

## Overseas offer: Foreign firms invest in Indian real-estate

Amid a slump in the Indian property market, many expect international investment in warehousing and commercial real-estate to be a key driver. The advantage - foreign firms are in for the long haul



Several Indian projects have been stalled and that's adding up to the unsold inventory. There's lack of confidence in buyers. That's where the international firms have the opportunity to fill the void.(Shutterstock)

International real-estate developers have long looked forward to investing in India. But with the global market in a slump for the past few years, the opportunities were fewer. Now, as new overseas developers show interest, investing across sectors, the scene seems to be gearing up again in Indian residential, commercial, industrial, logistics, retail and warehousing

In mid-August, Japanese property firm Sumitomo Realty bought a three-acre plot in Mumbai's Bandra-Kurla complex. Last year, Australian firm LOGOS ventured into the warehousing sector, Singapore-based Assetz invested in logistics and residential real-estate and Dubai's Danube Home introduced its home interiors services.

Shobhit Agarwal, MD and CEO of Anarock Capital, says other big firms are making their presence felt in India too. These include the Trump Organization, which has launched properties in Pune; Dubai-based Emaar Group (which built the Burj Khalifa), and Hong Kong-based Risland Holdings, which is developing commercial hubs, townships and office spaces.

Our cities are already full. Our real estate developers are battling a slowdown. How are foreign players likely to fare?

### **FILLING THE VOID**

Indian developers are stuck with the liquidity problem and there's a need for proper housing, says Somy Thomas, managing director of valuation and advisory from Cushman and Wakefield, a realty research company. "Several projects have been stalled and that's adding up to the unsold inventory. There's lack of confidence in buyers. That's where the international firms have the opportunity to fill the void," he says.

As with retail and other foreign companies with a presence here, he hopes that internationally recognised brand names might give a potential buyer as sense of security and an additional push towards a sale.

Agarwal adds that foreign brands have an edge over the existing players largely because buyers associate an international brand with not just loyalty or prestige but professionalism in their business ethics.

Agarwal says that various asset classes within real estate are still emerging and have high growth potential – with return of investment expected to be anywhere between 10-14% in some locations. Student housing, logistics and warehousing, co-working, co-living are few hotspot sectors that show promise of growth. “India continues to be the fastest growing economy in the world, steadily widening its lead over China,” he says. “The policies have undergone changes and the government has come up with favourable ones for international players.”

Everyone wants to be part of India’s growth story, says Abhinav Joshi, head of research for India. “Our economy is active and the first quarter of 2019 saw 32 million sqft of occupiers across sectors. This number is equal to what the country saw in the entire year of 2013-2014.” With RERA coming into the picture, many regulatory issues have been addressed, developers say. It also smoothes the process of trading across borders.

## **SEGMENT OF THE YEAR**

Much of the foreign interest is in the commercial and warehousing sector, says Thomas. “Residential real estate was earlier the most lucrative and favoured option for international players,” Agarwal adds. “Back in 2015, residential sector saw private equity inflows of \$1.4 billion (Rs 10,046.05 crore at the time), while commercial saw merely \$900 million (Rs 6, 459.35 crore at the time). With residential sector seeing a slowdown in the last couple of years, the interest of foreign players in commercial has risen significantly – it reached \$2.8 billion (Rs 20,103.52 crore) in 2018.

Singapore-based Assetz, which entered the residential and warehouse space in November 2018, has been interested in the co-living segment. “Given the massive start-up explosion in Bengaluru, we thought of moving our focus here, although we are still in the phase of identifying the right business model and partnerships,” says a senior spokesperson of the company.

Assetz finds its growth potential in the IT hub. “The city has been recognised as the best in the world to start a company. With 47.4% of highly educated migrants, the city has seen a huge demand for housing. Furthermore, Bengaluru has the required socio-economic metrics and the right positioning in place for long term growth sustenance,” adds the spokesperson.

There’s a reason the foreign players are eyeing our warehousing market says Joshi. “Many developers expand in the cities with their co-working spaces. Logistics and warehousing are secondary interests. That leaves a lot of room for international developers to experiment,” he says. “International brands are very cautious with their business models, and are not likely to start with metros and Tier 1 cities. Most of them are interested in spaces on the fringes of a city and not in the prime location.”

Link: <https://www.hindustantimes.com/real-estate/overseas-offer-foreign-firms-invest-in-indian-real-estate/story-DvOMZhYkbZ1IBXTuLKP4xL.html>