

YoY Change      12-Month Forecast

**INR 59.9 Bn**

Investment Volume Q3 21



**82.7%**

Foreign investors' share Q3 21



**33.6%**

Share of Residential Q3 21



**30.1%**

Share of Data Centres Q3 21



**66.4%**

Share of Equity Investments Q3 21



### ECONOMIC INDICATORS

Q2 2021	YoY Change	12-Month Forecast
<b>20.1%</b> GDP Growth	▲	▲
<b>6.3%</b> CPI Growth	▲	▼
<b>19.3%</b> Consumer Spending	▲	▲
<b>(4.8%)</b> Govt. Final Expenditure Growth	▼	▲

Source: Oxford Economics, RBI

### ECONOMIC OVERVIEW: Economic growth picked pace in April – June quarter

Indian economy recorded a 20.1% growth in the April – June quarter in comparison to the corresponding period last year. The strong growth rate, despite the second COVID wave, was led by manufacturing and construction sectors which grew by 49.6% and 68.3% respectively. The strong growth rate can be attributed to a continuation in economic activities due to lockdown restrictions not being as stringent as the last year. Private Final Consumption Expenditure, a measure of consumer spending, recorded a steep improvement of 19.3% during the quarter compared to the 2.7% rise in the previous quarter. A further improvement in consumer sentiments is expected as business resumes normally and risk of a third wave or any consequent damage abate. Gross Fixed Capital Formation, a measure of private investment, witnessed a growth of 55.3% compared to the 11% growth in the previous quarter.

Foreign Direct Investment (FDI) inflows in the construction development sector were recorded at INR 4.4 bn during April – March 2021, a q-o-q decline of 59.8%. However, FDI inflows increased by 2x on a y-o-y comparison.

### INVESTMENT OVERVIEW: Residential and data centre segments rule the investment space in Q3

The third quarter recorded an investment volume of INR 59.9 bn (USD 0.81 bn), with the cumulative fund flows for the first three quarters at a robust INR 314.5 bn (USD 4.28 bn). Fund flows in Q3 increased by 29.8% y-o-y, while the investment volume in Q1 – Q3 2021 recorded a stellar ~3x growth compared to the last year. Foreign investors accounted for close to 83% share of the Q3 investments signaling the high appetite for Indian real estate investments.

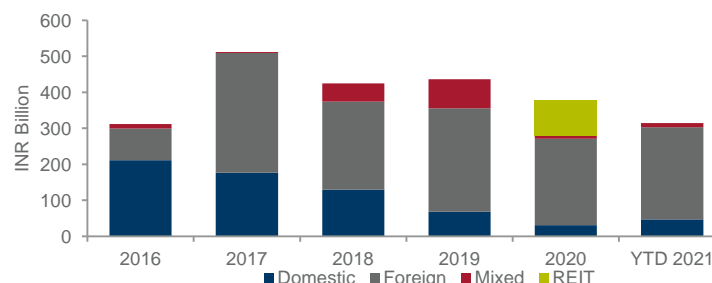
Residential assets and data centres took the limelight and garnered the maximum share in the quarterly investments, 33.6% and 30.1% respectively. The credit arm of Bain Capital invested INR 10 bn in premium residential projects of Embassy Group in the largest residential investment in Q3. Puravankara Ltd, Shriram Properties, Hubtown, Vasvani Group, Kumar Properties were other renowned developers that received debt investments, corroborating the trend of investments chasing developers with a good execution track record. The investment activity in residential segment was also complemented with the creation of a platform between HDFC Capital Advisors and Eldeco Group focusing on development of low-rise, plotted development projects in Tier-II cities of National Capital Region. The platform with an initial investment of INR 1.5 bn has identified two projects in Panipat and Faridabad. Steady improvement in residential sales activity with the thrust on home ownership can be attributed towards the increasing interest of investors in this space that has been struggling for want of capital since last few years. At an absolute level, investment volume in residential segment has grown since the start of the year and the first three quarters cumulatively recorded a sturdy ~2x growth over the corresponding period last year.

Data centres witnessed investment inflows of INR 18 bn (USD 0.24 bn) across two transactions in Mumbai. Ascendas India Trust has committed INR 12 bn to develop and operate the first phase of its data centre campus in Airoli, Navi Mumbai. In another transaction, Brookfield Infrastructure bought a 30 acres land parcel from K Raheja Corp. in Ghansoli, Navi Mumbai.

### Industrial and office segments remained on investors' radar, though with a lesser share in Q3

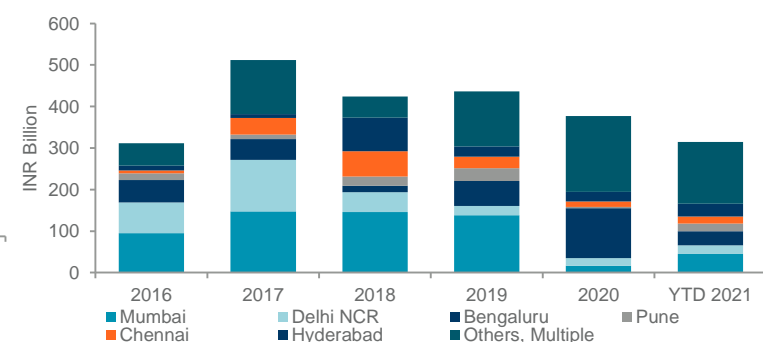
Industrial segment that accounted for a 21.7% share of the Q3 investments saw ESR and Xander Investment Management solidifying their positions in the fast-growing industrial and logistics space. ESR plans to launch two industrial parks in Kancheepuram and Krishnagiri districts of Tamil Nadu in an MoU signed with the state government. The fund also acquired a 36.5 acres land in North Gujarat (Jalisana) to develop a logistics and industrial park. Furthermore, Xander Investment Management acquired 1 msf of warehousing space in Sriperumbudur, Tamil Nadu through its industrial platform.

### DOMESTIC VS FOREIGN INVESTMENTS



Source: VCCircle, Cushman & Wakefield Research

### INVESTMENT VOLUME – CITY-WISE



The robust demand for warehousing and logistics space amidst dearth of organized assets is compelling investors and developers to leverage the growth prospects in this segment. Global investors vying for logistics and industrial assets amidst the resilient demand has even led to a yield compression in this space in the last 6 – 8 quarters.

Office sector, that has propelled the investment levels in the earlier quarters, saw two investments albeit of a different nature during Q3. Ivanhoé Cambridge, Lighthouse Canton invested in a life science R&D office labs portfolio in Genome Valley, Hyderabad. The increasing focus on healthcare in a post-pandemic world is driving such investments with confidence shown by global investors in India's strong position in the life sciences domain. In another investment in the office segment, a consortium led by DMI Alternative Investment Fund acquired a subsidiary of stressed real estate developer Prius Group under the bankruptcy process. Office sector constituted a 14.6% share of the quarterly investments.

Equity investments accounted for a major 66.4% share in Q3 investments demonstrating the investor confidence in Indian real estate.

At a city-level comparison, Mumbai had the highest share of 36% in the private equity inflows for Q3, led by investments in the data centre space. This was followed by Chennai that held a 21% share, led by industrial segment. Bengaluru and Hyderabad had respective shares of 18% and 13.3% in the Q3 investment volume.

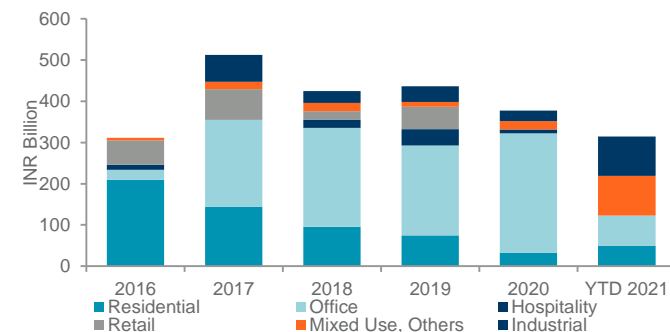
### Fund raising activity strengthened during the quarter

ASK Property Investment Advisors launched a real estate fund with a target corpus of INR 10 bn and an additional green shoe option of INR 15 bn. The fund intends to focus on the affordable & mid segment residential and mix land use projects. In a separate transaction, Blackstone acquired a 74% stake in ASK Group to cement its position further by getting a foothold in the firm's existing real estate portfolio. CapitalLand launched its second logistics fund (INR 22.5 bn), one of the largest globally, to participate in the logistics growth story of India. The fund intends to invest in development of logistics assets in major cities as well as emerging markets. Axis Asset Management Company is in the process of setting up its second alternative investment fund targeted at the real estate sector. The fund with a corpus of ~INR 4 bn aims to deploy debt capital in residential segment across major cities.

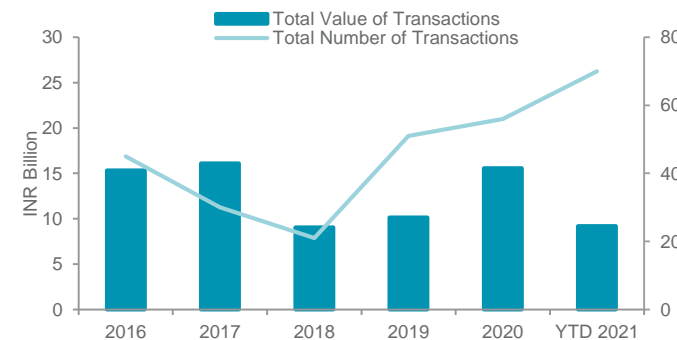
### Corporate Transactions in Real Estate

Transaction volumes recorded a 16% q-o-q increase in Q3 2021 at INR 3.48 bn (USD 0.05 bn). Bengaluru, led by a few large transactions, constituted a majority share of 56% of the total recorded investment volume during the quarter. Mumbai and Hyderabad held respective share of 24% and 18% in the quarter's transactions.

### INVESTMENT VOLUME – ASSET-WISE



### CORPORATE TRANSACTIONS VOLUME



### Outlook

Investment space in real estate continues to interest institutional investors who are becoming increasingly interested in greenfield developments across asset classes to participate in the growth cycle since inception. The right assets and good developers have no dearth of capital that is waiting to be deployed by investors looking for opportunistic investments. Office segment will continue to drive the investment volume, with industrial and data centre segments garnering a higher share of the investor interest. The massive potential in industrial and data centre segments, driven by robust demand, will govern investment deployments in the right assets and strategic locations. Stressed assets / developers attracting private investments will augur well for the sector taking it to a higher level of maturity. Formation of new platforms between investors and developers as well as the dry powder from the existing platform commitments will continue to drive investments across all sectors and cities. Investors will continue to scout for quality investments at strategic locations to reap returns from the current attractive valuation levels.

## SIGNIFICANT INVESTMENT TRANSACTIONS – Q3 2021

INVESTOR	INVESTEES	TRANSACTION TYPE	CITY	INVESTMENT (INR BILLION)
Bain Capital	Embassy Group	Residential	Bengaluru	10.0
Ivanhoe Cambridge, Lighthouse Canton		Office – Life Science R&D	Hyderabad	7.4
Brookfield Infrastructure	K Raheja Corp	Data Centre	Mumbai	6.0
ESR		Industrial	Kancheepuram, Krishnagiri Districts (TN)	5.5
Xander Investment Management		Industrial	Chennai	4.5

## SIGNIFICANT CORPORATE TRANSACTIONS – Q3 2021

BUYER	BUYER'S SECTOR	TRANSACTION TYPE	CITY	INVESTMENT (INR MILLION)
Gamescraft Technologies	Others	Office	Bengaluru	1299.9
Stellach Management Pvt Ltd	Others	Office	Bengaluru	620.1
D Décor Exports Pvt Ltd	Others	Office	Mumbai	225.0
Abacus Staffing & Services Pvt Ltd	Professional Services	Office	Hyderabad	172.3

## PLATFORMS FORMED – Q3 2021

INVESTORS	TRANSACTION TYPE	INVESTMENT (INR BILLION)
HDFC Capital Advisors – Eldeco Group	Residential	1.5

Sources: VCCircle, Cushman &amp; Wakefield Research

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