



Article published on July 18th 2012 | [Real Estate](#)

Chairperson of Knight Frank, Mr. Pranay Vakil offers his views on this trends in Mumbai's realty market.

Q: The question that the majority folks would raise is that the quantum of Rs 1.4 Lakh crore of unsold residential property in Mumbai is fairly huge, however might not be the precise quantum as an outsized share of this went on within the past. The Mumbai realty doesn't appear to crack. What's your belief regarding what's going to happen this time?

A: Let me clarify that we have a tendency to be solely talking regarding the residential market. Therefore allow us to specialise in that. Currently the valuation that you just talked regarding is at current market values and not at price. Therefore, it's not hurting the developer the maximum amount as you would possibly assume it will. Currently of these developers a minimum of fifty percent of them are in an exceedingly joint venture with the landowner. And have the developers obtained the land? The solution is no or very partially. Currently after you haven't obtained the land and the land constitutes virtually seventy percent of the sale worth your ability to carry on is infinite.

Secondly, the funding that comes through is merely meant in touch the development price and not for acquiring the land. Since, you haven't obtained the land, holding on does not hurt you. Yes, the interest prices have gone up, however that affects solely the development and during this residential section, as long as you're booked or sold, you're able to take cash against it. You will have a negative operating capital state of affairs generally. What which means is that you just have recovered quite what you spent on that specific project, not counting the land. This will lead to some pain to scale back the value, however that pain isn't sufficiently big for you to try to do that. Therefore in very basic terms, this can be why the costs haven't come back down.

Q: We have a tendency to stick with it hearing each currently and then regarding realty firms, in Mumbai notably. Borrowing Rs 30-40-50 crore or Rs one hundred crore at interest rates of 36 percent or northwards, that's strange. If the builder or the real estate developer isn't in pain, why would he do this?

A: This normally happens throughout the end of quarter, as a result of some loans are falling due for reimbursement and this can be not the overall funding that has taken place at thirty six percent. This can be simply bridging finance or a marginal finance. After you borrow Rs 2000 crore and you would like one hundred crore to pay the interest which is what's borrowed at this very high rate, not the whole project. You can't afford to borrow at that rate and keep alive.

Q: Returning right down to the exhausting numbers, Rs 1.4 Lakh crores is that the stated range in your report of unsold inventory. Firstly, where is that this unsold residential property in Mumbai is blocked immediately within the region of Mumbai and the way can the events pan out in terms of who can blink initial on the pricing front?

A: Let me tell you the rationale why folks don't purchase and what's holding them back. There are solely three reasons why folks don't purchase. If they expect the costs to come back down, they're going to clearly place their purchasing on hold. Secondly, the interest rate is hurting them; and eventually, they need no confidence within the developer confidence that the developer can deliver the merchandise that he's paying for. Currently if you address these three problems, you'll have revival of demand. Therefore how does one address a problem like expectation of costs to fall? In

the buyer's mind, a five percent or 10% fall in worth isn't aiming to place him off. However, when he sees that the costs would possibly fall quite that, he can place his purchasing on hold as a result of the stamp duty and alternative expenses are regarding 10% anyway.

Q: Does one acquire that may happen over a ten percent drop in Mumbai real estate?

A: ^ We have a tendency to see that happen and have seen it before additionally. We have a tendency to are talking regarding the elasticity of the developers their ability to carry on. Like I explained before, the role of the land part, however as long as that capability is there to carry on, they're going to not.

I will conjointly imply the results of a worth reduction. As some developers could have sold a region of the project, the consumers would possibly return and raise for a rebate, which could produce lots of issues. Therefore, the very last thing they're going to do is cut back the value. They may freeze the value, they may have the parking fee, they may even acquire the stamp and registration fee, however an outright deduction within the costs are going to be the last resort.

Q: You're not giving excellent news to lots of individuals out there who are planning to purchase residential property in Mumbai and are looking forward to the costs to come back down. Does one assume six months down the road, things might change? There would be some pressure points which might are available in as a result of you can't have buildings of residential property with no one staying in.

A: You'll definitely realize a disparity between completed projects and below construction residential property. You may realize that completed residential property in Mumbai will get sold. If someone is in a position to pay the cash and take delivery, yes, he can purchase it. However, if you're asking to book one thing below construction, those three factors that I told you come back into play and that they then need to attend and watch. Buyers are, in fact, willing to pay a premium for a completed project, as a result of there are not any ifs and buts left

Q: Does one recognize that of the developers I don't recognize if you'll name anyone has the very best pushing of unsold inventory?

A: ^ We've mentioned five developers in our report - five prime developers in Mumbai. If you explore their borrowing position, they need to repay specifically half (maybe somewhat but half) of the unsold inventory that they need.

Article Source:

<http://www.articleside.com/real-estate-articles/mumbai-property-price-is-not-expected-to-fall-in-near-future.htm> - [Article Side](#)

[Prop Tiger](#) - About Author:

Prop Tiger is an independent real estate advisor with a pan-India presence. We aspire to be your first port of call if you want to buy a [property in mumbai](#).

Article Keywords:

property in mumbai , real estate mumbai, apartment in mumbai, flats in mumbai, mumbai property

You can find more [free articles](#) on [Article Side](#). Sign up today and share your knowledge to the community! It is completely FREE!