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Real estate will slow down initially, feel developers

Despite fears that the decision to withdraw existing currency notes of Rs.500 and Rs.1,000 will hit the real estate hard, developers and real estate agents believed that the decision may cause the market to slow down initially.

However, they feel, the move will benefit end-users and discourage investors in the long run, causing price correction.

While the primary market, where one buys project directly from a developer, may not be impacted by the measure, the secondary market will be hit with an expected slowdown in the resale of the property.

“Resale of property involves a significant share of cash or unaccounted money. Now with a sudden ban on Rs.500 and Rs.1,000 notes, the decision will impact these transactions. The real estate market is already passing through a bad phase and this decision will cause the trend to continue,” said Krishan Kumar, a realtor in Gurugram.

Sale deeds

The sale deeds in the municipal corporation area of Gurugram tehsil have decreased from over 25,000 in 2010-11 to just over 14,000 in 2015-16, indicating a slowdown in the real estate market and hitting the revenue of the Haryana government.

On the brighter side, a section of developers and real estate agents felt the move will help the market in the long run. “It is mostly the end-users who are involved in the purchase of property in resale and a majority of them do not have enough cash. In fact, most of them are dependent on bank loans and are more than willing to pay through legal means. It is mostly investors who prefer to deal in cash. Now with this decision, the transactions through bank loans will increase. With investors staying away from the market, a price correction can also be expected in the long run,” said Ramesh Rawat, the director of Prophunt Infratech Private Limited.

Mr. Rawat added that price correction is more likely in land prices, as it involves a huge share of cash.

“With a fall in land prices, the rates of flats is expected to go down in the long run,” he added.

Pankaj Bansal, the director of M3M Group, said: “While this will definitely have no impact on primary residential segment as buyers in this sector are driven by mortgage, it will have high impact on secondary market and the unorganised sector, which still largely works around cash dealings. Also, with the implementation of the real estate regulatory Act [RERA], the sector will get cleaned up. The move will bring more transparency in the financial system in the country.”

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Positive impact

Sumit Berry, the managing director of BDI Group, said the decision will have a positive impact on real estate as well since primary transactions are via home loans.

Meanwhile, home buyers in Noida had a tough time getting their properties registered on Wednesday as the Stamp and Registration Department refused to accept banned currency notes.

Tough time

S.K. Singh, the Assistant Inspector-General, U.P. Stamp and Registration Department, told *The Hindu* :
“Usually, 500 properties are registered in Noida daily. However, not a single property was registered on Wednesday as people didn’t have notes to buy stamps,” said Mr. Singh.