

Realty funds rush to raise fresh money as banks baulk

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Given the dearth of funds and a growing investor appetite, real estate-focused private equity fund managers are raising fresh money. From Godrej Fund Management to Motilal Oswal to ASK Group, fund managers have launched or raised funds worth ₹7,000 crore in the past six months.

Early this week, ASK Property Investment Advisors (ASK PIA), the real estate private equity arm of ASK Group, launched a fund with a corpus of ₹1,000 crore. It also has the option to raise ₹1,500 crore via a greenshoe option.

“For large family offices and high networth individuals it is a good time to invest in deals with a better margin of safety as there is no capital available,” said Amit Bhagat, chief executive and managing director, ASK PIA.

ASK’s fund will provide early, mid, and last-mile financing for fully approved projects, Bhagat said, adding that investors were happy with investment level returns of 19-21 per cent.

Sharad Mittal, director and CEO of Motilal Oswal Real Estate (MORE), said a lot of investors wanted to make a comeback. “Equity markets have run out a lot and debt returns have fallen. Investors are seeing green shoots in real estate,” said Mittal, adding, “there is a diversification opportunity for them”.

The Sensex has gone up 63.9 per cent since June 2020 while interest rates have fallen over 100 basis points in FY21. Residential sales rose 67 per cent in the first half of 2021 due to growth in the early part of the year in Mumbai and Pune, Knight Frank said.

For its latest fund, MORE has done the fastest fund raise in its nine-year history, Mittal said. It launched its fifth fund in February and raised almost 85 per cent of its ₹800 crore by May this year. “Besides our track record and performance, the timing also worked. There is a lack of opportunities for local HNIs,” Mittal said.

The fund looks at doing construction finance for real estate projects. Ramashraya Yadav, founder and CEO of Integrow Asset Management, said after a year of a rally in stock markets investors wanted to park their funds in safer and stable assets. Integrow is raising its maiden ₹1,000-crore real estate fund.

Shobhit Agarwal, MD at Anarock Capital, said investors believed in growth in property markets and were willing to underwrite risks on projects.

Real estate normally sees a jump 12 months after a rally



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in stock markets. Stock markets have rallied now and real estate will rally,” Agarwal said.

Yadav said since banks and NBFCs were not aggressively lending to real estate, the quality of investment deals was very high for the first time in the last two decades. He said unlike banks and NBFCs, alternative investment fund (the new nomenclature for PEs) structuring was flexible and helpful for fund managers.

Agarwal of Anarock Capital said the launch of new funds would bring down the cost of capital for projects. “The more the merrier,” he said.

However, Alok Saigal, head, private wealth, Edelweiss Wealth Management, said in the recent past not many real estate funds were launched. “But the ones that have been in existence have seen a mixed bag in terms of exits and recoveries,” Saigal said.

Plus all this has come in the backdrop of the NBFC crisis and the introduction of the Real Estate Regulation Act, which has caused disruption, he said, adding that hence for investors, while they would see opportunities, the returns expectations have gone up.