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Real Estate – Short To Medium Term Bullish

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REAL ESTATE – SECTOR HIGHLIGHTS

Real Estate has reeled under pressure in the decade which is just about to conclude. The beginning to middle of the decade was hindered with high inflation and relatively high interest rate. At the same time there was too much of inventory pile up. Though interest rate started softening in the second half of the decade, Indian economy was struggling to counter this benefit. Covid19 impacted the real estate demand and prices further, including rental incomes.

There are lot many ingredients in place that can boost real estate from the current level, in the short to medium. There was a complete stagnation in real estate sector for last five years which had just started improving pre-Covid19. The revival in this sector may not be sudden, but there is a possibility of recovery from the current level.

- There is excess amount of liquidity available in the system on the back of monetary easing. Cheap money has created asset price bubble in past too.
- Interest rates are low, making borrowing more affordable for individuals and corporates. Low interest rates make EMI to income ratio more affordable.
- Affordable housing push by the government of India can help revival of real estate sector.
- Now the real estate players have adjusted to RERA regulations. This created turbulence in the sector when the regulation was introduced in the year 2016.
- Covid19 has crushed weaker players in the real estate sector. Post Covid19, large and stable players (with stronger balance sheet) are expected to do better than small and players from unorganized sector. The share of organized sector in real estate is also expected to go up.
- Inventory overhang, though still there, but has come down in Mumbai over last 2-3 years. Absorption rate still stays strong in Mumbai. Average unit size has also come down in Mumbai which boosted the affordability and helped maintain strong absorption rates. **Mumbai based listed real estate players may do well and hence their stock prices.**
- Inventory overhang has come down in Bangalore but the absorption rate still maintains the declining trend. Prima-facie, **this may not bode well for Bangalore based real estate players.**
- There is remarkable shift in the real estate of Hyderabad. Absorption rate remains strong and getting stronger. Also, inventory levels are coming down sharply. Having said that new launches are also strong. **This goes in favor of Hyderabad based real estate players.**
- Pune is one of the best real estate markets with lowest inventory overhang and improving absorption rates. New launches are also improving. **This may bode well for Pune based real estate players.**
- Delhi & NCR are reeling under inventory and supply overhang. The absorption rate also remains very low. **Purely Delhi based players may not do well and hence their stock prices.**
- Real Estate sector technical charts are also indicating that the stock prices of the companies in this sector could be up for good times in near term.

NIFTY REALTY – TECHNICAL STUDY

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Nifty Realty, India, NSE:NIFTYREAL, D



- Nifty Realty Index has turned short term bullish after crossing the 38% retracement of the fall from the high of about 336 to a low of about 160.
- The index is little overbought and is also facing resistance around 235-240 range. In all likelihood, this level may be crossed.
- Once the index crosses 250 mark, it will term medium term bullish.
- It will take time to become long term bullish and that will largely depend upon the way fundamentals shape up going into future.
- The sector and some of the stocks in the sector look well placed for short term long trade as well as from medium term investment standpoint.