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# Real estate revives, but not stocks

TIMES NEWS NETWORK

**Mumbai:** There may have been a steady revival in the real estate sector, but that's not getting reflected in the realty stocks. These have been on a slide for the last few weeks. As a result, the BSE's Realty Index, one of the popular benchmarks used to keep tabs on the performance of realty stocks, has lost about 10.5% since the start of the month. Stocks of some of the leading real estate developers are down 10-20%.

While a revival in the real estate rates is being observed in most major cities, structural issues, which are not so apparent at first look, are creeping in and affecting stock performance, market players said. These include very slow pick-up in demand, execution risks for large projects, a rising risk of banks being asked to assign higher risk-weight to their real estate lendings, and chances of over supply of the stocks of realty companies through IPOs.

For one, in some of the metros, the demand is yet to pick up in a major way. Sector observers pointed out that over the last couple of years, thanks to the economic slowdown, not many projects

## Realty Check

Company	Current Price (Rs)	% Loss Since Feb 1
<b>BSE Realty Index</b>	<b>3,500</b>	<b>10.5</b>
Orbit Corp	240	18.1
DLF	285	14.3
Indiabulls Real Estate	153	12.4
HDIL	294	10.8
Parsvnath	116	10.1
Unitech	69	7.8
Puravankara	94	7.5
Ansal	66	7.3
Anant Raj Inds	126	6.9
Sobha Developers	254	6.5

were launched. So the price rise, even marginal, is mainly due to the dip in inventories with the realty players, which is matching up the demand.

So the main question for realty companies is if they launch new projects will the demand also pick up?

A report on real estate by local broking house Ambit Capital pointed out that in Bangalore, residential sale prices have increased by approximate-

ly 10-20% from the mid-2009 trough, but the current sales volumes are extremely weak, about 90% below the peak sales level.

Broking major JP Morgan believes that policy risks for the sector are on the rise and investors could expect banks to tighten their developer financing. "But a big (1-percentage point) rise in mortgage rates is not expected," a JP Morgan report noted.

On the brighter side, it believes, policy change alone might not be enough to "kill" the recovery prematurely.

Market players are also keeping their fingers crossed about the slew of real estate IPOs waiting to hit the Street. In the last few months, real estate firms have mopped up nearly \$3 billion (Rs 15,000 crore) from the market.

At least another 10 real estate issues are lined up, which include offers from Sahara Prime City, Oberoi Realty, Emaar MGF, Lodha Developers and BPTP. Some estimates put the total planned mobilisation at about Rs 20,000 crore. However, on the brighter side, not more than two IPOs are expected to hit the market every month, brokers said.