

Mid-income buyers are back in the game

With EMIs falling and loan tenures shortening, now may be the best time to turn your homebuying dream into reality

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The Reserve Bank of India's Monetary Policy has given homebuyers a huge relief this year. With three consecutive rate cuts totalling 100 bps, the home loan rate dropped by around one per cent, saving homebuyer lakhs in interest outflow.

Even a tiny tweak in the RBI's repo rate can bring a huge cheer to those who have availed of a home loan. A drop in repo rate also opens up the homebuying window for those planning to get their finances in order to buy a home. A one per cent change in home loan rate can effectively translate to lakhs in savings.

This is especially good news for those looking to buy a home in the affordable to mid-segment (45 to 85 lakh). "It lowers home loan interest rates, reducing the EMI burden for budget-conscious homebuyers. Potential buyers in this segment are generally the middle-class and are cost-sensitive, even a small dip in monthly outflow makes a substantial difference in decision-making," shares Bhavesh Kothari, founder and CEO, Property First Realty. For many, this one per cent drop can be the difference between continuing to rent and finally owning a home.

A drop in the repo rate also incentivises existing loan borrowers, "My home loan tenure is 30 years, i.e. 360 months. After the first two repo rate cuts, my bank reduced the tenure by 30 months (2.5 years). After the recent repo rate cut, my bank informed me that the tenure will be reduced again in the first week of July," shares Pooja Singh (name changed on request), who bought a house last year.

Rohit Gera, managing director, Gera Developments, adds, "Since banks typically allow up to 50 per



cent of a household's combined monthly income to be allocated towards EMI payments, a lower EMI means a higher loan eligibility for the same income level. This effectively increases a buyer's affordability; they can now opt for a higher-value home while keeping their monthly outflow within the bank's permissible limits. This is especially significant because most homebuyers tend to stretch their budget and purchase the most expensive home they can afford."

CURRENT SCENARIO OF AFFORDABLE HOUSING IN INDIA

Affordable housing continues to have a strong demand base, particularly in urban and peri-urban

regions. While demand remains high, developers are cautious due to rising land and construction costs. The affordable housing market is still one of India's biggest unmet needs, but it's also facing a paradox.

"According to the National Housing Bank's 2024 data, 39 per cent of total housing finance goes to EWS/LIG segments. Yet, the share of new launches under Rs 50 lakh has dropped from 38 per cent in 2019 to 18 per cent in 2024 in the top seven cities, as per Knight Frank's market report. The primary reason for this drop includes rising land and construction costs, delays in approvals, and limited incentives for developers to stay in this category," highlights WS Habib, president, CREDAI Tamil Nadu and chairman and managing director, RWD.

Markets experts however have observed a trend, every time there's a rate cut, there's a noticeable uptick in demand for affordable housing. Site visits, enquiries, and booking activities go up. Staying true to this observation, "Currently, we are seeing renewed interest in budget housing driven by stable interest rates, government subsidies like

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PMAY, and increasing urban migration," exclaims Prashant Sharma, president, NAREDCO Maharashtra.

Domnic Romell, president, CREDAI-MCHI adds, "Our quarterly demand mapping shows that each repo rate cut correlates with a 10-15 per cent increase in enquiry levels for affordable housing, especially in the sub Rs 50 lakh category."

"Affordable housing remains the most impactful sector from a job creation and GDP perspective. The sector supports over 270 ancillary industries and contributes heavily to urban inclusion goals. Affordable housing is not just a product, but also a nation-building mission. This rate cut is a meaningful enabler, but sustained support through infrastructure, tax,

and regulatory levers will ensure lasting impact," opines Nikunj Sanghvi, treasurer, CREDAI-MCHI.

MEASURES TO BOOST AFFORDABLE HOUSING IN THE COUNTRY

"On the policy front, fast-tracking project approvals through a unified single-window clearance system can significantly boost execution speed and investor confidence. Rationalising GST on under-construction homes and reinstating input tax credit would go a long way in improving affordability and enabling developers to price homes more competitively. Higher FSI norms in urban areas, coupled with land-use incentives, can make land acquisition more efficient and scalable," opines Kaushal Agarwal, chairman, The Guardians Real Estate Advisory.

"Improved connectivity and urban planning in peripheral areas can make affordable housing more attractive. Encouraging rent-to-own schemes and microfinance options can help lower-income buyers," says Piyali Chatterjee Konar, executive vice president, head, CX/UX/B2B, Hansa Research Group Private Limited.

IMPACT OF REPO RATE CUT ON HOME LOANS		
	Without a 100 bps cut	With a 100 bps cut
Home Loan Amount	60 lakh	60 lakh
Home Loan Rate	9%	8%
Tenure	20 years	20 years
EMI	Rs 53,984	Rs 50,186
Total Interest	Rs 69,56,054	Rs 60,44,737