

RBI 's decision to cut repo rates uplifts market sentiments

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Real estate sector has been confronted with challenges like weakening demand, market volatility, lukewarm budget, high land cost, high input cost, among others. But finally with the reduction of 50 basis points, the real estate market has something to cheer about.

Majority of the developers foresee demand to pick up, post this decision. According to Ashwini Kumar, Chief Operating Officer (COO) of Bangalore-based Nitesh Estates Ltd said, "The jury is still out on what is a bigger menace – inflation or slowdown of the economy. However for home buyers, the better-than-expected rate cut is a very welcome event as this will improve the affordability."

The industry is waiting for significant reduction in interest rates by banks after RBI's decision to cut the repo rates by 50 basis points. According to a spokesperson of Mumbai-based Hubtown Group, "This is a welcome step but what remains to be seen is whether it will translate to significant reduction of interest rate or not. For any worthwhile impact on the industry, the basis points should be reduced by 100-150 points. With the current high price of property as well of financing it, the demand is drying in the market. Unless there is a rationalization of both these factors, the comfort level of end-user will not come back into the market."

It is expected that this move will perk up the demand and indirectly help the developers in disposing off the unsold stock.

According to Navin Raheja, President, NAREDCO, "This will revive the declining real estate, where most realtors have been reporting decline in net profits, and boost realty stocks which have eroded 80-90% from their peak. Infusion of capital to the sector will see increase in new launches and expansion in capital expenditure plans of realtors which have declined owing to severe liquidity crisis looming the sector. Added to this, abolishing prepayment penalty on home loans will reduce burden of home buyers and encourage more people to venture into real estate sector. Overall, there is a reason for real estate sector to cheer, which has been under tremendous pressure due to liquidity crunch and rising interest rates in last two years. Rate cut by RBI is expected to improve supply of housing and return of home buyers in the market, but to return to 2008 level is still a long wait."