

Retail Realty Sector may Smile Again in 2016

Private equity investment in the retail real estate sector is expected to double this year to nearly \$80 million, finds a JLL India study

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Mumbai | Bengaluru: The retail sector can look forward to a more cheerful 2016, given some of the good initiatives taken by the government. Private equity investment in retail real estate is expected to double this year to nearly \$80 million, showed a JLL India study. In 2015, retail was one of the sectors that opened up to 100% foreign direct investment (FDI), which is expected to improve foreign fund inflows.

Economic stability, FDI policy liberalisation, including opening up of single-brand retail and improvement in the consumer sentiment, is expected to help global brands witness a conducive environment for investment into Indian retail and retail realty sector.

“There’s a steady rise in shoppers’ desire to consume foreign brands due to increased brand awareness, and the scenario looks even more inviting. As more global brands realise this, they are expected to enter

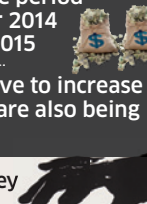
India in 2016. This will make development of world-class malls, having superlative designs and ambience, the need of the hour,” said Anuj Puri, chairman & country head, JLL India. “As of now, the number is not big, but it is improving dramatically, and we will see huge inflow in the years to come.”

The Indian retail industry has benefited from liberalisation in FDI, which has attracted global brands. However, infrastructural development such as public transport and roads also need to catch up to the required consumption.

“The need of the hour is to have quality retail spaces within large pockets of residential and commercial development. Having multi-use residential-commercial properties with retail attached will serve the local consumption and will allow an organic growth across similar facilities. As a fund house, we will focus on multi-use properties (residential or commercial) and are open to organised retail being part of the overall development,” said Rubi Arya, executive

Cheerful Days Ahead for Retail Realty

- ▶ In 2015, retail was one of the sectors that opened up to **100% FDI**, which is expected to improve foreign fund inflows
- ▶ The FDI inflow in retail trading increased to **\$70.75 million** during the period between October 2014 and September 2015
- ▶ Select realty developers are finding it attractive to increase their focus on retail realty segment and they are also being supported financially by global investors
- ▶ Private Equity investment has been largely confined to a few retail players in India
- ▶ In 2015, PE investment into retail properties alone was **\$39 million**, and in 2016, it is expected to be in the range of **\$75-80 million**
- ▶ In 2016, PE money may also go into select mall investments, especially in under-represented markets or for buyout of mature assets



vice-chairman, Milestone Capital Advisors. According to Arya, current annual yields from retail spaces are anything between 9 and 10% which are healthy and with the increased demand for space from brands, yi-

elds can move up substantially. The fund house, which is planning to launch commercial mixed-use scheme, is open to investing in mixed-use projects that could include retail component. Select realty developers are fin-

ding it attractive to increase their focus on retail realty segment and they are also being supported financially by global investors.

Bengaluru-based Nitesh Estates has a five-year platform deal with Goldman Sachs to invest ₹1,600 crore in malls with a size of 3.50 lakh sq ft to 4.50 lakh sq ft each. Each investment will be ₹250 crore to ₹350 crore but can go up to ₹500 crore depending on the opportunities. “We are willing to invest in good locations and distressed assets, and are evaluating two malls for acquisition in south and north India. Around 30% of the portfolio money will go into buying retail assets while the rest is for commercial assets acquisition,” said Nitesh Shetty, CMD, Nitesh Estates.

Last year, Nitesh Estates’ acquired Koregaon Park Plaza, a one million sq ft, operational shopping mall and future high-end office complex development in Pune.

With deals like these, the FDI inflow in retail trading increased to \$70.75 million during the period between October 2014 and Sep-

tember 2015. However, until now, private equity investment has been largely confined to a few retail players in India. In 2015, PE investment into retail properties alone was \$39 million, and in 2016, it is expected to be in the range of \$75-80 million.

This year, private equity money may also go into select mall investments, especially in under-represented markets or for buyout of mature assets. As quality mall space is coming up with strong pre-commitments, indicating that retailers would continue to remain bullish about the long-term India consumption story. Retailers are already starting to experiment with the formats, sizes for the same brands — adapting to markets — as they start moving up the value chain, said the JLL India study.

At the same time, lack of quality retail space will continue to be an irritant in 2016. Retailers will have to redo their real estate strategy and have a flexible approach — customised to different micro markets.