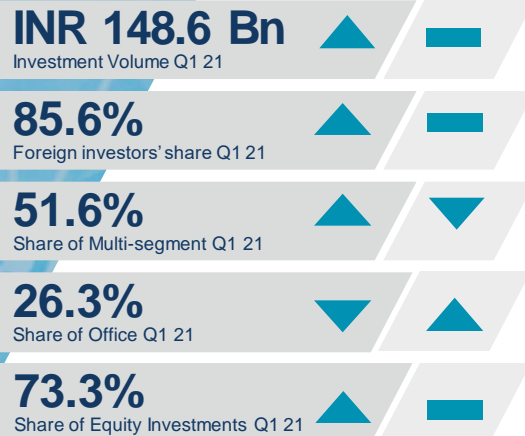
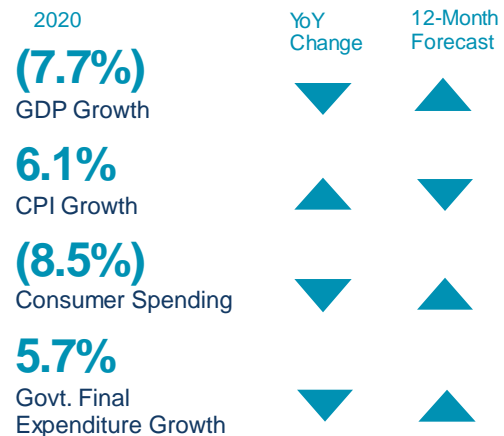


YoY Change 12-Month Forecast



ECONOMIC INDICATORS



Source: Oxford Economics, RBI

ECONOMIC OVERVIEW: 2020 ends strongly backed by robust economic recovery and FDI inflows; positive signs in Q1, though some more pain remains

Indian economy broke out of two consecutive periods of contraction to record a 0.4% expansion in the October – December quarter with an improvement in business sentiments as well as consumer demand. Construction sector recorded a 6.2% growth, as compared to the 7.2% contraction in the previous quarter while manufacturing output grew by 1.6%, reversing the 1.5% decline in July – September 2020.

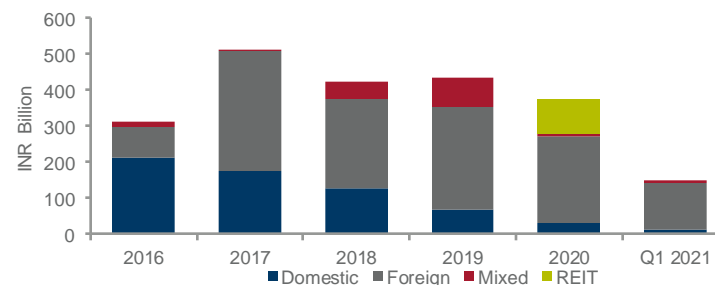
Investment demand, measured by gross fixed capital formation (GFCF), increased by 2.6% as compared to the 6.8% decline in the previous quarter, with capital spending by the government picking up sharply. Private consumption declined by 2.4%, a marginal recovery over the 11.3% contraction in the previous quarter indicating a gradual recovery in consumer sentiments.

Foreign Direct Investment (FDI) inflows in the construction development sector were recorded at INR 11.4 bn during October - December 2020, a strong 1.7X increase over the previous quarter. The increasing trend in FDI inflows despite the pandemic signals confidence in the strong market fundamentals and long-term growth prospects of the sector.

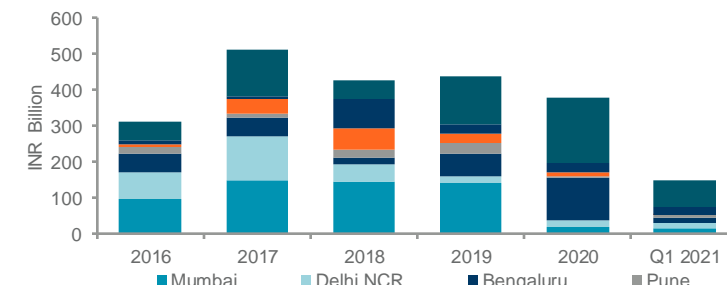
INVESTMENT OVERVIEW: Strong start to the year with key transaction closures

The first quarter saw an investment volume of INR 148.6 bn (USD 2.04 bn) on the back of closure of the first phase of Blackstone – Prestige Estates transaction. Despite a 45% q-o-q drop, the capital inflows grew by a staggering 3.5 times y-o-y and recorded the second highest Q1 inflows in more than a decade. Infact, marquee investors are seeing the current situation as an opportunity to scout for good opportunities despite the prevailing headwinds compelling them to put a temporary halt on closures. This is evident from foreign investors accounting for an 85.6% share of the Q1 investments. Blackstone led the largest transaction for the quarter with the PE major acquiring certain assets out of the 12 completed office, retail and hospitality assets of Prestige Estates, solidifying its leading position in the commercial space of the country. In key transactions in the office segment, Ascendas India Trust made a forward purchase of an upcoming project in North Bengaluru and Varde Partners invested in two projects of Phoenix Group in Hyderabad. As part of its first investment under the Insolvency and Bankruptcy Code, Kotak Special Situations Fund acquired an office asset from Prius Commercial Projects in South Delhi. In another key transaction, Godrej Fund Management bought a 9-acres land parcel in Pune for a commercial development. Office segment held a 26.3% share in the quarterly investments while multi-segment investments (led by Blackstone – Prestige deal) accounting for a major share of 51.6% during the quarter. The quarter saw the third REIT listing of the country, the only institutionally-managed REIT, with a strong 8-times oversubscription. Market response for the REIT listings by major investors over the last several quarters is paving the way for greater maturity in the commercial space, despite short to medium term challenges caused by the pandemic. Furthermore, allowing insurance companies to invest in debt securities of REITs reiterates the growth of India's REIT story given the long-term view on investments placed by insurance firms. With a 14.6% share in the quarter's investments, industrial segment continued to garner attention of investors with expectation of more closures with a few important transactions by Mapletree and Blackstone in the pipeline. The segment attracted INR 21.6 bn (USD 0.3 bn) with acquisitions by GIC – ESR, Ascendas India Trust and Indospace on the back of solid growth seen in this domain. Residential segment, which continues to face liquidity issues, had a 7.5% share in

DOMESTIC VS FOREIGN INVESTMENTS



INVESTMENT VOLUME – CITY-WISE



Source: VCCircle, Cushman & Wakefield Research

Q1 with inflows of INR 11.2 bn (USD 0.15 bn) in the form of debt investments from investors including HDFC Capital Advisors, Motilal Oswal Real Estate, ICICI Ventures among others.

Equity investments with a 73.3% share in Q1 inflows only corroborated the long-term investor confidence in Indian real estate in a trend that continues to be seen over the quarters. Two key partnerships were formed during the quarter with Embassy Group and Canada's Ivanhoe Cambridge coming together to set up a USD 500 mn platform to develop premium office projects, initially focusing on Bengaluru and Chennai. RMZ Corp. partnered with CPPIB to develop office projects in Chennai and Hyderabad in the second platform for the quarter. Strong market fundamentals backed by occupiers leasing large spaces along with a robust demand pipeline in these cities is a major reason for investors' focus on the Southern markets. Infact, large institutional players are utilizing the current period to build up their asset portfolios by either greenfield developments or through acquisitions to cater to the demand for quality spaces in the post-pandemic world.

Retail segment saw investments through the multi-segment Blackstone – Prestige deal with the former acquiring an 85% stake in multiple malls across Bengaluru, Hyderabad, Mangalore, Mysore, Udaipur. The segment which is likely to bear some more pain before picking up did not see any investment inflow last year.

At a city-level comparison, multi-city investments had the highest share of 51.4% in the private equity inflows for Q1 with Blackstone acquiring assets of Prestige Estates in cities including Bengaluru, Hyderabad, Mysore among others. Hyderabad held a 13.7% share with investment inflows in office and residential segments. Delhi NCR and Bengaluru had respective shares of 10.2% and 9.7% in the Q1 investments.

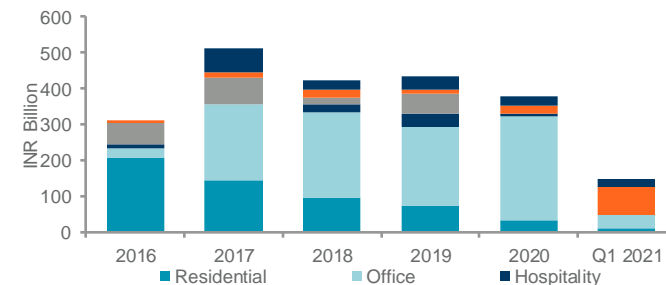
Fund raising activity continued with a long-term view on the market

Godrej Fund Management raised USD 500 mn through its office development platform with APG targeting the development of Grade-A office assets. Motilal Oswal Real Estate launched its fifth real estate fund with a plan to raise INR 8 bn focusing on construction finance for post-approval residential projects in the affordable and mid-income categories. Sundaram Alternate Assets is planning to float a special situations fund to invest in stuck projects, with a tilt towards residential segment. Selective domestic funds are confident about demand fundamentals in the long-struggling residential space, given the low-interest rate regime, stable property prices, developers' focus on execution of projects and government measures to support the segment.

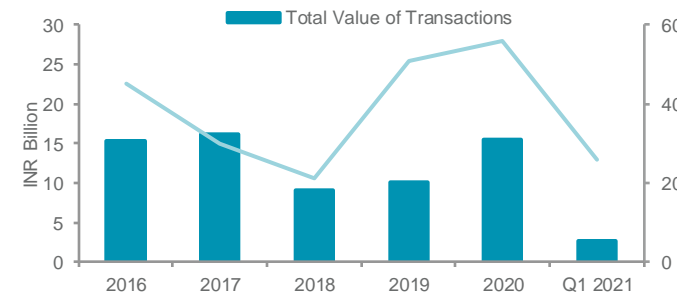
Corporate Transactions in Real Estate

Transaction volumes recorded a 14% q-o-q decline in Q1 2021 at INR 2.67 bn (USD 0.04 bn). Mumbai constituted the majority share with 86% of the total recorded volumes during the quarter, while Pune held a 12% share.

INVESTMENT VOLUME – ASSET-WISE



CORPORATE TRANSACTIONS VOLUME



Outlook: COVID has certainly made institutional investors 'pause and prepare' their strategies and fund deployments, though the investment story remains strong and intact. The pandemic period has seen two REIT listings signifying the confidence in rent yielding office assets. The period which has also seen marquee investors like Blackstone and Brookfield going ahead with large transactions, speaks volumes on the strength of this space. With more platforms being formed already, investors will continue to look for quality investments to deploy this dry powder. Relatively higher yields in a low interest rate environment globally will continue to drive foreign investments into India, though the current situation of a COVID resurgence will pause these plans in the near term. Warehousing and logistics segment will draw more investment focus with prolific demand in the e-commerce sector and a possible long-term alteration in buying behavior. Credible developers will continue to see domestic fund flows in the residential segment, including some distressed opportunities. Data centres will continue to see more investments propelled by the rising digital economy and capacity addition by developers in this asset class.

SIGNIFICANT INVESTMENT TRANSACTIONS – Q1 2021

INVESTOR	INVESTEES	TRANSACTION TYPE	CITY	INVESTMENT (INR BILLION)
Blackstone Group	Prestige Estates	Office, Retail, Hospitality	Multiple	74.7
Ascendas India Trust	Gardencity Realty	Office	Bengaluru	14.4
Varde Partners	Phoenix Group	Office	Hyderabad	11.4
Ascendas India Trust	Phoenix Group	Office	Hyderabad	5.1
Godrej Fund Management		Office	Pune	3.0

SIGNIFICANT CORPORATE TRANSACTIONS – Q1 2021

BUYER	BUYER'S SECTOR	TRANSACTION TYPE	CITY	INVESTMENT (INR MILLION)
Avenue Supermart	Others	Retail	Mumbai	1130.0
Finestar Jewellery & Diamonds Pvt Ltd	Others	Office	Mumbai	345.0
Dhriti Automotive LLP	Others	Retail	Pune	160.0
Red Brick IT Support Services LLP	IT-BPM	Office	Mumbai	158.9

PLATFORMS FORMED – Q1 2021

INVESTORS	TRANSACTION TYPE	INVESTMENT (INR BILLION)
CPPIB - RMZ	Office	15
Ivanhoe Cambridge – Embassy Group	Office	36

Sources: VCCircle, Cushman & Wakefield Research

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