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**Y**our income is directly proportional to your spending. More your purchasing power, more you spend and invest; lesser the purchasing power, lesser the splurging. The recent seventh Central Pay Commission report entitles a 16 per cent hike in the basic salary and 138.7 per cent hike in the house rent allowance (HRA) for over three crore employees and pensioners in the central and state government, resulting in the anticipation of huge cash flow into the pockets of these individuals and lighting a ray of hope and positivity in the real estate market.

For the past two and a half years, the realty sector has been bleeding due to the constant lashes of land litigations, growing inflation, National Green Tribunal (NGT) orders, over supply, unsold inventories and the ever-rising cost of raw materials and manpower. The new launches and sale of residences too witnessed a downward trend. While the RBI repo rate cut accompanied by relaxation of the foreign direct investment (FDI) norms, brought in a wave of positive sentiments in the sector in the first quarter of 2016, lack of trans-Estate Regulation Agency (RERA), implemented to build the confidence of buyers and investors, pulled the segment down again.

The National Capital Regions (NCR) such as Noida, Greater Noida, Ghaziabad, Gurgaon, have been noted to be the hub of affordable and luxury homes, backed by the demand from the middle and upper middle class segment. This salary hike is, therefore, expected to flip the reeling realty sector back to its former glory days. As per Gaurav Gupta, gen. secy., CREDAI Raj Nagar Ext., "With the cabinet giving nod to the implementation of new pay commission, there will be good amount of fund flows in the economy. The demand for homes is expected to go high with increased purchasing power in the hands of large chunk of the population."

Atul Banshal, president, finance & accounts, M3M Group, believes, "Implementation of the seventh pay commission will offer a rise in the spending power of government employees and increase the liquidity in the market. People will look for investment options and real estate offers great investment opportunities. The step will definitely raise the number of potential home buyers."

# EYEING THE NEXT LEVEL OF GROWTH

With the seventh pay commission proposal anticipated to bring in huge cash flows, the real estate market keeps its fingers crossed and hopes for its revival, owing to it being one of the most lucrative investment options, in the next couple of months

## REVIVING THE SLUGGISH REALTY SECTOR

Terming it as a potential game changer on the demand side, Kaushal Jain, managing director, Arihant Group, avers, "As per the coming reports, state governments and central PSUs follow through the CPC (recommended hike of 23.6 per cent) proposals, almost 3.4 crore employees and pensioners will witness an increase in their incomes. This will allow the beneficiaries to invest this amount in sector, which is going through financial difficulties owing to un-sold residential units."

Sharing a similar thought and tracing out the previous pay commission trends, Manoj Gaur, president, CREDAI-NCR & MD, Gaursons India, says, "This decision will increase the spending and borrowing capacity, thereby giving a boost to domestic demand. Even after accounting for inflationary pressures, the rise in income will be large enough to boost investment





in real estate. Previous pay commissions have seen this trend. In the last few years, realty prices have bottomed out across most regions due to poor demand.”

### **REVISED PROPERTY PRICES ADD TO THE JOY**

The property prices in the NCR region had recently undergone a revision and this pay commission report sits like a cherry on top of the cake, making investment in the sector even more lucrative for the buyers and investors. Throwing light on the situation, RK Arora, chairman, Supertech Limited, says, “The Haryana government has further slashed the circle rate in Gurugram by up to 15 per cent, which will again bring down property rates. The hike in salaries will encourage prospective buyers to invest in a property of their choice.”

Realigning the focus to the pensioners, who account for a major chunk

in the beneficiaries of the new pay commission report, Ashok Gupta, CMD, Ajnara India, points out that the need for a home is always there for government employees as most of them use government accommodations as their residences throughout their period of service, but once retired they are required to vacate the government quarters thereby fueling the future demand of housing in the sector.

This hike is expected to uplift not just the market situation in metros but is also anticipated to sprinkle down to the tier 2 & 3 cities. Pawan Jasuja, director, Finlace Consulting, is of the view that the sudden rise in income and expenditure capacity of government employees may move towards realty investment.

With the proposal bringing in positive sentiments into the market, real estate developers look forward to good sales in the coming months.