

# \$14 bn Foreign PE Flows to Indian Real Estate in 5 Years, 63% in Commercial RE

*Domestic PE funds invested just USD 2.4 bn in this period - 71% in residential, 25% in commercial RE*

MUMBAI, MAHARASHTRA, INDIA, November 18, 2019 /EINPresswire.com/ -- Indian real estate attracted nearly USD 14 bn of foreign private equity (PE) between 2015 and Q3 2019, says latest ANAROCK data. 63% (approx. USD 8.8 bn) of the total foreign investments backed commercial real estate. The residential sector attracted just USD 1.5 bn of foreign PE in the same period, trailing behind even the retail sector which saw cumulative inflows of USD 1.7 bn.

Shobhit Agarwal, MD & CEO - ANAROCK Capital says, "In stark contrast, domestic PE funds pumped nearly USD 2.4 bn into Indian real estate since 2015, of which nearly 71% (approx. USD 1.7 bn) went to the housing sector. This was a period of considerable stress for the residential segment; domestic funds invested heavily into a sector plagued by issues like delayed/stalled units, low sales and fairly lower yields. This made exiting investments with substantial gains difficult."

The commercial real estate segment, on the other hand, delivered a comparatively stellar performance in the last five years. Steady demand and rising rentals gave foreign investors a decisive edge. Moreover, the overwhelming response to Embassy Office Parks' REIT launch - and its superlative performance - saw commercial real estate segment emerge as the bigger draw for investors. Several other large developers are also keen on listing their commercial assets under REITs.



Shobhit Agarwal, MD & CEO - ANAROCK Capital

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An additional infusion of USD 1.6 bn between 2015 and Q3 2019 was a mix of foreign private equity and funding by Indian developers or investors who collaborated either at project or entity levels. For instance, in 2018, Canada's CPPIB and India's Phoenix Group together invested nearly USD 100 mn into a mall project in Bangalore.

## Domestic vs Foreign PE Funds

- Of the total USD 14 bn foreign investments in Indian real estate between 2015 and Q3 2019, nearly USD 8.8 bn went

into commercial realty, followed by USD 1.7 bn in the retail sector and USD 1.5 bn into the housing sector. Logistics & warehousing drew over USD 1 bn, and the remaining investments went into mixed-use developments.

- The reverse played out with domestic funds - of the total USD 2.4 bn they invested in this period, housing drew the lion's share of USD 1.7 bn (or 71%); commercial came next with approx. USD 600 mn and retail drew just USD 40 mn of domestic funding.

- The top 5 foreign investors - Blackstone, Brookfield, GIC, Ascendas and Xander - alone contributed 75% of the overall USD 14 bn into Indian real estate. Interestingly, their focus was not limited to the top 7 cities and extended into tier 2 cities like Indore, Ahmedabad and Amritsar.

- The top 5 domestic funds - Motilal Oswal, HDFC Venture, Kotak Realty, ASK Group and Aditya Birla PE - invested nearly 54% or approx. USD 1.3 bn into Indian real estate. They focused exclusively on the top 7 cities.



### Crystal-gazing Future PE Trends

Indian commercial real estate will continue to attract PE funds as there is high demand for Grade A office spaces across the top Indian cities. Earlier data indicated that the first three quarters of 2019 alone saw inflows of USD 3 bn in the commercial segment - an increase of 43% over the corresponding period in 2018.

Logistics, warehousing and retail will continue to witness considerable growth on the back of recently-eased policy norms for the retail sector, aimed at boosting growth and attracting more investments.

Over the short-to-mid-terms, the Indian housing sector - which has the greatest need for liquidity infusions - will retain its 'poor cousin' status and garner much more gradual attention from wary investors. Though the FM recently unleashed an alternative investment fund (AIF) of INR 25,000 crore to revive languishing housing projects across the country, investors will watch for actual implementation and deployment.

ANAROCK Capital data indicates:

- The residential segment drew approx. USD 295 mn PE funding in the first three quarters of 2019 (against USD 210 mn in the corresponding period last year)
- Though this constitutes an impressive 40% annual gain, investments are still far below the 2015 peak levels of 2015, when housing drew PE investments of approx. USD 1.5 bn.

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