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Real estate says rate cut welcome, but not good enough to boost housing

By: Sanjeev Sinha | Published: August 7, 2019 3:33:56 PM

Real estate needed a deeper rate cut to make a significant difference to both the mid-income and affordable housing segments.

With liquidity available in the system, banks are more likely to respond positively to these cues and correct the deficit in transmission of rate cuts to borrowers.

As widely expected, the Reserve Bank of India cut the repo rate by 35 bps to 5.4 per cent in its latest monetary policy on Wednesday. However, while the move was welcomed by almost everyone, including the real estate sector, realty experts said the rate cut was not good enough to give a boost to housing.

Industry experts said that in the backdrop of tepid consumption and a worsening slowdown in the economy, a 35 bps repo rate cut is good news. However, real estate needed a deeper rate cut of at least 50 bps to make a significant difference to both the mid-income and affordable housing segments.

“There is a massive burden of 2.17 lakh unsold homes in the mid-segment in the seven main cities, but we won’t see this reducing much because of this rate cut even if it is efficiently transmitted to consumers by banks. However, affordable housing may well see a noticeable reduction in the 2.40 lakh unsold units in this segment in these cities. This cost-sensitive segment has already received several booster shots from the government and if we add even lower home loan rates to the equation, we do have reason to hope for an uptick in affordable housing,” said Anuj Puri, Chairman, ANAROCK Property Consultants.

Global economic activity, in fact, has slowed down and India’s growth is also likely to be subdued in an environment of elevated trade tensions and geo-political uncertainty. The downward revision in GDP growth from 7% to 6.9% is an acknowledgement of the prevailing conditions. Over the past six months, the RBI has cut the repo rate by 75 basis points, followed by a 35 bps cut on Wednesday.

“While the message from the government and the Central bank is loud and clear, the sluggish pace of transmission and credit momentum indicates that rate cuts are probably not enough to revive growth. Recognising these concerns and according the highest priority to boost private investment, the RBI has gone a step ahead to address the problem on this occasion. Any rate cut is a welcome step for the real estate sector, but in addition to the signals given out in previous rate cuts, the Central bank has reinforced its intention of easing the trust deficit in the economy,” said Aashish Agarwal, Senior Director, Valuation & Advisory Services at Colliers International India.

For instance, single counter-party exposure limit for banks to a single NBFC has been raised to 20% of the Tier-I capital against the current 15%, which will allow a more balanced view of risk and liquidity for credible and well-governed players. Further, "lending to registered NBFCs for on-lending to housing under the priority sector lending has been increased to Rs 20 lakh per borrower from Rs 10 lakh at present. With liquidity available in the system, banks are more likely to respond positively to these cues and correct the deficit in transmission of rate cuts to borrowers," added Agarwal.

Industry Take

Whatever be the case, property developers and industry experts have welcomed the rate cut by the RBI.

Dhruv Agarwala, Group CEO, Housing.com/ Makaan.com/ PropTiger.com, said, "In line with the government's commitment to revive growth in India's economy, the RBI has lowered the repo rate to a record level. This should help pump-prime the overall economy and also give the real estate sector much-needed relief. Lower interest rates along with the higher tax deduction on home loan interest payments, that was announced in the Budget in July, would encourage home buyers to take home loans to buy property. Additionally, the RBI's move to enhance the exposure limit of a bank to a single NBFC will infuse more liquidity into the system for NBFCs, which in turn will help real estate developers who are in desperate need for capital at this point of time."

Pradeep Aggarwal, Co-Founder & Chairman, Signature Global, and Chairman, ASSOCHAM National Council on Real Estate, Housing and Urban Development, said, "Reduction in the repo rate 4 times in a row shows the RBI's softer stand towards lending. A few banks have already passed on the benefits to customers. Also, keeping in view the incentives the government has given to the affordable home buyers recently, I am sure end users would now be more motivated to purchase their homes, post the repo rate cut."

Manoj Gaur, MD, Gaurs Group, & Chairman, Affordable Housing Committee, CREDAI, said, "The repo rate cut by 35 basis points to 5.4 per cent is a constructive move for the real estate sector. With the fourth consecutive rate cut, we expect the demand of housing to rise marginally. The rate cut is expected to further bring down interest rates on home loans and auto loans as the monetary transmission of previous policy easing has been limited. It will also help boost credit growth in the banking system."

“The 35% basis rate cut by the RBI is a positive move considering the present slowdown in the economy. It will allow banks to lower interest rates which would encourage prospective buyers – both end-users and investors – to invest in real estate. This will support various industries including real estate that seek customer loan for end-users, which in turn will provide the much-needed boost to the economy and also positively impact the sentiments surrounding the real estate sector,” said Pankaj Bansal, Director, M3M Group.

“We welcome the RBI’s decision to reduce the repo rate for the fourth consecutive time since February. It is a step in the right direction to give impetus to the investments in the country. The real estate sector is highly sensitive to interest rate movements, and hence this reduction would prove to be a great boost to homebuyers. This move will also help improve the overall sentiment around the current economic scenario in the country,” said Ashish Sarin, CEO, AlphaCorp.

However, all developers are not of the same view. They say that this is the fourth straight rate cut from the RBI and it results in an overall decline of 110 basis points or 1.1 percentage point in the key lending rate. With this, the benchmark rate is now at the lowest since April 2010, but unfortunately there is still no major effect on the ground.

“This is mainly due to the fact that despite the repeated reductions, the majority of banks are not passing on the benefits of rate cuts to end consumers. Rather than making sure that consumers are offered reduced interest rates on home loans which will result in lower EMIs, there is still an ongoing tendency of cushioning the bottom lines by the banks, which ultimately turns out to be counterproductive to the move itself. The Monetary Policy Committee has once again maintained an accommodative stance. We hope that banks are also more accommodative in their stance towards the home buyers aspirations,” says Amit Modi, Director, ABA Corp & President (Elect) CREDAI Western UP.

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http://www.businessworld.in/article/Expert-Views-RBI-Cuts-Rates-By-35-Basis-Points-More-Than-Expected/07-08-2019-174456/

Expert Views: RBI Cuts Rates By 35 Basis Points, More Than Expected

The RBI maintained its "accommodative" stance but said further rate reductions would depend on the level of inflation.

07 August, 2019
by BW Online Bureau

The Reserve Bank of India (RBI) cut interest rates by an unconventional 35 basis points on Wednesday, slightly above expectations, and its fourth cut in 2019 to boost an economy growing at its slowest pace in nearly five years.

The RBI maintained its "accommodative" stance but said further rate reductions would depend on the level of inflation.

Commentary

Suvodeep Rakshit, Senior Economist, Kotak Institutional Equities, Mumbai

"The 35 bp rate cut should be seen as a signal that the Reserve Bank of India's MPC is quite concerned with the growth outlook beyond the usual 25 bp rate cut in a business-as-usual scenario, even though it does not reflect in the revised FY2020 GDP growth estimate."

"The RBI MPC did not necessarily want to deliver a 50 bp rate cut, and hence, retains the scope to reduce rates further. With inflation expected to remain benign, and further downside to growth outlook, we see scope for 25-50 bp of further rate cuts through FY2020."

"Transmission to lending rates will likely remain weak unless there is a clear visibility of adequate liquidity sustaining over the medium-term."

Suraj Kaeley, Senior Adviser, Fundsindia

"There has been a significant slowdown in the Indian economy. It was widely expected that the RBI would cut rates to stimulate growth. Further, global interest rates are going down and there is no immediate threat on the inflation front. We welcome this move and hope that rate transmission happens at a faster pace."

Joseph Thomas, Head Research, Emkay Wealth Management, Mumbai

"The RBI policy, especially the repo rate cut of 35 bp, takes cognizance of the need to bring down interest cost on liquidity and credit, to support the sluggish economic growth and to stimulate aggregate demand."

"The success of this accommodative policy would depend entirely on the next level of its application, that is, the transmission of lower rates to the ultimate borrowers. The banks seem to be seized of this need and effective cascading of the benefits of lower base rate may happen over the next few months."

Anagha Deodhar, Economist, ICICI Securities, Mumbai

"I think deviation from the standard practice of changing rates by 25 bp is welcome. In the current situation, 25 bp would have been insufficient and 50 bp would have been too aggressive. Growth and inflation are expected to pick up modestly in H2FY20. We expect inflation to cross 4% in November 2019. Hence, we could expect only one more rate cut this fiscal."

"Banks have already started cutting lending rates. However, the lending rate cuts are much smaller than reduction in repo rate, indicating significant room for transmission."

Rupa Rege Nitsure, Chief Economist, L&T Financial Holdings, Mumbai

"The RBI has done the maximum that a central bank can do in the current phase of economic slowdown."

"By significantly revising downwards the GDP growth for H1, FY20, it has signalled the concerns on the growth front. However, the weight of structural factors has increased in India's ongoing slowdown and it is now absolutely essential for the central and state governments to work in partnership to resolve some of the sticky sector-specific issues and concerns."

Shubhada Rao, Chief Economist, Yes Bank, Mumbai

"Welcome the 35 bp rate cut. Growth is likely to be revised down further from 6.9%. Given the well-anchored inflation, we believe that the RBI is set to cut rates in the next policy review in October. It could be 15/20 bps also. It is clear that reviving growth has received most attention."

Sujan Hajra, Chief Economist, Anand Rathi Securities, Mumbai

"The 35 bp rate cut is higher than the consensus and our expectation of a 25 bp rate cut. This clearly shows the RBI's concern about growth performance and outlook, and the urgency to take measures to revive growth."

Dhaval Kapadia, Director – Portfolio Specialist, Morningstar India

"RBI reduces policy rate by 35bps to 5.40%. Four members voted in favour of a 35bps cur and two voted for 25bos cut.

RBI maintained its CPI forecasts but reduced their growth forecast for FY19-20 by 10bps to 6.9%. They expect a fairly strong recovery in the second half of the fiscal although current economic are mixed and point towards a slowdown.

Surprisingly, there is no mention of concerns around fiscal deficit and its potential impact on inflation, particularly in an environment of slowing growth which could result in lower tax revenues for the government vs budgeted.

Broadly the focus is to improve growth with lower interest rates and adequate liquidity support.

Also no mention on the NBFC sector crisis, in the policy document."

Gaurav Chopra, Founder & CEO, IndiaLends

"RBI went for a larger-than-expected interest rate cut of 35 basis point for the first time since Apr-12 taking the repo rate to a nearly a nine-year low at 5.40%. This move comes at a time when global economic activity has slowed down and geo-political uncertainty have become two of the major concerns for the nation. This is a welcome move as it will give a boost to the economy and retail lending sector. The success of this move will depend largely on Banks & NBFCs' decision to pass on the rate cut to end consumers thereby making loans cheaper for them. RBI's decision to reduce the risk weight for personal loans to 100% from 125% will further boost retail lending as this move will allow banks to reduce their interest rates for Personal Loans. At the backdrop of such favouring policy changes and with festive and wedding season about to start, we expect a rise in retail lending."

"Other developmental measures announced such as increasing credit flow to the priority sector – permitting banks to on-lend through NBFCs to Agriculture, Micro & Small Enterprises and housing, will provide a positive push to overall lending in the market and will help boost economic growth. Other notable issues that the bi-monthly policy addresses are, facilitating the creation of a Central Payment Fraud Registry that will track frauds and the round-the-clock availability of NEFT System".

Rajiv Sabharwal, MD and CEO, Tata Capital

"RBI reduced the repo rate by 35 bps and continues to maintain an accommodative stance. The markets will draw comfort from the fact that the regulator has emphasised on boosting growth and private investment remains high priority at this juncture. Supplemented by durable liquidity and an effective transmission of rates, the bond market will continue to sustain momentum. Priority sectors are the engines for the growth of the economy and NBFCs play an important role in delivering credit to these sectors. Thus permitting the banks to on-lend through NBFCs for Agriculture and MSMEs will help further channelize the credit flow effectively to these sectors."

Lakshmi Iyer, Chief Investment Officer (Debt) & Head Products, Kotak Mahindra

"The RBI MPC today departed from the conventional rate action of 25 bps and its multiples and announced a 35 bps cut in repos rate. The accommodation in stance continues. The sluggish global economy, the fact that world over central bankers are easing rates, and of course our economy also faces growth headwinds were among the key reasons that can be attributed to the rate cut. There seems to be a fervour to maintain comfortable liquidity in the banking system, which should be an additional support factor for bond yields, apart from cut in benchmark rates.

Going forward, the quantum and timing of rate actions (read cut as we are in accommodative stance) would be largely data dependent. With today's rate action, we have seen a cumulative rate reduction of 110 bps, and it is imperative to see this impact percolate to the real sector."

Mani Rangarajan, Group Chief Operating Officer, Housing.com- Proptiger.com- Makaan.com- Fastfox.

"While the industry largely expected a rate cut of 25 bps, the RBI reduced its repo rate by 35 bps to 5.4%, making this its fourth consecutive rate cut since February 2019. This cumulative 110 bps rate cut in the last four policy reviews, comes at a strategic timing since the sector is waiting for the festive season to hopefully boost sales and sentiment. How far these rate cuts will succeed in spurring consumption, is something only time will tell. However there's no denying that in the mid-income and affordable housing segments which are very price sensitive, these rate cuts, can boost sentiment and sales, provided they are passed on to the end-users by the banks. We are hopeful of the same as the RBI has been nudging banks to reduce their interest rates and certain banks have started passing on the rate cut benefits to their new and existing customers. We also believe that the limit for priority sector lending for housing, which has been enhanced from Rs 10 lakhs to Rs 20 lakhs, will bode well for the affordable housing segment."

Ashish Sarin, CEO, AlphaCorp

"We welcome the RBI's decision to reduce the repo rate for the fourth consecutive time since February by another 35 basis points to 5.4 percent. It is a step in the right direction to give impetus to the investments in the country. The real estate sector is highly sensitive to interest rate movements, and hence this reduction would prove to be a great boost to the homebuyers. This move will also help improve the overall sentiment around the current economic scenario in the country."

Pankaj Bansal, Director, M3M Group

"A cut in the repo rate by 35% basis points to 5.4% is a positive move by the RBI considering the present slowdown in the economy. It will also allow banks to lower interest rates which would encourage prospective buyers both end-users and investors to invest in real estate. This will support various industries including real estate that seek customer loan for end-users, which in turn will provide the much-needed boost to the economy and also positively impact the sentiments surrounding the real estate. Overall, this move definitely indicates a positive direction and fuels the growth and development of the real estate sector, as its performance is directly linked to the basic economic fundamentals."

Dr. Ranjan Chakravarty, Product Strategy, MSE

"Following up from the Governor's message delivered to the World in Washington earlier this year, of calibrating rate cuts to India's needs instead of needlessly sticking to global convention, the MPC has delivered a properly calibrated rate cut. A 35 bp cut is exactly appropriate. 25 would have been too soft and 50 wasteful given the strong performance of the monsoon since the previous policy announcement. The market will definitely appreciate this."

Ramesh Nair, CEO & Country Head, JLL India

"In line with the general market sentiment, the cumulative 110 bps rate cut in the last four p olicy reviews favours the Indian economy. The rate cut of 35 bps delivered by the RBI is likely to bring in a balance between growth and inflation. Riding along the same track, the real estate sector too will gain momentum owing to favorable policy reforms. However, the growth shall also depend on whether there is a proportional transmission of rate cuts to the end consumer.

The rate cut has a direct bearing on the real estate sector considering that residential sales rely to a large extent on the availability of credit in the form of home loans and buyer sentiment. The improved market sentiments due to the tax deduction schemes, modified tenancy laws, focus on implementation of PMAY, investment in infrastructure announced in the Union Budget 2019-20 coupled with interest rate deductions is likely to boost sales in the residential segment. Moreover, credit re-structuring measures such as the introduction of repo-linked loans by select banks will positively impact the homebuyers' purchase decisions while ensuring enhanced transparency.

The decision to cut down rates was expected owing to the ongoing liquidity crisis and muted economic growth. This said, the RBI has taken the cue from the government's Union Budget 2019-20, where it gave elbow room for fiscal stimulus to NBFCs. Additionally, the global slowdown followed by the US Fed lowering its rate provided yet another indication to the Central Bank.

The real estate sector has already registered a 22% Y-o-Y growth in sales in the first six months of 2019 as compared to the corresponding period of last year. Stable real estate prices combined with steadily rising incomes have further uplifted the homebuyers' sentiments in the last few quarters. However, the growth trajectory of the real estate sector ultimately depends on the successive transmission of rate cuts to the end consumers."

Ravindra Sudhalkar, ED & CEO, Reliance Home Finance

"The Reserve Bank of India's decision to cut rates by 35 basis point is a positive decision. The move to allow banks to lend to priority sectors, including to housing sector of up to Rs 20 lakh loans, through NBFC arms will kickstart credit flow especially to affordable housing sector. For the consumers to feel the benefit of lower rates, the RBI will now need to step in for accelerating transmission of the rate cut."

Puneet Maheshwari, Director, Upstox

"RBI's decision of a 35 basis point rate cut is a welcome move. However, it is a surprising number because this is a departure from the norm of sticking to multiples of 25 for any rate revision. The markets did not immediately react, probably because the fundamentals for the economy still continue to be weak. The prediction of GDP growth accelerating to 7.4% by Q1 of the next financial year while the inflation figures remaining contained under 4% is a good news for long term investors."

Narinder Wadhwa, President, Commodity Participants Association of India (CPAI)

“The Reserve Bank of India’s decision of a cumulative rate cut for the fourth time in a row was to ease the situation of liquidity tightening in the system. The regulator has retained its accommodative stance, which indicates its willingness to remain flexible till the economic conditions improve. The uptick in gold prices with the rate cut announcement indicates the investors confidence in this traditional asset during uncertainties. The easing of liquidity situation and accelerating transmission of the rate cut to the end consumer will boost investment sentiments in commodities ahead of the festival season.”

Siddhartha Mohanty, MD & CEO, LIC Housing Finance

"It is a welcome move by RBI in cutting repo rate by 35 bps that will rejuvenate and set growth triggers in the economy. Continuing “accommodative” stance will improve sentiments in the system. Increase in single-NBFC exposure limit to 20% of the Tier 1 capital of the banks would address the pressing liquidity issues. Further, RBI has also announced an increase in the on-lending cap for priority sector advances for home loans from Rs 10 lacs loan ticket to Rs 20 lac loan ticket. This will encourage Banks to lend more to the HFCs It is a big positive for HFCs focussing on affordable housing segment."

Product Hunt

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liquidity obtainable within the system, banks usually tend to reply positively to those cues and proper the deficit in transmission of fee cuts to debtors.
As extensively anticipated, the Reserve Financial institution of India reduce the repo fee by 35 bps to five.four per cent in its newest financial coverage on Wednesday. Nevertheless, whereas the transfer was welcomed by virtually everybody, together with the actual property sector, realty specialists stated the speed reduce was not ok to improve housing.

Business specialists stated that within the backdrop of tepid consumption and a worsening slowdown within the financial system, a 35 bps repo price reduce is sweet information. Nevertheless, actual property wanted a deeper price minimize of at the least 50 bps to make a big distinction to each the mid-income and reasonably priced housing segments.

“There's a large burden of two.17 lakh unsold houses within the mid-segment within the seven major cities, however we gained't see this decreasing a lot due to this price minimize even whether it is effectively transmitted to shoppers by banks. Nevertheless, reasonably priced housing might nicely see a noticeable discount within the 2.40 lakh unsold models on this phase in these cities. This cost-sensitive phase has already acquired a number of booster photographs from the federal government and if we add even decrease residence mortgage charges to the equation, we do have purpose to hope for an uptick in reasonably priced housing,” stated Anuj Puri, Chairman, ANAROCK Property Consultants.

International financial exercise, in truth, has slowed down and India's progress can also be more likely to be subdued in an surroundings of elevated commerce tensions and geo-political uncertainty. The downward revision in GDP progress from 7% to six.9% is an acknowledgement of the prevailing circumstances. Over the previous six months, the RBI has reduce the repo fee by 75 foundation factors, adopted by a 35 bps minimize on Wednesday.

“Whereas the message from the federal government and the Central financial institution is loud and clear, the sluggish tempo of transmission and credit score momentum signifies that fee cuts are in all probability not sufficient to revive progress. Recognising these considerations and in accordance the very best precedence to spice up personal funding, the RBI has gone a step forward to deal with the issue on this event. Any price reduce is a welcome step for the actual property sector, however along with the alerts given out in earlier fee cuts, the Central financial institution has strengthened its intention of easing the belief deficit within the financial system,” stated Aashish Agarwal, Senior Director, Valuation & Advisory Providers at Colliers Worldwide India.

For example, single counter-party publicity restrict for banks to a single NBFC has been raised to 20% of the Tier-I capital towards the present 15%, which can permit a extra balanced view of danger and liquidity for credible and well-governed gamers. Additional, "lending to registered NBFCs for on-lending to housing beneath the precedence sector lending has been elevated to Rs 20 lakh per borrower from Rs 10 lakh at current. With liquidity out there within the system, banks usually tend to reply positively to those cues and proper the deficit in transmission of price cuts to debtors," added Agarwal.

Business Take

No matter be the case, property builders and business specialists have welcomed the speed minimize by the RBI.

Dhruv Agarwala, Group CEO, Housing.com/ Makaan.com/ PropTiger.com, stated, "Consistent with the federal government's dedication to revive progress in India's financial system, the RBI has lowered the repo fee to a report degree. This could assist pump-prime the general financial system and in addition give the actual property sector much-needed aid. Decrease rates of interest together with the upper tax deduction on residence mortgage curiosity funds, that was introduced within the Finances in July, would encourage residence consumers to take house loans to purchase property. Moreover, the RBI's transfer to reinforce the publicity restrict of a financial institution to a single NBFC will infuse extra liquidity into the system for NBFCs, which in flip will assist actual property builders who're in determined want for capital at this level of time."

Pradeep Aggarwal, Co-Founder & Chairman, Signature International, and Chairman, ASSOCHAM Nationwide Council on Actual Property, Housing and City Improvement, stated, "Discount within the repo price four occasions in a row exhibits the RBI's softer stand in the direction of lending. A number of banks have already handed on the advantages to clients. Additionally, preserving in view the incentives the federal government has given to the reasonably priced residence consumers just lately, I'm positive finish customers would now be extra motivated to buy their houses, publish the repo price minimize."

Manoj Gaur, MD, Gaurs Group, & Chairman, Reasonably priced Housing Committee, CREDAI, stated, "The repo fee minimize by 35 foundation factors to five.four per cent is a constructive transfer for the actual property sector. With the fourth consecutive fee reduce, we anticipate the demand of housing to rise marginally. The speed reduce is predicted to additional convey down rates of interest on house loans and auto loans because the financial transmission of earlier coverage easing has been restricted. It'll additionally assist increase credit score progress within the banking system."

"The 35% foundation price reduce by the RBI is a constructive transfer contemplating the current slowdown within the financial system. It is going to permit banks to decrease rates of interest which might encourage potential consumers – each end-users and buyers – to spend money on actual property. It will help numerous industries together with actual property that search buyer mortgage for end-users, which in flip will present the much-needed increase to the financial system and in addition positively influence the emotions surrounding the actual property sector," stated Pankaj Bansal, Director, M3M Group.

"We welcome the RBI's determination to scale back the repo price for the fourth consecutive time since February. It's a step in the correct path to offer impetus to the investments within the nation. The actual property sector is very delicate to rate of interest actions, and therefore this discount would show to be a fantastic increase to homebuyers. This transfer will even assist enhance the general sentiment across the present financial state of affairs within the nation," stated Ashish Sarin, CEO, AlphaCorp.

Nevertheless, all builders usually are not of the identical view. They are saying that that is the fourth straight fee minimize from the RBI and it leads to an general decline of 110 foundation factors or 1.1 proportion level in the important thing lending price. With this, the benchmark price is now on the lowest since April 2010, however sadly there's nonetheless no main impact on the bottom.

"That is primarily on account of the truth that regardless of the repeated reductions, nearly all of banks are usually not passing on the advantages of fee cuts to finish shoppers. Moderately than ensuring that buyers are provided decreased rates of interest on residence loans which can end in decrease EMIs, there's nonetheless an ongoing tendency of cushioning the underside strains by the banks, which finally seems to be counterproductive to the transfer itself. The Financial Coverage Committee has as soon as once more maintained an accommodative stance. We hope that banks are additionally extra accommodative of their stance in the direction of the house consumers aspirations," says Amit Modi, Director, ABA Corp & President (Elect) CREDAI Western UP.

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ROKY   AUGUST 7, 2019

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"There is a massive burden of 2.17 lakh unsold homes in the mid-segment in the seven main cities, but we won't see this reducing much because of this rate cut even if it is efficiently transmitted to consumers by banks. However, affordable housing may well see a noticeable reduction in the 2.40 lakh unsold units in this segment in these cities. This cost-sensitive segment has already received several booster shots from the government and if we add even lower home loan rates to the equation, we do have reason to hope for an uptick in affordable housing," said Anuj Puri, Chairman, ANAROCK Property Consultants.

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"While the message from the government and the Central bank is loud and clear, the sluggish pace of transmission and credit momentum indicates that rate cuts are probably not enough to revive growth. Recognising these concerns and according the highest priority to boost private investment, the RBI has gone a step ahead to address the problem on this occasion. Any rate cut is a welcome step for the real estate sector, but in addition to the signals given out in previous rate cuts, the Central bank has reinforced its intention of easing the trust deficit in the economy," said Aashish Agarwal, Senior Director, Valuation & Advisory Services at Colliers International India.

For instance, single counter-party exposure limit for banks to a single NBFC has been raised to 20% of the Tier-I capital against the current 15%, which will allow a more balanced view of risk and liquidity for credible and well-governed players. Further, "lending to registered NBFCs for on-lending to housing under the priority sector lending has been increased to Rs 20 lakh per borrower from Rs 10 lakh at present. With liquidity available in the system, banks are more likely to respond positively to these cues and correct the deficit in transmission of rate cuts to borrowers," added Agarwal.

Industry Take

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Pradeep Aggarwal, Co-Founder & Chairman, Signature Global, and Chairman, ASSOCHAM National Council on Real Estate, Housing and Urban Development, said, "Reduction in the repo rate 4 times in a row shows the RBI's softer stand towards lending. A few banks have already passed on the benefits to customers. Also, keeping in view the incentives the government has given to the affordable home buyers recently, I am sure end users would now be more motivated to purchase their homes, post the repo rate cut."

Manoj Gaur, MD, Gaurs Group, & Chairman, Affordable Housing Committee, CREDAI, said, "The repo rate cut by 35 basis points to 5.4 per cent is a constructive move for the real estate sector. With the fourth consecutive rate cut, we expect the demand of housing to rise marginally. The rate cut is expected to further bring down interest rates on home loans and auto loans as the monetary transmission of previous policy easing has been limited. It will also help boost credit growth in the banking system."

"The 35% basis rate cut by the RBI is a positive move considering the present slowdown in the economy. It will allow banks to lower interest rates which would encourage prospective buyers – both end-users and investors – to invest in real estate. This will support various industries including real estate that seek customer loan for end-users, which in turn will provide the much-needed boost to the economy and also positively impact the sentiments surrounding the real estate sector," said Pankaj Bansal, Director, M3M Group.

"We welcome the RBI's decision to reduce the repo rate for the fourth consecutive time since February. It is a step in the right direction to give impetus to the investments in the country. The real estate sector is highly sensitive to interest rate movements, and hence this reduction would prove to be a great boost to homebuyers. This move will also help improve the overall sentiment around the current economic scenario in the country," said Ashish Sarin, CEO, AlphaCorp.

However, all developers are not of the same view. They say that this is the fourth straight rate cut from the RBI and it results in an overall decline of 110 basis points or 1.1 percentage point in the key lending rate. With this, the benchmark rate is now at the lowest since April 2010, but unfortunately there is still no major effect on the ground.

"This is mainly due to the fact that despite the repeated reductions, the majority of banks are not passing on the benefits of rate cuts to end consumers. Rather than making sure that consumers are offered reduced interest rates on home loans which will result in lower EMIs, there is still an ongoing tendency of cushioning the bottom lines by the banks, which ultimately turns out to be counterproductive to the move itself. The Monetary Policy Committee has once again maintained an accommodative stance. We hope that banks are also more accommodative in their stance towards the home buyers aspirations," says Amit Modi, Director, ABA Corp & President (Elect) CREDAI Western UP.