

MARKETBEAT INDIA

Capital Markets Q3 2023



YoY
Change

12-Month
Forecast

INR 52.1 Bn

Investment Volume Q3 2023



54%

Foreign investors' share Q3 23



37%

Share of Office-segment Q3 23



30%

Share of Residential Segment Q3 23



77%

Share of Equity Investments Q3 23



ECONOMIC INDICATORS

Q4 FY 23

YoY
Change

12-Month
Forecast

6.1%

GDP Growth



5.3%

CPI Growth*



7.0%

Consumer Spending



8.1%

Govt. Final
Expenditure Growth



* June 2023

Source: Oxford Economics, RBI

ECONOMIC OVERVIEW: GDP growth in Q2-FY23 remains strong driven by consumption

India's real GDP grew at 7.8% y-o-y as of the quarter ending June 2023, as against 6.1 % witnessed in the previous quarter and 13.1 % growth recorded during the same period last year. This is highest in comparison with the last three quarters. Overall, the GDP growth for FY-24 is expected to be at 6.5% as per RBI estimates. Private sector consumption recorded 2.8% q-o-q and 6% y-o-y growth, indicating a strong consumption growth led by urban demand. The manufacturing sector contributed a modest uptick largely due to a contraction in merchandise exports. Inflation is expected to moderate towards the end of FY-24 (5.2% as of Mar-24 per RBI estimates from the current 6.4%) which is positive for outlook on household consumption.

The widely tracked high-frequency indicators, such as the monthly GST collections exhibited strong growth while the Purchasing Managers Index (PMI) in Manufacturing recorded a marginal fall in September in comparison to the previous month, but it still remains in the growth phase and the outlook remains strong. PMI in Services exhibited resilience in September and continued to be an expansionary phase. These indicators suggest that, despite global headwinds, the domestic growth story in India remains resilient.

INVESTMENT OVERVIEW: Slight dip in Quarterly PE Inflows; Office and L&I takes lead

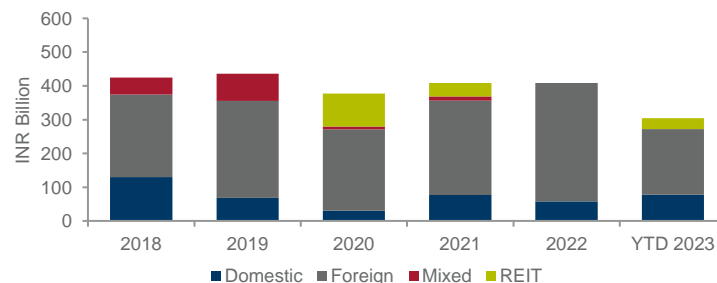
The investment activity recorded in Q3 was INR 52.14 bn (USD 0.64 Bn) which was 68% lower than the previous quarter's activity and 70% lower than the activity recorded in Q3-22. This is the lowest quarterly investment volume seen in the last 3 years, possibly highlighting the cautious stance taken by investors for the interim period. Given that there are quite a few deals under discussion currently, we believe this quarter's low numbers is merely a delay owing to more time taken for deal due diligences. Office market recorded investment flow of USD 234 mn, down by 72% from a strong previous quarter. Limited availability of quality assets is cited as another reason for the slow deal flows. However, office sector remains the dominant sector, attracting 37% of the overall PE investment inflows during the quarter. Contrary to office, the L&I and Residential sectors attracted marginally higher inflows compared to previous quarter with a share of 30% and 21%, respectively. Foreign investors continued to dominate the quarterly inflow with a share of ~54%, driven by office, residential and industrial asset inflows. Equity accounted for ~ INR 40.14 bn (USD 0.49 billion) in Q3, constituting 77% of the total inflows.

As of YTD-23, PE inflows stood at USD 3.7 bn, which is 10% lower than levels seen in the same period last year. However if we look at the average quarterly inflows witnessed in the first three quarters, it is not far from with the average quarterly inflows witnessed over last three years. Therefore, a healthy fourth quarter volume could help the annual PE inflow to reach level close to previous years' annual average of ~USD 5.0 bn.

Robust Fund-Raising Activity in Q3; YTD-23 witnessed office focused fundraise

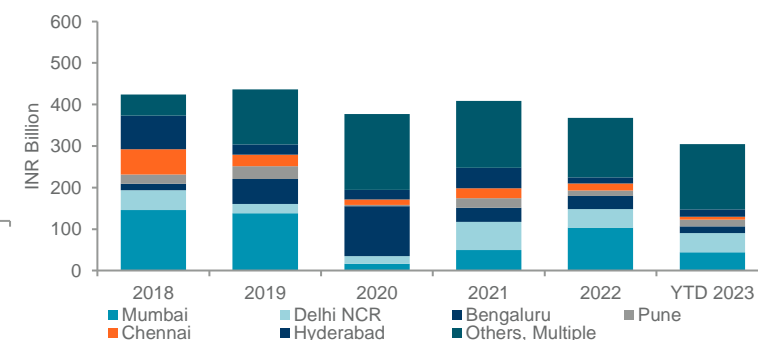
The third quarter witnessed a total of USD 1.74 Bn in fundraising focused on the office, residential and L&I segment. Many L&I sector-focused fundraising plans were announced during the quarter amounting to USD 376 Mn for portfolio expansion. About USD 492 Mn was raised for prominent high-end as well as affordable residential projects this quarter. A prominent REIT has raised close to USD 420Mn as of Q3-23 through QIP focused on financing acquisition of two large commercial office assets. A strong YTD fundraising pipeline is expected to strengthen the capital infusion in future quarters.

DOMESTIC VS FOREIGN INVESTMENTS



Source: Economic Times, Cushman & Wakefield Research

INVESTMENT VOLUME – CITY-WISE



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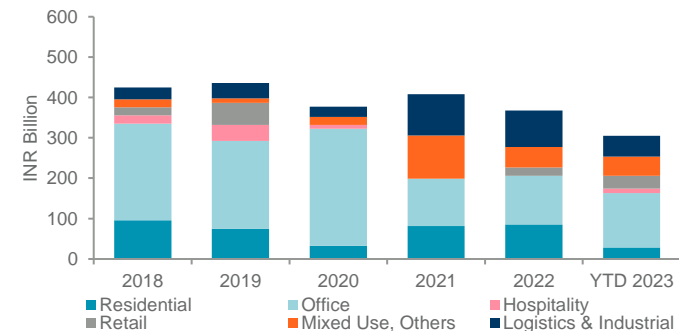
InvITs expected this year

In a significant development, NDR Warehousing, with the backing of Bahrain's Investcorp, has formally submitted draft documents to the Securities and Exchange Board of India (SEBI) with the intention of raising approximately INR 11 Bn (USD 133.81 Mn) through an Infrastructure Investment Trust (InvIT). In another major development, Reliance Retail's warehousing arm, Intelligent Supply Chain Infrastructure Trust is planning to raise INR 30.48 Bn (USD 370.75 Mn) via InvIT.

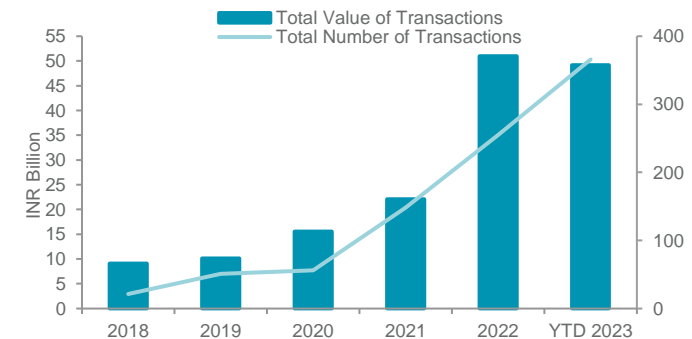
Corporate Transactions in Real Estate

The quarter recorded corporate transaction volumes of INR 11.04 bn (USD 134 mn), a ~50% drop on q-o-q and 16% drop on y-o-y basis. This was largely driven by fall in average deal size (INR 96.9 mn vs INR 129 mn in Q2 2023). In 2023, quarterly average investments of INR 105.1 Mn over 366 deals (122 deals per quarter) was witnessed. Mumbai (59%) continued to see the highest share of the total corporate space take up in this quarter followed by Hyderabad (17.32%).

INVESTMENT VOLUME – ASSET-WISE



CORPORATE TRANSACTIONS VOLUME



Outlook

India's economy is projected to grow at 6.5% according to the latest RBI forecast, and inflation is likely to come down to RBI's comfort zone. However, the global macroeconomic situation continues to be subdued. PE inflows during the first 9 months of the year came in at USD 3.49 bn, which exhibits contraction from the same period last year. Limited availability of quality assets in the commercial office and retail segments is resulting in subdued quarterly inflows. Many institutional investors, active in Indian real estate, have activated their fund-raising efforts in recent quarters, which is expected to drive demand for quality commercial assets in the near term.

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SIGNIFICANT INVESTMENT TRANSACTIONS – Q3 2023

INVESTOR	INVESTEES	TRANSACTION ASSET	CITY	INVESTMENT (INR BILLION)
Morgan Stanley	Prakhyat Group	Industrial	Mumbai	3
ASK Fund	Kumar Group	Residential	Pune	2.25
Mindspace REIT	Commerzone Porur	Office	Chennai	1.81

SIGNIFICANT CORPORATE TRANSACTIONS – Q3 2023

BUYER	BUYER'S SECTOR	TRANSACTION TYPE	CITY	INVESTMENT (INR MILLION)
Microchip Technology India Pvt. Ltd	Engineering & Manufacturing	Office	Hyderabad	1,424
JSW Steel Limited	Engineering & Manufacturing	Office	Mumbai	1,100
Sattva Housing Private Limited	Real Estate	Office	Bengaluru	300

PLATFORMS FORMED – Q3 2023

INVESTORS	TRANSACTION TYPE	INVESTMENT (USD MILLION)
HDFC Capital, HoABL	Residential	182
Brookfield REIT	Office	280
Welspun One Logistics Parks Fund	Logistics and Industrial	122
HDFC Capital, TVS Emerald	Residential	121

Sources: Economic Times, Cushman & Wakefield Research

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