

PRIMARY MARKET SET TO GAIN

The future looks perfect for the primary real estate market. The Reserve Bank of India's recent Clean Note Policy, which is expected to reshape the real estate sector, together with ample inventory ready for possession, have reinforced buyers' confidence and trust in the sector.





Research & Reports

DESCRIPTION

Research & Reports (R&R) is an independent entity that aims to create a credible ecosystem which is fact-based, data driven and analysis-laden within the ever-growing Indian real estate growth story.

R&R team is dedicated to bringing the actual reality of realty to buyers and sellers alike. The R&R reports decode the complex world of real estate and empower the stakeholders with key insights to take the right decisions.

R&R is an independent research wing of Rise Infraventures Limited.

VISION

R&R stands for transparency and sustainable approach leading to a creation of world class infrastructure and consistent growth in real estate in India.

MISSION

Our mission is to provide independent, unbiased research and reports on real estates trends, movements and practices. We support transparent buying and selling experiences which align to public policy, and, as a result deliver RERA approved standard transaction process throughout the nation.



MARKET SET TO SOAR A NEW HIGH

CLEAN NOTE POLICY & ITS IMPACT ON REAL ESTATE

With a lot of inventory getting ready for possession and market sentiments being bullish, the buyers are once again beelining the market. The positive sentiment is set to rise and with Clean Note Policy in place, the real estate market is set to get a further boost. With secondary and cash driven market losing sheen, new launches and fresh bookings are expected to soar a new high. With existing trends emerging, the market is further set to pick up in the days to come.

The recent Reserve Bank of India's decision as part of the Clean Note Policy to withdraw Rs 2,000 currency notes from circulation might have raised questions and concerns about the decision's potential impact on the housing sector. The move may lead to a rise in land deals and re-sale housing transactions, as cash continues to be a major component, at least in the short-term or till the time the stocks last.

While there's a significant portion of stakeholders who argue that a positive impact will be witnessed, especially on the primary housing sales market, there maybe a few doom-sayers, who don't shy away from comparing this move to the 2016 impact of demonetization of the then-existing Rs 500 and Rs 1000 notes on the real estate market. However, this doesn't seem to be the case now, and most feel that the homebuyers will continue to prefer primary market on several accounts, especially considering the current supply and price points.

This time around, it is not going to be a deal breaker.

Here's a closer insight!

Vishesh Prakash
Head, R&R



RS 2000 NOTE WITHDRAWAL: NOT A DEAL BREAKER FOR REAL ESTATE IN INDIA

The Reserve Bank of India's decision to withdraw Rs 2,000 currency notes from circulation has raised questions about its potential impact on the housing sector.

While some believe that the move may lead to a rise in land deals and resale housing transactions with cash components, at least in the short-term while the shock lasts, others argue that this time around, the impact will be minimal, especially on the primary housing sales market.

The biggest doom-sayers remind us of the impact of the government's demonetization policy of the then-existing Rs 500 and Rs 1000 currency notes on the real estate market.



DEMONETISATION 2016 VS 2023 CLEAN NOTE POLICY



DeMo 2016: Undoubtedly, the 2016 demonetization led to a not-so-short-term decline in property transactions and a slowdown in the housing sector. The Indian real estate market had almost traditionally involved a significant amount of cash transactions, invariably involving unaccounted and hoarded high-value currency notes. With the withdrawal of these notes, there was a cash shortage in the market, leading to a decrease in property sales and a correction of sorts in prices. The liquidity crunch also affected real estate developers who relied on cash transactions for land acquisitions and construction.

The sudden withdrawal of the then very prevalent Rs 1000 and Rs 500 notes disrupted their cash flow, leading to delays in project completions and financial stress. Demonetization also psychologically impacted homebuyers and housing investors, causing them to adopt a wait-and-watch approach. This cautious sentiment further contributed to a slowdown in the real estate sector.



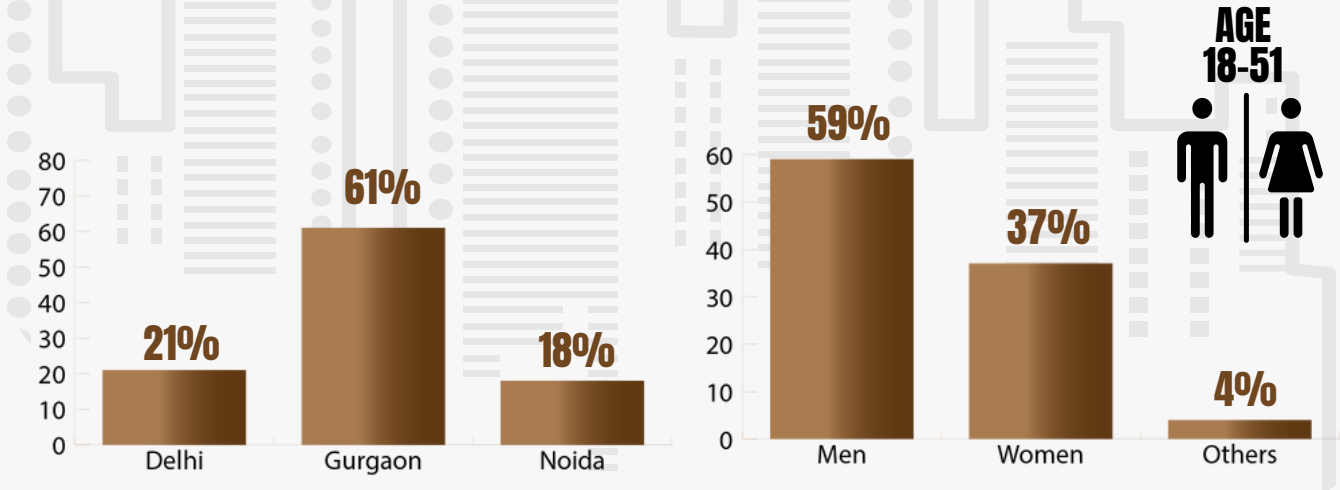
Clean Note Policy 2023: Though it would be incorrect to call the recent move as demonetization, but many beg to differ. This year, the RBI decided to withdraw Rs 2,000 notes from circulation. First, this withdrawal was not a cataclysmic event, but a gradual process. It is not a ban. The RBI has allowed citizens to deposit or exchange these notes by September 30, 2023. Thus, this is certainly not comparable to the 2016 event, which was abrupt and had almost no buffer period. Also, many things have changed in the Indian real estate sector since the highly disruptive demonetization. The cash component in the housing transactions has reduced massively and will continue to make the sector cash-free and transparent.



**CLEAN NOTE POLICY IS SET TO POSITIVELY IMPACT
THE REAL ESTATE SECTOR AS OPPOSED TO 2016**

The R&R survey was conducted amongst respondents spread across Delhi-NCR, with a healthy mix across genders, age groups and real estate stakeholders. Here's what the quick survey revealed.

WHO WE SPOKE TO...

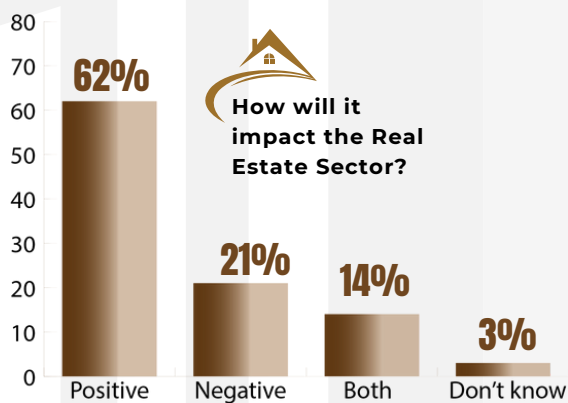
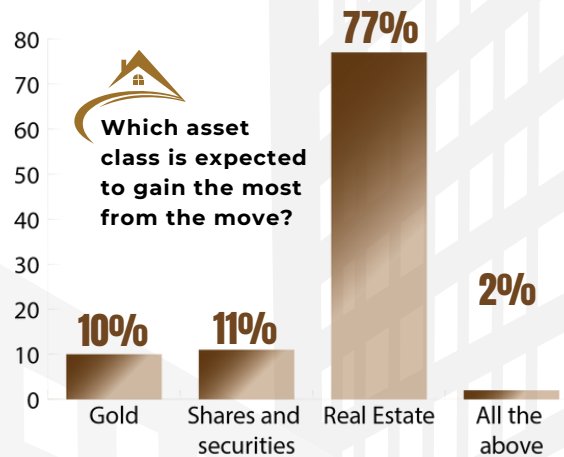
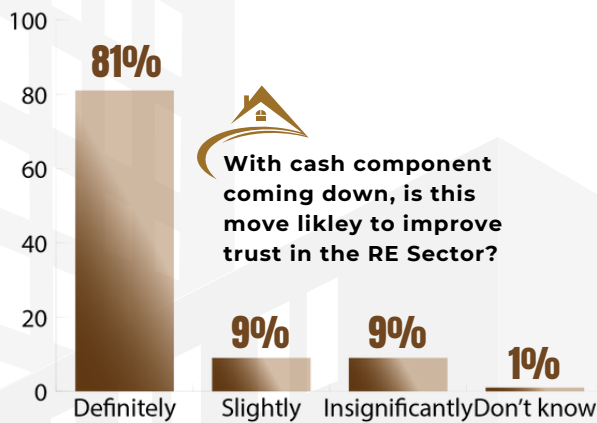
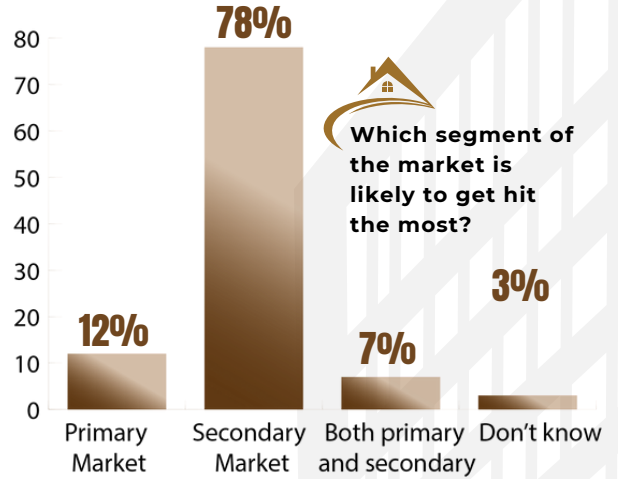
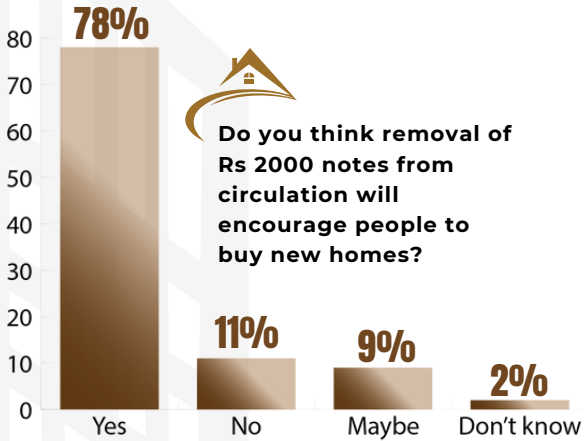


THE SURVEY RECEIVED A GOOD RESPONSE FROM ALL STAKEHOLDERS ON THE IMPACT OF CLEAN NOTE POLICY



KEY INSIGHTS:

ON THE BIG QUESTIONS THAT ARE ON EVERYONE'S MIND



A MAJORITY OF RESPONDENTS BELIEVE THAT THE REAL ESTATE MARKET WILL BE POSITIVELY IMPACTED BY THE CLEAN NOTE POLICY

*R&R primary and secondary data

IMPACT OF SIMILAR MOVES IN OTHER COUNTRIES

It can't be denied that the sudden withdrawal or demonetization of currency notes had undoubtedly negatively impacted the real estate markets of other countries. In 2016, Venezuela demonetized its 100 bolivar note, which accounted for around 77% of the country's cash in circulation. This created chaos and adversely affected the country's real estate market, as property transactions stalled, prices declined, and liquidity tightened.

In 2019, Zimbabwe banned using foreign currencies and reintroduced its national currency, the Zimbabwean dollar. As a result, the country experienced hyperinflation and economic challenges, and the withdrawal of foreign currencies affected its real estate market. Property values declined, and transactions plummeted.

In 1987, the Burmese Government demonetized 25, 35, and 75 kyat notes. Again, this move aimed to tackle inflation and corruption but also led to a decline in property prices, transactions, and overall investment in the sector.



VENEZUELA 2016

Demonetized its 100 bolivar note, which accounted for around 77% of the country's cash in circulation.

ZIMBABWE 2019

Banned using foreign currencies and reintroduced its national currency, the Zimbabwean dollar.

BURMA 1987

Demonetized 25, 35, and 75 kyat notes to tackle inflation and corruption, which led to decline in overall investment.

MANY COUNTRIES ACROSS THE GLOBE HAVE FACED SIMILAR POLICY CHANGES, AND HAVE HAD DIFFERENT IMPACTS

In the context of the Indian Real Estate Market, though it took a hit in 2016, things have changed to a great extent, and there's been a lot of positive movement since demonetization. As a result of demonetization, the cash transactions in Indian Real Estate Market have reduced, and are likely to go down further.

Available data suggests that 70% of respondents admitted to cash being the main means of transactions for property acquired in the last 7 years in the secondary market.

However, the percentage of respondents who admitted to having paid over half of the amount in cash dropped from 16% in 2021 to 8% in 2022.

The Indian housing sector has come a long way from 2016, With RERA bringing in transparency and accountability, and buyers and sellers consciously moving away from cash transactions, it's going to strengthen the sector in more ways than one.



THE INDIA STORY REVEALS THAT DEMONETIZATION LED TO A DECLINE IN CASH TRANSACTIONS IN REALTY

7

IMPACTS ON INDIAN REAL ESTATE

The sales and new launch numbers of Q2 are already indicating breach of previous levels. A sign that primary market is growing fast despite half of the quarter being post announcement of withdrawal of Rs 2000 notes.



With a lot of inventory getting ready for possession and market sentiments being bullish, the buyers are once again beelining the market.

With secondary and cash driven market losing its sheen, new launches and fresh bookings are expected to soar.



Homebuyers will continue to prefer primary market on several accounts, especially the current supply and price points.

Most Indian homebuyers are end-users who want their purchases to be well-documented and legally above board. On their part, developers will not risk engaging in business practices that impact their business reputation and sustainability.



The resale market will take a slight hit as the cash transaction are likely to continue in this segment. However, experts suggest that the impact of clean note will not extend beyond 2023.

Therefore, the graded Rs 2000 note withdrawal will not hit the fresh sales market involving developers and homebuyers.



ACCORDING TO A RESEARCH, THE IMMEDIATE IMPACT OF THE CLEAN NOTE POLICY WILL NOT EXTEND BEYOND THE END OF YEAR 2023



Research & Reports

Vol 2; No 6

Powered by:
RISE INFRAVENTURES LIMITED

 ADDRESS:
2nd Floor, Ireo Grand View Tower, Golf Course Ext Rd,
Sector 58, Gurugram, Haryana 122001

 EMAIL ID:
contact@randrbyrise.com

 CONTACT NO
9999404404