RBI'S MONETARY POLICY : IMPACT ON REAL ESTATE SECTOR

Mr. Rakesh Reddy, Director, Aparna Constructions

"The Reserve Bank of India's decision to keep the repo rate unchanged at 6.50 per cent will provide much needed encouragement to the real estate sector. Maintaining the status quo is a positive sign for the sector which has been witnessing signs of revival this year. The real estate sector has seen many policy interventions recently including RERA and GST. These policies have gone a long way in reforming the sector and inspiring consumer confidence. The status quo is especially critical in preparation for the upcoming festive season as any hike in the interest rate would have adversely affected housing demand and derailed momentum. Despite the recent trend of rising interest rates, rising crude prices, currency depreciation and inflation, the RBI's decision has presented a great opportunity for home buyers. They can take advantage of the numerous festive offers coupled with the attractive home loan rates. The depreciation of the rupee should also attract NRI investors. The move indicates that lending rates are not expected to increase from current levels. As a result, the festive season is expected to trigger the home buying sentiment in the market. Overall, the decision will have a positive impact on the real estate sector as the cost of financing for both developers and home buyers will not increase in the near future. It is a relief to all stakeholders. Moving forward, we hope the RBI will continue to take positive steps to capitalise on the renewed growth of the sector, and economy at large, and make it enticing for home buyers.

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Mr. Bijay Agarwal, MD, Salarpuria Sattva Group

"The Reserve Bank of India (RBI) left everyone surprised with a status quo on the interest rate in its October monetary policy review going against the overwhelming view of the central banker. With no liquidity in the market, the RBI is regularly selling dollars to rein in rupee depreciation that has further made cash and assets tight in the market. RBI kept the REPO rate unchanged at 6.5% while the market had expected a rate hike of at least 25 basis points. Though this decision had an immediate negative impact on the stock and currency markets, it augurs well for the real estate industry. The RBI has ruled out any rate cut in future by changing its stance from 'Neutral' to 'Calibrated Tightening'.

The real estate industry has been showing signs of recovery over the last six months as it was impacted by developments, which were beyond their control. There was an overall credit squeeze in the sector, and the buying sentiment among the consumers was tepid. Moreover, the real estate sector is yet to fully absorb the impact of demonetization and the implementation of GST. The real estate sector is gradually returning to normalcy with consumer sentiment still negative. In such a situation, any upward hike in the interest rates would have further dampened the sentiments of the sector. Given that the festive season is on, which is going to extend all the way up to December, a steady interest rate will enthuse the home loan borrowers. This will also positively impact the home builders and developers. The critical bottom line for the real estate industry is low as international rates is a driving force, and any negativity on this front would be almost unmanageable for the sector considering the recent developments.

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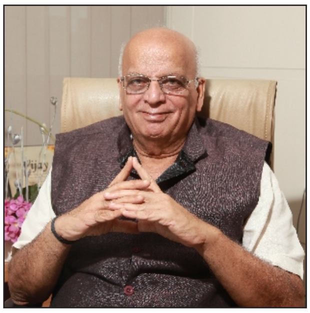
Mr. Bihari P. Kandhari - Founder Partner, B. Kandhari Properties LLP



"A status quo in the policy rates means that deposit rates would stabilise or marginally increase. We have recently seen interest rates of small savings schemes for the current quarter go up by 30-40 bps. This increase will contribute to driving up the interest rates on bank fixed deposits as well. So, if you are looking for assured returns and safety of capital, small savings are becoming more attractive."

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