

Slashed repo rate to boost pre-Diwali home sale: Experts

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MUMBAI: Those who plan to buy a house this Diwali have reason to cherish as the reduced repo rates, announced by the Reserve Bank of India (RBI) on Tuesday, could mean reduced interest rates for home loans.

The RBI's move to slash repo rates by 50 basis points may also result in lower Equated Monthly Instalments (EMIs). The move comes as a respite to builders too, who can now get funds at cheaper interest rates.

The RR is the interest rate that banks have to pay when they borrow money from the RBI to meet their short-term fund requirements.

According to real estate experts, the move will give a much-needed boost to the real estate sector that has been facing a slowdown.

"The reduced repo rate comes as a great pre-Diwali bonanza to people planning to buy homes as well as a positive sentiment for the industry. The timing is also favourable as developers plan new launches in the festive season," said Deepak Joshi, president and chief business officer, Religare Affordable housing loans business.

Kamal Khetan, chairman and managing director, Sunteck Realty Limited, said, "This rate cut would also lead to a significant reduction in home loan rates thereby reducing EMIs."

The RBI has reduced the RR from 7.25% for the fourth time this year to 6.75%.

The real estate industry is hopeful of the commercial banks passing on the benefit to the industry.

DREAM HOME

- The reduced repo rate could result in reduced interest rates for home loans
- Move will boost the real estate industry, which is currently facing a slowdown
- Builders too can now get funds at cheaper interest rates
- With the festive season approaching, the reduction in repo rate is well-timed
- In the past couple of years, buyers had deferred their plans owing to the stringent lending conditions by RBI and continuous hikes in interest rates

RBI'S MOVE TO SLASH REPO RATES BY 50 BASIS POINTS MAY ALSO RESULT IN LOWER EQUATED MONTHLY INSTALMENTS (EMIS)

"The move will infuse liquidity in the market. We hope that commercial banks follow suit by reducing interest rates so that the benefits can be enjoyed by the potential buyers," said Surendra Hiranandani, chief managing director, House of Hiranandani.

In the past couple of years, prospective buyers had deferred their plans owing to the stringent lending conditions by RBI such as 80% loan disbursement for home loans and continuous hikes in interest rates.