

Real estate attracts \$14 bn in foreign PE funding since 2015

About 63% of the total foreign private equity investments was in the commercial real estate space, while the residential sector attracted just \$1.5 billion in funding.

By [ANSHUL DHAMIJA](#), Nov 18, 2019 3 min read



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India's real estate sector attracted nearly \$14 billion in foreign private equity (PE) investments between 2015 and Q3 2019, according to data released by Anarock Capital, the investment, banking and advisory vertical of Anarock Group. Approximately 63% of the total PE investments were in commercial real estate. The top five foreign investors—Blackstone, Brookfield, GIC, Ascendas, and Xander—alone contributed 75% of the overall \$14 billion into Indian real estate. Their focus was not limited to the top seven metros but extended into tier-II cities like Indore, Ahmedabad, and Amritsar.

“The residential sector attracted just \$1.5 billion of foreign PE in the same period, trailing behind even the retail sector which saw cumulative inflows of \$1.7 billion,” noted Shobhit Agarwal, MD and CEO, Anarock Capital

Steady demand for office space and rising rentals gave foreign PE investors a decisive edge. Moreover, the overwhelming response to Embassy Office Parks' REIT launch saw the commercial real estate segment emerge as the bigger draw for investors. Several other large developers are also looking to list their commercial assets under REITs.

In stark contrast, domestic PE funds pumped nearly \$2.4 billion into the Indian real estate market since 2015, of which nearly 71% went to the housing sector.

The top five domestic funds—Motilal Oswal, HDFC Venture, Kotak Realty, ASK Group, and Aditya Birla PE—invested nearly 54% into Indian real estate. They focused exclusively on the top seven metros of the country.

“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,” added Agarwal.

An additional capital infusion of \$1.6 billion between 2015 and Q3 2019 was a mix of foreign PE and funding by Indian developers or investors who collaborated either at a project or entity level. For instance, in 2018, Canada's CPPIB and India's Phoenix Group together invested nearly \$100 million into a mall project in Bengaluru, cited the Anarock report.

According to the report, Indian commercial real estate will continue to attract foreign PE capital as there is a high demand for Grade A office spaces across top Indian cities. “Earlier data indicated that the first three quarters of 2019 alone saw inflows of \$3 billion in the commercial segment - an increase of 43% over the corresponding period in 2018,” the report said.