

Sovereign, pension funds look to build on Indian realty

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MumbaiFeb 28

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Enthusied by slew of reforms, opting for joint ventures or platform deals

Mumbai, March 2:

Global funds, including sovereign and pension funds, are once again aggressively pursuing investment opportunities in Indian real estate.

With the government undertaking various reforms in areas such as the Real Estate Regulator Bill (RERA), easing rules regarding investments in Infrastructure Investment Trust (InvITs) and Real Estate Investment Trusts (REITs), and giving thrust to housing as a category, international funds seem to be gaining more confidence in the Indian real-estate space and are opting for joint ventures or platform deals.

Players such as Qatar Holdings, CPPIB, Ivanhoe Cambridge, APG and Xander are readying blueprints for long-term investments in the realty segment.

The most recent investment in this list is Canadian Pension Fund arm Ivanhoe Cambridge pumping in \$250 million in Piramal Enterprises to provide pure equity to developers in the residential sector.

Khussru Jijina, MD, Piramal Fund Management, said: “Funds are evaluating opportunities in real estate as they know that it will continue to grow. With positive changes in the sector, funds see potential to grow over a 7-10 year horizon, especially with good developers which will generate good returns over the real-estate cycle.”

This is Ivanhoe Cambridge’s second tryst with the Indian market. It had exited the market in 2008 following lack of opportunities.

Most funds are coming to India at a time when developers are struggling to stay afloat and equity funding is far and few.

The Abu Dhabi Investment Authority (ADIA) has entered into a tie-up with Mumbai-based Lake Shore India to pump capital into retail properties. Dutch pension fund APG Asset Management and investment firm The Xander Group, backed by the Rothschild family, are co-investing \$450 million in retail assets in India. In December 2016, the two firms had bought three shopping centres in the country for \$300 million.

APG also recently formed its second tie-up with Godrej Properties to develop residential properties across the top markets of India.

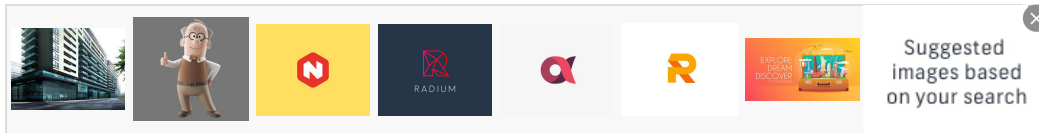
Another Mumbai-based fund, ArthVeda Fund Management, received fundings to the tune of \$250 million from Qatar Holdings, to invest in low- and middle-income projects.

Bikram Sen, CEO ArthVeda, said the subscription of the entire corpus of its FDI-compliant affordable housing fund by Qatar Holdings was the first substantial foreign inward investment in India’s affordable housing segment.

Capital inflows

According to a JLL report, out of the more than \$610-billion global capital inflows into real estate seen in 2016, India got a measly sum \$6.6 billion, or 1 per cent.

Ramesh Nair, CEO, JLL India, said: “PE funds have had to struggle with finding the right partners, and in recent times, their focus has changed to quality of partners instead of IRR (Internal Rate of Return).”



He said only a few developers in India have been able to attract private equity over the years. In order to attract investments, developers need to have high levels of integrity, quality of assets, appropriate capital structure, experienced management teams, high levels of corporate governance and better financial and budgetary controls. Nair added that going forward, however, increased consolidation and transparency is expected to boost foreign and domestic investor participation like never before.


India's property market growth cycle can be divided into three phases: the rapid growth witnessed from 2005 to 2008; the post-GFC (global financial crisis) period between 2009 and 2011; and the current phase of plateaued growth starting from 2012.

(This article was published on March 2, 2017)

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