

YoY Change 12-Month Forecast

INR 106 Bn

INVESTMENT VOLUME Q2 21



74.9%

FOREIGN INVESTORS' SHARE Q2 21



57.1%

SHARE OF INDUSTRIAL Q2 21



24.4%

SHARE OF OFFICE Q2 21



77.2%

SHARE OF EQUITY INVESTMENTS Q2 21



ECONOMIC INDICATORS

Q1 2021	YoY Change	12-Month Forecast
1.6% GDP Growth	▼	▲
5.5% CPI Growth	▼	▼
2.7% Consumer Spending	■	▲
28.3% Govt. Final Expenditure Growth	▲	▲

Source: Oxford Economics, RBI

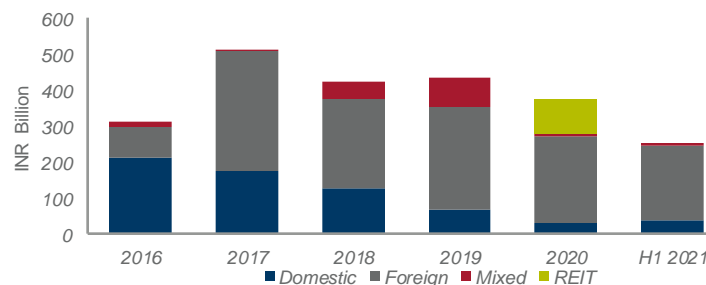
ECONOMIC OVERVIEW: Latest quarterly Q1-2021 GDP release shows signs of revival

Indian economy picked up in the January – March quarter with GDP growth rate of 1.6% backed by government spending and growth in manufacturing sector. Construction sector recorded a 14.5% growth, an improvement over the 6.2% growth in the previous quarter. Manufacturing output grew by 6.9% during the quarter with improved capacity at manufacturing set-ups. Investment demand, measured by gross fixed capital formation (GFCF), increased by 11% as compared to the 2.6% growth in the previous quarter, with capital spending by the government picking up sharply. Private consumption increased by 2.7%, compared to the 2.8% decline 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 10.9 bn during January – March 2021, a slight drop of 4.2% q-o-q. FDI inflows for the financial year 2020-21 declined by 28.3% owing to the pandemic.

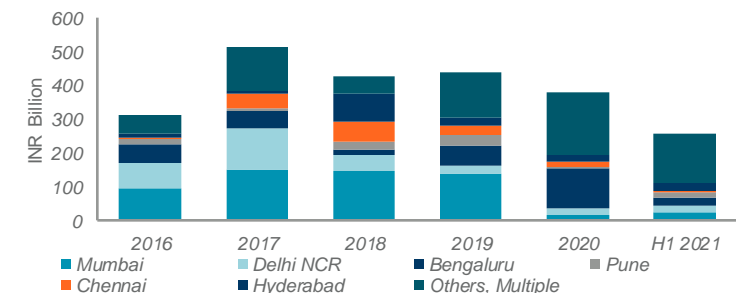
INVESTMENT OVERVIEW: Opportunistic synergies and fund-raising activities on the rise

The second quarter saw an investment volume of INR 106 bn (USD 1.4 bn). Though Q2 fund flows declined by 28.6% q-o-q, the first half of 2021 ended strong with INR 254.6 bn (USD 3.5 bn). Infact, investment volume in H1 2021 grew by a multiple of more than 4X over the previous half year. Foreign investors accounted for close to 75% share of the Q2 investments. Blackstone led the largest transaction for the second quarter with the PE major solidifying its hold in the industrial space with acquisition of Embassy Industrial Parks from the Embassy Group – Warburg Pincus alliance. The segment which is emerging very fast is continued to be looked at favorably by investors on the back of high growth of e-commerce sector. Xander Group marked its foray in east India by acquiring a logistics park in Bagnan, West Bengal as part of their industrial platform. Mapletree Logistics Trust announced the acquisition of two logistics assets in Pune with healthy occupancy with an established zone for engineering and automobile industries. Industrial segment that accounted for 57.1% share of the Q2 investments was followed by office segment constituting a 24.4% share. CPPIB and RMZ entered into a joint venture to develop assets in Hyderabad and Chennai identifying three projects in these cities. In another key transaction, Godrej Fund Management bought a land parcel in Bengaluru from Puravankara. This is part of the fund's strategy to develop key office assets across prime locations, with a land parcel bought in Pune last quarter. Residential segment held close to 17% share in the Q2 fund inflows with ASK Group, PAG, JM Financial making investments with well-known developers across cities. The segment also saw HDFC Capital and Cerberus Capital forming a USD 1 bn special situations platform targeting to provide last-mile funding to under-construction residential projects in the country. With water-tight traditional financing channels available for residential developers, such platforms will provide necessary impetus to this segment. Investment interest was also seen in the non-traditional asset classes with Cerestra Advisors and the family office of Kolte Patil Group acquiring a boarding school in the National Capital Region.

DOMESTIC VS FOREIGN INVESTMENTS



INVESTMENT VOLUME – CITY-WISE



Source: VCCircle, Cushman & Wakefield Research

In a continued trend, equity investments accounted for a 77.2% share in Q2. Investors have shown a keen interest for office and industrial assets with development potential in top cities on account of expectations of strong leasing demand in these locations. Everstone-backed Indospace, Ascendas India Trust, Godrej Fund Management have been instrumental in such investments.

In a key alliance during the quarter, Singapore's sovereign wealth fund GIC and Phoenix Mills Ltd formed a USD 0.73 bn investment platform for retail and office assets. The retail-led, mixed-use portfolio of projects under this platform will be located in Mumbai and Pune among others.

More developer – investor alliances are preparing themselves for REIT listing of their rent yielding asset portfolios with the market already seeing two key listings during the pandemic. Market regulator SEBI's decision to reduce the minimum subscription amount to INR 10,000 – 15,000 and trading lot size to a single unit is a welcome move to aid higher retail investors' participation for such instruments.

At a city-level comparison, multi-city investments had the highest share of 63.2% in the private equity inflows for Q2 with Blackstone Group and CPPIB being leading investors. Mumbai and Pune held a 9% share each, followed by Bengaluru with 8.3% share in the Q2 investments.

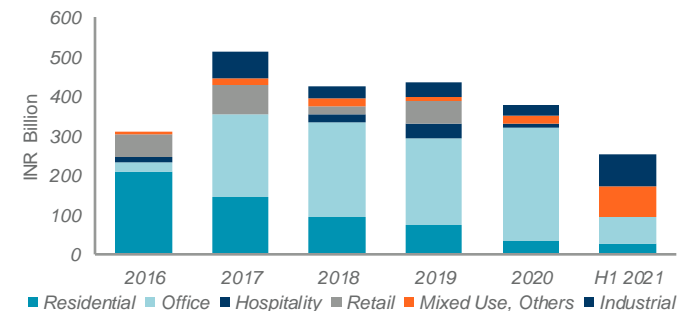
Fund raising activity remained robust

Motilal Oswal Real Estate closed its fifth real estate fund with commitments totaling INR 6.5 bn. Capital deployment is expected in the affordable and mid-income category residential projects in top cities with selective exposure on commercial assets. Sundaram Alternate Assets launched its third real estate focused fund targeting investments in South India and opportunistic investments in Maharashtra and National Capital Region. The upcoming quarter is likely to see more traction on this front with visibility of fund-raising plans by marquee investors in the industrial as well as residential space.

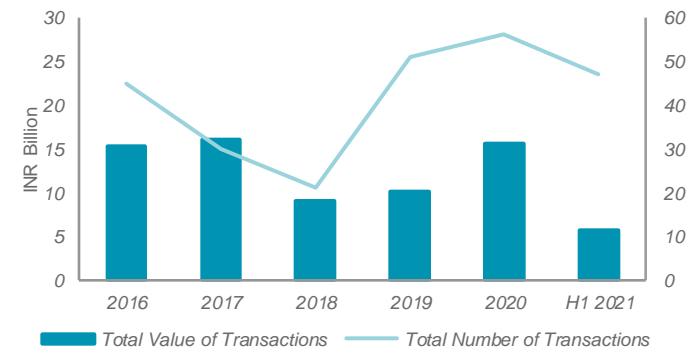
Corporate Transactions in Real Estate

Transaction volumes recorded a 12.3% q-o-q increase in Q2 2021 at INR 3.0 bn (USD 0.04 bn). Mumbai constituted the majority share with 97% of the total recorded volumes during the quarter, while Delhi NCR constituted the rest.

INVESTMENT VOLUME – ASSET-WISE



CORPORATE TRANSACTIONS VOLUME



Outlook

Investment inflows in the real estate segment since the start of the pandemic suggest an unabated interest for the right opportunities and developer – investor partnerships. COVID has certainly governed the investor strategies and timing of fund deployments, though there is no dearth of capital for key properties across asset classes in strategic locations. Infact, investors have continued to scout for opportunistic investments during this period with a long-term view on the market despite the headwinds. Segments like retail that have been relatively more impacted than other asset classes have also attracted attention with advanced-stage discussions for acquisitions. Formation of new platforms and additional capital commitments towards existing ones demonstrate the long-term interest in this segment. With more platforms being formed across asset classes, investors will continue to look for quality investments at strategic locations in several cities. And the current attractive valuations will augur well for transaction closures for a lot of their investment plans. Warehousing and logistics segment as well as data centres will continue to remain key segments of interest, especially for foreign investors eyeing diversification of their investment portfolios in the country. Both sectors being positively impacted by the onset of the pandemic is a massive factor that will play in their favor and attract investments.

SIGNIFICANT INVESTMENT TRANSACTIONS – Q2 2021

INVESTOR	INVESTEES	TRANSACTION TYPE	CITY	INVESTMENT (INR BILLION)
Blackstone Group	Embassy Group, Warburg Pincus	Industrial	Multiple	52.0
CPPIB	RMZ Corp	Office	Hyderabad, Chennai	15.0
Godrej Fund Management	Puravankara Ltd	Office	Bengaluru	7.0
ASK Group	Kalpataru Group	Residential	Pune	2.0
PAG	Century Real Estate	Residential	Bengaluru	1.75

SIGNIFICANT CORPORATE TRANSACTIONS – Q2 2021

BUYER	BUYER'S SECTOR	TRANSACTION TYPE	CITY	INVESTMENT (INR MILLION)
Avenue Supermart	Retail	Retail	Mumbai	1000.0
Astra Industries and Trading Pvt Ltd	Others	Office	Mumbai	590.0
Angad Compuserve LLP	IT-BPM	Office	Mumbai	232.5
Wadia Ghandy and Company	Professional Services	Office	Mumbai	221.0

PLATFORMS FORMED – Q2 2021

INVESTORS	TRANSACTION TYPE	INVESTMENT (INR BILLION)
HDFC Capital Advisors – Cerberus Capital	Residential	74
GIC – Phoenix Mills Ltd	Retail, Office	54

Sources: VCCircle, Cushman & Wakefield Research

PURNIMA KUMAR

Senior Manager, Research Services

+91 124 4695555

Purnima.kumar@cushwake.com

KAPIL KANALA

Director, Research Services

+91 40 40405555

Kapil.kanala@ap.cushwake.com

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