

Govt Measures To Boost Real Estate Sector: Experts



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Industry experts have wholeheartedly welcomed the measures announced by Finance Minister Nirmala Sitharaman to address the ailing real estate sector, especially the setting up of a stress fund for completion of stalled real estate projects. They feel that they will boost growth in the sector and that several mid-income and affordable housing projects, which are witnessing slow progress due to lack of funds, will be expedited and around 3.5 lakh people would benefit from effective implementation of the steps.

The government had last Saturday announced a special window to provide last mile funding for stuck housing projects in affordable and middle income category, provided they are non-NPA and non-NCLT projects. It had also announced relaxation of External Commercial Borrowing (ECB) guidelines for affordable housing to facilitate financing of home buyers who are eligible under the Pradhan Mantri Awas Yojana.

Ravindra Sudhalkar, ED and CEO, Reliance Home Finance, said that the announcement of the special window – for which Rs 10,000 crore will be contributed by the government and an equal amount by outside investors – was a great move. He added that exclusion of projects affected by NPA and NCLT issues will ensure that only good projects which were stuck will now get off the ground.

Manoj Gaur, MD, Gaur's Group, said the stress fund should help faster delivery of close to 3-3.5 dwelling units.

“The fact that the special window will be managed and monitored by professionals from housing and banking sector is another step in right direction,” he said.

The government had also announced that interest rate on house building advance would be lowered and linked with the 10-year G-Sec yields.

Gaur said this decision was likely to reduce effective interest rate for government employees, which should encourage them to buy new homes. He added that relaxation of ECB borrowing norms for affordable housing should also boost housing demand as the cost of funds will reduce for home finance companies as a result of the move.

Many industry observers agreed that among all the announced measures, the biggest relief was the last mile funding where projects that are 60 per cent complete will get funding through the special window.

Dhiraj Jain, Director, Mahagun Group, said with this support from the government, the market will become more potent and many buyers will get the possession of their homes soon.

“Additionally, many unsold units of these stuck projects will come in the market opening an options galore for the property seekers. This decision is going to affect so many lives and ease out the burden of real estate sector,” he said.

Dhruv Agarwala, Group CEO, Housing.com, Makaan.com and PropTiger.com, said the measures, along with the ones announced earlier will provide a real and tangible solution to the major problems being faced by the real estate sector. “This in turn is likely to provide a major boost to the downbeat sentiment in the sector and will also encourage sales of new homes, which will further provide an impetus to the sector,” he said.