

Housing lacks sparkle this season

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The global financial meltdown is expected to dampen the festive season sales of housing this Diwali and also hit Christmas sales, when NRI buying generally peaks.

Faced with bleak sales projections, some developers are wooing customers with promotional offers, while some others feel the rising construction costs and erosion of profitability will render such freebies unviable this festival.

GLOBAL GLOOM

"This Diwali will not bring with it the usual festive charm for property transactions as it is bound to be affected by what is happening in the global economy," said Mr Kumar Gera, Chairman, Confederation of Real-Estate Developers' Association of India (CREDAI). While housing sales during October-January generally rises anywhere between 30 and 50 per cent compared to the rest of the year, the subdued real-estate market is hardly expected to pick up this year.

"The property market is considerably choked this year and the sale will not be more than 10 per cent as compared to previous festive seasons," said Mr D. P. Jana, erstwhile Vice-Chairman of the West Bengal Housing Development Board.

"The period between October and January accounts for approximately 40 per cent of the annual sales. However, the sale of houses is expected to contract or at best remain flat this season," according to Mr Rajesh Goenka, Chairman and Chief Executive Officer of the London-headquartered, international property dealer, Axiom Estates. Overall, the housing market has seen a negative growth of up to 20 per cent since March this year.

"As buying of houses is a one-time decision, customers generally prefer a 'Subh Muharat' (auspicious



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time), boosting transactions in October," said Mr Pradip Chopra, Chairman, PS group.

Mr Shyam Agarwal, Managing Director, Srijan Properties, however, hopes for increased activity, given the higher disposable income with customers. "Customers are generally on a buying spree from November as servicemen get festive bonus and businessmen book profits. People usually sell stocks for capital gains to increase spending, which, however, will not take place now when the stock markets are tumbling," he said.

While investors will stay away from the real-estate market over the next 12-18 months, the actual end-users may keep the market relatively alive if inflation maintains the re-

cent declining trend. Mr Agarwal said. The NRI buying during Christmas vacations will likely be subdued as they will delay investment decisions after seeing the plummeting property values in the US and the Europe markets.

Mr Gera, however, felt it is an ideal time for investing in real-estate for capital gains when profitability in other avenues is shrinking.

Mr Sumith Reddy, Head (South India) Maytas Properties, hoped the series of cuts in Cash Reserve Ratio by the Reserve Bank of India and an expected reduction in home loan rates should increase sales in the next couple of months. Mr Abhijit Das, Regional Director, JLL Meghraj, said, "In addition to enhancing liquidity through reduction in CRR

or Statutory Liquidity Ratio, the RBI must also make sure that primary and secondary rates are brought down to the 7-8 per cent level in the next three months. Only this kind of aggressive rate cut can have an immediate effect on real-estate consumption in the wake of an overall pessimistic world scenario."

MORE, AND VARIED, OFFERS

In order to tide over the erosion of demand during the peak season, developers will come up with different promotional offers, Mr Gera said. "Other than direct discounts, a lot of freebies will also be offered, such as free air-conditioning, fitted kitchen, free stamp duty and registration charges," he said. His own company, for instance, would help new owners in leasing out houses if they book during the festive season, he added.

Mr Sujit Kanoria, Managing Director, Shristi Infrastructure Development Corporation, said the over-supply of built-up area in North and Western India, in places such as Mumbai, Pune, Gurgaon and Noida would lead to free gifts such as car, gold coins, furniture and foreign tours to sell some units. Mr Sushil Mohta, Director, Merlin and South City Properties, said, "The festive spirit will be complemented this season by discount schemes from various home décor brands. There will also be some tie-ups with leading banks to offer on-spot approval of loans."

Mr Deb Prosad De, Director, Bengal Park Chambers Housing Development, however, felt the free offers would be much less this year as such efforts, coupled with rising construction costs, would shrink profitability. "Developers will prefer to tide over the slump rather than give discounts," he said. "As of now, no promotional offers have been announced in the Kolkata market," said Mr Das of JLL Meghraj.