

Realty institutional investment tops \$1.35 billion in April-June, most active quarter in 5 years

Synopsis

Institutional investors have deployed over \$1.35 billion into the Indian real estate market led by the commercial property segment during the quarter ended June, representing a 9-fold on-year increase, showed data from JLL India.



Capital deployments in the April-June period represented the most active second quarter in five years.

Strong appetite among Institutional investors for Indian real estate has sustained even during the ongoing pandemic as they continue to invest and look for opportunities to participate in the growth driven by reforms.

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“Despite the second wave of Covid hitting India in April this year, the first six months of 2021 saw investments of \$2.7 billion, which is 53% of the total investments seen in 2020. Investors are showing resilience and are adapting to the uncertain environment. Relaxing lockdowns during the first three months of 2021 also gave investors a first-hand experience of the post-pandemic world. This led to risk re-rating and asset allocations witnessed a subsequent change in Q2 2021.” said Radha Dhir, CEO and Country Head, India, JLL.

Of the total investments during the quarter, warehousing attracted the most at 55%. Office properties received 17% investments despite the noise around work-from-home model, and 20% funds were infused into retail assets indicating the bright prospects of consumption once the pandemic comes to an end.

“The warehousing and logistics sector has been the biggest beneficiary during the pandemic and attracted total investments of over \$1 billion during Q2 2021...In addition, the data center industry has been drawing strong operator and investor interest with various funds exploring entry strategies.” said Samantak Das, Chief Economist and Head of Research & REIS, India, JLL.

Investments in the warehousing and logistics sectors were attractive due to the increasing shift to online shopping from discretionary to essentials. Major

global funds have invested with warehousing developers and operators as scale and regional footprint are the key differentiators in the sector. Some funds are following opportunistic strategies by investing in marquee retail assets and have been selectively investing in well-established malls.

The shift in investment strategy from specific assets to platform type investments with marquee developers has led to a shift from asset and region to the portfolio approach. Since most warehousing, as well as retail assets, are also located in tier 2 and 3 cities apart from major metros, the share of pan-India investments are gaining prominence.

According to Dhir, the first half of 2021 saw broader investor participation and although the economic dent created by the second wave will lead to slower growth in 2021, investments in real estate are expected to maintain momentum.

“From where we stand, institutional investors have passed the litmus test of resilience during pandemic resurgence and are expected to commit more capital in 2021,” she said.

The series of policy initiatives aimed at reforming the property sector including the introduction of Real Estate Investment Trusts (REITs) in 2014, the Real estate Regulation and Development Act in 2016 (RERA), Benami Transactions (Prohibition) Act and progressive relaxation in foreign direct investment norms have been attributed for the volume of investments over the last few years.

Though the economic dent created by the second wave will lead to slower growth in 2021, investments in real estate are expected to stay strong through the year. Defensive sectors like warehousing and data centers are likely to gain center stage, while office assets will gain interest with more visibility on work from office trends.

The Real Estate Investment Trusts (REITs) market is expected to get a further boost as the reduction in lot size of REIT units is expected to drive more retail participation. The growth prospects of the data centers are expected to attract capital at the development stage with ambitious expansion plans by the data center players.

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