



## **Is buying a house during COVID a wise decision?**

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### **Pradeep Dhandhanian**

COVID-19 has changed the way we think or live and this will have an enduring effect on us for a while. A few of which will become a permanent part of our conscious, the 'new normal'. As we foresee the industry, it has to resuscitate itself to recognize, comprehend, strategise and implement innovative ways to meet the emerging versatile demands.

Considering the changes in the present scenario, the industry experts were concerned whether the residential sector will bounce back any time soon. Nevertheless, the revival process has initiated sooner than people have anticipated it to. Among other learnings in this pandemic era, the importance of owning a home has restored its prominence.

There has been a notable trend in the property searches across the country as owning a property is now considered as a sense of security and assurance, avoiding the risks that can crop in while living in a rented space. Owning real estate is also seen as an important asset in one's investment portfolio.

However, investing in a home is a decision of a lifetime and a decisive financial goal for most individuals. Considering the quantum of finances associated with buying a home, it can also turn into a hassle, if buyers do not observe proper guidelines. During this pandemic situation, with property regulations changing every other day, it is important to consult RERA during pre COVID and post COVID development impacting the identified residential project, before making the final decision on purchase.

In addition, it has become imperative to cross-check the developer background to understand their financial stability and the financial rating along with the shortlisted project. It will be favorable if the identified project is in advance stage of completion or should be ready-to-move-in, to avoid any deferment in handing over.

Moreover, at present, the combination of lower interest rates along with stagnant and abridged property prices are keeping the home buying prospect still attractive. With an additional focus on the security part of property deals, it has the potential to drive real estate sales across the country as well.

Keeping the view in mind, here's what is defining the sector amidst the pandemic and why it will still be wiser to invest in your dream home:

### **Favourable government directives**

With RBI slashing Repo Rates from 4.4 percent to 4 percent and reducing Reverse Repo Rate further to 3.35 percent, this has proven to be positive to the home buying sector, with a reduced rate of interest on home loans. In addition, RBI's decision to extend the loan moratorium facility by three more months, can surely give a boost to the home loan borrowers, in order to manage their finances better during these unprecedented circumstances.

Furthermore, the government's effort to extend the deadline for the Credit Linked Interest Subsidy Scheme to March 31, 2021, under the Pradhan Mantri Awas Yojana will have a positive impact on the middle-class strata. This will encourage them to fulfil their home-buying dreams, despite the prevailing economic challenges in the country.

The economic reform and stimulus package announced by the RBI and the Government of India will be an additional push to help sectors launch with a reinvented thrust, whereas the repeated policy revisions will aim at maintaining an even cash flow, amidst this major economic slowdown.

### **Change in property demand**

The reluctance in investing in property was previously based on three primary elements: shorter returns, a higher rate of interest on home loans and the belief that renting a house is always cheaper than buying. However, the present pandemic situation is on the verge of changing this mindset.

Currently, owning a house is associated with an unmatched sense of security in this COVID era, where people are seeking to invest in a house of their own and that will be the silver lining going forward. The enduring weakness in the equity markets will further aid to the sentiment and revive consumer interest in the sector. The value of properties in the real estate market will, therefore, continue to be steady.

### **Rate of production versus rate of sale**

Considering the present scenario, the production cost has increased for the developers as India was primarily dependent on China for steel, iron and other essential construction materials. However, at present with the production and imports being halted, developers are staring at accumulating higher production rates. Nevertheless, given the current market sentiment, this increment will not be passed on to buyers, and will just result in marginal profits. Buyers can expect property prices to remain stable in this scenario for the foreseeable future.

Moreover, to compensate on the increasing production cost, developers are opting for the emergent native supply chains, which will scale up the construction in one hand and avoid handover deferment on the other side.

All things considered and with prices being at a considerable rate with the aiding market curve, now is a great time for buyers to leverage this, and as a ripple effect, revive the Indian economy.

**The author is VP - Finance, Salarpuria Sattva Group**