

# HDFC real estate PE arm HDFC Capital to invest \$2 billion in affordable housing ecosystem

## Synopsis

The fund, HDFC Capital Affordable Real Estate Fund - 3 (H-CARE-3), is one of the largest funds raised to invest in the residential real estate sector anywhere in the world. The fund has achieved its first close with investors already committing over \$1.22 billion.



The primary investor of the fund is a wholly-owned subsidiary of the Abu Dhabi Investment Authority (ADIA). The total corpus of the H-CARE-3 will be around \$2 billion including the potential reinvestments by the fund.

India's largest mortgage lender HDFC's wholly-owned subsidiary [HDFC Capital](#) is planning to invest around \$2 billion in affordable [housing](#) through its third fund focused on this segment.

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“In India, housing will play an even more important role as a catalyst for growth with increased demand for affordable and mid-income housing. Combined with India’s growth prospects, I have never been as optimistic about the housing sector as I am today,” said Deepak Parekh, Chairman, HDFC.

According to him, while the demand for affordable and mid-income housing continues to be robust, the lack of flexible, long-term capital is one of the key challenges facing developers of affordable and mid income housing in India.

HDFC Capital’s funds focus on providing developers access to financing on flexible terms and have supported the development of over 78 residential projects and 180,000 houses across India over the last six years.

HDFC Capital, set up in 2016, is aligned with the government of India’s goal to increase housing supply and support the [Pradhan Mantri Awas Yojana – ‘Housing for All’](#) initiative.

“With this new fund, we are becoming a platform for the entire affordable

housing ecosystem by supporting not only realty projects through equity and mezzanine financing, but also to vendors and technology companies that help push the efficiency of such projects higher,” Vipul Roongta, MD & CEO, HDFC Capital, told ET. “Our earlier two funds have invested over \$1.1 billion across 78 affordable and mid-income projects of 25 developers. While these two funds have a total tenure of 12 years, we have managed to exit 25% of investments with robust returns in four years.”

Through these funds, it has formed joint ventures and alliances with established developers including Runwal Group, Rustomjee Group, Shapoorji Pallonji Real Estate, Prestige Group, Arvind Smart Spaces and Ambuja Neotia.

H-CARE 3 combines with the HDFC Capital Affordable Real Estate Funds - 1 and 2, raised in 2016 and 2017, respectively, to create a \$3 billion funding platform as one of the world’s largest private finance platforms focused on development of affordable housing.

“H-CARE 3 presents the opportunity to grow our existing relationship with HDFC, while continuing to address the significant demand for affordable housing in India. This builds on the success of previous H-CARE funds, which have supported the development of new mid-market housing projects across the country, in alignment with Indian government priorities,” said Khadem Al Remeithi, Executive Director of the Real Estate & Infrastructure Department, ADIA.

The fund will provide long-term, flexible funding across the lifecycle of affordable and mid-income housing projects including early-stage funding. In addition, H-CARE 3 will also invest in technology companies including construction technology, fin-tech, clean-tech etc. engaged in the affordable housing ecosystem.

Primary focus of the fund will be to provide long-term, flexible debt across the lifecycle of real estate projects including land, approval and last mile funding for the development of affordable and mid-income housing across India.

HDFC Capital’s target is to finance the development of one million affordable homes in India through a combination of innovative financing, partnerships and technology, whilst focusing on sustainability.

In order to achieve this objective, the company is in active discussions with leading global investors to raise additional funds to be invested in affordable housing in India.

HDFC will be the sponsor and HDFC Capital will be the investment manager for H-CARE3, which will have a tenure of 12 years with a provision of two extensions of one year each.

The fund will have flexibility to provide equity funding for real estate projects too. The fund is expected to be committed towards investments over the next

4-5 years. Its projected development foot-print is estimated to be 280 million sq ft across affordable and mid-income residential projects in India's leading cities.

The need for affordable housing is growing across the urban sprawls of India and has caught the attention of many developers and financial institutions. More than half of all Indian residential launches in the top eight cities in the last five years have been in the sub-Rs 50 lakh segment.

In recent years, the government has also introduced several schemes for affordable housing including interest subsidies for low and economically disadvantaged sections, additional tax benefits for both developers and homebuyers and has also granted infrastructure status to affordable housing to ease fund availability.

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