

Repo rate cut to boost housing demand if banks pass on benefit to customers: Realtors

New Delhi: Real estate industry on Thursday said the Reserve Bank of India (RBI) decision to cut repo rate would help in revival of housing segment, provided banks pass on the benefit to home buyers.

The RBI lowered the benchmark lending rate by 25 basis points to a nearly nine-year low of 5.75 per cent.

Commenting on the policy, CREDAI President Satish Magar said the bank rate cut augurs well for the Indian real estate industry and would have a significantly positive impact on industry's revival as well.

He expected that the benefits of lower repo rate would be duly passed on to the borrowers.

CREDAI Chairman Jaxay Shah said: "Repo rate cut is just what the industry is looking forward to accelerate investments...the next step is to ensure that the banks and financial institutions pass on the benefits of lower rates of interest to borrowers".

NAREDCO President Niranjana Hiranandani said the rate cut would "provide momentum to the market, but more needs to be done to address the issue of liquidity".

"We are happy with the rate cut. Buyers who are coming back after the GST rate cut announcement on under-construction and affordable properties would be encouraged further with the reduction in the bank rates," he added.

Sanjay Dutt, the MD of Tata Realty & Infrastructure and Tata Housing, said RBI's decision would definitely prove beneficial for the real estate sector as it paves way for increased investments.

Lauding the decision, JLL CEO & Country Head Ramesh Nair said, "This repo rate cut is likely to have a direct impact on the real estate sector, provided the banks, in turn, transmit the same by a corresponding reduction in lending rates."

Nair pointed out that despite 50 basis points reduction in repo rate by RBI in the previous two reviews, the mortgage interest rate has remained sticky.

Anshuman Magazine, Chairman & CEO, India, South East Asia, Middle East & Africa, CBRE, said the decision was "expected, given the backdrop of low inflation and rising growth concerns in the economy" and this would have positive impact.

Anarock Chairman Anuj Puri said "this rate cut may only send out positive notional signals - its real gain can be realised only if banks pass on the benefits to actual homebuyer borrowers."

The apex bank will need to ensure that this actually happens at the ground level since there has been little evidence of such transmissions in the recent past, he added.

Knight Frank India CMD Shishir Baijal said the first rate cut in the newly elected government's regime is certainly a welcome step, especially for the real estate sector.

"The benefit of lower policy rate in terms of better credit cost as well as higher liquidity will hopefully be transmitted further by banks to NBFCs as well as home buyers," he added.

Mani Rangarajan, Group Chief Operating Officer of Housing.com, Proptiger.com and Makaan.com, said the move to reduce repo rate will be great from a sentiment point of view.

"Whether home buyers benefit from this directly or not, will depend largely on whether the banks pass on the rate cut benefits to them. In the past, that has not happened," he said.

"Home buyers will be hoping for cheaper loans from banks now, which will have a direct positive effect on the demand for housing. However, the transmission of this rate cut to the home loan seeker via lower lending rates from the banking system may take some time," Kanika Gupta Shori, Co-Founder and COO, Square Yards said.

Amit Raheja, CMD, Wealth Clinic said banks would now be able to reduce interest rates, which eventually leads to increase in housing demand.

Among developers, Mumbai-based Ruparel Realty's Amit Ruparel said: "We urge banks to reciprocate the same by reducing home loan interest rate which will benefit home buyers."

Prateek Group Chairman Prashant Tiwari said the reduction in repo rate is a welcome step and banks should follow it with a reduction in home loan interest rates.

ABA Corp Director Amit Modi rued that banks have not passed on the benefits to the consumers after previous rate cuts. He said the banks should immediately reduce interest rates on home loan to boost investment in housing.

Pradeep Aggarwal, Co-Founder & Chairman, Signature Global, said this move will be a big boost for affordable housing segment and help first time home buyers.

Alpha Corp CEO Ashish Sarin said RBI's rate cut would provide a great fillip to the realty sector.

"RBI has reduced repo rate consecutively thrice in a row, and now we hope that the banks would start transferring the benefits to end consumers," he said.

Ajnara CMD Ashok Gupta said the third consecutive rate cut would provide relief to the borrowers and will provide a boost to the real estate segment.

He said, "Now it is the responsibility of banks to pass on the benefits to home buyers."

ATS group firm Homekraft CEO Prasoon Chauhan said the move would further boost the realty sector, especially affordable and mid-segment housing.

"We can expect banks to pass on this cut to home loan borrowers in the coming weeks which will help push housing demand up by providing added incentive for homebuyers," he said.

Mahagun Director Dhiraj Jain and Saya group CMD Vikas Bhasin welcomed the move, saying this would boost housing demand. Punjab-based Sushma Group Executive Director Prateek Mittal said it will provide relief to borrowers.