

# POLICY INFO - Realty gets a boost with a bull run

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## **If you tap the markets regularly, you can gauge where the realty market will go**

The stock market is not only showing the investors' confidence index going up, but also indicating the way forward for the Indian real estate sector. It may be too early to conclude whether the stock recovery is here to stay and lead to revival of fortunes of real estate; yet, the debate has gained ground. While the developers are optimistic about the money sooner than later coming into the sector, the critics have their own reasons to advice wait and watch policy, if not outright denial. An outside view on the investment pattern in the Indian market might give the impression that there is absolutely no co-relation between the investments into these two different investment instruments. Critics maintain that while the stock market is driven by the small ticket and high risk investors, real estate is relatively low risk and a safe investment. However, such outside view often just takes into account the investment pattern of the retail investors and not seasoned big-ticket investors and the Foreign Institutional Investors (FIIs). There is a strong co-relation between the investment pattern of these two diverse options and often it is the Sensex that shows the way forward to the real estate. Historically, it is the bourses that have been the first to attract the investors in the cyclic upward movement of investment. It then leads to a shift in real estate over a period of six months to one year. The trend has been as much noticed in the global market as in the Indian market. The real estate sector has been facing a slowdown since the end of 2009 and on the same pattern, the BSE Realty index has fallen over 57 per cent from November 2009 to April 2014. Now with the recovery of the market this financial year, till August 4, the Bombay Stock Exchange (BSE) Realty index had risen 30 per cent to 1,893. It was at 1,456 on April 1. The BSE Sensex rose 14 per cent during the period. Sumit Jain, national director, finance and administration, Colliers International, maintains that the stock market growth should ideally lead to a spill over on realty but it is too early to comment on this. The equity market is currently driven by domestic and foreign institutional investors. Return from equity reviving the real estate market will take a much longer time. Retail investors need to first recover the past losses before they take out

returns and invest in real estate. Abhay Kumar, CMD of Grih Pravesh Buildteck, on the other hand, strongly feels there is a link and the stock market upsurge has a direct correlation with the realty. "The realty market is going through tough times and the stock market can bring back some cheer. In India, we always see whenever there is a bull market initially, overseas funds are the main reason for it and later, the retail and domestic funds start pouring in, this bull market is no different. Retail investors were extremely cautious to enter, as the 2008 bear market is difficult to forget; retail investors are gradually but firmly, coming back to the market. Whenever they realise some real profit from the stock market, they immediately switch their investment to realty," says Kumar. Rattan Hawelia, chairman, Hawelia Group, also believes that

the real estate market and stock market, are interconnected in multiple ways. In the existing scenario, with relatively stable economic conditions, there is a growth in the stock market and hence, a positive impact on the real estate sector is expected. Since the growth of the real estate sector leads to the growth of other multiple dependent industries, an incremental effect on the stock market can also be anticipated. "The reform process and focus on allowing FDI in the realty sector has brought the necessary momentum and has rebuilt the confidence in investors minds, specially on the international front. This would attract the hesitant investors to India which will certainly have a positive impact on the revival and development of the real estate sector," says Hawelia. Geetambar Anand, CMD of ATS Group, believes, "There are serious investors who are currently driving the equity markets; the inflow of funds are also likely to improve in the real estate markets, as the investor confidence shoots up," says Anand. In a nutshell, the investment, both in stocks as well as real estate, usually moves in tandem with economic growth. The investment pattern of both, the retail investors as well as the institutional