

Realtors hope for more rate cuts, urge banks to pass on benefits of previous cuts to consumers

RBI in its third bi-monthly policy review for FY 2015-16 has kept the repo rate unchanged at 7.25%, and the cash reserve ratio unchanged at 4%

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NEW DELHI: Even as the Indian central bank decided to keep the repo rate and cash reserve ratio unchanged in its third bi-monthly policy review for FY 2015-16, real estate developers across the country hoped for more rate cuts going ahead, while urging banks to pass on the benefits of earlier rate cuts to consumers.

The central bank on Tuesday kept the repo rate, or the rate at which it lends money to commercial banks, unchanged at 7.25%, and the cash reserve ratio, or the amount of funds that the banks have to keep with the Reserve Bank of India (RBI), at 4%.

It said the headline inflation is at elevated levels and banks are yet to pass on the full benefits of previous rate cuts.

Manoj Gaur, president, CREDAI NCR said he hopes that the RBI will now look for a consistent decrease in repo rates in the near future.

Pradeep Jain, chairman, Parsvnath Developers said that reduction in rates will be key to revive sentiment in the real estate sector and to prop up growth in the economy.

The real estate market in the country is witnessing a prolonged slump with the a 40% drop in new residential project launches and a 20% dip in home sales in the last one year, according to a report by property advisory firm Knight Frank. At the country level, the total unsold inventory stood at 706,900 units that would take over three years to sell.

Another report by industry body FICCI and property advisory firm Knight Frank India revealed that the sentiment among various stakeholders in the Indian real estate industry has moved into the negative zone for the first time since the Lok Sabha elections in mid-2014.

David Walker, managing director of SARE Homes feels this status quo gives no support to the interest rate sensitive housing market where demand remains weak. "We urge the banks who have only cut rates by about 30 basis points to pass on the full benefit of the 75 basis points cut in rates by the RBI."

"Lenders, especially state owned banks, are cautious when it comes to lending as most of them are trying to recover bad loans while coping with a slump in profits," said Sachin Sandhir, global managing director, emerging business, RICS.

The central bank has made three rate cuts totalling 75 basis points since January this year, but the banks have not shown the same zeal in reducing the home loan rates for the end users.

"We hope RBI announces rate cut of at least 25 basis points in its next policy meeting, would somewhat help the sector in clearing its unsold inventory," said Samir Jasuja, CEO and founder at PropEquity, a real estate data, analytics and research firm.

Navin Raheja, Chairman of industry body NAREDCO feels that current sentiments in the real estate market shall continue in a status quo till any reduction in interest rate happens.