Home (https://housing.com/news/) » Blog (https://housing.com/news/blog-3/) » Property Trends (https://housing.com/news/category/property-trends/) » Expectations from the interim budget 2019: A reality check for realty

BY RAVI SINHA (HTTPS://HOUSING.COM/NEWS/AUTHOR/RAVI-SINHA/) | JANUARY 25, 2019

Expectations from the interim budget 2019: A reality check for realty

With the government under pressure over a slowing economy, lack of jobs and the need to maintain fiscal prudence, can a widely-expected populist interim budget before the general elections have any sops for the real estate industry? We examine…

In a democracy where the outgoing government aims to appease all, in order to reap benefits in the upcoming elections, interim budgets in India have tended to cater to populist sentiments. The interim budget 2019 of the Modi government at the centre is, hence, anticipated to be no different. With criticism ranging from alleged corruption in defence deals, to a slow moving economy, the government, which came to power on the planks of fighting corruption and accelerating the economy, is under pressure. The government may, therefore, be left with no option but to present a budget that gives a feel-good factor.

It is in this backdrop that real estate developers and home buyers have high expectations. However, most of the demands of the builders and the home buyers, may not be feasible from an economic standpoint. Some of the demands include lower rate of GST (Goods and Services Tax) for house purchase, creation of a stress asset fund for stalled projects, easy finance to the sector, more job creation to ignite housing demand, single-window clearances, tax incentives for home buyers with an increase in the limit of interest deduction on home loans from Rs two lakhs to Rs three lakhs and inclusion of stamp duty within the GST.

Interim budget 2019: Feasibility of demands

Demands that are feasible	Demands that are difficult/ not feasible
Lower GST on home buying	Inclusion of stamp duty within GST
Tax incentives to home buyers	Single window clearance
	Easy finance to the realty sector
	Creation of a fund for stressed assets
	Job creation to ignite housing demand

See also: Interim budget 2019: Let's not get too excited (https://housing.com/news/interim-budget-2019-lets-not-get-excited/)

Industry stakeholders, nevertheless, are optimistic.

> **Amarjit Bakshi, chairman and managing director of Central Park**, expects the interim budget 2019 to ensure stability and growth for India Inc. "Real estate has been one of the key contributors to GDP and is the second-largest employment generator in India. We are hopeful that the government will understand the long-standing need to accord industry status to the real estate sector, which will help in the overall growth of the sector, as developers will be able to raise funds at lower rates," he says. Bakshi also says that the sector will receive a fillip, if the GST on under-construction properties is reduced to five per cent, from 12 per cent. The government's 'Housing for All' mission will also gain significant momentum, if more incentives are announced, in addition to the credit-linked subsidy scheme (CLSS), he adds.

Interim budget 2019: What home buyers and developers want

Dhaval Shah, joint managing director of the Parinee Group, opines that the industry has witnessed many changes in the last couple of years. The last quarter has been reasonably better and we hope that the industry will revive from the slump, he says. "Nevertheless, this will require the support of the government in many ways – easy finance for developers and buyers, lucrative tax slabs for home buyers that should boost real estate investments and new policies to boost the real estate sector. Thus, we look forward to a budget (https://housing.com/news/budget-2018-top-5-expectations-real-estate-sector/) that will help everyone associated with the industry," says Shah.

Aditya Kedia, managing director of Transcon Developers, points out that the stakeholders are looking forward to constructive methods that will make homes more affordable for buyers and reduce costs for developers. "Deductions in the income tax for customers who are keen on investing in housing units that fall under the classification of inexpensive housing, can offer targeted support to this section, where affordability remains a major constraint on demand. Further, the real estate industry might benefit from any decline in the overall tax outgo, due to a relaxation in income tax slabs, thus, boosting the capability of the salaried class to invest in properties," says Kedia.

However, beyond the optimism of the sector, the fact is that it may not be feasible to meet many of the demands.

> With the government already in danger of exceeding the fiscal deficit target of 3.3 per cent, combined with the temptation to provide relief to the rural sector and the middle-class in a populist pre-election budget, this may leave little scope for sops for specific industries like real estate. The prospects for the real estate sector, hence, remain 50:50, even if the government tries to appease all. To sum up, the real estate sector may be left with just promises that the next budget with a new government would have to deal with.

(The writer is CEO, Track2Realty)

Can the government afford a populist Budget 2018, for real estate?

With the government unveiling several policy initiatives that affect the real estate sector over the past year, will the upcoming Budget 2018 provide a bonanza for the sector? We examine the ground realities that could answer this question

January 31, 2018: With real estate being a key contributor to the GDP and the job market, it is no surprise that the real estate fraternity, as well as home buyers, are expecting major sops. However, the critical issue ahead of the Union Budget 2018-19, is whether the state of economy allows the government to grant a bonanza.

> Far from granting any bonanza, there are legitimate concerns over whether the state of the economy, would allow the finance minister to even address the legitimate concerns of the realty sector. After all, the growth forecast has been corrected downwards and key indicators and industries have not picked up, as expected.

While there is no denying that the focus of the finance minister, would be to revive demand in the market, any largesse or grant to the long-standing demands of the sector, is highly unlikely. This may also extend to the demands of the middle-class, salaried home buyers. The former Reserve Bank of India (RBI) governor, Bimal Jalan, in a recent interview, stressed the need to have a balance between fiscal and economic growth.

Sops needed, owing to real estate's importance, say developers

Developers, nevertheless, have their own reasons to be optimistic. Pointing out that real estate is the second-largest employment generator in India, after agriculture, **Ashish R Puravankara, MD of Puravankara**, hopes that the sector will receive incentives in Budget 2018, as it will create employment opportunities across the sector and eventually, be a catalyst to economic growth. A long-term view must be maintained, in terms of the return on investment (RoI) on the sops provided to the industry, he says.

See also: Budget 2018: What do home buyers and developers want? (https://housing.com/news/budget-2018-home-buyers-developers-want/)

> **JC Sharma, VC and MD of Sobha Ltd**, feels that if the government offers calibrated incentives to home buyers, in addition to schemes such as the credit-linked subsidy scheme (CLSS) under the Pradhan Mantri Awas Yojana (PMAY), then, fence-sitters will be enthused to buy homes. "Schemes or incentives for home buyers who are single mothers, retirees, physically disabled and other vulnerable sections of the society, will encourage a large section of people to invest in properties and boost the demand for housing. The idea, is to address the genuine demands of a large section of the population, by providing reasonable incentives. This will give a fillip to the entire sector, which has been facing challenges for the past few years," says Sharma.

Incentives for home buying that may be realistic

Nikhil Hawelia, managing director of the Hawelia Group, maintains that it is not the state of the economy but the state of banks that would encourage the finance minister to incentivise home buying. Although the economic growth has been lower than expected, on a macro level, the fundamentals are loaded in favour of home buyers, if not the developers, he says.

> "Banks are flush with funds and they need one or the other lending-driven sectors to grow. Real estate is an appreciating asset class, unlike automobiles, which are depreciating assets. The finance minister has no choice, but to incentivise home buying, where the risks are less as the product keeps appreciating constantly. If the home buyers can be provided incentives through the union budget, the business of real estate is resilient enough to bounce back," Hawelia elaborates.

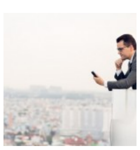
Despite the arguments in favour of sops for real estate, the state of the economy may leave little room for a budget bonanza. Nevertheless, there may be some relief for home buyers but this may be for buyers at the bottom of the pyramid. With the government already looking forward to the 2019 general elections, there may also be some marginal relief given to the middle class. Finding a balance between farm growth and infrastructure growth, would more likely be the key focus of the government, a year before the elections.

Budget compulsions and expectations

- The state of economy demands a prudent fiscal policy, with little room for populist incentives.
- While banks are flush with funds, non-performing assets (NPAs) are also rising.
- A slow job market indicates that liberal lending for home buying, could be counter-productive.
- With general elections set to be held in 2019, the finance minister may be tempted to provide some incentives for the middle class.

(The writer is CEO, Track2Realty)

Related Posts


(https://housing.com/news/budget-2018-top-5-expectations-real-estate-sector/)
January 23, 2019
5 expectations that Budget 2019 must address, to uplift the real estate sector's sentiment


(https://housing.com/news/budget-2018-home-loan-borrowers-need/)
January 24, 2019
What do home loan borrowers need from budget 2019? (https://housing.com/news/budget-2018-


(https://housing.com/news/interim-budget-2019-lets-not-get-excited/)
January 22, 2019
Interim budget 2019: Let's not get too excited (https://housing.com/news/interim-budget-2019-lets-not-get-excited/)


(https://housing.com/news/budget-2018-populist-budget-not-real-estate/)
February 2, 2018
Budget 2018: A populist budget, but not for real estate (https://housing.com/news/budget-2018-