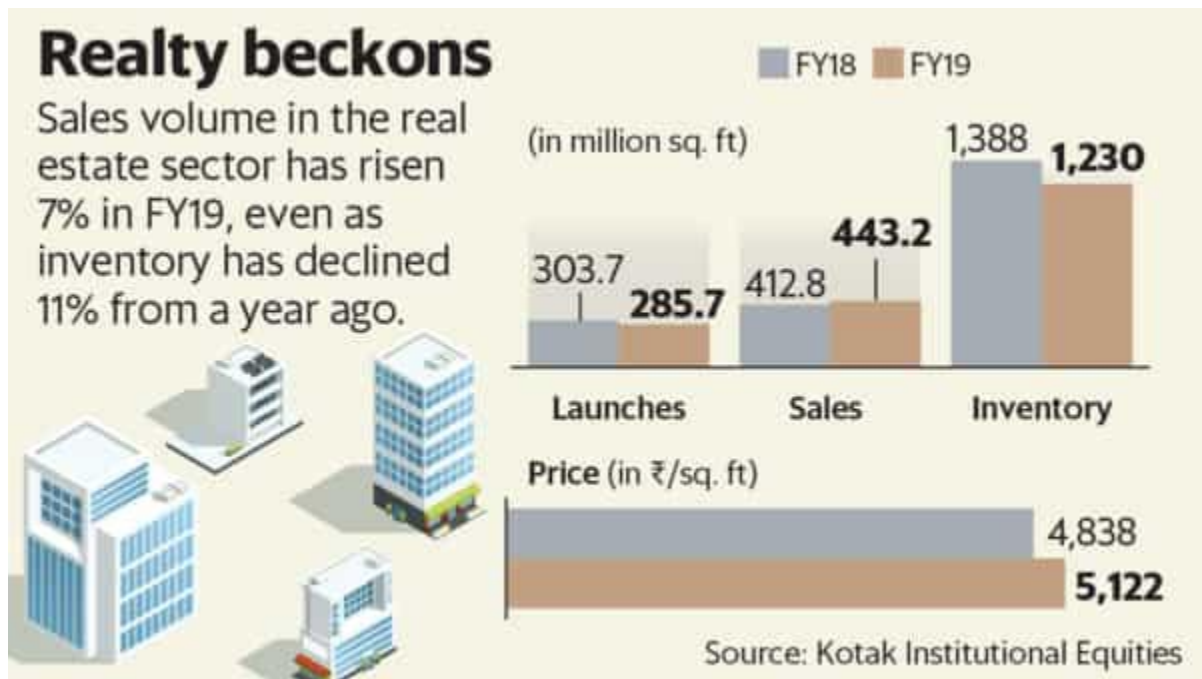


Real estate index gains the most as sales volume picks up pace

Updated: 14 Jun 2019, 09:18 AM IST [Clifford Alvares](#)



- New launches under Real Estate (Regulation and Development) Act have seen a sharp rise, leading to higher sales
- The once unorganized real estate sector is now getting legitimacy, with organized developers launching more properties under the legislation

Who would have thought that real estate stocks would lead returns in 2019. Nearly halfway into the year, the Nifty Realty index delivered returns of 19%, making it the biggest gainer among NSE's sectoral indices this calendar year. The Nifty 500 index, in comparison, has risen about 6% so far this year.

In fact, most investors did not pencil the real estate sector as having a good year. The liquidity crunch post-September 2018 was expected to dash the chances of recovery. But the sector has shown resilience, thanks to the Real Estate (Regulation and Development) Act (RERA) that has helped larger real estate firms.

The once unorganized real estate sector is now getting legitimacy, with organized developers launching more properties under the legislation. In fact, new launches under RERA have seen a sharp rise, leading to a strong increase in sales volumes.

"Sales growth for the coverage universe was 38% YoY in 4QFY19 at ₹5,800 crore in 4QFY19...Strong improvement in pre-sales was evident across all geographies, while the decline in realizations was largely due to the increased contribution of lower-ticket housing in overall sales volumes," says Kotak Institutional Equities in a note to clients.

Sales volume in FY19 increased 7% over the previous year to 443 million sq. ft, point out analysts at Kotak. This, coupled with a decline in new launches, has been helpful in cutting back inventory.

"Declining launches and improving sales momentum have continued to aid draw-down of inventory, with all-India inventory declining 11% YoY to ~1.23 bn sq. ft from 1.4 bn sq. ft in March 2019," notes Kotak.

Further, the latest cut in the repo rate, which has resulted in a cumulative decline of 75 basis points since August 2018, is expected to bring relief to the sector. Of course, with some housing finance companies still under the weather, problems related to the liquidity crisis are still pinching. But things are clearly better compared to a few months ago.

It is also worth noting that some of the stocks in the Nifty Realty index are up considerably this year. This has driven up their valuations and made them a tad more expensive. Returns of the Godrej Properties Ltd stock stand at around 41.1% in 2019. Sunteck Realty Ltd, too, gained 36.81% in 2019. So, from that perspective, investors must watch their steps while investing in these stocks.