



Real estate  
investments  
Trends and outlook



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# Foreword

The real estate sector in India is a significant contributor to the country's overall GDP as well as employment. Given the significant forward and backward linkages that the sector shares with the rest of the economy, investment in the sector has had a significant impact on the entire economy. Since the sector opened its doors for Foreign Direct Investment (FDI) in India in 2005, several foreign private equity players, international developers and lately, long-term institutional capital providers such as sovereign wealth funds and pension funds have invested in this sector.

The Government of India, in addition to liberalizing the FDI regime for the sector, has taken ample initiatives to boost the investment in the sector as well as improve its transparency. Some of these include Housing for All by 2022, introduction of Real Estate (Regulation and Development) Act, 2016 (RERA), laws to tackle benami transactions, including homebuyers as financial creditors for the purpose of Insolvency and Bankruptcy Code, introduction of a robust Real Estate Investment Trusts (REITs) regime coupled with income tax incentives/GST concessions for affordable housing, REITs, etc.

From 2005 to the advent of the global financial crisis in 2008, investment was primarily in greenfield development projects and in the form of equity and quasi equity. Post 2008, for a significant period of time, the deals were largely in the form of debt and structured transactions. A new trend in the past few years has been the establishment of asset class specific platforms by foreign capital providers with local developers/ financial players and investments in the Non-Banking Finance Companies (NBFCs) space. As a result of the overall stress in the sector over the past few years and current liquidity crisis in the NBFC space, in particular, we have witnessed investments in distressed loans space as well. During April 2000 to December 2018, there has been an FDI of US\$25 billion which includes US\$15 billion in private equity investments since 2015.

Initial investments were in development transactions both in residential and commercial assets. However, with liberalization of the FDI regime over the years and developed Grade A commercial assets coming onto the market, foreign investors are willing to invest in yield-based assets such as office, malls, warehouses, etc. The launch of the first REIT in March 2019 has further boosted their confidence. Continued growth in the Indian economy is likely to provide an impetus to the commercial office segment as well as warehousing and industrial parks and consequent growth in disposable income may boost the consumption and consequently growth of the retail malls segment.

In the next few years, there is a likelihood of asset classes such as student housing, co-working, co-living and senior living to emerge and grow. This report seeks to capture the key investment trends in various asset classes and our outlook for the near-to-medium-term future.



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