

PE Investment records 98% QoQ rise in Q1 2022; PE investments in Q1 2022 recorded at USD 1,180: Knight Frank India

- Total PE investment in Real Estate at USD 50 Bn since 2011
- Real Estate estimated to receive private equity investments of USD 6,884 million (USD 6.8 Bn) in CY 2022

Mumbai, May 23, 2022: In the latest report global real estate consultancy **Knight Frank India** noted that the real estate sector in India received **USD 1,180 Million (Mn)** in Q1 2022 (Jan – Mar 2022) **recording a growth of 98% quarter – on – quarter (QoQ) over Q4 2021** which had received PE investments of USD 597 Mn. In 2021 (calendar year) the total private equity investment (Equity + Debt) was recorded at USD 6,199 million recording a rise of 57% YoY over 2020. Since 2011 the real estate sector received cumulative PE investments of over USD50 Bn (50,809 million). Office remained the favoured asset class attracting USD 2,882 Mn in CY 2021 while in Q1 2022 the sector attracted USD 732 Mn. **The real estate sector is expected to receive PE investments of an estimated USD 6.8 Bn (6,884 Mn) in the calendar year of 2022.**

Office sector received 62% of the private equity investments in Q1 2022, followed by retail (21%), warehousing (10%) and residential (6%). From the perspective of annual numbers, **the calendar year 2021 witnessed a surge of 57% to USD 6,199 million** when compared to USD 3,945 million received in CY 2020. Office constituted 46% of the private equity investments in 2021, followed by warehousing (21%), residential (19%) and retail (13%). The number of deals went up from 20 in 2020 to 52 in 2021.

Real Estate Assets	PE Investments in Debt and Equity (in USD mn)		% Change YOY	Number of PE deals	
	2021	2020		2021	2020
Office	2882	2509	15%	14	7
Retail	817	220	271%	4	2
Warehousing	1313	848	55%	11	4
Residential	1187	368	223%	23	7
Total	6199	3945	57%	52	20

The way ahead: Outlook 2022

Knight Frank India estimates the capital markets to chart a growth of 11% YoY to USD 6,884 million in the CY 2022. In the backdrop of interest rate trajectory moving northwards and resilient economic outlook for the country, Knight Frank Research's evaluation of the variables such as government investment, currency movement, inflation, interest rate, and office supply, which have been found to be largely correlated to PE investments in India, the report infers that the deal street of real estate investments is expected to remain robust in the year 2022.

Shishir Baijal, Chairman & Managing Director, Knight Frank India, *“While investors’ appetite remained strong across various real estate asset classes in 2021, escalating global tensions emanating from Russia-Ukraine war and the influence of omicron in the early part of the year were seen inhibiting investment. Moving forward, push for infrastructure spending will accelerate investments in the next 3 quarters of the year 2022 to levels witnessed prior to the pandemic with estimated investments touching USD 6.8 Bn.”*

Trends in PE investments in Office assets: The Most Favoured Segment

In 2021, the office real estate segment received investments worth USD 2,882 million from 14 deals, with total transactable area recorded at 35.4 mn sq ft. Approximately, 68% of the investments were in new development and under construction assets, unlike 86% in ready assets observed in 2016. The primary reason for this increase has been the lack of mature, transact-able assets in the Indian office market. Bengaluru and Hyderabad led the investment scenario due to development stage transactions by leading global funds.

In Q1 2022, the total area of office assets transacted stood at 36.9 mn sq ft, driven largely by one big deal between Mindspace REIT and Middle East sovereign fund Abu Dhabi Investment Authority (ADIA). The increase in transacted area hinted towards improving appetite among investors for bigger spaces. The office assets recorded a transaction value of USD 732 million in Q1 2022 from 3 deals.

Table: 282 mn sq ft of space was transacted by PE investors in Office in the last decade of which approx. 80 mn sq ft were a part of India’s first three REITs.

Year	Total area of the assets transacted (mn sq ft)	Total area of the assets transacted (mn sq m)
2011	5.8	0.5
2012	18.9	1.8
2013	11.6	1.1
2014	5.6	0.5
2015	5.8	0.5
2016	13.5	1.3
2017	56.7	5.3
2018	36.1	3.4
2019	33.7	3.1
2020	21.8	2.0
2021	35.4	3.3
Q1 2022	36.9	3.34
Grand Total	282	26.2

Source: Knight Frank Research

Trends in PE investments in Retail

The sector has received investments worth USD 817 million in 2021 which is up by 271% YoY despite the COVID threat. PE investments in retail remained concentrated with two major deals in 2021: an

investment by Blackstone in Prestige's retail assets, and an investment by GIC and Canada Pension Plan Investment Board in Phoenix Mills.

The retail segment received investments worth USD 253 million in Q1 2022 that was led by a single deal. The total area of retail assets transacted in Q1 2022 was recorded to be 1.7 mn sq ft. The Abu Dhabi Investment Authority-backed Lake Shore India Advisory bought Viviana Mall in Thane from Singapore's Sovereign Wealth Fund GIC, and realty developer Ashwin Sheth Group.

The retail sector is expected to observe capital commitments from investment platforms that remain bullish on its growth prospects, eyeing retail sales buoyancy arising from prolonged pandemic stress.

TABLE: 37.1 MN SQ FT RETAIL ASSETS WERE TRANSACTED IN THE LAST DECADE

Year	Total area of the assets transacted (mn sq ft)	Total area of the assets transacted (mn sq m)
2011	-	-
2012	1	0.1
2013	-	-
2014	-	-
2015	1.2	0.1
2016	4.7	0.4
2017	6.0	0.6
2018	4.9	0.5
2019	8.9	0.8
2020	2.7	0.3
2021	6	0.6
Q1 2022	1.7	-
Grand Total	37.1	3.4

Source: Knight Frank Research

Table: Unlike Office assets, investor interest in Retail goes beyond major metros

Cities	Amount invested (USD mn)	Number of deals
Mumbai	1,614	7
Bengaluru	512	2
Pune	483	6
Chandigarh	267	2
Hyderabad	197	2
NCR	192	2
Ahmedabad	123	1
Lucknow	115	1
Chennai	106	2
Nagpur, Amritsar	100	1
Kolkata	77	1
Indore	61	2
Bhubaneshwar	46	1
Grand Total	3,894	30

Source: Knight Frank Research

Note: The Grand Total represents investments since 2011.

Trends in PE investments in Warehousing sector

Investments in logistics and industrial segments witnessed a robust growth in 2021 on the back of strong demand for this asset class supported by need for quality warehouse spaces, rise in automation, and increased demand led by e-commerce and third-party logistics. The annual investment volume increased by 55% YoY to USD 1313 million compared to USD 848 million received in 2020. Robust demand for warehousing and logistics spaces amidst pandemic and a dearth of organized assets led to several Greenfield investments during the year.

In Q1 2022, investors pumped in USD 122 million, as confidence in the sector remained high, owing to the ever-increasing need for last-mile deliveries and logistics.

TABLE: INVESTORS FROM SINGAPORE AND THE US INVESTED THE MOST IN WAREHOUSING

Investor Origin	Total area of the assets transacted (mn)	Number of deals
Singapore	2,643	13
USA	1,977	11
UAE	1,600	2
Germany	1,200	1
Canada	900	2
India	364	9
France	150	1
China	100	1
UK	55	1
Grand Total	8,989	41

Source: Knight Frank Research

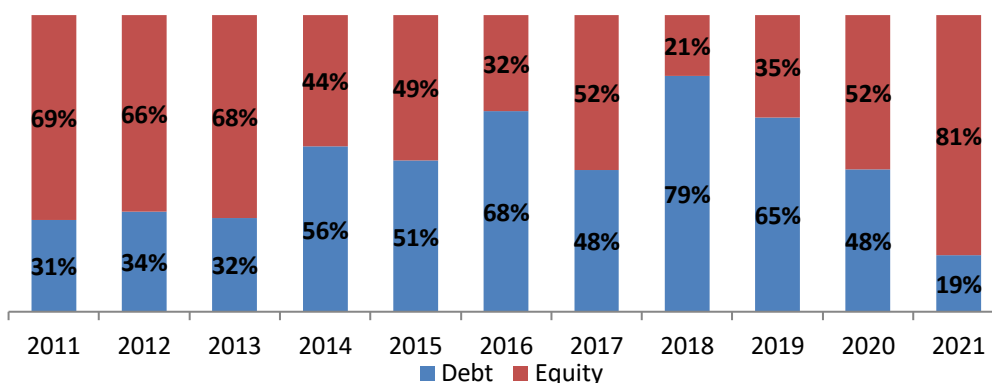
Note: The Grand Total represents investments announced since 2011

Trends in PE investments in Residential: Turnaround in 2021

Pandemic induced uptick in momentum in the residential segment with increasing thrust on home ownership drew interest from institutional investors during the year. The sector recorded USD 1,187 million in 2021, 223% higher compared to the year 2020. The residential sector showed confidence with exposure through risk capital/equity, which hit an all-time high of 81% in 2021.

The Residential investments in Q1 2022 totalled USD 73 million, driven by a single deal.

CHART: THE COMEBACK OF EQUITY INVESTMENTS IN RESIDENTIAL IN RECENT YEARS



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