

## **CREDAI Media Interaction**

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### **Draft Release**

The CREDAI fraternity comprising 11,500 real estate developers spread over 166 cities in 23 states fully and unequivocally supports the decision of the Government to demonetize currency notes of Rs. 500 and 1000 in the national endeavour to eliminate black money, corruption, fake currency and terror financing. The Government resolve to eliminate black money and corruption is in the interests of the common man as well as business and industry.

Real estate industry contributes 7% of India's GDP and is the second biggest employer after agriculture. Given the scale and size of the industry, it is imperative that CREDAI articulates the impact of demonetization on the industry and brings it to the knowledge of the general public.

CREDAI as the apex organization in the real estate industry affirms that the primary market is funded by banks and financial institutions which are all regulated entities. As such, cash component is not an integral element of the primary market. **Therefore, CREDAI denies adverse impact on the primary real estate market arising out of demonetization. In fact, the primary segment is expected to gain at the expense of the secondary segment of the market with its compulsive cash component.**

In fact, in the aftermath of demonetization, banks are going to be flush with additional funds upward of Rs. 10 lakh crore. Hence, a fall in interest rates up to 200 basis points is imminent of which SBI cutting its deposit rates by 1.75% is an early sign. Eventually, we see home loan rates coming down from the present level of 9.25% to less than 7% in less than one year from now. This would bring down the EMI for the ultimate consumers.

CREDAI expects the mop up of black money to also lead to higher tax collection and a lower rate of personal and corporate income tax from the next financial year onwards. In other words, the demonetization would put more money into the pocket of home purchasers through lower tax burden and incentives for home ownership.

The tendency towards lower rate of interest is also going to be strengthened by a low rate of inflation.

Real Estate (Regulation and Development) Act, 2016 would become operational during the year which would further boost consumer confidence in the primary segment.

**CREDAI specifically contests uninformed claims that prices of residential real estate would fall. Once the immediate liquidity shortage is overcome, demonetization would spur huge activity in the home buying space by end users who will be aggressively availing home loans. This logic needs to be understood by all home loans buyers and they should beware of being misguided by opinion makers who are claiming that property prices will fall. At the end of the day, the current real estate prices in the primary segment are at their lowest with no further scope for correction.**

**CREDAI commits its membership to achieving the goal of housing for all in a corruption free India.**