

FRESH OPPORTUNITY Foreign private equity investors, including those from China, Japan and Korea, are showing interest in industrial development projects in the backdrop of GST implementation

In Realty, Warehousing and Retail Catch PE Firms' Fancy

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Bengaluru | Mumbai: Apart from the preferred asset classes of office and residential, private equity firms have been taking greater interest in warehousing, logistics and retail real estate. Private equity investors and overseas developers are already looking at opportunities to enter India's industrial and warehousing sector by investing in various development projects.

Foreign investors, including those from China, Japan and Korea, have specifically shown a lot of interest in industrial development projects in the backdrop of implementation of Goods & Services Tax.

"With the implementation of Goods and Service Tax, warehousing and logistics' spaces will start to see a consolidation of assets. Unlike earlier (small assets in various states), developers will focus on the development of large-scale, technologically advanced warehouses. Such assets will attract private equity (PE) investors, since they can deploy a larger amount in fewer assets, making monitoring easier. If they perform well, such assets can even fetch a better valuation when monetising through REITs or other ways," said Anuj Puri, chairman and country head, JLL India.

Recent key announcements regarding Wanda Industrial New City to be developed by Dalian Wanda Group, industrial parks by China Fortune Land Development Company Private (CFLD), Japanese investment zone at Supa and Chinese industrial zone in Vadodra indicate their increasing interest in India.

"Increased infrastructure spending will give a thrust to the manufacturing sector and allied sectors. This will automatically translate into higher demand for logistics and warehousing. Going forward, we expect greater institutional participation in logistics, especially warehousing develop-

Paving the Way

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GST CARROT
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PLUS POINT
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ment. We will see more funds with specialist fund managers to focus and manage these kinds of investments. With implementation of GST, scale from logistics will move from unorganised to organised and mere warehousing will make way for integrated logistics parks. This will certainly see private equity players' and investors' interest in logistics going up," said Rubi Arya, executive vice chair-

man, Milestone Capital Advisors. One of China's largest developers, Dalian Wanda Group, signed a pact with the Haryana government last year to develop Wanda Industrial New City with an investment of \$10 billion over 10 years. An agreement signed between China Fortune Land Development Company and Haryana state will also see large format industrial parks come up in the state. Several other announcements such as development of smart cities by ZTE and Neemrana Japanese investment zone are pointing at rising appetite for such assets. "We plan to set up a logistics and warehousing division and raise a dedicated logistics and warehousing fund to invest across India," said Akshay Dewani, director, Assetz Property Group, that primarily builds residential properties. It

will develop around 10 million sq ft of warehousing and logistics space around Delhi, Mumbai, Pune, Chennai, Bangalore, and Nagpur — cities with industrial hubs.

According to experts, the logistics expenses can be set off as input costs by manufacturers once Goods & Services Tax is implemented. This is expected to make warehouse hubs located away from expensive urban locations equally attractive. In these locations land is available in larger format and thus more and more Integrated Logistics Parks can be developed that will offer further value add in the supply chain management.

"Tax parity across states means logistics hubs can be developed on the basis of connectivity rather than octroi boundaries. Disadvantages of crossing over tax jurisdictions in the supply chain are gone and GST offers a tax neutral environment to logistics industry," Arya said.

Apart from logistics, key leasehold retail realty assets across the country have come on the private equity players' radar. Reasons for this include well-managed Grade-A malls starting to enjoy better occupancy with rent escalation on the cards after a lull of six to seven years. Such well-managed assets/entities will continue to attract investor focus.

In 2016, GIC bought a 50% stake in Viviana Mall of Sheth Developers in Mumbai, Blackstone acquired the retail portfolio of Alpha G Corp through an entity level deal, and Blackstone also bought 50% stake in Pune's Westend Mall.

Various new regulations such as easing foreign investment for single-brand retailers, longer shopping hours and an updated framework for establishing Real Estate Investment Trusts (REITs) have attracted the attention of various private equity funds like Blackstone, Xander, GIC, Morgan Stanley towards the Indian retail real estate sector.