


# Builders unexcited, still welcome RBI's interest rate cut

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With the Reserve Bank of India (RBI) on Tuesday cutting interest rates by a quarter point, making home loans cheaper by 0.25 per cent, real estate experts have said that it is only after pro-consumer policies, like that of constituting a Real Estate Regulation Authority (RERA), come into play that one can expect the trust deficit between developers and buyers to improve.

Experts believe that only major policy changes could result in home sales going up. However, developers have welcomed the RBI's decision.

A panel led by RBI governor Urjit Patel on Tuesday marked its debut policy review with a 0.25-per cent rate cut lowering borrowing costs to a six-year low, which real estate developers lauded as a pre-Diwali gift.

"This will bring confidence in the system, providing a boost to not only the real estate sector, but also the overall economy ahead of the crucial festive season," said Surendra Hiranandani, chairman and managing director, House of Hiranandani. Meanwhile, Anuj Puri of JLL India cautioned that at this point, there is no answer as to how much of the benefit from the rate cut the banks would actually pass on to borrowers. He said, "The first question that arises after this rate cut is, of course, how it will help improve buyer sentiment in the housing sector. The reason why housing sales have been sluggish is because of a trust deficit between consumers and developers.

Unless RERA and other pro-consumer policies come into play, buyers will continue to be wary. Therefore, we can expect only a marginal improvement in sentiment on the back of this rate cut."

Kishore Bhatija, managing director, K Raheja Corp, said, "The repo rate cut is a welcome policy measure. This is a positive development for the realty sector, which should see the cost of capital easing."