

Repo Rate Decision By RBI Offers Relief To Housing Sector

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RBI's decision to maintain repo rates at 6.50% has brought relief to the housing sector, believes experts



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The Reserve Bank of India's (RBI) decision to maintain the repo rates at 6.50 per cent has been welcomed by the housing sector, providing relief to both corporate borrowers and individuals. While some experts believe that this move will help curb any potential rise in bank lending rates, others acknowledge that a reduction in repo rates could have further bolstered homebuyer sentiments and fueled home sales.

Vijay Kalantri, Chairman, MVIWDC World Trade Center Mumbai, an international trade promotion organisation, commented on the RBI MPC announcement, saying, "Today's policy announcement comes as a relief for corporate borrowers and individuals as the chances of a further rise in bank lending rates have reduced with the RBI keeping policy rates unchanged. The surplus liquidity in the banking system also denotes that there is enough surplus fund in the system to support bank credit growth, and banks need not hike deposit rates to attract more funds to meet the growing credit needs of the industry."

Given the current unchanged rates, the outlook for those looking to buy their first home via a home loan soon remains favourable, as interest rates from most banks will continue in single digits, opined Anuj Puri, Chairman, Anarock Group. He added, "The unchanged repo rates give some respite to prospective homebuyers looking to avail home loans in the near future. The unchanged repo rate can help maintain the momentum in housing sales, which has so far been firing on all cylinders in 2023. As per ANAROCK Research, we saw housing sales in the first quarter of 2023 scale new heights, breaching the one lakh mark at 1.14 lakh units across the top seven cities. With top banks, they currently hover between 8.7 to 9.65 per cent. A future rate hike, if any, may push the rates into double digits."

Sandeep Runwal, President, National Real Estate Development Council (NAREDCO) Maharashtra, is of the opinion that a reduction in the repo rates would further help improve homebuyer sentiments and fuel home sales. He says, "It would put more money in the hands of the homebuyer, encouraging him to go ahead and make a home-buying decision. However, the RBI has been successful in containing the inflation rate within permissible limits. The Indian economy is resilient to global headwinds and has fared remarkably well. The government has initiated a slew of positive policy measures which have sustained housing sales. This, in addition to the government's decision to not raise the Ready Reckoner (RR) rates in the state for 2023-24, did boost homebuyers' sentiments," he shared.

This is the second consecutive pause in the repo rate hike, which is sure to improve market sentiments, propelling housing demand, believes Pritam Chivukula, Vice President, Credai-mchi and Co-Founder & Director, Tridhaatu Realty. "We are seeing a buoyant housing sector where homebuyers are coming forward to buy property. This reflects a healthy outlook for the sector, and we can expect the government to continue with industry-friendly policies that will sustain housing sales. We hope that the State Government steps in to lighten the homebuyer's load by reducing stamp duty to further boost homebuyer sentiments and boost home sales," concluded Chivukula.