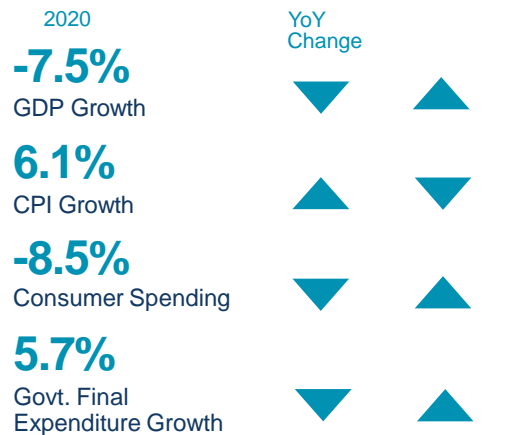


ECONOMIC INDICATORS Q4 2020



Source: Oxford Economics, IMF, RBI

ECONOMIC OVERVIEW: A tough year but signs of recovery bring muted cheer

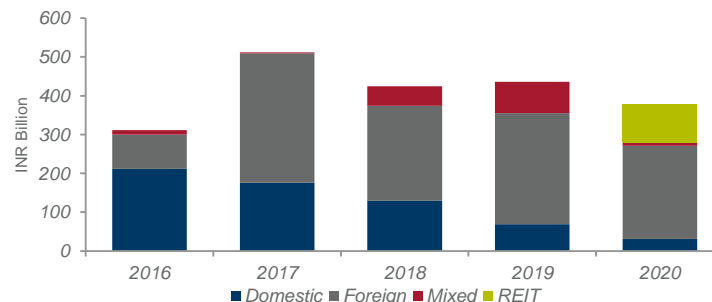
Indian economy displayed green shoots of improvement in the July-September period, as economic activity resumed as the Unlock took hold. Real GDP still contracted by 7.5% in the July-September quarter, but compared slightly favourably to the sharp 23.9% decline in previous quarter. Resumption of activity in manufacturing and construction sectors and gradual easing of labour movement helped restore industry supply chains and put the nascent economic recovery in motion. As construction of real estate projects across major cities resumed, the construction sector contraction witnessed a substantial narrowing, at 8.6%, as compared to the steep 50.3% decline in the previous quarter. Investment demand, measured by gross fixed capital formation (GFCF), also contracted by a lower 7.3%, thereby showing an improvement over the 47% decline in the previous quarter, as the engines of the economy started chugging again. Foreign Direct Investment (FDI) inflows in the construction development sector were recorded at INR 6.7 bn during July-September 2020, a robust 3.1X increase over the previous quarter. The increase, corresponding to the reopening of the economy and decision-making, clearly emphasizes strong market fundamentals and long-term growth prospects for the sector.

INVESTMENT OVERVIEW: Large investments in Q4 lead the year to a solid closure

The last quarter of 2020 led the year to a strong finish with capital inflows in real estate at INR 272.2 bn (USD 3.69 bn) in Q4. Despite the disruption and delayed decision making due to COVID, annual investments (INR 377.4 bn) were just 4% lower than the 5-year (2015-19) average PE inflows of INR 392.2 bn. Brookfield acquiring a significant 12.8 msf of the RMZ office portfolio and its co-working brand CoWrks, in the largest PE transaction ever, was instrumental in giving impetus to capital flows in Q4. Foreign investors as a result, accounted for a share of 60.9% in Q4 fund inflows, while the same stood at 63.7% annually. Canada's BentallGreenOak plans to foray in the Indian investment landscape with an asset acquisition in Mumbai signaling the unrelenting interest of foreign funds chasing Indian office assets. The share of equity investments hovering around 60% both during Q4 and annually, pointed towards significant, long-term investor confidence in Indian real estate, particularly in investment-grade commercial assets. Office sector led the investment inflows with a 95% share in Q4 and 77% on an annual basis, with a high investment appetite for both core & core-plus assets and greenfield developments. Closure of the marquee Blackstone-Prestige Estates deal in Q1 21 will only add to the sheen of this space. With two successful REIT listings and more in the offing, investible-grade rent-yielding office assets in top cities are becoming increasingly attractive. Brookfield Asset Management which plans to list its maiden REIT in the subsequent quarters is also augmenting its portfolio of office assets with ongoing negotiations for a few acquisitions in Delhi and Gurugram. Embassy REIT strategically acquired the Embassy Tech Village assets in Bengaluru during the quarter, marking the first acquisition investment by an operational REIT in India.

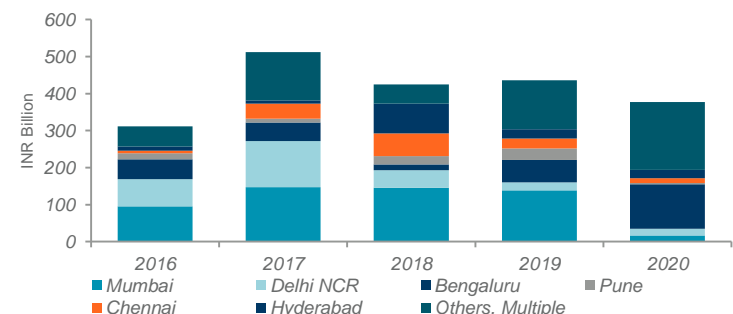
Even though large office transactions overshadowed all other asset classes, the residential, industrial and data centre segments also attracted investors' attention with respective shares of 9%, 7% and 5% annually. Investments in industrial segment maintained a steady pace with inflows of INR 25.6 bn (USD 0.35 bn) in 2020 as marquee investors see healthy long-term prospects in this space, especially

DOMESTIC VS FOREIGN INVESTMENTS



Source: VCCircle, Cushman & Wakefield Research

INVESTMENT VOLUME – CITY-WISE



with a shift in consumer behavior favouring online retail leading to higher demand for warehousing from e-commerce and 3PL players. Q4 saw CDC Group investing in TVS Logistics & Industrial Parks, with Blackstone, Ascendas, ESR, Mapletree having invested earlier in the year. GIC and ESR came together in a USD 750 mn strategic partnership to develop and acquire industrial and logistics assets, with the first investment (~2.2 msf) identified near Mumbai. Expectation of continued growth in e-commerce is a compelling reason for institutional investors to capitalize on growth prospects for this sector as they aim to develop modern logistics and warehousing parks to cater to new as well as replacement demand from unorganized facilities. The capital-starved residential segment saw fund inflows of INR 32.6 bn (USD 0.44 bn) in 2020 with institutional money following the well-known developers. Investments in this segment declined by 56% y-o-y, even though sales momentum is showing early revival signs in a post-pandemic environment. In a partnership formed in Q4, IFC and IFC Emerging Asia Fund plan to invest upto USD 76 mn in the affordable housing arm of Puravankara Group with two projects identified in Kochi and Bengaluru. Residential sector is also getting a respite from the government-sponsored SWAMIH Fund that has approved close to INR 132 bn with money deployed in 36 residential projects even as more disbursements are under consideration. Data centres that are being eyed as an emerging asset class, with their ever-growing relevance amidst strong growth in cloud services, are slated to receive significant investments going forward. Pan-Asia data centre operator Princeton Digital Group, that has been acquiring and developing data centres in India, raised USD 360 mn from Canada's Ontario Teachers' Pension Plan Board. The segment which is likely to see more activity in the quarters ahead also saw the setting up of Apollonia Ventures Data Centre Fund targeting investment opportunities in India among other emerging markets. Even though retail segment did not witness any investments in 2020, the sector presents good opportunities for investors looking to add this asset class in their portfolio of rent-yielding assets. GIC and Phoenix plan to set up a retail-led platform in the country with an aim to acquire greenfield and brownfield developments as well as explore distressed opportunities. At a city-level comparison, Bengaluru took the lead with a 32% share in annual investment inflows. Multi-city investments had a significant 39% share in the fund inflows in 2020 with Brookfield investing in the RMZ portfolio of commercial assets across Bengaluru, Chennai and Pune.

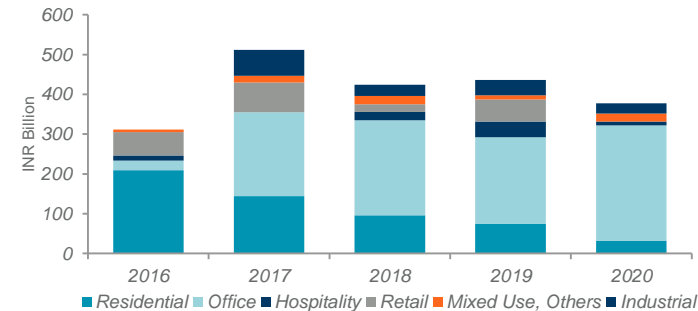
Fund raising activity on solid footing

Motilal Oswal Real Estate floated its fifth real estate fund with a target corpus of INR 8 bn (USD 0.1 bn) primarily to invest in mid / affordable residential projects. Edelweiss Asset Management aims to float a fund with a target size of INR 66 – 74 bn (USD 0.9 – 1 bn) with an aim to add commercial real estate as an asset class to its investment portfolio of residential properties. Targeting to further bolster its foothold in the investment space, Blackstone Group intends to raise USD 5 bn for its second Asia fund and real estate among other sectors is expected to benefit from this corpus.

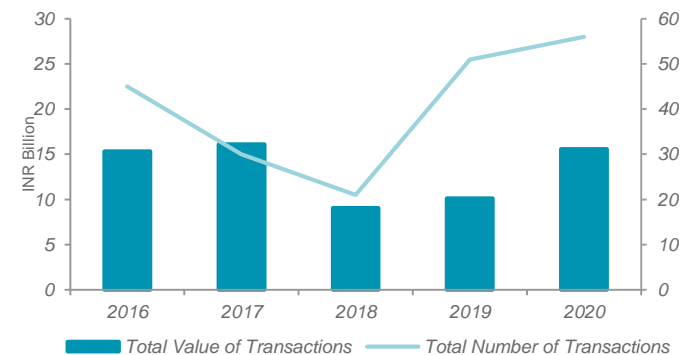
Corporate Transactions in Real Estate

Transaction volumes recorded a 36% q-o-q rise in Q4 at INR 3.12 bn (USD 0.04 bn). Mumbai constituted the majority share with 96% of the total recorded volumes during the quarter, with Pune constituting the rest.

INVESTMENT VOLUME – ASSET-WISE



CORPORATE TRANSACTIONS VOLUME



Outlook: While COVID brought a short-term setback for investments during 2020, it is also presenting significant, strategic opportunities as funds continue to scout for avenues to deploy available dry powder. The huge interest in office assets stemming from continued faith in India's commercial growth story is expected to remain robust with India likely to be a leading market for office demand in APAC. The REIT story is also expected to continue and bring in more institutional fund participation. Relatively higher yields in a low interest rate environment globally will also be a factor towards driving foreign investments into India. Warehousing segment will continue to remain on investors' radar as the sector is likely to further augment its cold storage capacity, bringing further investment opportunities in its wake. Residential segment is expected to see investment inflows towards credible developers and benefit from the ongoing thrust on affordable / mid segment housing and distressed opportunities. With their ever-growing relevance amidst strong growth in cloud services, data centres are likely to emerge stronger as a defensive asset class, given the demand and growth, especially of hyperscalers, with investments towards limited portfolio opportunities and increasingly for greenfield developments. The rising digital economy is propelling the capacity addition in data centres in India, and this is expected to continue.

SIGNIFICANT INVESTMENT TRANSACTIONS – Q4 2020

INVESTOR	INVESTEES	TRANSACTION TYPE	CITY	INVESTMENT (INR BILLION)
Brookfield Asset Management	RMZ Corp	Office Portfolio, Coworking Brand	Bengaluru, Chennai, Pune	146.7
Embassy REIT	Embassy Developments	Office	Bengaluru	97.8
GIC	Phoenix Group	Office	Hyderabad	10.25
CDC Group	TVS Industrial & Logistics Parks	Industrial	Multiple	4.0
Arka Capital, SBM	Signature Global	Residential	Delhi NCR	0.8

SIGNIFICANT CORPORATE TRANSACTIONS – Q4 2020

BUYER	BUYER'S SECTOR	TRANSACTION TYPE	CITY	INVESTMENT (INR MILLION)
Godrej Industries Ltd	Others	Office	Mumbai	2750.0
Safwan Impex LLP	Others	Office	Mumbai	102.5
Future Market Insights	Professional Services	Office	Pune	94.0
Interlink Insurance & Reinsurance Brokers	BFSI	Office	Mumbai	46.3

PLATFORMS FORMED – Q4 2020

INVESTORS	TRANSACTION TYPE	INVESTMENT (INR BILLION)
GIC - ESR	Industrial	55.1
IFC, IFC EAF - Puravankara	Residential	5.6

Sources: VCCircle, Cushman & Wakefield Research

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