

Property funds turn to affordable segment

Kotak Realty Fund was looking at launching an affordable housing fund: Sources

Raghavendra Kamath | Mumbai February 08, 2017 Last Updated at 23:50 IST



Private equity funds in real estate are looking at affordable housing after the Union Budget granted

infrastructure status to the segment. Kotak Realty Fund was looking at launching an affordable housing fund and was in talks with investors, said sources in the know. S Srinivasan, managing director, Kotak Investment Advisors, which manages private equity funds, said, “In 2016, we raised a \$250 million fund for equity investments in realty projects in the country. This pool of capital will evaluate investments in affordable housing projects as well.”

Brick Eagle, an investor in and incubator of low-cost housing companies, plans to raise a Rs 700 crore affordable housing fund by March. It recently received approval from the Securities and Exchange Board of India for setting up an alternative investment fund dedicated to affordable housing.

“With infrastructure status, we can also expect funds from the Rs 40,000 crore National Infrastructure Investment Fund. Insurance companies that invest large sums in the infrastructure sector can now consider affordable housing in the same category. The budget is clearly very supportive,” said Rajesh Krishnan, founder of Brick Eagle.

On Monday, ArthVeda Fund Management, part of the Wadhawan group, said Qatar Holding had committed an investment of \$250 million in its affordable low and middle income fund, which projects an internal rate of return of 18-21 per cent.

“Low and middle income real estate in India offers a significant opportunity to grow investments. ArthVeda has built a robust track record and is uniquely positioned to manage such investments,” Bikram Sen, chief executive officer, Arthveda, said.

ASK Property Investment Advisors, which manages real estate funds, is also evaluating options to invest in affordable housing projects, according to its chief executive officer Amit Bhagat.

Neeraj Sharma, director, Grant Thornton Advisory, said private equity funds were earlier wary of affordable housing as the time taken to complete projects affected their results. “Now with a huge demand for such homes and various incentives by the government, the segment offers a compelling opportunity for them,” Sharma said. He said developers of affordable housing in Pune, Bengaluru and the National Capital Region would like to partner reputed private equity firms, as it would increase their credibility.