

Realty sector awaits policy initiatives to boost sales

By [DileepAthavale](#), TNN | Dec 29, 2012, 06.51 AM IST

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PUNE: The city's real estate sector, despite a decent performance during 2012, is waiting for major policy initiatives that will help ease property prices and encourage customers to buy properties.

Among major aspirations of the realty sector players are, cutting down the number of clearances a housing project has to obtain and a reduction in taxes which effectively have a bearing on the price a buyer pays for his dream home.

An urgent issue is that of the stamp fee payable on real estate deals. The realtors complain that the state government has been jacking up this fee each year as it is based on the ready reckoner values which is declared at the beginning of the year. Also looming large is the spectre of the value added tax (VAT), about which there is no clarity in spite the court ruling that the state is empowered to levy the tax.

AnujPuri, chairman and country head at real estate consultancy firm [Jones Lang LaSalle](#), told TOI: "Obtaining the 57-odd permissions to begin construction of a project can take as much as two years. During this time, the cost of acquisition or even holding the land for a project rises. Builders are already beset with the increased costs of licence and construction."

D S Kulkarni, chairman of real estate firm DSK Developers, said the government's tax policies have reduced the builders to mere collectors of taxes on behalf of the government. "As much as 27 per cent of the price of a dwelling is taxes which we collect from customer and pay to different government bodies," he said.

Puri added that it became evident in 2012 that homes are not selling at the current price points, and developers need to re-calibrate their bottom lines to remain viable as businesses. It is extremely doubtful that the previously offered freebies and other incentives will prove to be much of a booster in the current

environment. Since the only way to catalyse healthier sales at this point is offering buyers tangible financial relief, we are likely to see drastic trimming of frills in projects to make them more marketable from a pricing point of view, and innovative payment schemes. "Developers will also offer buyers attractive pre-launch benefits in a bid to accelerate sales momentum in the initial months following a launch. Developers with large-scale projects with a greater share of unsold inventory will be under greater pressure to offer discounts than those with smaller projects and limited inventories."

Kishor Pate, chairman of [Amit Enterprises Housing Ltd](#), said many positive factors made things easy in the realty sector but what really pulled Pune's property sector through was the growing number of investors in the market. "In 2012, our analysis showed that only about 40% of all apartments in Pune are being bought and used by actual end users - flat owners who are personally using their properties for occupation. As much as 40% of the remaining flats are held by investors for renting out to the growing transient working population in and around the city's IT hubs. The remaining flats are standing empty. These are either bought by NRIs who intend to move back to Pune in the near future, or are being held by speculators looking for a profitable resale."

[Rajas Jain](#), managing director of Kumar Properties Pvt Ltd, said the year 2012 has been a little subdued yet mainly stable. Slow reforms coupled with lack of decisive political will and a struggling economy has affected market confidence, thereby dampening real estate sentiment. The inclusion of 28 more villages into the [Pune Municipal Corporation](#) (leading to greater availability of dwelling units), removal of 'no objection certificate' system for transfer of ownership before society formation and the recent move to allow FDI in multi-brand retail will be the major factors driving demand in 2013. Also, prevailing exchange rate benefits due to the falling value of Indian currency will advance investment from the non-resident Indians in the commercial real estate space, Jain added.

According to Puri, the country's economic environment will certainly improve in 2013, with a corresponding (though lagging) gain in momentum for real estate. The most tangible benefits of economic improvements on the Indian real estate space will be seen in the second half of 2013, Puri said. "With moderation in wholesale price index inflation, the Reserve Bank of India started softening its cash reserve ratio to improve the credit situation. Further easing of liquidity with the prime objective of reviving the GDP is expected in the first half of 2013," Puri added.