

FLUX

Market Monitor for Capital Flows in Indian RE

ANAROCK

INVESTMENT BANKING

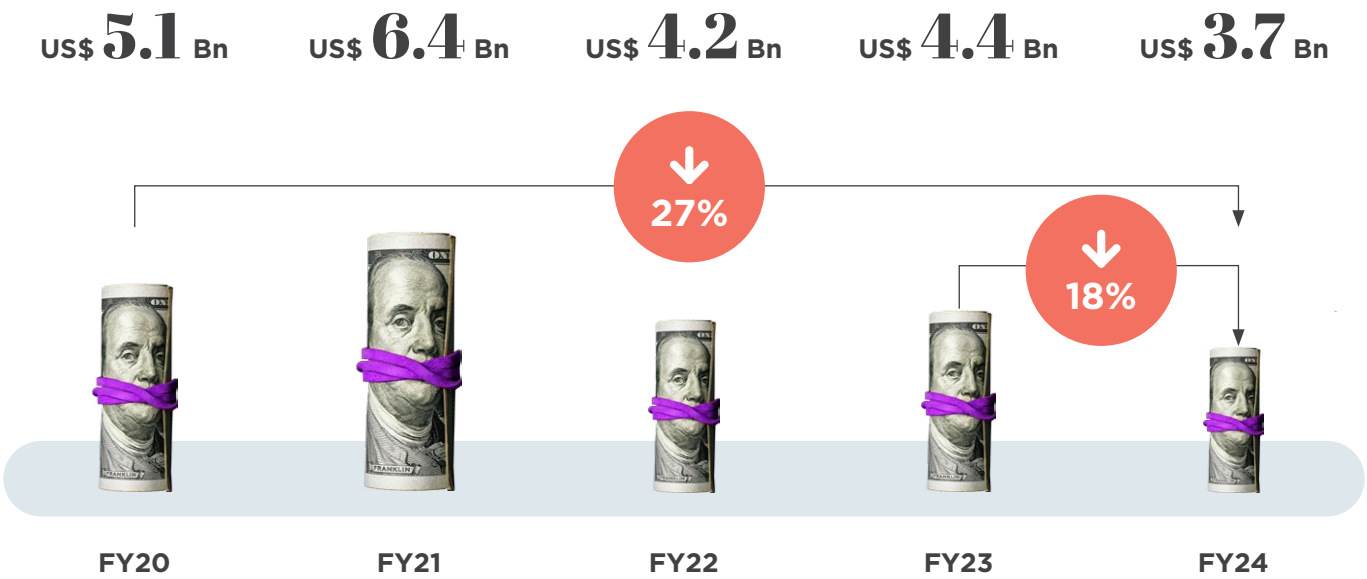
FY24 ANNUAL EDITION



PE INVESTMENTS IN INDIAN RE

A 5-year Restropective

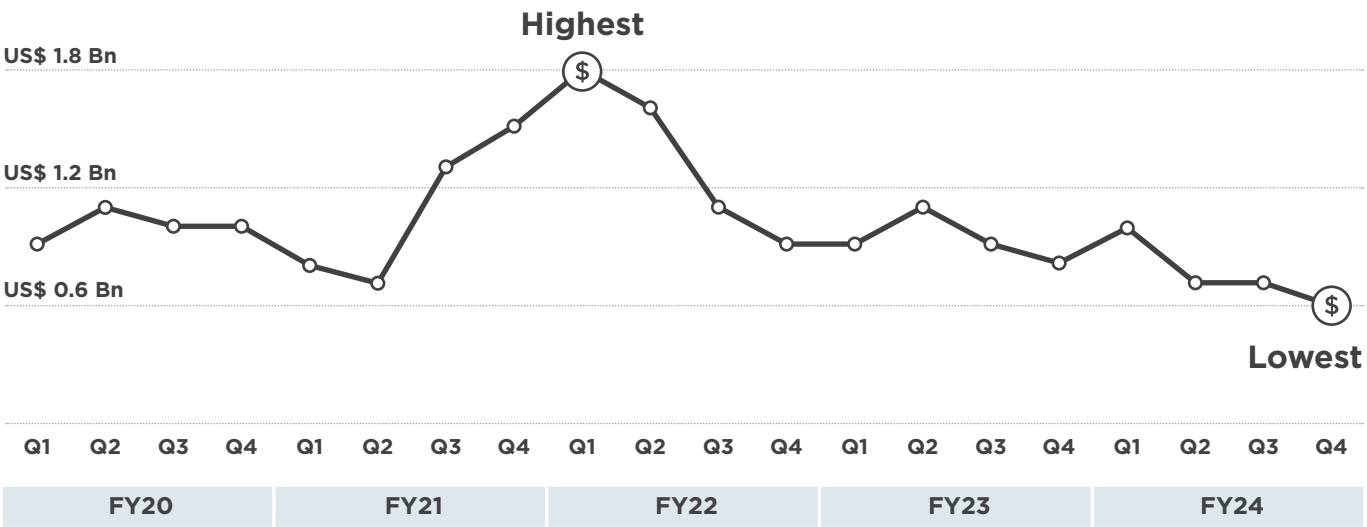
Aggregate value of PE deals in Indian RE has declined steadily over the past 5 years from USD 5.1 Bn in FY20 to USD 3.7 Bn in FY24.



QUARTERLY TRENDS IN FOREIGN INVESTMENTS

4-Quarter Moving Average

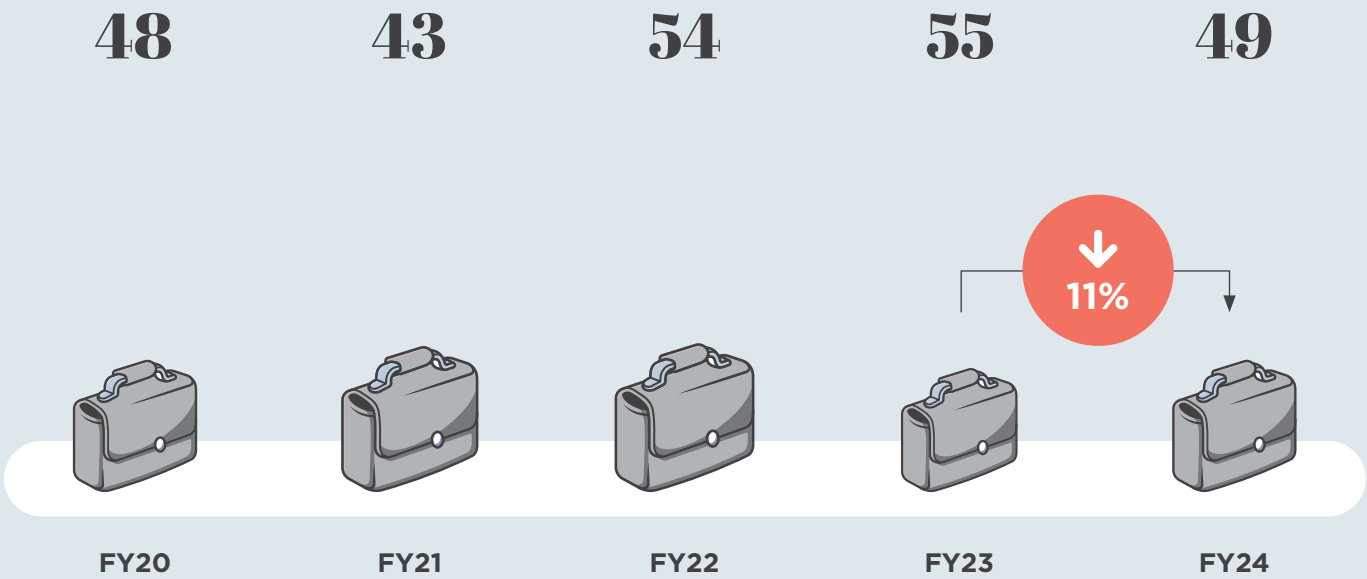
The decline in PE investments in Indian RE has been due to lower activity by foreign investors - same having reduced significantly owing to global macro-economic factors and geopolitical instability, leading to a decline in overall activity levels.



Numbers rounded off to the nearest decimal; All transactions in USD (\$) unless otherwise stated
FY = Financial Year (1st April - 31st March)

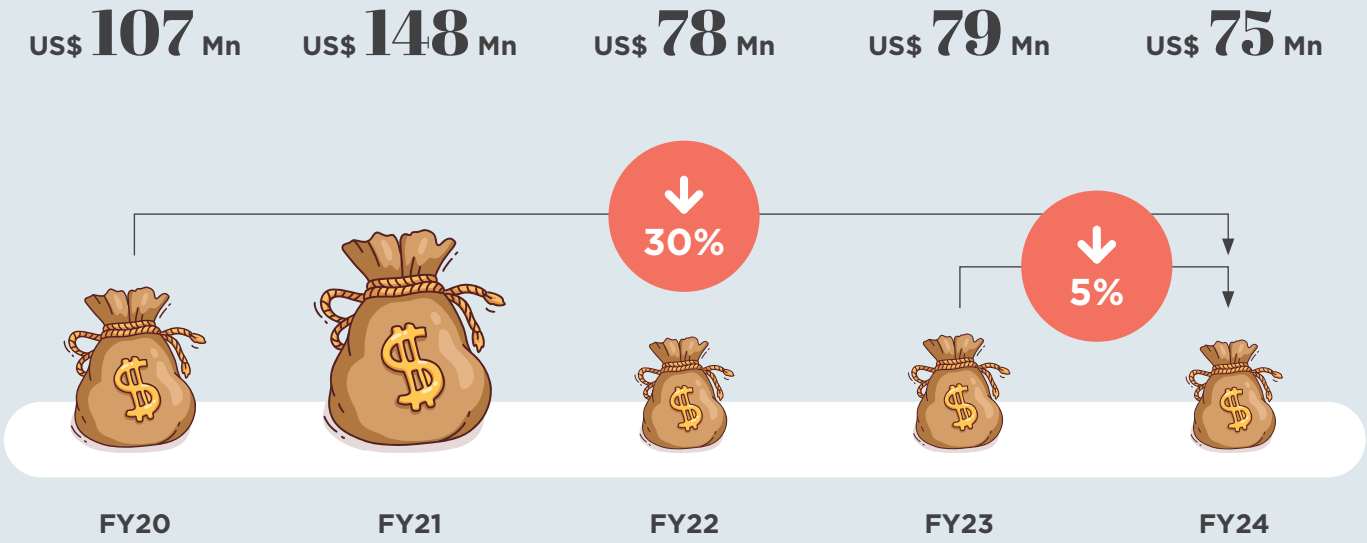
NO. OF DEALS

While the number of deals in FY24 is largely constant, the aggregate deal value is lower due to a sharply lower average deal size.



AVERAGE TICKET SIZE

The average ticket sizes have largely reduced by 30% to USD 75 Mn in FY24 from USD 107 Mn in FY20.



Source: ANAROCK Capital Market Research

TOP 10 PE DEALS

FY24

Overall activity remained muted with headline numbers boosted by a large single deal, with assets across locations.

	Asset Class	Capital Provider	Recipient
①	Commercial	Brookfield RE Trust REIT & GIC	Brookfield AMC
②	Commercial	CPP Investments	RMZ Corp
③	Residential	Prestige Estates	ADIA + Kotak AIF
④	Commercial	MFAR	Edelweiss Alternative Funds
⑤	Warehousing	Prakhhyat Group	Morgan Stanley

	Asset Class	Capital Provider	Recipient
①	Commercial	Varde Partners	Phoenix Group
②	Residential	HDFC Capital	CCI Projects
③	Residential	PAG	Kalpataru Group
④	Mixed-use	PAG	M3M India
⑤	Residential	Edelweiss Special Opportunity Fund	Adarsh Developers

Location	Deal Size*
Multiple	\$ 1,400 Mn
MMR	\$ 325 Mn
Multiple	\$ 240 Mn
Bengaluru	\$ 178 Mn
MMR	\$ 85 Mn

Location	Deal Size
Hyderabad	\$ 91 Mn
MMR	\$ 68 Mn
MMR	\$ 63 Mn
NCR	\$ 48 Mn
Bengaluru	\$ 42 Mn



Commercial assets dominated large ticket **equity investments** in FY24.



Residential RE continued as an attractive destination for **debt investments** in FY24.

SHARE OF TOP 10 PE DEALS

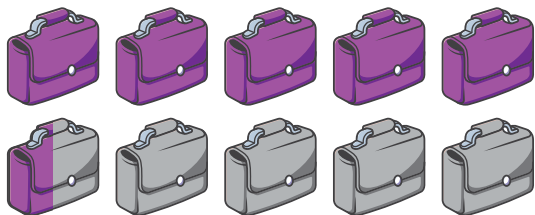
YoY

The share of top 10 deals has increased primarily due to the **USD 1.4 Bn GIC-Brookfield deal** (~40% of the overall deal value for FY24), reported at the beginning of FY24.

- \$ Top 10 PE Deals
- \$ Total PE Investment

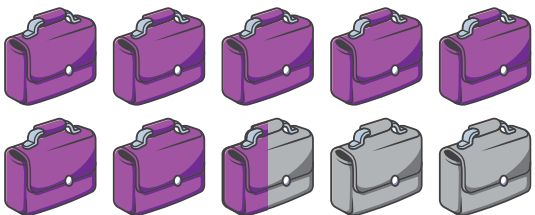


FY23



54%
SHARE OF TOP 10 PE DEALS

FY24



72.5%
SHARE OF TOP 10 PE DEALS

*Numbers rounded off to the nearest integer; All transactions in USD (\$) unless otherwise stated
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Source: ANAROCK Capital Market Research

MOVEMENT OF CAPITAL FLOW

Multi-city transactions clearly stole the limelight during the year, with the GIC-Brookfield transaction and the fund raise by Prestige Estates. **NCR witnessed a relatively muted year**, while **MMR continued to dominate** city-specific deal tables.

	FY23	FY24	
 NCR	30%	9%	↓
 MMR	13%	25%	↑
 PUNE	2%	1%	↓
 BENGALURU	17%	8%	↓
 CHENNAI	7%	1%	↓
 HYDERABAD	4%	7%	↑
 PORTFOLIO DEALS Multiple Cities	16%	48%	↑
 OTHER CITIES	11%	1%	↓

↑ Increase
FY24 > FY23

↓ Decrease
FY24 < FY23

— Stable
FY24 = FY23

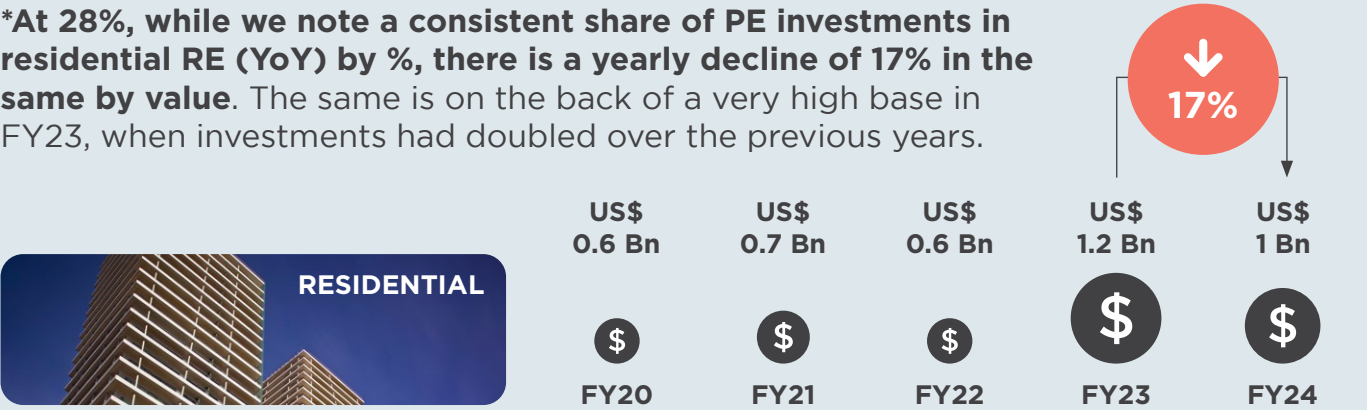
Note: City specific PE investments are higher than the number suggests. However, they are part of the portfolio deals (multiple cities) where the bifurcation amongst the cities is not available.

ASSET CLASS-WISE FUNDING

Offices segment dominated PE transactions in FY24 with a 57% value share. This was largely due to the GIC-Brookfield deal, which accounted for ~40% of total transaction value in FY24.

	FY23	FY24	
 OFFICE	38%	57%	↑
 RESIDENTIAL	28%*	28%*	—
 INDUSTRIAL & LOGISTICS	6%	9%	↑
 DATA CENTRE	3%	2%	↓
 LAND	4%	2%	↓
 PORTFOLIO / ENTITY MIXED-USE	10%	2%	↓
 OTHERS	11%	0%	↓

*At 28%, while we note a consistent share of PE investments in residential RE (YoY) by %, there is a yearly decline of 17% in the same by value. The same is on the back of a very high base in FY23, when investments had doubled over the previous years.

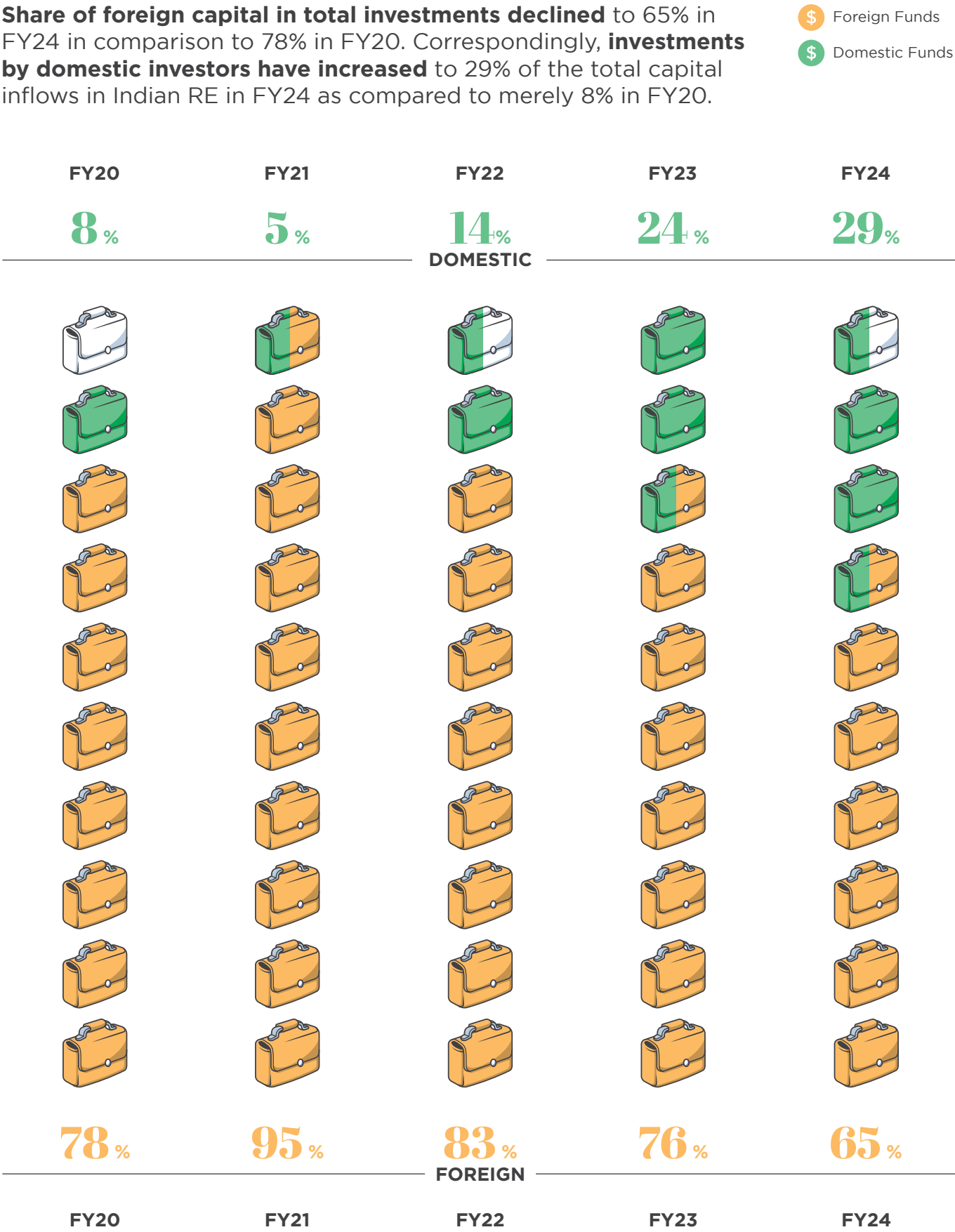


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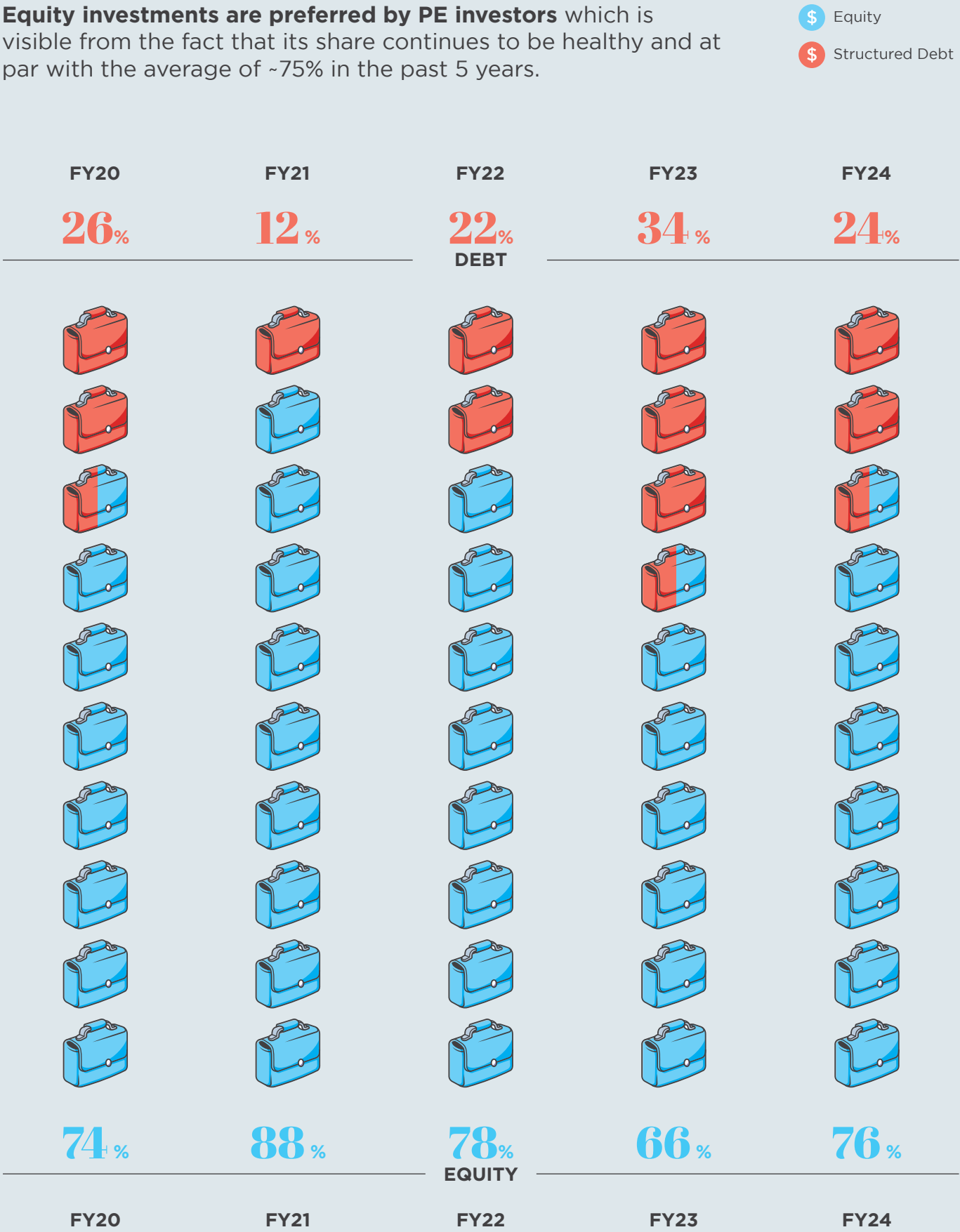
FOREIGN VS DOMESTIC FUNDING

Share of foreign capital in total investments declined to 65% in FY24 in comparison to 78% in FY20. Correspondingly, **investments by domestic investors have increased** to 29% of the total capital inflows in Indian RE in FY24 as compared to merely 8% in FY20.



EQUITY VS DEBT FUNDING

Equity investments are preferred by PE investors which is visible from the fact that its share continues to be healthy and at par with the average of ~75% in the past 5 years.



FY24: KEY HIGHLIGHTS & EVENTS



RESIDENTIAL

Residential RE industry witnessed another year of a strong upcycle with rising launches, volumes and prices.

Demand for affordable housing reduced, and a greater preference for larger homes has been observed. **Luxury residential market also continues to post a robust performance.** Most interestingly, **demand for under construction properties has gone up sharply during the year.**

The improved sentiment has also led to a **large investor increasing its participation in the market.** However, aggregate investments in the sector is lower than FY23, on account of a few large lumpy transactions during last year.

COMMERCIAL OFFICE

Deals reported in commercial real estate remained very thin on account of multiple factors such as delayed notification of SEZ amendments, elevated interest rates and global macro-uncertainties.

However, **given strong demand fundamentals of commercial real estate driven by push to return to office by leading IT companies, co-working spaces, a favourable capex cycle, amendment of SEZ laws, and expectations of lower interests**, we believe activity in the space should resume in coming quarters.

RETAIL

The retail subsegment of Indian RE is thriving due to economic growth.

Key players in the nation's mall development arena, namely DLF, Lakeshore, Inorbit, Nexus & Phoenix, **are aggressively pursuing expansion initiatives.** This surge in capital allocations aligns with the expansion strategies adopted by leading retailers, resulting in a substantial uptick in store numbers.

Rentals are expected to firm up, as economic buoyancy and robust consumer sentiment has led to a healthy demand and trading densities for retail assets.

INDUSTRIAL & LOGISTICS

Industrial & Logistics segment continues to hold promise for investors given strong growth prospects on back of robust consumption and expectations of manufacturing led growth.

While transactions have been thin in FY24, we expect the same to bounce back in FY25.

SM REITS

During the fag end of FY24, SEBI notified amendments to REIT regulations, paving the way for Small and Medium Real Estate Investment Trusts (SM REITs). This move aims to regulate fractional ownership of properties. Under these regulations, minimum subscription size is INR 10 lakhs, minimum no. of investors is 200, and asset size can range between INR 50 Cr to INR 500 Cr.

STRESSED ASSETS

While the segment has seen emergence of a class of investors specializing in stressed asset resolutions, we also note lenders are increasingly likely to settle with the promoters to avoid litigations.

AIFS

RBI circular on higher provisioning of bank investments in AIFs: In December 2023, RBI issued a circular barring lenders from investing in AIFs, where the AIFs had lent downstream to companies where the lender had exposures.

For existing investments, the lenders were required to liquidate within 30 days, or to set aside higher provisioning (100%) for their investments in such AIFs.

However, towards end of March 2024, some breather was given where lenders were allowed to invest AIFs which has invested in debtor company of the former. The RBI also gave relief on provisioning norms, where provisioning would be required only to the extent of investment by the lender in the AIF scheme, which is further invested by the fund in the debtor company.

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About ANAROCK

ANAROCK is the leading independent real estate services company with a visible presence across India and the Middle East. The Company has diversified interests across the real estate lifecycle and deploys its proprietary technology platform to accelerate marketing and sales on behalf of its clients.

Over the last six years, ANAROCK has expanded from being a residential-focused organization to complementary sectors including retail, commercial, hospitality, logistics & data centres, industrial and land. The firm also specialises in strategic advisory, investment banking, research & valuations and offers app based flexible workspaces and society management services. ANAROCK has developed proprietary technology that is adopted across all its businesses.

ANAROCK has a team of over 2,200 experienced real estate professionals who operate across all major markets in India and the Middle East.

For more information, please visit www.anarock.com



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