

Reserve Bank of India hikes repo rate: Revival of sluggish real estate sector may get delayed, say experts

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New Delhi: The RBI's decision to hike key interest rates will not have much impact on housing sales, but could delay revival of the sluggish real estate sector, according to property developers and consultants.

NAREDCO's President Niranjan Hiranandani said the hike of 0.25 basis points in the repo rate would not make a major difference to real estate. In the long run, he said, "we would prefer rates coming down".

CREDAI-National President Jaxay Shah said this decision "may lead to suppressed growth in the Indian real estate sector which has shown substantial resilience over the last 18 months."

The real estate sector requires lower rates to provide further thrust to 'Housing for all by 2022', he added.

Anuj Puri, Chairman - ANAROCK Property Consultants, said, "Much to the dismay of several home buyers, the RBI hiked the repo rates by 25 basis points in its latest policy review."



Representational image. AFP

But on the positive side, he said, the common man in the metros has something to cheer about because RBI has made it easier to avail home loans in the affordable segment.

As per the new policy, home loans up to Rs 35 lakh in metros will now qualify for benefits under priority sector lending. Earlier, only housing loans up to Rs 28 lakh were eligible for these

benefits, Puri said.

JLL India CEO and Country Head Ramesh Nair said, the hike may dampen sentiments in the market but in terms of real estate there may have little or no impact.

"As buying decisions are generally not taken based on fluctuations in home loan rates, there will be very little effect on the real estate market," he added.

Dhruv Agarwala, Group CEO, Proptiger.com, Housing.com & Makaan.com, said, "With the rates now going up, markets are expected to dip slightly, but with the stability it has achieved in the past, it is expected to recover from the slump eventually."

Property consultant Cushman & Wakefield India's MD Anshul Jain said, "We foresee an increase in home loan rates not to have a significant impact on sales velocity in the residential market. Serious buyers, especially in an end-user driven market, will continue to scout the market for properties, as the change in actual EMI will not be significant post an upward revision in home loan rates."

However, Shishir Baijal, CMD of Knight Frank India, said, this increase in policy rate will delay the revival of the country's housing market, which after suffering a prolonged period of slump has just begun to show early signs of improvement.

Joe Verghese, MD of Colliers International India, said, the potential increase in interest rates is unfortunately going to impact the developers more than the homebuyer.

"Not only do their cost of funds increase, the rate increase can impact velocity of sales as fence sitters will see this as another reason to postpone their home buying decision."

From developers side, CREDAI's NCR Pankaj Bajaj said, "Real estate sector needs all the help it can to revive the demand, which has been on hold for last 2 or 3 years. We would have been happy if home loan rates had remained unchanged. But 0.25 per cent change in home loan rates is not material to sway the purchase decision of a prospective urban family which is thinking of buying a home."

Manoj Gaur, Vice President CREDAI-National & MD, Gaurs Group, said this would lower the sentiments for some time; while Dhiraj Jain, Director, Mahagun Group, said any increase in lending rate dampens the sentiments in real estate as the net cost on the buyer for the housing unit gets increased.

Ruparel Realty MD Amit Ruparel said, the RBI's decision of increasing the repo rate would dampen the homebuyer and developer sentiments.

Bengaluru-based Century Real Estate MD Ravindra Pai said home loans would get costlier. "With the EMI burden passed on to home buyers, the real estate industry will face a setback as it is already experiencing low sales."

Vikas Bhasin, CMD of Saya Group, said, "Even though the apex bank has increased the rates, but we still believe that there is room for financial institutions to cut down on their lending rates for their customers."

Deepak Kapoor, Director, Gulshan Homz, said the Reserve Bank was left with no option but to increase the key rates in order to have a tighter grip over the economy; while Gaurav Gupta, Director of SG Estates, expected the "market to run with only a static demand in the short run, that too on the lower side."

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