

MARKETBEAT INDIA

Investment Q1 2022



YoY
Change

12-Month
Forecast

INR 57.9 Bn

Investment Volume Q1 22



93.1%

Foreign investors' share Q1 22



32.8%

Share of Retail Q1 22



18.7%

Share of Office Q1 22



59.8%

Share of Equity Investments Q1 22



ECONOMIC INDICATORS

Q4 2021

YoY
Change

12-Month
Forecast

5.4%

GDP Growth



5.6%

CPI Growth



7.0%

Consumer Spending



3.4%

Govt. Final
Expenditure Growth



Source: Oxford Economics, RBI

ECONOMIC OVERVIEW: Moderate GDP growth of 5.4% in the December quarter

Indian economy recorded a 5.4% y-o-y growth in the December quarter, a rate of growth that was slower than the previous two quarters. Despite that, it remains the fastest growing major economy globally. The declining impact of a low base effect can be seen in this growth. Manufacturing sector slowed to a 0.2% growth during the quarter while construction sector contracted by 2.8%. Consumer spending also slowed from the previous quarter, though it registered a growth of 7% y-o-y. Foreign Direct Investment (FDI) inflows in the construction development sector were recorded at INR 1.47 bn, an increase of 78.1% on quarterly comparison.

INVESTMENT OVERVIEW: Retail segment regained investor focus during the quarter

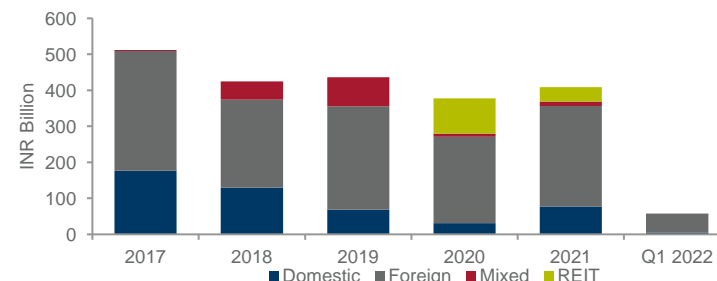
The first quarter recorded private equity investment inflows of INR 57.9 bn (USD 0.77 bn). While its a q-o-q decline of 38.4%, the investment volume is likely to pick-up pace as some marquee transactions are likely to be executed in the coming quarters. Foreign investors constituted a dominant 93.1% share in investment volume as compared to 23.7% share in the previous quarter. Equity investments held a major 59.8% share in the fund flows for Q1, unlike the previous quarter where debt investments constituted a larger share (91.3%) of investment volume.

At a city-level, Mumbai accounted for more than half of the private equity inflows for Q1 with a 52.8% share, with ADIA-backed Lake Shore India Advisory acquiring Viviana Mall. Multi-city investments accounted for 29.3% share of the quarterly investments with the second phase of the landmark Blackstone Group – Prestige Estates transaction culminating in Q1. Delhi NCR and Chennai with respective shares of 6.0% and 4.0% in the quarter's investments were the other cities that garnered top interest from institutional investors.

Retail was the leading sector driving quarterly investments with a one-third share at INR 19 bn (USD 0.25 bn). The sector saw a comeback after a gap of eight quarters. Retail sector is expected to record more activity as Blackstone Group plans to list India's maiden retail-led REIT in subsequent quarters. Markets being completely out of the Covid-induced mobility restrictions and reports of strong revival in mall footfalls could be reasons behind the rising focus on retail sector investments by institutional investors. Besides retail, multi-sector investments (having a mix of office, retail, hospitality) had a 29.3% share in Q1 investments. Office sector held a 18.7% share in Q1 with an INR 10.8 bn (USD 0.14 bn) investment by Brookfield Asset Management.

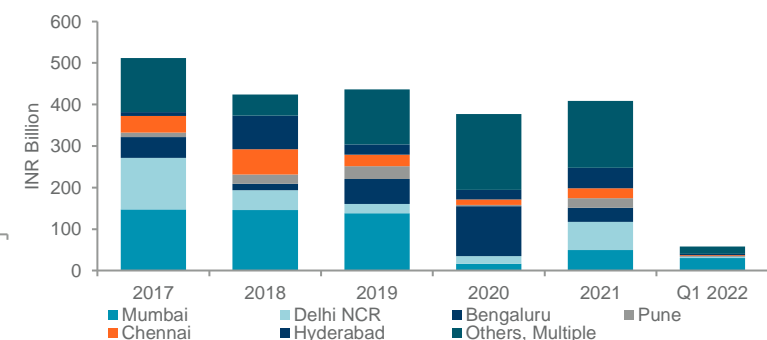
Industrial segment accounted for a 7.9% share in the quarter's investments with investments by Mapletree Logistics Trust, ESR and DMI Alternative Investment Fund acquiring land parcels in Bengaluru and Delhi NCR. The sector that is increasingly popular for greenfield investments witnessed investment inflows of INR 4.6 bn (USD 0.06 bn) during the quarter. The fast-emerging sector of data centers accounted for a 4% share in the overall investment volume. There is a possibility of increased focus in this asset class going forward as Union budget FY23 accredited the sector with infrastructure status. The Brookfield Asset Management – Digital Realty joint venture acquired a 10-acres land parcel in Ambattur, Chennai under the JV's plan to develop, own and operate data centres in India.

DOMESTIC VS FOREIGN INVESTMENTS



Source: VCCircle, Cushman & Wakefield Research

INVESTMENT VOLUME – CITY-WISE



Fund raising activity for residential & office segments announced

HDFC Capital raised INR 135 bn (USD 1.88 bn) with the close of its affordable housing focused fund called the HDFC Capital Affordable Real Estate Fund-3. The fund intends to invest this corpus in affordable and mid category projects. With an intent to bolster its residential business, Prestige Group is planning to form two real estate-focused alternative investment funds worth USD 500 mn. The group plans to acquire land as well as stressed residential projects across major Indian cities. Hines is planning to raise a USD 500 mn fund to augment its focus on office segment and is already exploring investment opportunities for deployment under this proposed fund raise.

Continued focus on developer – investor alliances

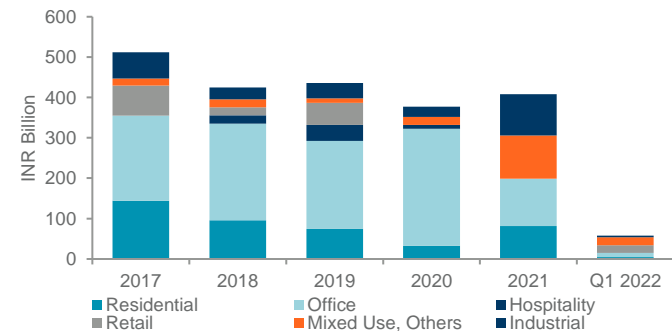
Blackstone Group formed its India-dedicated platform, Horizon Industrial Parks, through multiple acquisitions including Embassy Industrial Parks, TARC, Allcargo Logistics. The platform comprises of both completed and under-development assets in cities including Bengaluru, Hyderabad, Pune and Delhi NCR. The sector continues to enjoy healthy demand led by large e-commerce and 3PL players among others.

CPPIB and RMZ formed a second office platform to develop and hold commercial assets in key cities. HDFC Capital Advisors and L&T Realty are planning to come together to form an INR 40 bn platform focused towards residential sector to invest in mid-segment projects across the country.

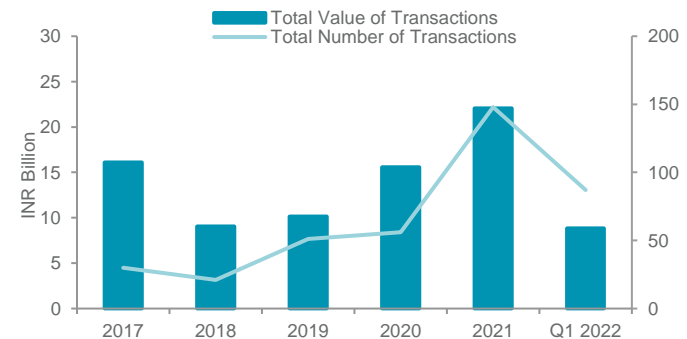
Corporate Transactions in Real Estate

The quarter recorded corporate transaction volumes of INR 8.82 bn (USD 0.12 bn), a q-o-q decline of 31.5%. Mumbai constituted a majority share of 87% of the total recorded investment volume during the quarter. Bengaluru and Pune accounted for shares of 6% and 5%, respectively.

INVESTMENT VOLUME – ASSET-WISE



CORPORATE TRANSACTIONS VOLUME



Outlook

The robust momentum through developer – investor partnerships being created each quarter is expected to bolster the private equity fund flows with deployments across multiple asset classes. Growing interest by large pension as well as sovereign funds, especially in the office and retail segments in the last few quarters, signifies the attractiveness as well as credence of these rent-yielding asset classes as more transactions get executed in the year ahead. The coming quarters are also likely to see a growing interest in residential segment as well as the stressed asset space. While office segment will continue to remain the mainstay for investments, investors will also maintain a steady interest in asset classes including industrial & logistics as well as data centres. Both these segments are expected to witness greenfield investments as institutional investors plan to leverage from the growing demand in these asset categories. We expect investors to maintain a steady focus on retail segment in the subsequent quarters with the rebound being witnessed in this asset class.

Large developers are in the process of doing the ground-work for becoming REIT-ready, and the country is expected to see more REIT listings for rent-yielding assets going forward.

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SIGNIFICANT INVESTMENT TRANSACTIONS – Q1 2022

INVESTOR	INVESTEES	TRANSACTION TYPE	CITY	INVESTMENT (INR BILLION)
Lake Shore India Advisory	Ashwin Sheth, GIC	Retail	Mumbai	19.0
Blackstone Group	Prestige Estates	Office, Retail, Hospitality	Multiple	16.9
Brookfield Asset Management, Digital Realty		Data Centre	Chennai	2.3
Mapletree Logistics Trust		Industrial	Bengaluru	1.1
Walton Street Blacksoil	Shapoorji Pallonji, Vakratunda Group	Residential	Mumbai	0.75

SIGNIFICANT CORPORATE TRANSACTIONS – Q1 2022

BUYER	BUYER'S SECTOR	TRANSACTION TYPE	CITY	INVESTMENT (INR MILLION)
Skechers	Retail	Office	Mumbai	1750.0
KGK Diamonds	Others	Office	Mumbai	887.6
Kansai Nerolac Paints	Others	Office	Mumbai	820.1
Web Werks	Data Centre	Office	Bengaluru	550.1

PLATFORMS FORMED – Q1 2022

INVESTORS	TRANSACTION TYPE	INVESTMENT (INR BILLION)
CPPIB – RMZ	Office	26.5

Sources: VCCircle, Cushman & Wakefield Research

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