

YoY Change 12-Month Forecast

INR 93.9 Bn

Investment Volume Q4 21



23.7%

Foreign investors' share Q4 21



46.0%

Share of Office Q4 21



34.7%

Share of Residential Q4 21



91.3%

Share of Debt Investments Q4 21



ECONOMIC INDICATORS

Q3 2021	YoY Change	12-Month Forecast
8.4% GDP Growth	▲	▲
5.6% CPI Growth	▼	▼
8.6% Consumer Spending	▲	▲
8.7% Govt. Final Expenditure Growth	▲	▲

Source: Oxford Economics, RBI

ECONOMIC OVERVIEW: Moderate GDP growth of 8.4% in July–September quarter

Indian economy recorded 8.4% y-o-y growth in the July – September quarter, moderate in comparison to over 13% growth in previous two quarters. Coming from a low base in September quarter last year, growth was driven by resumption of economic activity following partial lockdowns in many states. Steady farm output and higher public spending were the other factors that supported growth. Consumer spending continued to improve clocking a growth of 8.6% y-o-y, led by discretionary spending for the festive season. Foreign Direct Investment (FDI) inflows in the construction development sector were recorded at INR 0.83 bn during July – September 2021, a decline of 81.1% on quarterly comparison.

INVESTMENT OVERVIEW: Office and residential segments lead investments in Q4

The fourth quarter witnessed investment inflows of INR 93.9 bn (USD 1.28 bn), with the annual investment volume at a robust INR 408.5 bn (USD 5.56 bn). Fund flows in Q4 increased by 57.0% q-o-q, and the annual investments recorded an 8.2% y-o-y growth. Domestic investors accounted for 33.2% of the quarterly investments, compared to a 14.8% share in the last quarter. Debt investments accounted for the majority share of 91.3% of the quarterly investments. On an annual basis, equity investments led the overall volume with a 58.4% share in comparison to a 61.6% share in 2020.

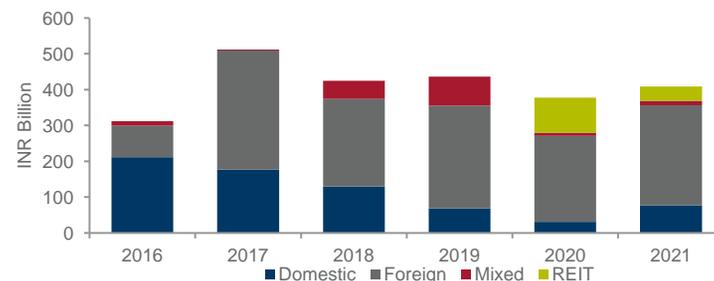
At a city-level comparison, Delhi NCR accounted for half of the private equity inflows for Q4, led by the asset acquisition by Brookfield REIT. This was followed by Hyderabad and Chennai with respective shares of 18.6% and 8.3% in the Q4 investment volume. On an annual comparison, Delhi NCR, Mumbai and Hyderabad received the highest investment inflows with respective shares of 16.6%, 12.0% and 11.9%.

Quarterly investments were led by office and residential segments, accounting for respective shares of 46.0% and 34.7%. Counted amongst large deals during the quarter were Brookfield India REIT acquiring an office asset in Noida; the same company made another large investment in residential through Special Investment Fund by investing INR 10 bn in five under-construction residential projects of Hyderabad-based developer INDIS.

The uptick in momentum in the residential segment with increasing thrust on home ownership has been drawing interest from institutional investors. The quarter saw investment inflows of INR 32.58 bn (USD 0.44 bn) in the residential segment with an average transaction size of ~INR 2 bn. ASK Property Investment Advisors, Tata Capital, Varde Partners, Motilal Oswal, Kotak Mahindra Investments were among major investors deploying money in residential projects during the quarter. On an annual basis, residential investments grew by a robust 2.5X. Annual investments in office segment were recorded at INR 117 bn (USD 1.6 bn), a 60% drop from the last year. Ascendas India Trust, Godrej Fund Management and CPPIB made large investments in office segment in 2021. The year also saw an investment in life science R&D office labs portfolio in Hyderabad as well as an investment in the stressed asset space in Delhi NCR.

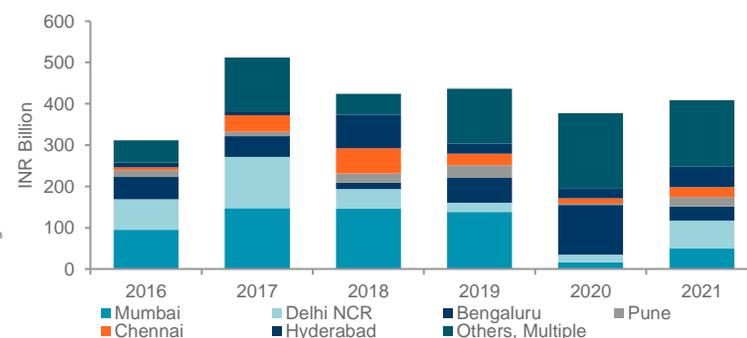
Blackstone Group is planning to list India's first retail-led REIT in 2022. The REIT portfolio will include mall properties acquired by the investor across cities in the past. Data centres witnessed investment inflows of INR 10 bn (USD 0.14 bn) in the fourth quarter with Kotak Special Situations Fund committing to invest in Sify for development of new data centre facilities in Mumbai, Noida, Chennai, Bengaluru and Hyderabad. The segment which recorded an annual investment volume of INR 28 bn (USD 0.38 bn) saw investments by Ascendas India Trust and Brookfield Infrastructure earlier.

DOMESTIC VS FOREIGN INVESTMENTS



Source: VCCircle, Cushman & Wakefield Research

INVESTMENT VOLUME – CITY-WISE



Logistics and industrial segment garnered huge investment interest

Investments in logistics and industrial segment witnessed a robust 4X increase in 2021 on the back of strong demand for this asset class. The annual investment volume stood at INR 102.52 bn (USD 1.39 bn) as major investors including Blackstone, Xander, Ascendas, ESR, Mapletree Logistics Trust aimed to solidify their footprint in the Indian logistics space. The fourth quarter recorded investment inflows of INR 7.35 bn (USD 0.1 bn), a 7.8% share in quarterly investments.

Blackstone acquired warehousing assets from Delhi NCR-based developer TARC, following the acquisition of Embassy Industrial Parks earlier in the year. ESR acquired additional 44 acres in Oragadam, Chennai to expand its portfolio in the city. Robust demand for warehousing and logistics spaces amidst pandemic and a dearth of organized assets led to several greenfield investments during the year.

More investment platforms expected in coming quarters

The fourth quarter saw CPPIB – Phoenix Mills joint venture infusing an additional INR 7 bn in the retail-led investment alliance. This exhibits the largest retail development platform's confidence in the growth of India's consumption story. Shapoorji Pallonji Investment Advisors is in discussions with global pension and sovereign funds to set up investment platforms in office, data centres and student housing segments. Japan's Marubeni Corp and Wadhwa Group are also planning to set up a platform targeting the redevelopment of residential societies in Mumbai. In another development, HDFC is awaiting a regulatory approval to set up a real estate-focused asset reconstruction company with Brookfield. The joint venture will aim to provide last-mile financing for stuck projects.

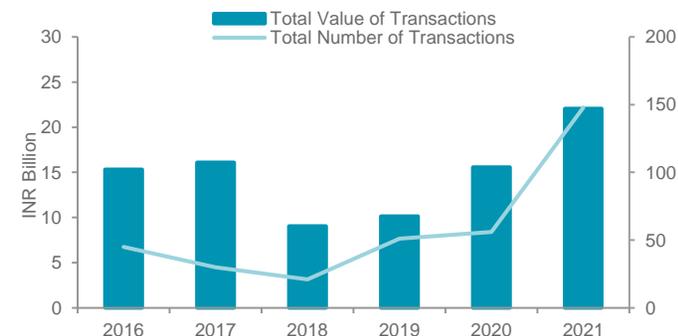
Corporate Transactions in Real Estate

Transaction volumes increased by 3.7X q-o-q in Q4 2021 at INR 12.88 bn (USD 0.18 bn). Mumbai constituted a majority share of 83% of the total recorded investment volume during the quarter. Bengaluru and Pune accounted for respective shares of 9% and 5% in the quarter's transactions. Annual transactions increased by 41.7% at INR 22.04 bn (USD 0.3 bn).

INVESTMENT VOLUME – ASSET-WISE



CORPORATE TRANSACTIONS VOLUME



Outlook

Advanced stage discussions for multiple platforms across asset classes signal that there is growing confidence in the long-term fundamentals of Indian real estate sector. While Office & Residential sectors were the mainstay this year, fast-emerging logistics & industrial as well as data centres will continue to garner investors' attention on the back of sustained strong demand. Investors will continue to focus on greenfield developments to leverage from the growth in both logistics and data centre segments. The rising momentum in residential sales is bringing back cheer to the sector that had been struggling for liquidity in the last few years. Stressed assets space in the residential segment attracting private investments will augur well for the sector by providing a win-win solution for both homebuyers and developers. Plans for more REIT listings in the next few years will lend impetus to the rent-yielding asset classes, thereby making Indian commercial real estate market more mature and organized.

SIGNIFICANT INVESTMENT TRANSACTIONS – Q4 2021

INVESTOR	INVESTEES	TRANSACTION TYPE	CITY	INVESTMENT (INR BILLION)
Brookfield India REIT	Seaview Developers	Office	Delhi NCR	39.7
Brookfield Asset Management	Indis	Residential	Hyderabad	10.0
Blackstone Group	TARC	Industrial	Delhi NCR	2.95
Varde Partners	Casagrand	Residential	Chennai	1.2
Walton Street Blacksoil	Paranjape Group	Residential	Pune	1.05

SIGNIFICANT CORPORATE TRANSACTIONS – Q4 2021

BUYER	BUYER'S SECTOR	TRANSACTION TYPE	CITY	INVESTMENT (INR MILLION)
Redbrick IT Support	IT-BPM	Office	Mumbai	301.4
Koch Engineered Solutions	Engineering & Manufacturing	Office	Mumbai	333.1
Rolline India Pvt Ltd	Others	Office	Bengaluru	258.1
Gupta Machine Tools Pvt Ltd	Engineering & Manufacturing	Office	Pune	72.0

PLATFORMS FORMED – Q4 2021

INVESTORS	TRANSACTION TYPE	INVESTMENT (INR BILLION)
CPPIB – Phoenix Mills	Retail	7.0 (additional commitment)

Sources: VCCircle, Cushman & Wakefield Research

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