

LAUDABLE MEASURES ANNOUNCED

This is yet another positive step taken by the Reserve Bank of India to boost liquidity situation in the economy in general and real estate in particular, which would also provide reprieve to both buyers and developers in the sector

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With a view to support the economy in general and real estate in particular in the wake of Covid-19 crisis, the government has in the recent past made a series of announcements. The Reserve Bank of India's latest decision to further reduce the repo rate to 4 per cent and to extend loan moratorium for another three months is a major step in that direction.

In a surprise move the RBI's rate setting committee, the Monetary Policy Committee (MPC) met off cycle from May 20-22 and announced a slew of measures in light of subdued economic situation. This is the second time that the MPC met off cycle. Like global central banks, RBI has also been doing the heavy lifting in this fight against Covid-19. After lowering a cut in repo rate by 75 basis points in the previous announcement, the MPC has now announced another cut on repo rate by 40 basis points from 4.4 per cent to 4 per cent. Simultaneously, for the second time in a month, the reverse repo rate has also been slashed by another 40 bps and now stands at 3.35 per cent. Besides, the central bank has also announced an extension of the moratorium period for three more months till August 2020 which will buy some more time to pay the EMIs and increase the liquidity in the market.

Industry experts and stakeholders welcome these announcements as they are directed towards infusing liquidity and strengthening consumption, thereby giving a push to economic recovery.

"The announcement will indeed act as a remedial measure to aid the economy as the government previously lent its support by providing a fiscal and monetary stimulus



worth ₹20.97 lakh crore. This move by the apex bank is expected to direct positively and reduce the cost of EMI on loans taken by the homebuyers. The investments in the sector will rise as the loans will be available easily," says Ashok Mohanani, chairman, EKTA World & president-elect NAREDCO, Maharashtra. Home loan interest rates, which have already gone down substantially over the last year, are presently at an all-time low averaging between 7.15 per cent to 7.8 per cent.

According to Dhruv Agarwala, group CEO, Housing.com, Makaan.com and Proptiger.com, the move will not only help developers but also homebuyers who have been under extreme pressure due to the prolonged lockdown which has impacted their income. "This along with the move of extending loan moratorium for another three months will be extremely helpful in lowering the burden for those who are paying EMIs or using credit cards and lower financial stress," says Agarwala.

Anshuman Magazine, chairman & CEO - CBRE India, South East Asia, Middle East & Africa believes that the RBI's move to cut repo rate by 0.4 basis points will have a positive effect on the residential property market. This is a clear step towards reducing lending rates, encouraging liquidity, preserving financial stability and supporting overall economic growth. The reduction in reverse repo rate will encourage banks to lend more and extension of moratorium on EMIs on term loans by another six months and steps to ease cashflow burden on borrowers will improve overall sentiments and market performance. It will also encourage consumers to borrow more from banks due to the lowering of lending rates.

Since February 6, 2020, the RBI has announced liquidity augmenting measures of ₹9.42 lakh crore (4.6 percent of GDP). The apex bank has also provided special



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refinance facility of ₹50,000 crore to All India Financial Institutions (NHB, SIDBI & NABARD) which play a big role in meeting the financing requirements of small-scale industries, agriculture, MFIs & NBFCs. "All these steps are directed towards infusing liquidity and aid in economic recovery during Q3 and Q4 when supply lines are likely to get restored to normalcy and demand gradually revives. We appreciate these considerate steps by the government towards the most crucial sectors which contribute significantly to the growth and employment of the economy," states J.C. Sharma, vice chairman & managing director, Sobha Limited.

Interestingly, Anarock's recent survey conducted during the lockdown also highlighted that of the respondents who were previously in no mood to purchase properties and have now become buyers in the lockdown period, a massive 92 per cent cited lower home loan interest rates and a sense of security that physical assets provide during such exigencies. "Today's repo rate cut will further help banks to lower home loan interest rates,

which may get several more fence-sitters onto the market. Moreover, the repo rate cut may compel banks to reduce the interest rates for FDs even further - this could result in even more people leaning towards housing as a better investment option," says Anuj Puri, chairman, Anarock Property Consultants.

According to realty majors like Surendra Hiranandani, chairman and managing director, House of Hiranandani, the current scenario offers excellent investment opportunities in residential real estate as affordability is at all time high. The post-pandemic world will be good for the real estate sector, the one sector that will emerge as the silver lining in such a bleak scenario and offers you the best bet - stability, security and safety. Further putting in, Pradeep Aggarwal, founder & chairman, Signature Global and chairman, ASSOCHAM - national council on real estate, housing & urban development, says that affordable housing will benefit the most as the buyers of this segment are very particular about the EMIs. "With historically low EMIs, people will go out to buy and thus increase the demand. Now government has to come out with steps to help the developers working in this segment so that projects can be completed without any hindrance," adds Aggarwal.

However, as Anurag Mathur, CEO, Savills India, points out that these measures alone may not create a demand base for the overall revival of the real estate market. A significant advancement on financial, economic and social security will be needed in the medium term. While saying the six months moratorium on loans is good, Ankush Kaul, president (sales & marketing), Ambience Group points out that the industry requires additional support at this stage. "The industry has been demanding a one-time restructuring of developers' loan which is still desirable and can help the industry immensely in its revival," adds Kaul.