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Realtors hail RBI rate cut, urge banks to pass on the benefits to home buyers

The central bank on Tuesday reduced the repo rate by 25 basis point to 6.25 per cent, taking the total reduction to 175 basis points since January 2015.

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NEW DELHI: Real estate developers and experts have welcomed the Reserve Bank of India's (RBI) decision to reduce repo rate by 25 basis points, while urging banks to pass on the benefits to home buyers.

The central bank on Tuesday reduced the repo rate by 25 basis point to 6.25 per cent, taking the total reduction to 175 basis points since January 2015.

However, banks have cut their rates only about 70 basis points till now, citing liquidity concerns.

Niranjan Hiranandani, chairman and managing director, Hiranandani Communities, said, "It's a brave move in the right direction," adding, "A 25 basis point cut won't have too much of an impact, but the direction is important. Banks need to reduce home loan rates to let the impact trickle down to consumers. More than urging, there is justification for the reduction in rates as non-performing assets in home loan segments are around 2% and lowest among all the sectors."

Shishir Baijal, chairman and managing director, Knight Frank India feels a 25 bps cut in policy rate is encouraging and signals well for the real estate sector.

According to Anuj Puri, country head, JLL India, there is also no ready answer to the question of to what extent banks will actually pass on the benefit of the rate cut to borrowers at this point. "The reason why housing sales have been sluggish is because of 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," he added.

With inflation touching the lowest mark in August, the rate cut was highly anticipated, feels Gaurav Mittal, managing director, CHD Developers. "Decline in the consumer price index inflation to 5.05% in August from a 22 month high of over 6% in July had opened up the possibility to cut the repo rates," he said.

Industry participants are also expecting further rate cut by RBI in the coming months.

"On the backdrop of good monsoon and bumper harvest the prices of vegetables and pulses are further expected to decelerate therefore there is ample room for monetary easing even in the future," said Ashish Sarin, chief executive officer, Alphacorp.

This is how other industry leaders reacted to the RBI's policy move:

**Surendra Hiranandani, Chairman & Managing Director,
House of Hiranandani**

We welcome the new governor's move to cut rates by 25 bps on the back of a favorable monsoon that has helped stabilize food prices and inflation. This will infuse confidence in the system thereby providing a boost to not only the real estate sector, but the overall economy ahead of the crucial festive season. There is an urgent need to focus on growth and create more jobs that will strengthen the economy.

This will not result in a significant rise in the demand for credit from the corporate sector immediately, but can drive down the cost of borrowings for banks and give them some incentive to drop lending rates, thereby giving existing borrowers, a much-needed breather.

Vineet Relia, Managing Director, SARE Homes

This is welcome step by the Government. This will infuse confidence in the system thereby providing a boost to not only the real estate sector, but the overall economy ahead of the festive season. It is imperative for banks to reduce interest rates and the combination of lower interest rates alongside the progressive measures taken by the government towards reforms has the potential to reinvigorate demand in all segments of the economy. The revision in the REPO rate will positively impact the sentiments surrounding the real estate market. Cheaper loans for home buyers will prompt a renewed interest in residential property purchase from end users and investors.

**Anshuman Magazine, Chairman – India and South East Asia,
CBRE**

The RBI's latest bi-monthly monetary policy review is a welcome one. The announcement will not only help the real estate industry to rejuvenate housing sales but will also infuse consumer confidence in the festival season. The amalgamation of lower interest rates along with the measures taken by the government towards reforms will help provide the necessary impetus to the sector.

Atul Banshal, President- Finance and Accounts, M3M

We welcome first step taken by New RBI Governor. The repo rate cut will complement government's initiative to pull back the economy on track. This rate cut would mean lower EMIs/Cost and thus will have positive impact on Real Estate and Other Large industries. Softening of Interest rates will definitely raise the number of potential home buyers and hence will lead to an increase in overall real estate demand. Simultaneously it's very important that banks pass on entire benefit ahead, which will further fuel the growth and development.

Tapan Sangal, Group Director, Lotus Greens

The latest cut of 25 bps in interest rates by RBI augurs well for the real estate sector. We expect the rate cuts to be passed on to the end consumer. More significantly this rate cut signifies an easier interest rate regime. Coming as it is in the scenario where real estate prices have fallen significantly, this rate cut is expected to act as a catalyst for buyers decision to make purchases.

R K Arora, chairman, Supertech

The RBI decision to cut the repo rate by 25 bps to 6.25 is a right decision taken at the right time and it is a positive decision for the real estate Housing sector . With the rate cut at this festive season, the sluggishness in the real estate sector would come to an end and as a result of the implementation of the new Real Estate Regulatory Act coupled with the rate cut, more new projects would come up.

Amit Modi, Director, ABA Corp & Vice President CREDAI Western UP

This is a surprisingly good development, since easing interest rate will help revive health of businesses like Real-Estate which are highly sensitive to interest rate movements, but while it is indeed a step in the right direction, we sincerely hope that both Finance Ministry as well as the RBI asks all the Banks to transfer the benefits to the end consumer, else this move will severely stop short of benefiting the consumer and only help in buffering the bottom lines of the bank. This initiative has to be transferred to its end beneficiary for any positive effect on ground to the ongoing economic cycle.

Samir Jasuja, CEO & founder, PropEquity

The move by the Reserve Bank of India (RBI) to cut repo rate by 25 basis points is a good move as festive seasons is just about to begin and with possible lower interest on housing loans, developers reeling under severe demand crisis may be able to sell some inventory in the following months. We already have an astonishing unsold inventory of 7,37,122 units in NCR, MMR, Bangalore, Chennai, Hyderabad, Pune and Kolkata combined. For the real estate sector it is a significant positive development as major home sales happen in the festive season beginning with Navratray from mid October followed by Dusshera, Diwali and New Year. We expect now banks to pass on the rate cuts to home loan borrowers which will help in pushing housing demand in the country.

Arjunpreet Singh Sahni, ED, Solitairian Group

RBI has undoubtedly set the tone of the festive season with the repo rate cut by 25 basis points and we do hope the banks will generously pass on the benefits of the total 175 basis points of repo rate cut accumulated since last year. Any reductions in the bank rates at this juncture will definitely have a positive impact on the real estate market, which will boost the demand factor and increase the capacity of the common man to buy their dream property. Off course, today's repo rate cut is reflective of the thrust that the new RBI Governor wants to provide to the Indian market.

Rajesh Goyal, vice president, CREDAI-Western UP

This move was pretty much on the cards looking at the economic recovery witnessed over the last couple of quarters. For long there has been no reduction offered by the other banks but with the festive mood already set in and people looking for better and better options, banks can cash in well and allow further support to the real estate sector.

Vaibhav Jain, CMD, Rise Group

RBI has been extremely pro-active in terms of bringing relief to the economy and pushing the banks forward to provide final benefit directly to borrowers through reduced EMIs. Real estate sector in particular was in dire need of a repo rate reduction as we are standing in the final festive season of the year. Sentiments will now become better as customers will be

expecting banks to lower their rates that will be profitable for them prior to a big purchase such as, property.

Dhiraj Jain, director, Mahagun Group

There exists a direct relation between reduction in lending rates by banks and an increase in demand for property. It is then just a matter of proper timing by the banks while adjusting the rates. The festive season of the Hindu calendar has just commenced where massive demand is observed every year, and this is the time when potential customers plan and allocate their funds for the big purchase.

Deepak Kapoor, president, CREDAI-Western UP

A fall in lending rates today will promote the sentiments in the market and allow people to strategise their upcoming purchase as the maximum purchase decisions involving big amounts are made during this period. RBI has played its part well today and now the ball is in banks court. This will not only enhance the purchasing power of the customers but also allow them to even go ahead with a better purchase.

Kushagr Ansal, director, Ansal Housing

This rate cut has come at the most opportune moment which could have happened on the doors of Indian real estate. There had been many positives building up to this festive season like the RERA already passed, GST to be implemented by the onset of the next financial year, considerable reduction in FDI limitations, the only stone left unturned was a rate cut by the apex bank. Now, with the cut also done by the apex bank, there could have been no better sentiment enhancer for the already upbeat mood in the real estate sector.

Ashwin Sheth, CMD, Sheth Corp Ltd.

“The rate cut will definitely help in bringing down the home loan interest rates and would bring some amount of relief to the homebuyers. Also banks should pass down the benefit to the homebuyers as this will encourage the buyers to buy their dream home. Interest rate is one of the important factors that one looks at while buying a home as loan equated monthly installments (EMI) depend on that. So, as EMIs fall due to drop in interest rates, the demand for housing should rise.”





Rattan Hawelia, Founder & Chairman, Hawelia Group

“RBI’s decision was largely on the expected line and reduction in repo rate at this juncture will surely have significant impact in facilitating growth of real estate sector. Ahead of festive season, it is a positive step and will attract genuine end-user home buyers. Banks to pass on the benefits to home loan borrowers that would help revive housing demand”.

Surender Sangar, Head of Wholesale lending with Capri Global Capital

“As a Non-Banking Finance company, we are hopeful to gain from the rate cut as we have lined up approval from our board to raise financial resources in the form of commercial paper and non-convertible debentures via private placement. Needless to say, we will be able to pass on the benefit to our borrowers who are on the verge of falling in line with the growth curve with the improve investment sentiment in the country.”

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