

Chennai's TVS Group saw Singapore's Keppel Land pick up a 49% stake for an upcoming project in South Chennai. These inflows in the residential segment were welcome amidst the ongoing liquidity crisis being faced by the sector along with the challenges posed by COVID-19. The government sponsored SWAMIH fund has cleared investments worth INR 100 bn in the year for stalled projects, in another boost for the residential segment. The office sector held an 11.4% share in the quarterly investment inflows with Mapletree Investments acquiring a land parcel from Kanakia Group in Mumbai for INR 5.25 bn for a proposed office development, while deal closures were otherwise sluggish due to delays in decision-making. Similar to the previous quarter, retail and hospitality segments did not record any investment inflows as investors continued to remain cautious on these asset classes. However, marquee institutional investors are leveraging the current situation of attractive valuations and are engaging in active conversations to acquire majority stakes in some retail assets to ultimately bring them under the ambit of REITs. Institutional investors are also showing a steady interest in alternative assets; Goldman Sachs and HDFC have collaborated in the student housing domain by funding an operator firm which made one asset acquisition from Sonipat based OP Jindal Global University. Data centres have gained high relevance in the current times and we saw US-based colocation major Equinix acquire the data centre portfolio of GPX Global Systems. Also, the Carlyle Group picked up a 25% share in Airtel's data centres subsidiary-Nxtra Data Services for USD 235 mn. With growing data demand and a strong growth in cloud services, a marked rise is expected in data centre capacity in the country. Senior living also saw some activity with Embassy Group partnering with Seattle-based Columbia Pacific Communities to foray in this segment.

At a city-level comparison, Chennai led with a share of 25% in the Q3 investment inflows. Mumbai and Delhi NCR followed with respective shares of 11% and 9%. Multi-city investments had a 55% share in the fund inflows in Q3.

Real Estate Investment Trusts: Indian office markets heading towards greater maturity

The quarter recorded the country's second REIT listing with Blackstone-backed Mindspace Real Estate Investment Trust raising INR 45 bn. In what were encouraging signs for the commercial office sector, the issue was over-subscribed 13 times. The REIT owns a total leasable area of 29.5 msf, majority of which are completed projects with presence of prominent occupiers. The third REIT of a similar size (INR 44.4 bn / USD 600 mn) is already underway with Brookfield filing the Draft Red Herring Prospectus and the listing of its maiden REIT expected by end of the year or early 2021. Furthermore, Blackstone is planning two more REITs in a couple of years with its partners Salarpuria Sattva and Panchshil Realty with a combined portfolio of 31 msf under the two partnerships. Tata Realty and Infrastructure (TRIL) is also planning to expand its commercial asset portfolio for its REIT listing.

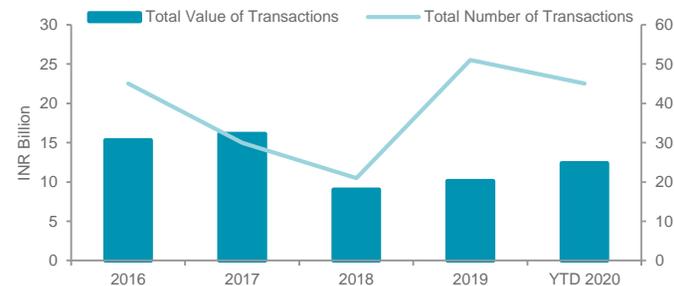
Corporate Transactions in Real Estate

Transaction volumes recorded a marginal 2% q-o-q decline in the third quarter at INR 2.29 bn (USD 0.03 bn). Mumbai constituted the highest share with 69% of the total recorded volumes during the quarter. Delhi NCR and Pune followed with respective shares of 26% and 5% during the quarter.

INVESTMENT VOLUME – ASSET-WISE



CORPORATE TRANSACTIONS VOLUME



Outlook

While the pandemic is likely to delay investment decisions as funds re-strategise and assess their existing portfolios, conversations have begun again for new opportunities. The strong investment pipeline as well as several ongoing conversations to invest in Indian real estate are positive signals for this space. The warehousing segment will continue to see more investments as the sector continues to find huge favour from investors, particularly with the growth of online retailing. The long-term confidence in the office sector will attract significant capital inflows with a couple of large transactions in advanced stages of closure and the sector continues to remain attractive to global investors. The affordable / mid segment housing as well as distressed assets in the residential segment are likely to see more capital inflows, largely in the form of debt. Investors are eyeing several opportunities in these domains, including lenders' debt books. Disbursements from lenders is also likely to commence at a faster clip as the effects of COVID start tailing away. From a long-term perspective, data centres are likely to find increased investor favour through platforms or acquisition of existing portfolios.

SIGNIFICANT INVESTMENT TRANSACTIONS – Q3 2020

INVESTOR	INVESTEES	TRANSACTION TYPE	CITY	INVESTMENT (INR BILLION)
The Carlyle Group	Nxtra Data Services	Data Centre	Multiple	17.8
Asia Pragati	Shapoorji Pallonji Real Estate	Residential	Multiple	7.5
Mapletree Investments	Kanakia Group	Office	Mumbai	5.25
International Finance Corporation	Signature Global	Residential	Delhi NCR	1.0
Keppel Land	TVS Group	Residential	Chennai	0.8

SIGNIFICANT CORPORATE TRANSACTIONS – Q3 2020

BUYER	BUYER'S SECTOR	TRANSACTION TYPE	CITY	INVESTMENT (INR MILLION)
Harman Finotech Pvt Ltd	Healthcare & Pharma	Office	Mumbai	490.2
Siam Trading LLP	Others	Office	Mumbai	85.1
Dattatray Advertising Co.	Professional Services	Office	Pune	79.2
Light of Life Trust	Others	Office	Mumbai	55.0

DEPLOYMENT UNDER PLATFORM TRANSACTIONS – Q3 2020

INVESTOR	TRANSACTION TYPE	CITY	INVESTMENT (INR BILLION)
ESR	Industrial	Chennai	3.3
Embassy Industrial Park	Industrial	Haryana	3.0

Sources: VCCircle, Cushman & Wakefield Research

ROHAN SHARMA

Director, Research Services

+91 124 4695555

Rohan.sharma1@cushwake.com

PURNIMA KUMAR

Senior Manager

+91 124 4695555

Purnima.kumar@cushwake.com

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