

When developers take the prudent path

Akshay Dewani, CEO, residential and partner, Assetz Property Group, believes that today's real estate companies must stay versatile and nimble



Akshay Dewani, CEO, residential and partner, Assetz Property Group.

It is not uncommon for Indian consumers to know a particular company for any single product or service they offer. Few can relate to its other businesses easily. More so, Indian real estate developers have not shown an eagerness to dabble in other businesses, despite a volatile market. Assetz Property Group has shown the way, and how.

Akshay Dewani, CEO, residential and partner, Assetz Property Group, may be leading the residential business for the Group, but he's equally resourceful when it comes to discerning its other businesses such as commercial, warehousing and fund management. The Group has been highly active across all sectors and today balances each portfolio deftly. Dewani says, "The core group comprises seasoned professionals and when we started out in 2006, we naturally veered toward commercial developments as Bengaluru was then known for. There were ample opportunities in commercial developments then."

The core team of the firm comprise Ben Salmon, group CEO & partner and Jagannath Shetty, group CFO & partner, who are hands-on across decisions and future plans. Salmon as co-founder and group CEO plays a pivotal role across business verticals and functions of the company. He is instrumental in the successes of the brand, while Shetty plays an important role in the overall day-to-day activities of the businesses. Success for the company comes through its 'Better Design' and evident in all their properties. This principle also reflects in every facet of construction – from the master plan, development strategy, architecture, location, property management.



The elevation of a project.

But the team at Assetz Property needed to create an effective risk management, well knowing the volatility of the market. Soon after setting up operations, the company sought out investments from across investors and went on create marque projects in Bengaluru.

But the team at Assetz Property needed to create an effective risk management, well knowing the volatility of the market. Soon after setting up operations, the company sought out investments from across investors and went on create marque projects in Bengaluru. Its first project Vrindavan Tech Village, built over 2.3 million sq-ft, which was completed in 2010, met with instant success and in 2014 was acquired by Embassy Office Parks. Other reputed commercial developments soon followed such as

Global Technology Park (completed in 2011 and in the same year acquired by MapleTree), and Thimpu Tech Park in Bhutan (Joint venture with World Bank, Sovereign Fund of Bhutan and Druk Holding & Investments; completed in 2012).

A company voluntarily accepts some risk in order to generate superior returns from its strategy. Strategy risks cannot be managed through a rules-based control model. Instead, one needs a risk-management system designed to reduce the probability that the assumed risks actually materialise and improve the company's ability to manage or contain the risk events should they occur. Such a system would not stop companies from undertaking risky ventures; to the contrary, it would enable companies to take on higher risk, higher-reward ventures than could competitors with less effective risk management.

Dewani says firmly, "We realised that if we could tie up with strong investors, it would help us build exclusive residential projects. With this in mind, we set up the residential development vertical in 2010 and began our first venture in 2011 with 27 Park Avenue. Assetz started with one premium project and over the last eight years has completed four residential projects, has eight live projects and is all set to launch four projects this year. Today, we have close to 10 million-odd sq-ft of development, and will roll out 9000 apartments in the next 5-6 years."

Having made a success with the premium housing projects, the organisation turned its attention to mid-range projects, one that would sell quickly and bring in the revenue. In fact, according to Dewani, this would be the primary focus of growth, going forward.

For the future, look to the past. One thing that Assetz Property has endeavoured to do is roll out projects and enter new ventures consistently and at regular intervals. The journey of the development company may remain esoteric to a layman, but much work has been undertaken and much ground covered last 13 years.

Dewani says, "We have constantly sought to explore newer opportunities and thereby expand into newer verticals bringing us to our next step which was diversifying into the warehousing and logistics space by partnering with Logos, an Asia-Pacific logistics specialist to set up a warehousing development and management platform with a pan-India presence."

Earlier this year, LOGOS in India made its first acquisition in Chennai and has a few others in the pipeline. The company raised dedicated funds of \$400 million last year from two Canadian funds and now have a warehousing platform. Called LOGOS in India, LOGOS has commitments from Canadian investors Ivanhoe Cambridge and QuadReal Property Group.



Global Tech Park.

According to reports and surveys, India's logistics industry, which is currently worth around \$160 billion, is likely to touch \$215 billion in the next three years. 'Grade A' facilities are in high demand across industrial zones across the country and several logistics and warehousing players have actively begun to set up parks. Assetz Property was not to be left behind. The company has plans to develop large warehousing space in Mumbai, Pune, NCR, Bengaluru, Ahmedabad and Hyderabad. The idea is to undertake acquisitions, development and management of logistics warehouses, distribution centres and light industrial assets.

There are many insightful and perceptive actions Assetz Property has taken to establish themselves in the position they are today. For starters, it has been careful not to rope in investors for the overall company; instead the company has chosen the SPV (special purpose vehicle) route to take on investors in specific projects. Dewani says, "The investors are aware of the fundamentals of the project and are also linked to its performance. The investment can be in the form of equity, debt, or structured equity, depending on the project fundamentals and market trends. We have a spectrum of investors across the globe and have raised capital for residential projects based on its size and projections. Over the last one year, we have raised more than \$150 million and will continue to raise capital in the next 6-12 months."

Assetz Property had earlier raised about \$180 million from Singapore's Equis Funds Group, JP Morgan and Avenue Venture Partners to expand its residential business.

The real estate industry poses a unique challenge because of the volatile dynamics of asset markets and the potential impact of decisions made by decentralised traders and investment managers. A company's risk profile can change dramatically with a single deal or major market movement. For such companies, risk management requires embedded experts within the organisation to continuously monitor and influence the business's risk profile, working with people whose activities generate new ideas, innovation, and risks—and, if all goes well, profits.

Assessing priorities

Due diligence is an integral part of the company's DNA. Dewani says that every project goes through three levels of due diligence. "One is the title, then there's the segment of how the property is placed, and finally, the feasibility of the project. A technical analysis helps in figuring out the treatment for the project in terms of FSI, and then there's the financial analysis," he adds.

For Assetz Property, it is imperative that they get the fundamentals right. The firm prefers to consider a land parcel based on whether it could be a prospective new location that could begin a civilisation trend or an established area where the benchmark has already been set by other developers.

For Assetz Property, it is imperative that they get the fundamentals right. The firm prefers to consider a land parcel based on whether it could be a prospective new location that could begin a civilisation trend or an established area where the benchmark has already been set by other developers. Dewani says, “There is already a social fabric in place. Scouting for land is more to do with whether a micro market is expanding in that direction. Actually, a project hinges on design factor too. A design that is displeasing can make everything go awry. The popularisation of the green building concept has compelled us to transmit our business accordingly.”

Whether it’s mid-range housing projects or premium ones, Dewani is keen that they stand out in the market. The company has a strong inclination to even install imported fittings across its products and considering its disposition as an international arm, this procurement system works best. Some of its fittings come from Spain, Germany, Italy, among others.

Recently, the company launched the third tower with spacious studio, 2 & 3 BHK homes, part of a luxury township - 63° East in Bangalore. With sustainability and green living being the need of the hour, the homes at 63° East are designed keeping in mind the residents and the environment around. They have incorporated several conservation methods within the project such as rainwater harvesting, solid waste management, energy and water saving fixtures, etc. However, there is no compromise made on the lifestyle or the kind of luxury one gets living here. The homes are fitted with the best-in-class specifications.

Dewani knows that none of this is child’s play. But there’s a sense of determination to move ahead. Be it scouting for land, or investors or scaling up commercial developments — it’s all in a day’s work.

Link: <https://www.constructionweekonline.in/10425-when-developers-take-the-prudent-path>