

Quote by Shravan Shetty, Managing Director, Primus Partners

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Nifty Realty drops 1.4%, extends losses for third day: 5 reasons behind sector-wide sell-off



Authored by Debaroti Adhikary

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Article Content:

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Real estate stocks recorded significant losses on August 7, pushing the Nifty Realty index down 1.4 percent. The index has now extended losses for the third consecutive session, buoyed by multiple factors

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No repo rate cut in August:

RBI Governor Sanjay Malhotra on August 6 announced the Monetary Policy Committee's decision to snap a three-time streak and keep repo rate unchanged at 5.5 percent. Repo rates directly influence home loan interest rates, affecting EMI and loan costs. Hence, no rate cut dampens sentiment.

While a rate cut, as the real estate sector at large was hoping for, would have further accelerated the demand for homes across segments, borrowing costs continue to remain at relatively accommodative levels, supported by the cumulative 100 basis points reduction earlier this year, said Ashok Kapur, Chairman, Krishna Group and Krisumi Corporation. Additionally, several analysts already expect the RBI to cut its repo rate in October during this year. This may boost the real estate stocks in the near term.

IT layoffs:

TCS recently announced massive layoffs. Nearly 12,000 employees are set to part ways from

the IT major. Analysts consider this to be a precursor to further layoffs in the tech sector. This can have some repercussion on India's economic growth going forward including in sectors like real estate and more, said Samir Jasuja, Founder & CEO, PropEquity, who also noted how housing sales have come down from its recent highs.

Trump tariffs:

US President Donald Trump has doubled his tariffs on India to 50 percent. While it has no direct bearing with India domestic real estate market, it will likely create an impact on the individual earnings of some sectors like IT, which may in turn reduce discretionary spending limits. This may bear an impact on real estate demand.

Subdued real estate prices:

The sharp fall in the share prices comes on the back of subdued real estate prices, says Shravan Shetty, Managing Director at Primus Partners. According to Shetty, lower GDP growth, higher interest rates, along with high supply expected in key markets like Mumbai, especially in the luxury space, are keeping real estate prices subdued. This will likely put pressure on the margins of these real estate companies as input costs continue to rise over the next few quarters.

Weak earnings:

The recent drop in the stocks was also driven by weak earnings announced by some of the key players. Oberoi Realty on July 21 reported a 28 percent decline in Q1 net profit. Macrotech Developers and few others also reported sequential decline in bottom line. ASSOCHAM however feels that real estate stocks will instead find support from stable rates of RBI, as it signals stability despite global uncertainties. Vimal Nadar, National Director and Head of Research, Colliers India, also noted that stability in monetary policy augurs well for homebuyers and real estate developers, particularly in the affordable and mid-income segments.

The lowering of interest rates in the recent past is expected to be fully passed on to the end users in upcoming quarters, who are likely to benefit from reduced financing costs. Overall, the cautious yet growth-supportive monetary policy is likely to strengthen demand across real estate segments in the second half of 2025.

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The shares of Raymond and Brigade Enterprises dropped nearly 3 percent each, while DLF, Godrej Properties and Macrotech Developers (Lodha) shares were down nearly 2 percent each, as seen at 2 pm. Sobha and Anant Raj shares were down nearly 1 percent, Phoenix Mills and Oberoi Realty shares were trading in the red with marginal losses.