Real estate investments
Trends and outlook
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22 Outlook
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.
The real estate sector in India is projected to grow to US$180 billion by 2020\(^1\)

- Housing sector is expected to contribute ~11% to India’s GDP by 2020\(^2\).
- It is the 4th largest sector in terms of FDI inflows of ~US$25 billion (April 2000 - December 2018)\(^3\).
- Central government’s “Housing for All” initiative is expected to bring US$1.3 trillion investments by 2025\(^4\).
- Real Estate Regulations and Development Act (RERA) is acting as a catalyst in institutionalizing the real estate sector and bringing more transparency in its dealings.
The sector can be broadly divided into following segments:

**Real estate segments**

- **Residential**
  - Comprises ~80% of the real estate sector

- **Commercial**
  - Dominated by a few large national players

- **Retail**
  - In 2017, new retail focused real estate supply of 6.4 million sq. ft. was added; additional 20m sq. ft. is expected by 2019
  - FDI in multi-brand retail is expected to boost the demand

- **Hospitality**
  - The country has 406 approved hotels with 31,944 rooms

*Source: India Brand Equity Foundation*
India’s real estate sector has been receiving significant attention from investors over the past two to three years and is gaining popularity among global PE/VC investors like Brookfield and Blackstone as well as pension and sovereign wealth funds with large pools of capital to invest in steady yield-generating assets.

In 2018 and early 2019, the real estate sector in India has recorded deals of over US$10 billion which are dominated primarily by investments by PE/VC funds while M&A/strategic deals were mainly restricted to the commercial and hospitality sub-sectors. While majority of the PE/VC investors in real estate are global, most of the M&A deals are domestic.

Exhibit 01

Deals in real estate sector

<table>
<thead>
<tr>
<th>Year</th>
<th>PE/VC (US$)</th>
<th>M&amp;A (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2,091 (31%)</td>
<td>4,691 (69%)</td>
</tr>
<tr>
<td>Jan'19-May'19</td>
<td>251 (8%)</td>
<td>3,049 (92%)</td>
</tr>
</tbody>
</table>

Source: EY analysis of data from various sources including VCCEdge, Merger Markets and Thomson One
Source: EY analysis of data from various sources including VCCEdge, Merger Markets and Thomson One

Exhibit 02

Trend of monthly deals in the real estate sector

Source: EY analysis of data from various sources including VCCEdge, Merger Markets and Thomson One

Exhibit 03

Type of M&A deals in real estate sector by value

Source: EY analysis of data from various sources including VCCEdge, Merger Markets and Thomson One

Exhibit 04

Type of M&A deals in real estate sector by count

Source: EY analysis of data from various sources including VCCEdge, Merger Markets and Thomson One
## Top PE/VC deals in real estate sector

### Exhibit 05

<table>
<thead>
<tr>
<th>Sector</th>
<th>Target</th>
<th>Investors</th>
<th>Amount (US$m)</th>
<th>Stake %</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>Commercial Assets Platform</td>
<td>ADIA-Divyashree-Kotak</td>
<td>400</td>
<td>100</td>
<td>2019</td>
</tr>
<tr>
<td></td>
<td>Equinox Business Park</td>
<td>Brookfield</td>
<td>384</td>
<td>NA</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>Wing A of the One BKC office complex</td>
<td>Blackstone</td>
<td>359</td>
<td>60</td>
<td>2019</td>
</tr>
<tr>
<td></td>
<td>SP Infocity IT park</td>
<td>Temasek</td>
<td>353</td>
<td>100</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>Phoenix's Hyderabad office project</td>
<td>Xander</td>
<td>350</td>
<td>100</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>Indiabulls Properties Private Limited</td>
<td>Blackstone</td>
<td>346</td>
<td>50</td>
<td>2018</td>
</tr>
<tr>
<td>Residential</td>
<td>Project of three NCR based developers</td>
<td>Piramal Capital</td>
<td>214</td>
<td>NA</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>Shriram Properties Private Limited</td>
<td>ASK Property Investment Advisors</td>
<td>155</td>
<td>NA</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>Godrej Properties Limited</td>
<td>GIC</td>
<td>150</td>
<td>6</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>Assetz Property Group</td>
<td>Altico Capital, HDFC Bank and Aditya Birla Finance</td>
<td>141</td>
<td>NA</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>PBEL Property Development India Private Limited, residential projects</td>
<td>Peninsula Brookfield Realty Fund</td>
<td>100</td>
<td>NA</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>Paliava Township</td>
<td>Piramal Ivanhoe Residential Equity Fund</td>
<td>69</td>
<td>NA</td>
<td>2019</td>
</tr>
<tr>
<td>Retail assets</td>
<td>Mall platform with Runwal Group</td>
<td>Warburg Pincus</td>
<td>200</td>
<td>NA</td>
<td>2019</td>
</tr>
<tr>
<td></td>
<td>Island Star Mall Developers Private Limited (Phoenix Mills JV)</td>
<td>CPPIB</td>
<td>185</td>
<td>NA</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>Phoenix Group, Hyderabad mall</td>
<td>ADIA-Lake Shore</td>
<td>145</td>
<td>&gt;50</td>
<td>2019</td>
</tr>
<tr>
<td></td>
<td>Forum Projects Private Limited, Esplanade Mall</td>
<td>Blackstone</td>
<td>39</td>
<td>75</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>Safari Retreats Private Limited</td>
<td>Blackstone</td>
<td>23</td>
<td>NA</td>
<td>2018</td>
</tr>
<tr>
<td>Sector</td>
<td>Target</td>
<td>Investors</td>
<td>Amount (US$m)</td>
<td>Stake %</td>
<td>Year</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>------------------------------------------------------------------------</td>
<td>-----------------------------------------</td>
<td>---------------</td>
<td>---------</td>
<td>------</td>
</tr>
<tr>
<td><strong>Hospitality</strong></td>
<td>Hotel Leela Venture Limited, Four Hotels</td>
<td>Brookfield</td>
<td>572</td>
<td>100</td>
<td>2019</td>
</tr>
<tr>
<td></td>
<td>JV with The Indian Hotels Company Limited</td>
<td>GIC</td>
<td>420</td>
<td>70</td>
<td>2019</td>
</tr>
<tr>
<td></td>
<td>Provenance Land Private Limited</td>
<td>GIC</td>
<td>145</td>
<td>49</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>Samhi Group</td>
<td>Piramal Capital</td>
<td>96</td>
<td>NA</td>
<td>2018</td>
</tr>
<tr>
<td><strong>Warehousing</strong></td>
<td>3 logistics parks</td>
<td>Everstone-promoted IndoSpace</td>
<td>92</td>
<td>NA</td>
<td>2019</td>
</tr>
<tr>
<td></td>
<td>Casa Grand Distripark Private Limited - two logistics parks</td>
<td>Logos India Logistics Venture Fund</td>
<td>99</td>
<td>100</td>
<td>2019</td>
</tr>
<tr>
<td></td>
<td>Industrial and logistics park in Chakan MIDC</td>
<td>e-Shang Redwood -Allianz Real Estate</td>
<td>50</td>
<td>NA</td>
<td>2019</td>
</tr>
<tr>
<td></td>
<td>Ksh Infra Private Limited</td>
<td>Morgan Stanley Real Estate</td>
<td>49</td>
<td>NA</td>
<td>2019</td>
</tr>
<tr>
<td></td>
<td>Orris Infrastructure Private Limited, logistics park</td>
<td>Everstone</td>
<td>9</td>
<td>NA</td>
<td>2019</td>
</tr>
<tr>
<td><strong>Co-living/ student housing</strong></td>
<td>Hamstede Living Private Limited, a JV with Lemontree</td>
<td>Warburg Pincus</td>
<td>291</td>
<td>68</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>Dtowelve Spaces Private Limited (Stanza Living)</td>
<td>Accel India, Matrix Partners, Sequoia</td>
<td>10</td>
<td>NA</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>Hmlet Pte. Limited</td>
<td>Sequoia</td>
<td>7</td>
<td>NA</td>
<td>2018</td>
</tr>
</tbody>
</table>

**Source:** EY analysis of data from various sources including VCCEdge, Merger Markets and Thomson One
# Top M&A deals in real estate sector

**Exhibit 06**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Target</th>
<th>Investors</th>
<th>Amount (US$m)</th>
<th>Stake %</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>Kohinoor CTNL Infrastructure Company Private Limited</td>
<td>Sandeep Shirke &amp; Associates</td>
<td>330</td>
<td>80</td>
<td>2018</td>
</tr>
<tr>
<td>Commercial</td>
<td>Faery Estates Private Limited</td>
<td>Mapletree Investments</td>
<td>188</td>
<td>100</td>
<td>2018</td>
</tr>
<tr>
<td>Commercial</td>
<td>IDBI Bank Limited-Seventy Storey Office Building</td>
<td>Securities &amp; Exchange Board of India</td>
<td>138</td>
<td>100</td>
<td>2018</td>
</tr>
<tr>
<td>Commercial</td>
<td>LOMA Co-Developers 1 Private Limited, LOMA Co-Developers 2 Private Limited</td>
<td>Ascendas Property Fund</td>
<td>138</td>
<td>NA</td>
<td>2018</td>
</tr>
<tr>
<td>Commercial</td>
<td>Sterling Urban Infraprojects Private Limited</td>
<td>Prestige Estates Projects Limited</td>
<td>52</td>
<td>NA</td>
<td>2018</td>
</tr>
<tr>
<td>Residential</td>
<td>Poddar Housing Private Limited</td>
<td>Poddar Housing &amp; Development Limited</td>
<td>45</td>
<td>NA</td>
<td>2018</td>
</tr>
<tr>
<td>Residential</td>
<td>Kolte-Patil I-Ven Townships (Pune) Private Limited</td>
<td>Kolte-Patil Developers Limited</td>
<td>30</td>
<td>50</td>
<td>2019</td>
</tr>
<tr>
<td>Residential</td>
<td>Eden Buildcon Limited</td>
<td>Darshita Landed Property LLP</td>
<td>13</td>
<td>NA</td>
<td>2019</td>
</tr>
<tr>
<td>Residential</td>
<td>Arvind Smartspaces Limited</td>
<td>Aura Securities Private Limited, Aagam Holdings Private Limited and Samvegbhai Arvindbhai Lalbhai</td>
<td>8</td>
<td>9</td>
<td>2018</td>
</tr>
<tr>
<td>Residential</td>
<td>Kohinoor Planet Construction Private Limited</td>
<td>Real Gold Developers LLP</td>
<td>7</td>
<td>100</td>
<td>2018</td>
</tr>
<tr>
<td>Retail assets</td>
<td>Forum Sujana Mall</td>
<td>Prestige Retail Ventures Limited</td>
<td>52</td>
<td>NA</td>
<td>2019</td>
</tr>
<tr>
<td>Retail assets</td>
<td>Realpro Realty Solutions Private Limited</td>
<td>HT Media Limited</td>
<td>3</td>
<td>NA</td>
<td>2018</td>
</tr>
<tr>
<td>Sector</td>
<td>Target</td>
<td>Investors</td>
<td>Amount (US$m)</td>
<td>Stake %</td>
<td>Year</td>
</tr>
<tr>
<td>----------------------</td>
<td>------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>---------------</td>
<td>---------</td>
<td>------</td>
</tr>
<tr>
<td><strong>Hospitality</strong></td>
<td>Plaza Hotel, New York</td>
<td>Katara Hospitality Co QSC</td>
<td>600</td>
<td>100</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>The Indian Hotels Co Limited</td>
<td>Tata Sons Limited</td>
<td>166</td>
<td>NA</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>BlackRock UK Property Fund-5 Strand Property</td>
<td>Avinash Bhosale Infrastructure Limited</td>
<td>142</td>
<td>100</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>Silver Resort Hotel (India) Private Limited</td>
<td>Blue Coast Hotels Limited</td>
<td>27</td>
<td>31</td>
<td>2019</td>
</tr>
<tr>
<td></td>
<td>The Gateway Hotel, Beach Road, Visakhapatnam</td>
<td>Varun Hospitality Private Limited</td>
<td>17</td>
<td>100</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>Arshiya Northern FTWZ Limited-Warehouse, Arshiya Industrial &amp; Distribution Hub Limited-Domestic Warehouse</td>
<td>Ascendas Property Fund Trustee Pte Limited</td>
<td>17</td>
<td>NA</td>
<td>2019</td>
</tr>
<tr>
<td></td>
<td>Indospace Industrial &amp; Logistics Parks</td>
<td>Global Logistic Properties Limited</td>
<td>NA</td>
<td>NA</td>
<td>2018</td>
</tr>
<tr>
<td><strong>Co-living/student housing</strong></td>
<td>Good Host Spaces Private Limited</td>
<td>HDFC Limited</td>
<td>10</td>
<td>25</td>
<td>2019</td>
</tr>
<tr>
<td></td>
<td>Colife Advisory Private Limited</td>
<td>Salarpuria Sattva Private Limited</td>
<td>7</td>
<td>50</td>
<td>2019</td>
</tr>
</tbody>
</table>

*Source: EY analysis of data from various sources including VCCEdge, Merger Markets and Thomson One*
Key investment trends in 2018-2019

1. Buyouts account for a major share of the deal flow by PE/VC funds

Buyouts accounted for a major share of PE/VC investments in India in 2018 and early 2019. The primary investors in this case were global pension and sovereign funds who were investing in the yield-generating commercial assets. Nine out of the top ten deals in 2018 and early 2019 were buyouts. With the entry of large Limited Partners (LPs) as direct investors in the Indian market, we are likely to see this trend getting even stronger in the coming years.

2. Structured credit investment emerging as a good value proposition for investments

In 2018 and early 2019, credit investments in the real estate sector was worth US$1.5 billion and majority of which was into residential real estate. Developers in the country were typically averse to private equity as it is more expensive as compared to the debt they could raise from the banks or NBFCs. However, with funding from NBFCs drying up due to the aftermath of the NBFC liquidity crisis, developers are exploring debt and equity financing from private equity. With the government’s push towards affordable housing, it is emerging as a lucrative investment option for PE/VC funds as it is likely to generate good risk adjusted returns.
Exhibit 07  Type of PE/VC deals in real estate sector by value

<table>
<thead>
<tr>
<th></th>
<th>2018 (US$4,691m)</th>
<th>Jan'19-May'19 (US$3,049m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buyout</td>
<td>186 (4%)</td>
<td>875 (29%)</td>
</tr>
<tr>
<td>Credit investment</td>
<td>1,899 (41%)</td>
<td>120 (4%)</td>
</tr>
<tr>
<td>Growth capital</td>
<td>94 (2%)</td>
<td>2,031 (66%)</td>
</tr>
<tr>
<td>PIPE</td>
<td>996 (21%)</td>
<td>23 (1%)</td>
</tr>
<tr>
<td>Start-up</td>
<td>1,517 (32%)</td>
<td></td>
</tr>
</tbody>
</table>

Source: EY analysis of data from various sources including VCCEdge, Merger Markets and Thomson One
A few large funds dominate the PE real estate investment landscape

Traditional US-based PE investors like Blackstone and KKR have dominated the PE real estate investment landscape with Blackstone following the buy and operate strategy while KKR adopting the structured credit investment route. However, in the recent years, Singapore-based funds like GIC, Ascendas-Singbridge and Xander have made increasing investments. In 2018 and early 2019, these funds have invested around US$2 billion, accounting for 27% of the investments. Canadian funds such as Brookfield and Canada Pension Plan Investment Board (CPPIB) along with sovereign wealth funds such as Abu Dhabi Investment Authority (ADIA) have also committed significant amounts of capital to the sector.

Source: EY analysis of data from various sources including VCCEdge, Merger Markets and Thomson One

Exhibit 09  PE/VC investments in real estate by country/region (by value)

Source: EY analysis of data from various sources including VCCEdge, Merger Markets and Thomson One
### Exhibit 10

<table>
<thead>
<tr>
<th>Fund</th>
<th>Total investments in Jan’18-May’19 (US$m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brookfield (Canada)</td>
<td>1,156</td>
</tr>
<tr>
<td>Blackstone (the US)</td>
<td>1,019</td>
</tr>
<tr>
<td>GIC (Singapore)</td>
<td>751</td>
</tr>
<tr>
<td>Warburg Pincus (the US)</td>
<td>541</td>
</tr>
<tr>
<td>Xander (Singapore)</td>
<td>440</td>
</tr>
<tr>
<td>ADIA (the UAE)</td>
<td>345</td>
</tr>
<tr>
<td>Ascendas-Singbridge (Singapore)</td>
<td>341</td>
</tr>
<tr>
<td>KKR (the US)</td>
<td>294</td>
</tr>
<tr>
<td>CPPIB (Canada)</td>
<td>185</td>
</tr>
</tbody>
</table>

**Source:** EY analysis of data from various sources including VCCEdge, Merger Markets and Thomson One
Overview of investment in sub-sectors

Diversified include investments in developers and/or mixed-use projects

Source: EY analysis of data from various sources including VCCEdge, Merger Markets and Thomson One
Diversified include investments in developers and/or mixed-use projects

**Source:** EY analysis of data from various sources including VCCEdge, Merger Markets and Thomson One
While government is taking initiatives to boost investments in the residential segment, new sub-segments have drawn investor interest

Commercial real estate

With the Indian economy expected to grow at ~7\%[^5], the commercial real estate space has seen a lot of takers. Deals in this space accounted for 43% of the dollar value of deals in 2018 and early 2019. We are also seeing new funds being raised for investment in the sector. In 2018, Godrej Fund Management (GFM), the real-estate private-equity arm of the Godrej Group, announced a first close of its US$450 million office development fund and a first close of its US$150 million office investment fund. Jointly, the funds can invest/develop office assets worth over US$1 billion in value. In March, Kotak Investment Advisors (KIAL) launched a US$400 million India Office Assets Fund I, anchored by a wholly-owned subsidiary of the ADIA, with DivyaSree Developers as the development partner and property advisor.

Warehouse

The industrial and warehousing sector, backed by key economic reforms like GST, logistics sector getting infrastructure status and 100% FDI in e-commerce marketplace, is also emerging as a compelling opportunity for the investors. Everstone has recently raised a fund of US$1.2 billion under its Indospace platform to develop industrial and logistics parks. Asia Pacific-focused logistics developer, e-Shang Redwood (ESR), has entered into a strategic partnership with global asset manager, Allianz Real Estate, to invest around US$1 billion, including debt, into India’s rapidly growing logistics and industrial property market. The joint venture will focus on developing large-scale logistics and industrial facilities in eight key cities – Mumbai, Pune, Chennai, Delhi, Ahmedabad, Kolkata, Bengaluru and Hyderabad – with an opportunistic approach to investments in other markets in India.

Hospitality

The hospitality sector was the next biggest sub-sector, accounting for 27% of the dollar value of deals in the real estate sector in 2018 and early 2019. Three out of the top 10 PE/VC deals and four out of the top 10 M&A deals in 2018 and early 2019 were in the hospitality sub-sector. The interest of private equity players in hospitality has been driven by the growing occupancy rates and also a gradual improvement in the rooms’ rates. PE/VC interest is especially high in the budget hotel aggregators space with players like Oyo, Fab Hotels, Treebo, etc. developing a niche in this category by leveraging technology to attract customers and improve their room occupancy while driving down the costs. Singapore’s sovereign wealth fund GIC and Indian Hotels Company Ltd, an operator of Taj luxury hotels, have signed an investment framework for about US$600 million to acquire hotels in India.

Retail

Another segment that is drawing interests among investors is the retail real estate segment with the likes of CPPIB investing US$245 million in a joint venture with Phoenix Mills to develop retail-led mixed-use assets and ADIA setting up a platform, namely, Lake Shore India Advisory, having a corpus of US$250 million, to build retail assets in India. Warburg Pincus has also formed an investment platform with a Mumbai based developer “Runwal Group” with a total corpus of US$1 billion to develop shopping malls. According to news reports Warburg Pincus and Runwal Developers Private Limited will each hold a 50% stake in the platform and have committed an equity capital of US$200 million each. The partners will raise another US$600 million as debt[^6]. The renewed interest in the retail sector is fueled by the fast-growing urban population and spurt of high-street brands. Mall developers are also learning from their past experiences and creating superior quality malls, providing retail establishments with a better mix of customer footfalls. Developers are working on design, varied tenant mix, strength of

[^5]: Reserve Bank of India estimates
[^6]: Economic Times article: Warburg Runwal plan $1b realty play
Within the residential segment, a special niche is developing and gaining traction among developers as well as prominent investors. People are moving to big cities for education and jobs. Due to this, growing number of companies are now trying to tap the needs of the new migrants, especially the millennials. In the last few years, besides traditional forms of rented accommodations like hostels, paying guests and shared apartments, organized accommodations such as co-living and student living have come into existence and with better facilities compared to the traditional options like hostels, lodges, paying guests, PGs, etc. The market for student housing in India is still at a nascent stage but the above-mentioned factors are expected to drive the growth of this segment in the coming years. This is because most institutions or colleges in India do not provide sufficient accommodation facilities to the students and only a small fraction of the demand is met by universities.

Besides catering to the needs of students, this segment is also expected to generate higher returns for investors. According to a 2018 report by JLL, a real estate consultant firm, student housing has the potential to yield more than 12% returns viz.-a-viz. the core commercial sector in which returns remain range-bound between 7% to 10%. Further, this sector is expected to grow at a CAGR of 38% until 2020, to US$343 million. Global funds and local developers such as Warburg Pincus, Sequoia Capital and Goldman Sachs have either invested or have firm ed up their investment plans in this space. In 2017, Goldman Sachs acquired a 74% stake in Yoho in the student living business of Manipal Education and Medical Group for US$54 million. Yoho manages more than 8,000 accommodations between Jaipur and Bangalore. In 2018, Warburg Pincus has setup a joint venture, Hamstede Living, with Lemon Tree, with an investment of US$291 million, to construct, acquire, develop and operate properties dedicated for student living. In 2019, HDFC also picked up a 25% stake in Good Host Spaces Pvt. Ltd that offers student housing facilities under the brand name “New Door”.

Many companies are now focusing on the needs of the migrant students and offering them student living exclusively. Stanza Living is one of them which started its operations in 2017 and has forayed into seven new cities – Hyderabad, Chennai, Coimbatore, Indore, Baroda, Pune and Dehradun. Another student housing management company, Placio, was established in 2016 and has its presence in Delhi, Noida, Greater Noida, Lucknow and Indore.

According to news reports, Oyo has also announced its plans to enter the student housing segment soon. The company has already launched Oyo Life, a long-term rental housing business targeting young professionals, millennials and students. According to Knight Frank’s survey, Global Student Property Report 2019, India has the youngest population in the world, with 18% of the 1.3 billion people aged between 15 and 24. More than 34 million students are currently enrolled in courses at universities across the country and this figure is expected to rise. Further, the survey states that the current demand for purpose-built student accommodation (PBSA) bed spaces across the country is estimated to total more than 8 million.

Co-living/student housing

Catchment, infrastructure and amenities as these factors play a key role in determining the success of a mall.
As per our findings, currently, the real estate sector in India accounts for around 12.6% of all PE/VC investments in the country. This is expected to increase even further with several PE funds looking at the sector as a separate asset class within their investment strategy and setting up a dedicated real estate investment fund. The sector is projected to grow to US$180 billion by 2022, which may also provide huge opportunities for the investors. With better regulations expected under the RERA, investors are expecting that transparency and their position to price their investment risks would also improve. The fall in the interest rates globally may help the sector draw more capital especially into yield-generating commercial assets. The financialization of the sector with the introduction of REITs augurs well for the growth of the entire sector, particularly the commercial segment.

The regulatory changes undertaken by the government to facilitate the creation and listing of REITs has also bolstered the confidence of the investors. Widespread acceptance of this asset class in future may lead to capital rotation, which is likely to be beneficial to all commercial real estate segments.

Some of the emerging trends, which may drive the investments in the future in the real estate sector, include:

**REITs**

REITs are essentially trusts that manage specific investment properties. These properties can include both residential and industrial projects. With the Indian Government opening up the real estate market to REITs, it has provided investors an opportunity to monetize assets thus providing an overall boost to the commercial
market segment. The successful IPO of India’s maiden REIT offering, backed by Embassy Group/Blackstone consortium, marks a significant event for the Indian real estate private equity sector, which over the past three to four years, has seen a significant amount of PE investment into portfolios of rent generating commercial properties such as office, retail malls and industrial warehousing. Should public market investors continue to show interest in this REIT security which represents a new asset class, it could pave the way for many more REIT listings.

**Co-working spaces**

Indian commercial real estate segment is changing rapidly as seen in the new business models being developed in the office segment. Today, professionals prefer hybrid or flexible office spaces. This is partly the result of our vibrant start-up ecosystem, which has paved the way for the co-working space market. Co-working spaces are currently gaining a lot of traction worldwide as one of the global leaders in the co-working space - WeWork, which is currently valued at around US$47 billion, is preparing for an IPO.

**Co-living/student housing spaces**

The Indian student population stands at 34 million resulting in the current demand of around 8 million for co-living spaces. In India, the scarcity of student/shared accommodation, coupled with the market size, are a huge draw for developers and start-ups. Institutional investors and venture capital firms like Goldman Sachs, Warburg Pincus and HDFC have stepped up investments in this segment. Student living is an evolved concept in western markets, with investors like Blackstone having forayed into the

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"Knight Frank, Global Student Property Report 2019"
student living space with Nido London, a decade ago. It will not be long before co-living evolves into a huge market for developers and investors alike in India as well.

Industry and trade

With the recent changes in India’s FDI policy, growth of e-commerce and implementation of the GST, the demand for warehouse and industrialized spaces is expected to increase significantly in the coming years. This may further fuel the positive impact that the commercial office market is already witnessing. Various institutional investors like Everstone, Allianz, etc. have already lined their funds for investment to take advantage of this opportunity.

Alternative asset classes

While the residential, commercial and hospitality sectors are growing, numerous alternative and new asset classes have also emerged. These include medical institutes, specialty hospitals, nursing homes and senior living. These new asset classes are likely to see a tremendous growth and may push the real estate market, backed by foreign and domestic investments.

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