

Property prices may dip post lockdown, realtors seek lower levies

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New Delhi, April 14 (IANS) Property prices may fall in the coming days, as the real estate sector goes through another major blow -- coronavirus crisis and the lockdown.

Developers, however, say that government support in terms of lowering levies would be critical in this front.

Recently, the Chairman of the State Bank of India (SBI) Rajnish Kumar asked developers to clear inventory at the earliest without waiting for prices to rise.

President of the National Real Estate Development Council (NAREDCO), Niranjan Hiranandani was of the view that, prices can be lowered, if changes are made to the Income Tax Act for not levying fines if property is sold below the circle rate.

"Where we have a problem, is the provision in the Income Tax Act [[Sec 50C and Sec 56(2)x]], which levies penalties on both, the developer and the buyer in case the selling price is lower than circle rates," Hiranandani told IANS.

"So, effectively, there will be scope for some discounting, but unless the authorities make the necessary amendments to this provision in the Income Tax Act, selling at prices lower than the circle value or ready reckoner value will attract taxation challenges for both, buyer and seller," he said.

Raj Jain, Project Head of New Modern Buildwell said the prices may fall in the short term, which would stabilize later.

"There would be a panic down fall in prices for sure in short term but in due course of time the prices are seen to be settled and we will see curve of price rising," Jain said.

Anshuman Magazine, Chairman & CEO - India, South East Asia, Middle East & Africa told IANS that it is too early to anticipate on prices but the global impact could lead to delayed decision-making, and capital expenditures by prospective investors and home buyers.

"It is too early to comment on the impact of COVID-19 given that the situation is still evolving. In the last ten years, the real estate industry has shown immense resilience. We are confident that once COVID-19 situation normalizes, regular transactions in the market will start taking place.

On the demand front, Magazine said that in the long term remain is likely to stay stable.

NMBPL's Jain said that the demand for completed projects and properties may rise with a period of time, which are in good location, but that for under-construction projects the demand will a slow-down.

"So we can estimate good sales for constructed, ideally located projects due to various stimulus provided by developers to increase their sales, but the question will remain critical for under construction projects."

Hiranandani noted that post lifting of the lockdown, the primary issue will be buyer sentiment and it is not as simple as "reduce prices for sales to happen".

To ensure that buyer sentiment remains positive, there will be need for "positivity enhancers" to drive offtake in the market, and some of these will come from authorities like lower rates of interest for home loans and reduced stamp duty, he added.

Industry bodies and developers have been seeking support from the government in terms of lower stamp duty and other levies by state governments and local municipality bodies.

NAREDCO recently said that the real estate sector has incurred losses of over Rs 1 lakh crore so far during the lockdown.

With the lockdown being extended till May 3, obviously with certain leeway, the real estate sector may have to face further standstill, and the losses are likely to increase.