

## **WHY invest through real estate funds?**

■ REAL estate has been traditionally one of the most attractive asset classes primarily because of three pronged benefits—gives attractive and stable returns, acts as a hedge against inflation and enables benefit of diversification. Over the years real estate has become an increasingly important investment vehicle in one's portfolio. There are many ways by which one can invest in real estate. One can either directly buy specific property or invest in listed shares of real estate companies or invest in real estate funds which are managed by professional fund managers. Like any investment, all the above methods have their own pros and cons, for example — direct investment exposes the investor to concentration risk, although he owns and controls the property; investing into the stock provides easy liquidity, but exposes one to entity risk and market volatility. On the other hand, investing through real estate (RE) funds has a number of advantages vis- a-vis other methods thereby giving it a competitive edge. Some of these benefits have been discussed:

■ Professional management: The most important plus point of a RE fund is the professional set up it brings to the forefront. All the investments are managed by professional fund managers who are rich in domain knowledge and have hands on experience of managing such funds.

■ Diversification benefit: Investments are spread across various geographies and developers, which ensures that even if some micro markets don't do so well (e.g. Hyderabad doing badly over last 5/6 years due to political uncertainty caused by Telangana issue) and some developers fail to deliver, still on an average, one will end up making returns on overall portfolio.

■ Better negotiation ability: RE funds have the experience and bandwidth to negotiate with the developers.

**Rajiv Maheshwari,**  
*Chief investment officer-  
RealEstate,  
Arthveda Fund Management.*