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Growth prospects of real estate look promising in 2020

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The real estate sector, which is one of the major contributors to India's GDP, has undergone some significant changes over recent years. The sector has now become more transparent and organized now, which has set the tone to regain the buyer confidence. Taking a note of all these positive sentiments in the market, the year 2020 looks more promising.

As per an Anarock report, the year 2019 witnessed the launch of about 2.3 lakh new units in the top 7 cities of the country. Out of these, nearly 92,000 units were in the affordable segment, which constituted 40% of the total launch. 33% of the units came under the mid-segment category and the luxury and ultra-luxury segment accounted for an estimated share of 10%, i.e. 23,000 units. Further, the year saw a decent annual growth rate of 4-5% with over 2.58 lakh homes sold, which is slightly more than that of the year 2018. The government made several efforts to aid the sector, on being slashing of the GST rates from 12% to 5%, which gave impetus to the under-construction properties.

The government also introduced policies to empower the homebuyers, which created an atmosphere of mutual trust in the market. The RBI cut the repo rate by 135 bps to a nine-year low all through 2019, encouraging buyers to invest or buy their dream home.

The slowdown in the sector delayed many real estate projects that failed to meet their deadlines. Taking note of this, the government introduced two funds in a quick succession – one of Rs 20,000 crore and another of Rs 25,000 crore – in September and November, respectively. These funds will contribute a great deal in revival of the sector. The halted projects are getting a new lease of life and by the end of this year, efforts started to bear fruits as demand picked up throughout the sector. The specific fund is expected to revive 80% of the real estate projects. This decision will not only help in completing the stuck projects in this sector, but will also regain the confidence of buyers to invest in real estate.

The realtors also stepped up the effort to revive the distressed projects in the sector by entering into mergers, consolidations, acquisitions, joint development and joint ventures with better established and prestigious developers. The completion of existing projects is instilling confidence in the buyers and is improving the market sentiment.

This increase in demand is expected to rise further in the times ahead. The coming year looks promising as a result of the positive impacts of various government measures. The year 2020 will see the industry grow in terms of newer policies aimed at improving buyer sentiments and the sale of affordable housing.

(By Ashish Sarin, CEO, AlphaCorp)