

Real Estate Developers in India are Pessimistic about Future

RBI is making its move toward raising the interest rates. Due to this the real estate developers foresee the demand and the price revision to decelerate more. The launch of the new projects is getting delayed because the developers are stuck between the low demand and growing cost of resources and constructions.

August 11, 2008 (FPRC) -- The sentiment in the realty market is dampened due to the hike in the interest rates, which will further affect the demand. Gagan Banga, the spokesperson of the eminent real estate player, Indiabulls, foresees 5 to 15% corrections in the price of real estate properties in coming couple of months, and the price correction will depend on the location and the projects.

The real estate market constantly has been under stress since the last six months. In some markets the sales has declined up to 70%. The prices have declined up to 20% in the overrated markets like Greater Noida, Gurgaon, Kundli, and Ghaziabad in the National Capital Region and in several suburbs of Mumbai.

As per Sanjay Verma, the South Asia MD of Cushman & Wakefield, credit has no alternative. The developers are unable to acquire funds, and the land dealings have come to an end because of this reason. The developers have changed their plans to raise funds, and few of them have restricted their plans for expansion.

Several developers, mainly the smaller developers, are afraid of the fact that they may not be able to finish their projects due to lack of funds. The small developers have already exhausted the bank credit, and now they apprehend that the growing interest rates would compel them to borrow money with a higher cost from NBFCs and private moneylenders. The home loan rates are probably to ascend, therefore, the advance amounts given by the buyers also will come to an end earlier than expected, and the speed of the project execution will get affected.

R Nagraju, the general manager (corporate planning & strategy) of Unitech developer thinks that the high cost of loaned amount will have a nominal effect on company's margins. He also states that the large real estate concerns will have demand for their projects.

Mr. Nagraju also of the opinion that there is hardly anything to do as far as the high interest rate is concerned, but the demand can be increased by developing projects suitable for the present market needs. It means cutting down the cost of additional luxury, which will help to price the projects reasonably.

Unitech developer is planning to develop houses costing Rs.40 lakhs, exceptionally low for Gurgaon real estate market. In smaller cities, they are planning to develop houses even at a lower price to attract the attention of large number of purchasers. Ansal Properties and Infrastructure (API) is modifying its plan to go well with the changing scenario of demand in India property market.

As per the CEO of API, Mr. Anil Kumar, the plotted development projects are still showing good demand, and API is planning to launch such projects. Besides launching such projects API's focus will be on executing the existing projects instead of initiating new housing projects.

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