Media: RealtyNMore
Date: August 8, 2024

RBI's Move to Keep Repo Rate Unchanged to Keep Housing Demand, Homebuyers' Sentiment Steady

The Reserve Bank of India (RBI), on expected lines, kept its key interest rates unchanged at 6.5%. This, say real estate experts, augurs well for both homebuyers and developers, as this would ensure home loans remain steady and borrowing costs don't move up. Real estate players said this decision of keeping the repo rate unchanged will have a stabilizing effect on the real estate sector:

Manoj Gaur, Chairman of CREDAI National and CMD of Gaurs Group "For the ninth consecutive time, RBI has maintained the status quo on the repo rate. This aligns well with the country's economic growth projections and will propel infrastructural development. It also signals long-term stability and augurs well for the real estate sector. However, the affordable housing sector development is lagging, and given the huge unmet demand, this is an area of concern, and we hope that RBI will take it into account in the future."

Sanjay Sharma, Director, SKA Group "The RBI's decision to maintain the repo rate at 6.50% for the ninth consecutive time anticipates an appreciative upswing in the housing market. Amidst the rise in housing prices, the constant home loan rates will bring some relief to homebuyers. In addition, the unchanged interest rates will profit buyers and developers, establishing strong consumer confidence and investment in the sector. The RBI's decision to keep the repo rate steady will lead to establishing new projects and expanding developments in emerging areas."

Pradeep Aggarwal, Founder & Chairman, Signature Global (India) Ltd.
"The RBI's decision to keep rates unchanged is on expected lines with an intention to keep inflation under check. While the RBI is focused on reining in inflation within its target limit, the expectation of good monsoon may prompt the apex bank to lower interest rates in the subsequent months thereby further propelling real estate sales momentum and also providing an opportunity to perspective homebuyers to enter in the market. While portraying a robust forecast for economic growth, the RBI's all-round efforts will positively impact homebuyers sentiments and industry as well" .

Yash Miglani, MD Migsun Group
"The RBI's decision to keep the repo rate at 6.5% hfor ninth time has positive implications for the realty sector. With an interest rates remaining stable, prospective homebuyers can take advantage of a favorable lending environment."

Prateek Tiwari, MD, Prateek Group
"The repo rate is unchanged at 6.50% which is a strategic move that supports ongoing growth in the real estate sector. The Indian real estate market has been witnessing growth recently, and this steady rate is set to further benefit the sector. Particularly, the luxury and premium segments have seen a notable increase in sales, with buyers eager to invest in high-end properties. We believe this decision will positively impact the luxury real estate market and propel the sector's growth."
homebuyers can take advantage of a favorable lending environment."

Salil Kumar, Director, Marketing and Business Management, CRC Group- "Once again, the RBI has made a commendable move by keeping the repo rate constant. With an exceptionally performing economy and good GDP growth, stable interest rates will benefit buyers and developers. This will further strengthen the commercial and residential market, offering investment opportunities to all. Considering the upcoming festive season, this announcement will lead to outstanding customer engagement, benefitting the entire sector."

Dr. Niranjan Hiranandani, Chairman, NAREDCO and Hiranandani Group, "The RBI's decision to maintain the repo rate unchanged is a stabilizing force in the current volatile global economic scenario. With the U.S. recession threats hovering, the Bangladesh crisis impacting regional capital flows, and broader global economic uncertainties, steady home loan interest rates offer a semblance of predictability. However, stakeholders must closely monitor these geopolitical undercurrents and macroeconomic indicators to adapt their strategies effectively."
"From a real estate standpoint, lowering the repo rate could have helped revive affordable housing, which has been negatively affected by higher interest rates. However, NRI investors, in particular, find this predictability crucial amidst fluctuating foreign exchange rates and global undercurrents. As the market remains steady, it provides fertile ground for both long-term and short-term real estate investments, but vigilance towards inflation trends, fiscal policies, and global economic developments remains imperative."

Aman Sharma, Managing Director of Aarize Group, stated, "The Reserve Bank of India's decision to maintain the repo rate at 6.5% is a positive move for the real estate sector. This monetary policy stance supports ongoing and future investments by keeping borrowing costs stable.

We anticipate that this growth trajectory will persist, fostering further development in the real estate market. As a result, we are poised to leverage this growth to address the rising demand for both residential and commercial spaces, ensuring we are well-positioned to meet future market needs.

Anurag Mathur, CEO, Savills India
"Amidst robust economic growth and controlled core inflation, the MPC of the RBI adopted a measured approach and kept the interest rates unchanged at 6.5%, leading to a rate pause for the ninth consecutive time. We believe that the RBI's decision is prompted by India's strong GDP growth of 7.8% in the quarter ending March 2024, exceeding all predictions. Furthermore, retail inflation, which was recorded at 5.1% in June 2024, remains well within the RBI's tolerance zone of 6%. However, rising food inflation could pose a risk but is unlikely to spill over to core inflation. This has led several industry bodies to predict that India's growth will exceed 7.5% in FY 2024-2025, maintaining its position among the fastest-growing economies globally. The stable repo rate is expected to boost confidence among real estate stakeholders, particularly for consumers and investors. This is likely to boost housing sales velocity, especially during the upcoming festive season, which is considered auspicious for buying homes. This will also help maintain the sector's attractiveness for institutional funding. Noteworthily, a higher probability of interest rate cut by US Federal Reserve in the upcoming meeting may influence the RBI's stance on Indian repo rates in short to medium term."

Vimal Nadar, Senior Director & Head, Research at Colliers India Amidst swift changes in global economic undercurrents with a moderate view on global economic outlook, RBI has remained cautious and maintained benchmark lending rates at 6.5% for the ninth consecutive time. Inflation, despite being within 6% levels, remains above the benchmark of 4% and thus, continuation of withdrawal of accommodation. In the first MPC meet after the Budget, the RBI has projected a GDP growth rate of 7.2% for FY 2025 led by robust high frequency economic indicators across key sectors. Interestingly, stability in interest rates coupled with the recent announcement to rationalize stamp duty charges along with concessions for women homebuyers bodes well for real estate sector especially residential segment. Strong visibility in financing charges should help homebuyers and developers alike in the upcoming festive season.
Moreover, partial withdrawal of the applicability of the revised LTCG tax arising out of sale of land & buildings retrospectively provides elbowroom to effect housing sales with minimal tax outgo. This is likely to buoy investors' & homeowners' sentiment and thus the real estate sector at large throughout 2024.

Rajjath Goel, Managing Director of MRG Group
"The continued stability in the repo rate is a clear signal of a stable economic environment, which encourages investment in real estate. Lower borrowing costs make it more feasible for developers to initiate new projects and for buyers to invest. However, a modest rate cut could have provided an additional boost, particularly in stimulating further investment and development."

Harinder Singh Hora, Founder Chairman of Reach Group, "We commend the RBI's decision to maintain the repo rate. This strategic move is anticipated to positively impact commercial real estate growth by ensuring stable loan interest rates.

Potential buyers in these markets will benefit from not having additional financial pressures, fostering a more conducive environment for investment. This decision is poised to elevate the sector, paving the way for new project launches in emerging areas."

Uddhav Poddar, Managing Director of Bhumika Group said, "The RBI's decision reflects confidence in the country's economic resilience. For the real estate sector, this stability offers a foundation for strategic planning and growth. Developers and investors should leverage this environment to adapt and innovate, ensuring that they remain competitive in a dynamic market."

Shrinivas Rao, FRICS, CEO, Vestian said, "RBI maintained status quo for the ninth consecutive time and kept the repo rate at 6.5%. Sticky inflation, elevated food prices, and global macroeconomic uncertainty likely influenced this decision. A steady monetary policy for the past one and half years has ensured stability in the real estate sector, boosting demand for all asset classes. This upward momentum is expected to continue as the repo rate is anticipated to remain stable for a couple of more months due to rising inflation amid increasing geopolitical frictions in the Middle East."

Prasoon Chauhan, Founder & CEO of Aurika Homes, "The stability in the repo rate, combined with recent budgetary measures to promote urban housing, creates a favorable environment for growth in the real estate sector. However, inflation remains a concern that could impact affordability. Addressing inflation effectively will be crucial for sustaining growth and meeting the growing demand for housing."

Sanjeev Arora, Director, 360 Realtors- "Keeping the repo rate unchanged was on expected lines, following hike in inflation to 5.1% in the month of June. Rise in inflation coupled with uncertainties in the global market and surge in freight prices will dissuade the government to take a more aggressive stance on economy. Rather than liquidity infusion, the focus will be pinned more on stable prices. The silver lining is that EMIs will remain unchanged and the realty demand is not going to cool down soon. Upbeat job market, healthy economic momentum and expansive aggregate demand will continue to drive both housing and commercial real estate in the country in positive direction."

Mukul Bansal, MD, Motiaz-"The RBI's decision to keep the repo rate unchanged reflects their confidence in the economic outlook. This consistency is likely to have a substantial positive effect on the residential real estate market, presenting attractive investment opportunities for a broad range of buyers. We believe this approach will continue to support the real estate sector moving forward. Additionally, the government's efforts to manage inflation will provide further advantages. This stability is expected to benefit both residential and commercial real estate sectors, creating enticing investment prospects for all investors."

Sehaj Chawla, Managing Director of TREVOC- "RBI's decision to maintain the current repo rate, along with its focus on curtailing inflation, brings a much-needed sigh of relief for buyers, bankers, and real estate developers. This stability is crucial as it bolsters market confidence, allowing stakeholders to plan and invest with greater certainty. The unchanged rate, now ingrained in market expectations, further solidifies a foundation for sustainable growth in the real estate sector.

Piyush Kansal Executive Director of Royale Estate Group– “The RBI’s decision to keep the repo rate at 6.50% for the ninth consecutive year is expected to positively impact the real estate market. As home prices are rising, the stability in home loan rates will offer some relief to buyers. Furthermore, maintaining these interest rates is likely to benefit both purchasers and developers, boosting consumer confidence and encouraging investment in the sector. This steady rate is anticipated to see the launch of new projects and drive growth in developing regions.”

Pawan Sharma, MD, Trisol RED- “The RBI’s decision to maintain the repo rate at 6.5% for the ninth consecutive time greatly benefits the real estate sector. This stability in interest rates enhances consumer confidence, making home purchases more attractive and affordable. As a result, real estate emerges as a more appealing investment compared to volatile alternatives, drawing interest from both domestic and foreign investors.”

Tejpreet Singh, MD, Gillco Group-“The Indian real estate sector has been on a strong upward trend in recent years. The RBI’s move to keep the repo rate steady at 6.50% is likely to further benefit this Real Estate sector. We’ve seen a notable rise in sales within the premium and luxury segments, and stable interest rates should boost buyer confidence and maintain interest in the market. Given the sector’s positive performance over the past few years, this decision will continue to support both buyers and developers. It’s also important to remember that the market tends to recover and grow, and we expect this trend to continue.”

Neeraj Sharma, MD, Escon Infra Realtor -“Real estate investments are growing exponentially, and the RBI’s decision to maintain the repo rate at 6.50% for the ninth time will further boost the industry. With rising luxury housing demand, stable loan rates will foster greater confidence among buyers and developers, promoting sustainable, long-term growth. This consistency in interest rates will enhance the residential sector, encouraging developers to curate projects catering to the buyers’ needs.”