

## Upward movement

*The recent repo rate cuts by RBI, which indicates further softening of rates by banks, saw rejuvenating sales of homes on this Akshaya Tritiya, says Archana Sinha*

After a lull in the market, the last quarter of 2009 saw a revival in real estate, thanks to the dipping home loan rates and rationalisation of property prices. The recent repo rates cut by RBI which is indicative of further rate cuts by banks, coupled with festive occasions like Akshaya Tritiya, saw more buoyancy in the market and final closures.

It is reported that the number of transactions in the residential market shot up by 12 to 15 per cent in the quarter closed on March 2009 over the previous one in December 2008. Public sector banks, which initiated the rate cuts, have clocked in 10 to 15 per cent growth in the business.

About the trends in home loans a senior banker from Axis Bank says, "The cost of deposits is still high due to pre-emptions like CRR and SLR. A substantial share of fixed deposits have been raised at higher rates earlier. It would take some time for these deposits to mature. The situation would become clear on interest rate movements in the next six months."

However, sentiments are looking up as there has been softening in loan rates. **Milan Kothary**, MD, GVA Intercapitalis, international property consultants, says, "Last year witnessed 30 per cent growth in home loans, while this year banks are reporting a growth of 20- 25 per cent, which is good when you look at the overall global scenario. There has been no contraction and that is a big plus."

**Kothary** adds, "Although the coming down of interest rates has pushed the sector, it was the rationalising of prices that has played a key role. It is like you need your basic meal, which is the rightly priced home and cutting down of interest rates acts like the little extra that makes the meal appetising. Overall there has been a movement in the market post RBI measures. Further cuts are expected in the coming months. The small to mid-market segment, with loans up to Rs 30 lakh has seen maximum movement."

Almost in the same breath, Sanjay Dutt, CEO Business says, "There certainly has been a revival in the market, especially with projects of reputed developers like HDIL, Lokhandwala Constructions, Marathon Builders, Lodha Group and others, who have launched a plethora rightly priced projects. They have seen many closures and Akshaya Tritiya definitely was an occasion for people to book their homes. Clearly people are looking for value for money and are going for good products that are positioned rightly."

Agreeing with the view, Mayur Shah, MD, Marathon Group says, "We have seen good response at our project Marathon Monte Vista. On Akshaya Tritiya, we saw some bookings. People saw our projects at the exhibitions and responses were good due to this."

Ashok Mohanani, Chairman, Ekta World, also reports good sales due to better loan rates and well priced projects. He says, "We launched Ekta Greenville at Nashik during Akshaya Tritiya and received seven bookings for our Powai project on the day of Akshaya Tritiya. Booking or taking possession on Akshaya Tritiya is considered good for the prosperity of home owners."

Nayan Shah, MD, Mayfair Housing, also reports healthy revival of the market. He says, "We have had one booking on Akshaya Tritiya and many serious enquiries are converting. Interest rates are coming down and this will see further rate cuts in home loans. Both prices and loans are coming within reach of the mid income segment -the main buyer."

M. Raja, chief general manager, personal banking, State Bank of India, Mumbai Region, says, "Our scheme of 8 per cent fixed interest rates helped create interest in the market. The rate will change according to the market conditions and RBI directives in the coming months. We have seen good business in the past two months."

Public sector banks have been the bigger drivers of home loan market at the moment with attractive interest rates, says Sanjay Dutt. "The rates should come down even further, to really drive the market at every level. The private banks and the foreign banks they must bring their rates down. Right now they are still holding back," he says.

Overall the residential real estate sector is looking up thanks to a mix of reasons. Taking the cue from these, various new projects are in the offing in the coming months too.

