

**INR 88.3 Bn**

Investment Volume Q1 2023

YoY Change      12-Month Forecast



**51%**

Foreign investors' share Q1 23



**25%**

Share of L&I-segment Q1 23



**22%**

Share of Office-segment Q1 23



**67%**

Share of Equity Investments Q1 23



### ECONOMIC INDICATORS

| Q3 FY 23                                      | YoY Change | 12-Month Forecast |
|---|------------|-------------------|
| <b>4.4%</b><br>GDP Growth                     | ▼          | ■                 |
| <b>5.6%</b><br>CPI Growth*                    | ▼          | ▼                 |
| <b>7.0%</b><br>Consumer Spending              | ▼          | ▲                 |
| <b>8.1%</b><br>Govt. Final Expenditure Growth | ▲          | ▼                 |

\* March 2023

Source: Oxford Economics, RBI

### ECONOMIC OVERVIEW: GDP growth in Dec-22 quarter moderates q-o-q; inflation tapers down

India's real GDP grew by 4.4% y-o-y as of the quarter ending December-2022, as against 6.3% witnessed in previous quarters and 11.2 % growth recorded last year same period. GDP growth was largely impacted due to manufacturing contraction, along with weaker private consumption and government expenditure. This growth figure came in close to RBI's revised estimated rate of 4-5% for the quarter. This revision was done at the onset of recent headwinds from global slowdowns and the tightening of global financial conditions. The annual growth for FY-23 is currently projected at 6.8% as per RBI's estimates.

The widely tracked high-frequency macroeconomic indicators, such as the monthly GST collections and the Purchasing Managers Index (both Services and Manufacturing), have been exhibiting strength as of March 2023. These indicators continue to suggest that, despite global headwinds, the domestic growth story in India has been resilient so far. CPI inflation is at a sixteen-month low figure of 5.66% as of March 2023, as against 5.7% as of Dec-22 end. This gives the Indian central bank an opportunity to pause rate hikes after having raised it by 250 bps since May last year.

### INVESTMENT OVERVIEW: PE inflows marginally subdued in Q1-23; L&I sector share highest

The investment activity remained marginally subdued for the second-consecutive quarter in Q1-23 with merely INR 88.3 bn (USD 1.07 bn) of private equity inflows being recorded. Foreign investors, which were the dominant equity investors in the Indian real estate space, seem to have slowed down a bit given the concerns around the global economic headwinds. Foreign Investors accounted for almost INR 41 bn (USD 0.53 Bn) with investment inflows from entities in Hong Kong, Singapore and USA, majorly in L&I, Office and Residential segments.

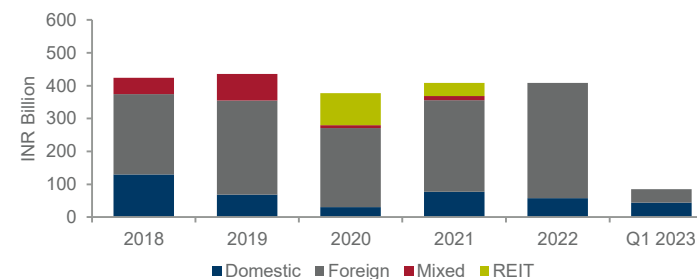
Office sector, which has been a dominant sector in terms of attracting PE investments, has seen its share come down over the last two quarters with the latest reading coming at 22%. One of the reasons for investments in office real estate slowing down is the lack of supply of quality-grade assets beyond what is already held by listed and institutional players. The L&I segment was leading with a share of 25% during the quarter. There was a diversification of fund allocation observed in the first quarter across sectors such as L&I, Office, Residential, Mixed-Use as well as Hospitality real estate.

NCR region took the lead this quarter, accounting for 40% of total inflows with deals focused on industrial and mixed-use (office, retail) developments. Multi-city fund flows constituted 38% of the quarterly values. Logistics and Industrial (L&I) segment witnessed the highest investor interest with inflows close to INR 21.7 bn (USD 0.2 bn), accounting for close to 25% share, followed by office (22%) and residential (20%). PE investments in the L&I sector were majorly in asset buyouts of mid-to-large scale projects, while office asset inflows were majorly capital infusion in the development stage along with some asset buyouts. Equity investment constituted about INR 59 bn (USD 0.72 bn) during Q1 2023, making it 67% of the total quarterly inflows

### Strong Fund-raising activity for commercial, data center and L&I segments announced

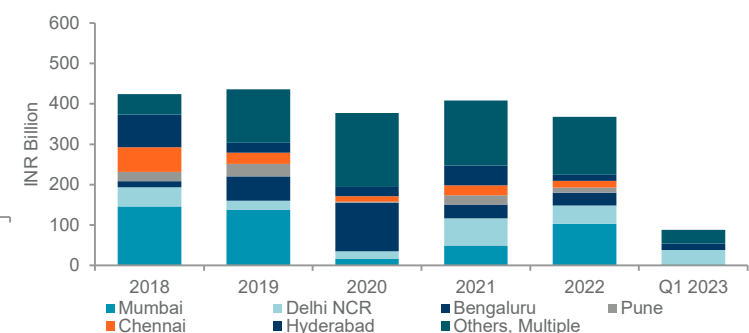
Start of this year witnessed healthy fund-raising announcements in the office, data center, and L&I sectors. About USD 0.46 bn worth of commitments were announced recently, focused on L&I sector expansion plans. Close to USD 4.8 bn commitments were announced during this quarter.

### DOMESTIC VS FOREIGN INVESTMENTS



Source: Economic Times, Cushman & Wakefield Research

### INVESTMENT VOLUME – CITY-WISE



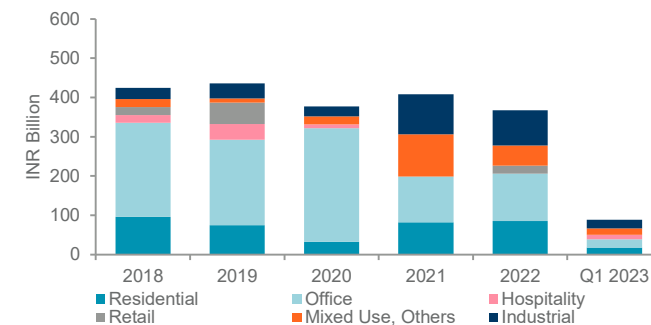
### REITs and InvITs expected this year

Along with two large office REITs (close to 45 million each) in the works, and a maiden retail REIT ready for listing in a few weeks (valued at close to USD 500 million), India would also see its first logistics-focused InvITs. NDR Warehousing, based in Delhi NCR, is currently planning its maiden INR 2,000 Cr InvITs by listing its ~19msf portfolio across India. Similarly, Reliance group has plans to list L&I assets close to about 34 msf and is currently setting up a trust for the process.

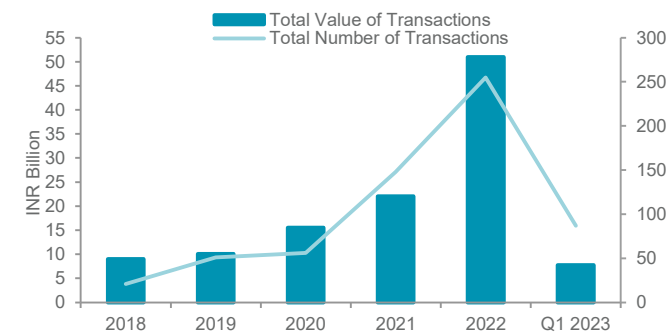
### Corporate Transactions in Real Estate

The quarter recorded corporate transaction volumes of INR 7.74 bn (USD 0.94 bn), a q-o-q decrease of 55% and a 12% decrease from the same period last year. Corporates have likely reduced their spend on real estate citing a global effort to cut down on expenses that are not essentially sales-driven for the interim period. Mumbai took the lead with a majority share of 67% of the total investment volume during the quarter, followed by Pune with a 17% share.

### INVESTMENT VOLUME – ASSET-WISE



### CORPORATE TRANSACTIONS VOLUME



### Outlook

India's economy is projected to grow at 6.8% as of latest RBI forecast, and also inflation is likely to remain within the 6% comfort band of the RBI. However, the global macroeconomic situation remains subdued as a result of which investors sentiment has been somewhat muted. PE inflows during the first quarter came in at USD 1.07 bn, which is lower than the quarterly average figure achieved over the last few years. A cautious approach taken by foreign investors coupled with limited availability of quality assets in the commercial office and retail segments led to this drag. However, upcoming REIT listings as well as the emerging sectors of L&I, Hospitality and data centers space are likely to keep the investment momentum active going forward.

## SIGNIFICANT INVESTMENT TRANSACTIONS – Q1 2023

| INVESTOR                | INVESTEES           | TRANSACTION ASSET | CITY            | INVESTMENT (INR BILLION) |
|-------------------------|---------------------|-------------------|-----------------|--------------------------|
| PAG Credits             | M3M India           | Multiple          | NCR Delhi       | 16.5                     |
| Singapore based PE Fund | Pragati Warehousing | L&I               | NCR Delhi       | 16.5                     |
| HDFC Capital            | Kalpataru Group     | Residential       | Mumbai, Pune    | 14.5                     |
| Kotak Realty Fund       | Bharat Hotels       | Hospitality       | Multiple Cities | 11.0                     |

## SIGNIFICANT CORPORATE TRANSACTIONS – Q1 2023

| BUYER            | BUYER'S SECTOR              | TRANSACTION TYPE | CITY   | INVESTMENT (INR MILLION) |
|------------------|-----------------------------|------------------|--------|--------------------------|
| Redbricks        | Flexible Workspace          | Office           | Mumbai | 360                      |
| Sanjay Chemicals | Engineering & Manufacturing | Office           | Mumbai | 360                      |
| National Realty  | Real Estate                 | Office           | Mumbai | 809                      |

## PLATFORMS FORMED – 2023

| INVESTORS  | TRANSACTION TYPE      | INVESTMENT (USD MILLION) |
|--|-----------------------|--------------------------|
| Ivanhoe Cambridge & Maple tree   | Office (Tech enabled) | 1,870                    |
| Digital Edge-AGP DC Invest Co, NIIF, Digital Edge (Singapore) Holdings | Data Centre           | 2,000                    |

Sources: Economic Times, Cushman & Wakefield Research

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