

# HDFC Property Fund aims to raise \$500 mn from overseas investors

BY MADHURIMA NANDY

madhurima.n@livemint.com

BENGALURU

**H**DFC Property Fund, the real estate investment arm of India's largest mortgage lender, is planning to start raising \$500 million from overseas investors, nearly two years after it was originally planned.

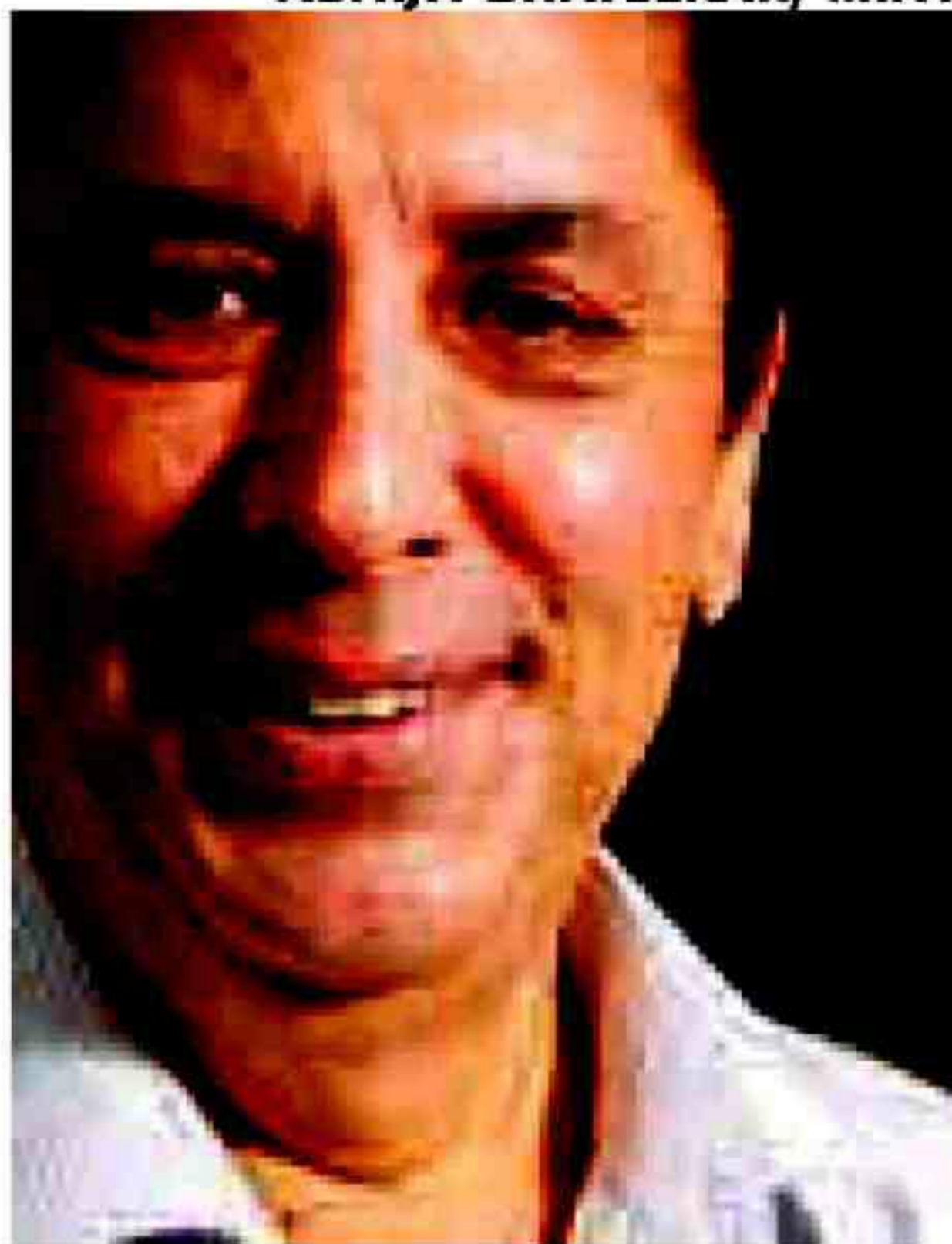
The fund wanted to first exit its earlier investments and return money to investors before raising more funds.

Separately, parent Housing Development Finance Corp. Ltd (HDFC) is firming up plans to invest in distressed real estate assets at a time when the sector is undergoing a prolonged slowdown.

HDFC Property Fund plans to invest in commercial office projects and residential developments in top property markets through equity and structured equity instruments from the new \$500 million fund.

"The life of the fund is

ABHIJIT BHATLEKAR/ MINT



*HDFC vice-chairman and chief executive Keki Mistry*

around 10 years and so it's long-term, patient capital that we will invest," said a company executive, who didn't wish to be named.

This will be HDFC Property's third offshore fund after it raised a \$750 million fund in 2007-08 and a \$350 million fund in 2014-15. The second fund has been almost fully deployed. The fund has committed to its investors to complete the exits from the first fund and return capital by

2018. Out of 14 investments it did from the first fund, it has exited 10 so far and the remaining four are expected to be concluded this year, he said.

HDFC Property recently exited a Rs420 crore investment in Kalpataru Group's under-construction project in Thane with around Rs1,172 crore, the executive said.

HDFC vice-chairman and chief executive Keki Mistry said the decision to invest in distressed property assets is because real estate is an area of core competence for the company.

"We are seeing opportunities in the real estate sector. The investments could be in the form of a fund or even a corporate structure," Mistry said. He declined to comment on the quantum of investments that will be made.

HDFC may invest around \$500 million in distressed real estate assets, said a person familiar with the development, requesting anonymity.

On the real estate invest-

ment front, HDFC Capital Advisors Ltd also raised \$550 million in December, in an initial closure of its second affordable housing fund.

The fund, which is currently in active deployment mode, had Abu Dhabi Investment Authority (ADIA) as one of its key investors.

In February, Prestige Estates Projects Ltd announced a partnership with HDFC Capital to create an affordable housing platform that will jointly invest Rs2,500 crore in low and mid-income residential projects.

While fund-raising for real estate projects hasn't been easy, raising capital from offshore investors have always been tougher given that many vintage funds of 2005-06 didn't generate adequate returns.

"The new regulatory and taxation regime, with RERA and GST, there is an increased level of transparency and a level playing field expected in real estate. Despite the slowdown in the sector, investors believe in the high demand for residential projects and see an opportunity to invest," said Shobhit Agarwal, managing director and CEO of investment banking firm ANB Capital Advisors Pvt Ltd.