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The lull before the storm

Anti-encroachment drive, impending hike in interest rates, and the quiet withdrawal of IPOs — these are disturbing signs for the real estate sector

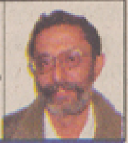
crucial matter now. If the government manages to institutionalise this law into the 9th Schedule of the Constitution, it shall open up another chapter in the evolution of Indian democracy.

High interest

The second issue is regarding a little reported remark made by HDFC chairman Deepak Parekh, a doyen of the industry, and one of the creators of the housing finance sector. He has hinted that HDFC shall raise interest rates yet again before the end of July. What needs to be noted here is that this shall be the third increase in interest rates in the last six months. He is also reported to have opined that he expects property prices to fall by 25-30 per cent in the short term.

Economists like to call these trends 'corrections', and both these signs shall affect the common man who had taken loans to buy his dream house. In reality, home owners could end up paying more for an asset than what its actual value would be.

aerial view



Sudhir Vohra

The corrections are already taking place though they seem to be receiving inadequate attention in the media. Whether the media seems loath to report such corrections and drops for fear of painting a gloomy portrait is another matter altogether. It suffices to say here that in this case also we seem to be witness to a lull before the storm.

Forecast

There is a third sign, one that is even less visible. Over the past four weeks, advertisements put up all over the country by prominent real estate players — aiming quite obviously at impending IPOs (initial public offers) and public issues — have been silently withdrawn. The loud banners are gone, and the full-page advertisements announcing their capability to build the nation have disappeared.

The matter is no longer about municipal laws, land use and bad city planning. It's about who is supreme — the judiciary or the legislature

It makes one wonder what happened to the IPOs that were being planned so aggressively just a few months back. Apparently, DLF, the biggest of them all, has run into trouble with Sebi (Securities and Exchange Board of India) over shortchanging minority shareholders. The sharp fall in the stock market in May, and its nervy nature since, might also be forcing promoters to review their issue plans. Whatever be the reason, don't investors have a right to know what's going on? Or, will that be hidden till the storm breaks?

All these clouds, and many more small ones, are looming over the real estate sector. As things stand today, one can only guess as to when the storm or rather the bubble might burst. All we can do is watch and wait till the storm finally breaks. ♦

The author is an architect