

A GOOD REASON TO CHEER

'PE Investment in Retail Realty May Double'

Economic stability, liberalisation in FDI policy likely to make market attractive for global brands

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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 in 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.

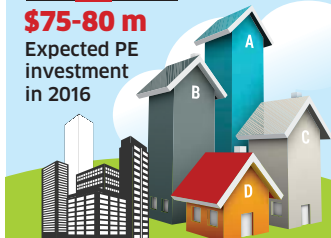
"The need of the hour is to have quality retail spaces within large pockets of residential and commercial development. Having multi-use residential-commercial properties with retail attached will serve the local consumption and will allow an organic growth across similar facilities," said Rubi Arya, executive 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-

\$70.75 m
Hike in FDI
inflow in retail
trading between
Oct 2014 & Sept
2015

\$39 m
PE invest-
ment into
retail proper-
ties in 2015

\$75-80 m
Expected PE
investment
in 2016



elds can move up substantially.

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.

Bengaluru-based Nitesh Estates

has a five-year platform deal with Goldman Sachs to invest ₹1,600 crore in malls with 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 buy," said Nitesh Shetty, CMD of Nitesh Estates.

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.