

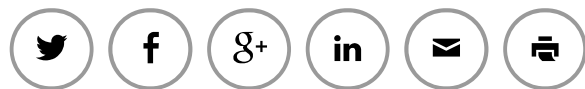


Labourers work at the construction site of a residential building in Mumbai's central financial district. Danish Siddiqui / Reuters

Indian property market sees light at the end of the tunnel

Rebecca Bundhun

May 16, 2016 Updated: May 16, 2016 07:54 PM



Mumbai // The worst is over for India's property sector and home prices are expected to start recovering soon, according to a report by JLL.

India's residential market has struggled in recent years as demand has been subdued.

"Trends are beginning to change on expectations of a good monsoon, revival in the economy, reducing inflation and the fact that residential prices have bottomed out," said Ashwinder Raj Singh, the chief executive of residential services at JLL India. "Also, the improving regulatory environment in the real estate sector, coupled with progressive government schemes such as smart cities, the mission for rejuvenation and urban transformation and housing for all by 2022, are beginning to have a positive influence.

"Additionally, factoring in banks' passing on of interest rate cut benefits to the ultimate consumers, the residential sector, is all set for rebooted growth."

He added that the "most convincing signs of revival" in the property market will emerge by the last quarter of this year or the first quarter of next year. Economic growth in India has picked up and the country has become the world's fastest-growing economy. Interest rates have also come down, which means home loans will become more affordable. These factors bode well for the property sector, JLL wrote.

After two consecutive years of weak monsoon rains, this year's are expected to be better, which would improve the performance of agriculture and could help to spur demand for property from the economy, it added.

Other experts agree that the environment is improving.

"India is a bright spot currently, plus the size of the population, plus the Narendra Modi-led BJP government, which is coming out with a lot of initiatives and reforms in the real estate sector, coupled with the fact that a lot of our macroeconomic indicators are in control," said Rubi Arya, the executive vice chairman of Milestone Capital Advisors, a Mumbai private equity firm focused on property.

"The latest [union] budget we had laid a lot of emphasis on infrastructure and real estate. Every Indian wants to own their first home. New launches have been low and I think the supply will get used and people will buy homes, so the long-term prospects are good."

JLL highlighted that the property sector "saw the worst phase" in the financial year that ran from April 2015 to March 2016, when sales and prices plummeted.

"High inventory levels, diminished demand and limited liquidity impacted new launches, as well," said Mr Singh. Home sales declined in the last financial year, with 158,211 units sold compared to 161,875 the previous year, data from JLL showed. But sales rose in the first quarter of this calendar year to 42,521 units from 39,001 units in the same period a year earlier.

"Where prices are concerned, there was stagnation or at best a modest rise by the end of the financial year 2015-16," said Mr Singh. "Going forward, prices are expected to rise modestly."

A long-awaited real estate regulatory act was approved by India's president last week.

It is designed to protect homebuyers and will establish a real estate regulatory authority. This is expected to help boost demand for homes, JLL said.