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PE Funding in Realty Set to Create Record



Private equity investment into Indian real

estate in 2017 is about to set a new milestone as it is estimated to exceed \$4 billion this year, well past the 2015 mark of \$3.6 billion, which was the highest since 2010. The average investment between 2011 and 2014 stood at \$2.1 billion. >> 8

NEARING \$4-B Investments in the sector have totalled \$3.2 b so far this year, shows a Knight Frank study

Realty PE Flows Head for a Record

Our Bureau

Mumbai: Private equity investments into Indian real estate is about to hit a new record this year, with flows likely exceeding \$4 billion and well past the highs of 2015.

At \$3.2 billion, cumulative investments in India's property sector between January 2017 and mid-September 2017 have been higher than the annual investments for the past several years, showed a Knight Frank report.

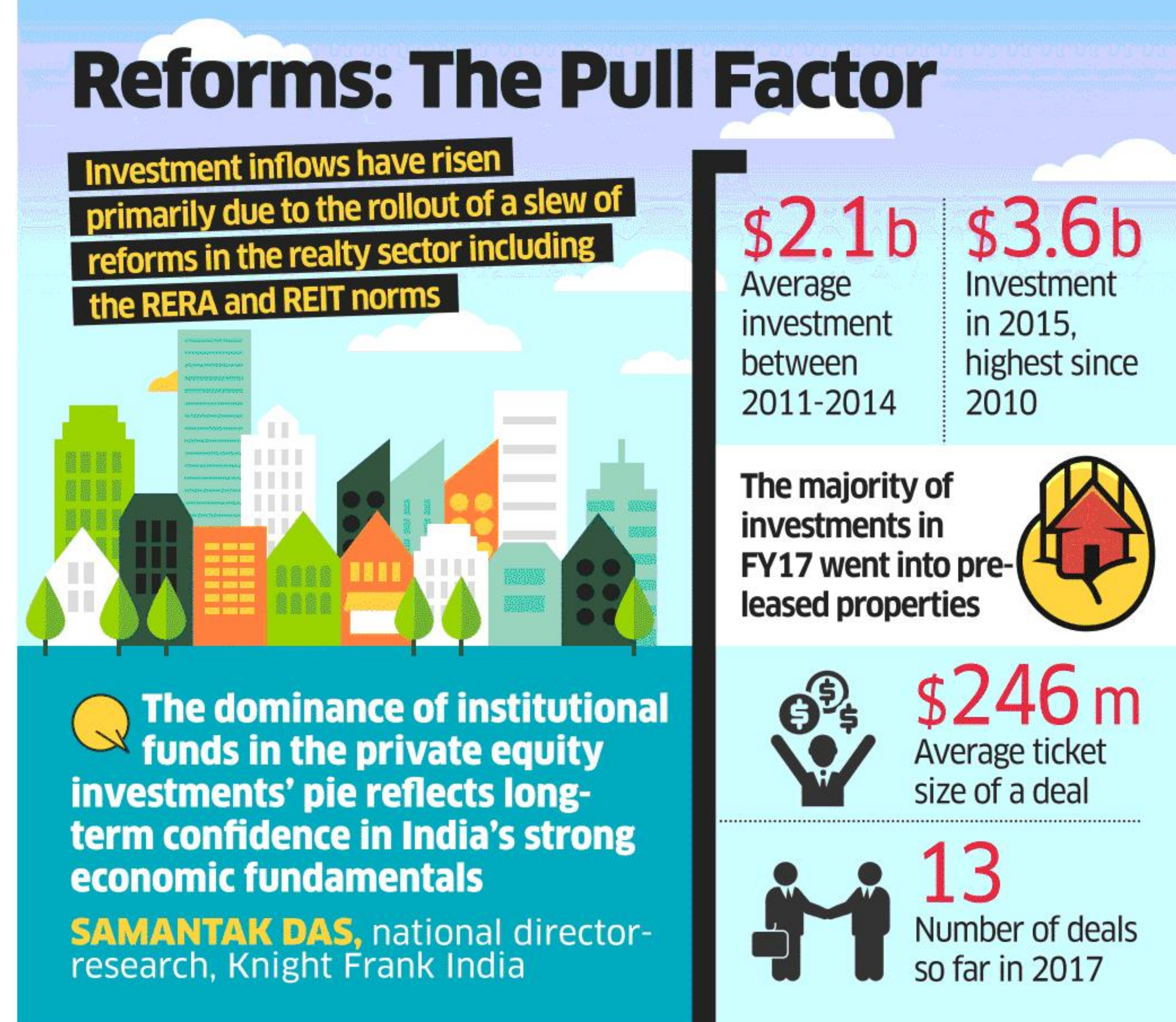
The average investment between 2011 and 2014 stood at \$2.1 billion. The 2015 record was \$3.6 billion, which was the highest since 2010 when the global financial markets were just clambering out of the subprime sinkhole.

"The dominance of institutional funds in the private equity investments' pie reflects long-term confidence in India's strong economic

fundamentals. In line with the change in the investors' profile, we have observed a dramatic shift in capital movement from the residential sector to pre-leased office and retail assets," said Samantak Das, national director-research, Knight Frank India. The average size of investments has also increased ten-fold to \$246 million per deal. The current year has witnessed

a total of 13 deals so far. The rise in investment flow is backed by long-term institutional investors' confidence owing to the rollout of a battery of reforms, including the Real Estate (Regulation & Development) Act, 2016 (RERA) and relaxation of norms that encourage Real Estate Investment

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Trusts (REIT) listings. Das believes that investors would revisit the residential sector.

The majority of investments in FY17 went into pre-leased properties. Fund flows into development sites saw a sharp drop because of low risk appetite, with private equity investors avoiding execution risk, approval risk and marketing risk.

Overall investments in 2016 slipped marginally as the reforms-driven landscape pushed all stakeholders into a wait-and-watch mode. "The bias of large institutional investors toward acquiring high-ticket leased-out office and shopping centre assets at aggressive valuations indicates that they expect the current leasing demand across both categories to remain buoyant in the foreseeable future," said Rajeev Bairathi, head-capital markets, Knight Frank India.

