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SENSEX 52,925.04 ↔ 0.00 NIFTY 15,860.35 ↔ 0.00 DOLLAR ₹74.19 ↔ ₹0.00 EURO ₹88.58 ↔ ₹0.00 OIL \$76.18 ↔ \$0.00 GOLD ₹46,991 ↔ 0.00

Has the second covid wave turned things in favour of homebuyers?

For people planning to buy a house now, low interest rates on loans, subdued prices and incentives are positives

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After record sales in the January to March quarter of calendar year 2021 (CY21), sales in the real estate sector saw a drastic reduction as lockdowns were imposed across the country to weaken the second wave of covid-19. According to projected data from Anarock Property Consultants, sales in the second quarter of CY21 (Q2CY21) could slip 58% below the previous quarter as only 24,570 units may be sold, compared with 58,290 in Q1CY21. However, homebuyers are making a slow comeback to the market. Property consultants and developers we spoke with said footfall has risen to about 40-50% of what it was prior to the second wave, as lockdowns are getting lifted.

Despite the change in circumstances, if you are still not sure if now is the right time to buy a house or not, let us look at the factors that affect a home-buying decision, and how they have changed after the second wave.

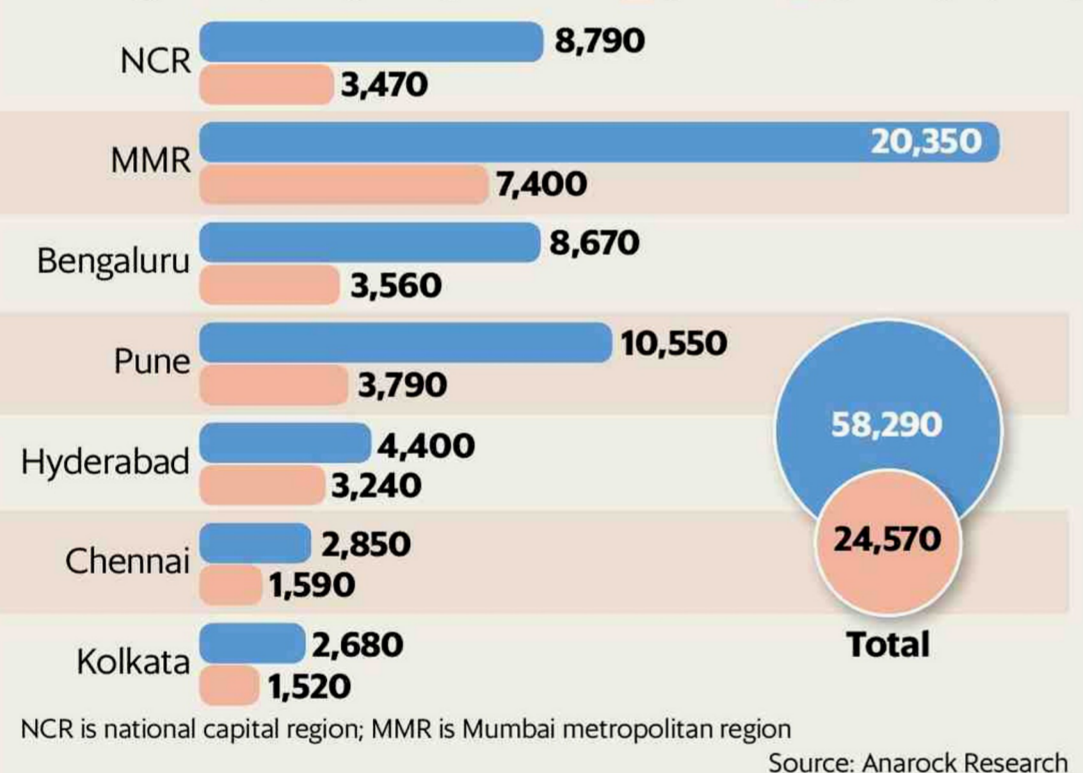
Low interest rates: Interest rates on home loans are at more than a decade low, which has improved affordability for homebuyers. As the cost of borrowing is low, equated monthly instalments (EMIs) for loans of the same tenures and amounts will be lower. Of late, we have seen an uptick in inflation, which has raised fears that interest rates may go up. But experts say it is unlikely that interest rates will go up in the near future.

“The Reserve Bank of India (RBI) has made it clear that it will be focusing more on supporting growth, despite the fact that inflation is expected to remain on the higher side at about 5% throughout the year. The RBI is pushing liquidity in the market through its

Pandemic reality

The second quarter of calendar year 2021 could see housing sales drop 58%.

Housing sales (units) in top 7 cities Q1CY21 Q2CY21 (projected)



GRAPHIC BY PARAS JAIN/MINT

bond purchase programme to keep bond yields from rising. If yields don't go up, interest rates are unlikely to go up," said Madan Sabnavis, chief economist, Care Ratings.

"Also, banks are unlikely to increase deposit rates, which would lead to increase in interest rates of loans, as there has been a lower than usual demand for credit from corporates. Banks will also push retail loans as the chances of them becoming non-performing assets (NPAs) are less. All these factors indicate that we are unlikely to see a rate hike in this calendar year," he added.

Construction delays: During the lockdown imposed last year, construction activity was halted almost completely; this time as the lockdown was not as stringent, some activity

continued even during the lockdown. But there will still be delays. "Many developers would face delays due to labour shortage; some construction workers left the town for the harvest season before the lockdown was implemented," said Manoj Gaur, chairman and managing director,

Many developers may face delays from labour shortage as workers left for harvest season before lockdown

Gaurs group and vice president, North, Credai National. It was a temporary setback, though, as labourers are now returning to workplaces. "The situation will improve next month onwards, especially for developers where contractors' payments are streamlined," said Amarjeet Bakshi, chairman and managing director, Central Park. However, the fear of a third wave can't be ignored, it may impact construction activity going forward as well. So, if you plan to buy

a house, it will be prudent for you to go for a ready-to-move-in house rather than an under-construction property to avoid the execution risk.

Offers and discounts: To boost sales in the real estate sector, a few states, including Maharashtra, slashed stamp duties for a limited period. This resulted in record sales in Q1CY21. However, the Maharashtra government has not extended the stamp duty cut. The deadline for credit-linked subsidy scheme (CLSS) under the Pradhan Mantri Awas Yojana (PMAY) for mid-income groups 1 and 2 also expired on 31 March. Although some of these incentives no longer exist, experts say developers are offering adequate incentives to homebuyers.

"There are offers such as easy payment plans, paying rent till possession, etc. Additionally, when a buyer sits across the table, the developer usually adds a discount to seal the

deal," said Mani Rangarajan, group chief operating officer (COO), Housing.com, Makaan.com and Proptiger.com.

"Property prices are at their lowest point and developers are still offering various incentives and discounts to serious buyers. In short, there are still sufficient incentives for buying homes, though sales velocity was certainly much faster during the stamp duty cut period," said Anuj Puri, chairman, Anarock Property Consultants.

Price movement: High inventory and poor sales have ensured that housing prices remain subdued for quite some time. The housing price index released by RBI showed an increase of 1.1% in the third quarter of financial year 2020-21. However, the construction cost has gone up around 10%, according to industry estimates. This has mounted pressure on developers who are already operating with thin margins. "Property prices may increase in the range of 5-8% by the end of 2021 as input costs have increased significantly, and industry leaders are echoing this sentiment too. The coming months might see a price bump, but the percentage of price rise may vary according to markets," said Kanika Gupta Shori, COO and co-founder, SquareYards. However, the price rise may not be uniform, and across all sections, say experts.

Mint takeaway: If you are planning to buy a house to live in, and are confident about the continuity of your job and business, now is a good time. If you are availing a loan, be doubly sure about your financial ability. Also, if your pocket allows, it will be better to go for a ready-to-move-in property to avoid construction delays, and as there is no goods and services tax in case of ready-to-move-in properties.

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