit is held in an escrow account managed by a bank or trustee; upon vacancy the deposit is returned; and tenants may convert accumulated deposits into down payments for homeownership. For industrial worker housing, employers could facilitate deposit collection through payroll deductions, with the deposit acting as a retention mechanism.

### 8.4 Land Lease and Concession Models

The Vienna and German models demonstrate the effectiveness of long-term land leases for affordable housing. Tamil Nadu has significant government land holdings, particularly around industrial corridors (SIPCOT estates), railway land, and urban peripheral areas.

A "Land Lease Concession" structure could involve the Tamil Nadu government providing land on a 50-year lease at concessional cost per annum for affordable rental housing; through SPVs constructing and operating rental housing; rents set at 20–30 percent below market rates with annual escalation capped at 5 percent; assets transferred to government in livable condition at lease expiry;

[15] *Global Impact Investing Network (GIIN). (2024). Annual Impact Investor Survey 2024.*

and securitizing rental cash flows or listing assets through the REIT exit during the lease period. This model effectively converts land — Tamil Nadu's most scarce resource — into an equity contribution, dramatically improving project IRRs.

## 9. Risk Assessment and Mitigation

**Table 5 Key Risks and Mitigation Strategies**

| Risk Category | Specific Risk | Likelihood | Impact | Mitigation Strategy |
|---|---|---|---|---|
| Market | Rental demand below projections | Medium | High | Diversified portfolio across 6 corridors; pre-leasing with corporate employers; mixed income to reduce concentration |
| Market | Interest rate volatility | High | Medium | Fixed-rate debt structures; interest rate hedging; staggered refinancing |
| Regulatory | Changes in rental laws | Low | High | MTA 2021 provides stability; contractual protection; engagement with policymakers |
| Construction | Cost overruns | Medium | Medium | Fixed-price EPC contracts; 10% contingency buffer; phased construction |
| Operational | Tenant defaults/vacancy | Medium | Medium | Corporate lease-back arrangements; security deposits; credit scoring; insurance |
| Liquidity | Limited exit options | Medium | High | REIT listing strategy; secondary market development; government buyback options |
| ESG | Green certification failure | Low | Medium | EDGE pre-certification design; technical assistance from IFC; performance monitoring |

## 10. Conclusion and Recommendations

This case study has examined the opportunity for an affordable family rental housing — within the context of Tamil Nadu's unique demographic, economic, and policy landscape. The evidence strongly supports the investment thesis: India faces an unprecedented urban housing shortage (9.4 million units, growing to 30 million by 2030); Tamil Nadu possesses structural advantages that make it the ideal launchpad (highest industrial employment, most urbanized, strongest policy support); and global best practices provide proven models that can be adapted to the Indian context.

The analysis yields three key recommendations:

**Recommendation 1: REIT-Ready Portfolio Construction.** Design all projects with REIT listing as the primary exit strategy. This means standardized SPV structures; clean title and regulatory compliance from inception; professional property management; and technology-enabled rent collection and reporting. The REIT pathway creates liquidity for investors while establishing India's first affordable housing REIT.

**Recommendation 2: Corridor-Concentration Strategy.** Focus deployment on three high-conviction corridors — (a) Chennai CMA (IT/ITES and manufacturing workers), (b) Coimbatore-Tiruppur (textile and manufacturing hub), and (c) Sriperumbudur-Oragadam (electronics manufacturing corridor). This concentrated approach enables operational efficiencies, brand building, and portfolio effects before geographic expansion.

**Recommendation 3: Green-First Design Mandate.** Mandate IFC EDGE or GRIHA certification for portfolio projects. Green buildings command 5–10 percent rental premiums, reduce operating costs by 15–20 percent, and attract ESG-mandated capital. This requirement aligns with Tamil Nadu's climate commitments and TNIFMC's existing ESG framework.

With TNSF Fund I's track record, Tamil Nadu's structural advantages, supportive policy tailwinds, and proven global models, the conditions for success have never been more favorable. The strategy outlined in this case study — combining innovative financing, policy advocacy, and operational excellence — can deliver both compelling financial returns and transformative social impact for millions of Tamil Nadu residents.