

## Commercial office sector accounted for 46% of the total inflows in 2020: Colliers Research

**Gurugram, 28 January 2021 – During 2020, private-equity investments into the Indian real estate sector declined 23% from 2019.** At this juncture, investors are also eyeing alternate assets, as well as projects that require last-mile funding. Investment firms and global developers are undertaking development risks in India and constructing office parks.

*“The commercial office sector accounted for 46% of the total inflows in 2020, signifying investors’ unwavering confidence reflecting India’s continuing strategic advantage for Global occupiers as office sector has witnessed some large investments by Global Funds in 2020. The investor focus will continue on income generating assets including Industrial assets and with current risk return profile of asset available, the investment strategy is likely to extend to development assets and structured credit”, says Piyush Gupta, Managing Director, Capital Markets & Investment Services at Colliers International India.*

**During 2020, office assets accounted for investment inflows totaling USD2.2 billion (INR15,450 crores); the sector showed resilience despite the global pandemic forcing occupiers to use remote working.** As technology companies in India continue to work remotely, markets like Bengaluru and Hyderabad are continuing to witness enquiries from global technology companies looking to set up their global in-house centers. However, as investment firms are now finding quality assets hard to come by, they are undertaking development risks.

Due to the ongoing pandemic, the residential segment has experienced lower sales velocity, which is also impacting investment inflows. **In 2020, investments in residential assets accounted for only 6% of the total inflows.** We believe that investors are increasingly infusing equity in companies directly, as opposed to the structured debt route at a project level that investors largely used in the last decade. **We note that stagnant prices, decadal-low loan rates, and rebates offered by developers bode well for demand in the residential sector. Hence,** we believe there is ample opportunity for investment funds to finance projects stalled in final stages of construction. This offers lower risk for investors, as project approvals are already in place.

*“Investment firms continued to be enthused by the Indian real estate sector as they are here for the long term. Last mile funding is gaining ground with investors plugging the gaps to complete constructions, especially in the residential sector. Interestingly, the office sector continues to be favoured by investors despite the continue work from home scenario and the limited availability of investment grade assets. There is also ample interest from investors in other asset classes such as warehousing and data centers, which are likely to see continued interest extending beyond 2021. During 2021, we expect continued interest in distressed projects at attractive valuations”, says Siddhart Goel, Senior Director & Head, Research at Colliers International India.*

**As per Colliers Research, Tier 3 and Tier 4 data center assets can provide a net yield per annum of about 16%-18%, making them attractive for investors.** Over the next decade, we also believe that strong data centers portfolio can be converted into a Real Estate Investment Trust (REIT) offering, led by a strong appetite for income-yielding assets.

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