

PROPERTY PLUS

Realty investments top \$1.35 billion in Q2

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Although the economic dent created by the second wave will lead to slower growth in 2021, investments are expected to maintain momentum

According to JLL's recently-released 'Capital Markets Update Q2 2021' report, institutional investors deployed \$1.357 billion into the Indian commercial real estate market in the second quarter (April- June) of 2021, representing a ninefold increase year-on-year. Capital deployments in the April-June period represented the most active second quarter in five years.

According to the realty firm, the pace and volume of investments over the past decade have been supported by 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 over the years. Radha Dhir, CEO and Country Head, India, JLL, says, "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," adding, "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."

In numbers

Dhir explains how 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 adds.

Samantak Das, Chief Economist and Head of Research & REIS, India, JLL, explains that the warehousing and logistics sector has been the biggest beneficiary during the pandemic and attracted total investments of over \$1 billion during Q2 2021. Warehousing accounted for 55% share while retail formed 20% of total investments during the quarter. In addition, the

Emerging trends

The report also highlighted that 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 also 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' has been gaining prominence.

In the future

The investment trends for the last three months underline one key trend – strong investor confidence in the Indian realty sector. The experience gained over the past year has helped investors to deal with the more severe resurgence of the pandemic and will guide the future course of action. 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 centres are likely to gain centre stage, while office assets will gain interest with more visibility on work from office trends. The 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, states the report. The growth prospects of the data centres are expected to attract capital at the development stage with ambitious expansion plans by industry players. Institutional investors have passed the litmus test of resilience during pandemic resurgence and are expected to commit more capital in 2021.

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