

Take-off time

When realistic pricing is combined with rational interest rates, it is the best time for the home buyers to close in their deals, says Archana Sinha

In a constant effort to keep the economy on the growth path, the government has come out with stimulus packages since the last quarter of 2008. Although welcoming the moves, the real estate industry as a whole found the two earlier packages falling short of expectations. However this time around with the State Bank of India, the country's largest bank deciding to offer home loans at 8 % flat for one year across all slabs of borrowing, it is music to all ears. The bankers are contemplating another round of cuts soon.

Rajesh Shah of Dosti Group says, "There is a genuine demand for home loans, as a home is a primary requirement. This is an excellent move. It will act as the catalyst for converting the latent demand as well as boost the real estate industry, as SBI, which has a small and medium enterprises portfolio of over Rs one lakh crore, has formulated a new 'SME care' to ease liquidity and repayment options for SMEs. This will boost the realty sector." He adds, "In a scenario when property rates were coming down, people were waiting for this and the comment of the SBI chairman that for a few years from now, as the Indian economy is expected to continue its growth, interest rates will not go beyond 8 per cent but rather come down, is a great assurance for the home buyers. They will definitely take decisions now."

Existing borrowers of the two home loan schemes upto 5 lakh and upto 20 lakh can also avail the benefit of the new rates for a year. Although rates will be reset after a year, experts feel it will benefit borrowers further for at least two to three years. With SBI having the largest home loan portfolio of around 52, 000 crore, this move has already made other banks follow suit, to attract customers.

Abhishek Lodha, MD, Lodha group says, "I think this is a very positive step. Now with prices already rationalising, people who were sitting on the fence will start taking decisions. In fact, this is a bold step, considering in the world economy, growth is at the rate of 0 to 2 per cent, ours is 6 to 7 per cent, and interest rates in future will come down for at least two to three years, not go up. So if borrowers lock themselves in now they are in an advantageous position for a longer period, as they will be benefitted by lower interest rates in the future."

Almost in a similar breath, Kaizad Hateria, general manager, corporate customer relations and sales residential, Rustomjee Group says, "People across all sectors have realised that the 'big money' lies at the bottom of the pyramid. This rate cut is also a thrust in the same direction. The real estate industry is the second largest employer in the country after agriculture and supports many ancillary industries. By reducing home loan rates to 8%, SBI, being the largest nationalised bank in the country, has done a service to the nation. What banks will lose out on interest can be achieved through higher volumes. RBI should make it compulsory for all banks to reduce rates on a limited period to get the buyer more excited."

Milan Kothary, MD GVA Intercapitalis, an international property consultant, has more to add. He says, "It is a good step and definitely open up the market. Regulators are doing their bit and coming out with such stimulus packages from time to time. They will continue to do so, sometimes on the loan front and sometimes on things like tax reduction on components or even a boost to infrastructure in forms of announcements of new schemes."

However he feels that the developers too should keep pricing realistic to facilitate easy buying. "They have been doing so in the past few weeks, though," he says adding, "The buyer too has to be serious about purchase and sit across the table with an intention to close the deal. They cannot wait endlessly for the price to bottom out as there is no end to waiting and real estate cannot be compared to fast moving consumer goods. Developers should identify such buyers and bring the deal to a close. Today, many developers will negotiate if you are willing to sign up the deal. I think this is the right time to buy."

Experts offer a note of advice to those developers who have bought lands at high prices. "They will have to strike a balance. The cost of construction material having come down, it will help in balancing out. They have to look for profit but cannot stop sales, as that will be

detrimental to business," they say.

What if the influx of buyers in the market following this move, once again triggers a rise in real estate prices?

Dilawar Nensey, JMD, Royal Palms says, "We have always realised the need for realistic pricing... and now combined with the benefit of attractive interest rates, it should be time for actual buyers to make the purchase decision." he says.

Milan Kothary adds, "Most people have now realised the benefits of realistic pricing. Yes, in certain pockets prices will be high, because of the benefits that the area may offer or the amenities that the developers are offering in certain complexes. But for an average buyer, choices are limitless and the time is just right."

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