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BUY TIME!

Cut or no cut, perfect time to buy a house!

Though the RBI maintained the repo rate, the home loan interest rates are low and, coupled with subsidies, they are at the lowest level in 20 years. Thus, this is an ideal time for end users to enter the market for home purchase, experts say



see a significant positive change in consumer sentiment due to the likely reduction in home loan rates.”

Developers, however, say that the lending rates will soften again in the near future, which will make home loans more affordable.

“After demonetisation, there is enormous liquidity in the system. Banks and other lending institutions are eager to deploy the surplus and, for them, there cannot be a better option than advancing long-term home loans. Hence interest rates on home loans are expected to reduce further. All borrowers, who have opted for floating rate home loans, stand to gain under the MCLR regime,” Pankaj Bansal, director of M3M Group, said.

Saurabh Jindal, joint MD of SVP Group, says: “The RBI move was expected as it has factored in enough bad news on the inflation front. It is, therefore, highly unlikely that key rates will be changed before the next year. However, looking at the government’s focus on housing for all, we are hopeful that lending rates may still come down and further help in reviving market sentiment.”

Prashant Tiwari, chairman of Prateek Group, is also of the view that lending rates will go down going ahead. “Although the RBI’s decision to maintain status quo on key rates was along the expected line, we look forward for reduction in rates in the future. While the government is taking corrective measures for economic growth and stability, there is also need to adopt a balanced approach considering the growth of key sectors like real estate. We are hopeful that lending rates will go down in the future, which will be good news to homebuyers.”

Some other developers think otherwise. However, they say that whatever be the case, this is the perfect time to buy one’s home.

Mohit Goel, CEO of Omaxe Ltd, says: “The first monetary policy of 2017-18 announced a couple of days ago indicates that interest rates are unlikely to fall

from the current level. Since demonetization, banks have reduced home loan rates by 80-90 basis points and are providing home loans at around 8.5%. Taking into consideration interest subvention, the effective rate is lower at around 7.5-8%. Amid the government’s push for housing, particularly affordable housing, early indications are that property prices will start inching up. Thus, the time is ripe to avail a home loan and book one’s dream home.”

Developers say that with the inclusion of LIG and MIG in the fold of affordable housing, the government is clearly attempting to create an ecosystem fuelled by incentives. The home loan interest rates too are low. Coupled with subsidies, they are at the lowest level in 20 years.

“Home prices are expected to increase in the first quarter of 2017-18 as the overall economy will improve after demonetization. Also, RERA, GST and other regulatory measures slated to come into force in the near future will usher in transparency in the sector. Since new launches will be affected in the first quarter of the financial year due to the implementation of these laws, the demand for available inventory and ready-to-move-in homes will increase. The rise in demand will ensure that prices remain firm and start the ascent once again in good quality projects. It is, therefore, the perfect time to buy property today,” Ssumit Berry, managing director of BDI Group, said.

“Even if the lending rates do not fall further, it should be noted that there are less and less investors in the market today and more and more end users. End users, in fact, don’t get much influenced by the prevailing bank interest rates and go for a property which suits their requirement and remains within their budget,” Rahul Singla, director of Mapsko Group, says.

The RBI, as widely expected, kept the repo rate unchanged at 6.25% in its recent policy meet and is also unlikely to go for any more rate cuts in the near future given the journey to 4% inflation still remains challenging.

Industry experts say that notwithstanding the stance of the RBI on rate cuts, the softening of lending rates will continue going ahead, which will benefit homebuyers.

Even in its first bi-monthly Monetary Policy Statement on April 6, the RBI said that although banks have reduced lending rates, a further scope for a more complete transmission of policy impulses remains. This statement implies that interest rates have not bottomed out yet.

Amit Oberoi, national director (knowledge systems) of Colliers International India, says: “While the RBI continues to maintain a cautious stance, we expect banks to further reduce home loan rates. After demonetization, banks have been fairly capitalized and will need to ensure that the collected money earns them a return. Also, banks have not fully transferred the rate cuts to the consumer and we hope they will consider giving some relief to homebuyers. We, however, don’t



FAST FACTS

BANKS AND LENDING INSTITUTIONS ARE EAGER TO DEPLOY THE SURPLUS FUNDS FROM DEMONETIZATION AND, FOR THEM, THERE CANNOT BE A BETTER OPTION THAN ADVANCING LONG-TERM HOME LOANS. HENCE INTEREST RATES ON HOME LOANS ARE EXPECTED TO REDUCE FURTHER.
—PANKAJ BANSAL, M3M GROUP

— Mamta Sinha