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Good news for homebuyers: RBI keeps repo rate unchanged

Extended period of historic low interest rates would ensure home loan rates remain at current benign levels and aid the revival of real estate sector, argue experts

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The Reserve Bank of India's Monetary Policy Committee (MPC) has kept Repo Rate unchanged at 4 per cent, Reverse Repo unchanged at 3.35 per cent. Experts argue that it will boost home sales as buyers will be assured of continued low interest rate regime. Shishir Baijal, chairman and managing director, Knight Frank India, says, "Extended period of historic low interest rates would ensure home loan rates remain at current benign levels and aid the revival of real estate sector. We have also seen many real estate developers refinancing their borrowings at lower interest cost and benefit from the lower interest rate regime, which is crucial at this juncture when business operations are facing the pandemic pressure."

The lower interest rate environment and demand stimulant measures from Government coupled with the ongoing vaccinations is likely to encourage businesses and consumers to avail credit to expand their business or fulfil consumption requirements, thereby stimulating the economy.

Niranjan Hiranandani, national president, NAREDCO, says, "The sentiment seems to be quite optimistic with recurrent accommodative stance by 250 basis point reduction in Repo rate since February 2019 even in wake of inflationary pressure. This signals market buoyancy



The upcoming festival season will likely bring in more demand, and low home loan interest rate will make buyers buy homes

with steady economic recovery, regained momentum in consumption in the wake of urban job stability leading to increase in private spending."

Manoj Gaur, CMD, vice president, North, CREDAI National, however, says, "The real estate sector has been expecting sector-specific measures that could trigger healthy growth. Although the government has taken some steps to help the sector in recent months, additional reforms are required to allow the sector to thrive."

Gaur hopes that the upcoming festival season will likely bring in more demand, and developers are hopeful that the low home loan interest rate will make the buyers go for real estate assets.

Pradeep Aggarwal, chairman, National Council on Affordable Housing, ASSOCHAM, says, "Real estate has made a strong demand for low house loan interest rates, and the RBI has helped the sector by maintaining the status quo. Further, the low interest rate will augment the home buying sentiment and facilitate financial cushion to log the deals in backdrop of festive tailwinds. Also, if regulators can enhance credit supply to the stalled projects via

permitting more SWAMIH funds, will go long way in resurrecting the prolong sluggish real estate market and ensure customer delivery."

Amit Goyal, CEO, India Sotheby's International Realty, says, "Keeping interest rates benign will keep the housing momentum going. With home prices stable for the last five years and home loan interest rates at a historic low, there's a clear revival of India's real estate cycle."

Samantak Das, chief economist and head research & REIS, JLL, says, "RBI has upheld its accommodative stance and kept the repo rate unchanged at 4 per cent during the monetary policy committee meeting held today. 'Strong and sustainable growth'

continues to remain the cornerstone of the Central Bank's philosophy while it takes into cognizance the current rising inflationary trends."

Citing the high inflation levels to be transitory in nature driven by short term supply side constraints, the RBI draws attention to the promising high frequency indicators such as consumption, investment and external demand which are regaining traction as the economy is opening up in a phased manner.

With the concerns of the second wave ebbing supported by aggressive ongoing mass vaccination, broad-based policy support, normal monsoons, likely easing of supply side issues, RBI maintains its growth forecast for FY 21-22 at 9.5 per cent.

As the economy gradually gains foothold in the aftermath of the receding impact of the second wave, RBI has indicated greater confidence in the resilience of the Indian economy.

"Green shoots in the residential sector have emerged in tandem with the gradual improvement in the economic environment as businesses reopen. Prevailing lower home loan rates supported by RBI's policy rate stance, stable prices and attractive payment plans and schemes of developers are aiding the translation of pent-up demand into sales. If the downward trajectory in COVID-19 cases is sustained, the sector is expected to make a healthy recovery in H2 2021," Das concludes.

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