

Developers, PE firms bet big on retail real estate

Build pipeline of strong rent-yielding assets such as malls, service apartments

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Developers and private equity (PE) entities are consolidating their retail real estate play. The move gives such firms a pipeline of strong rent-yielding assets and even allows them to create REITable assets in the long run.

Recently, Bengaluru-based Prestige Group bought CapitaLand's stake in various special purpose vehicles (SPVs) for around ₹342 crore. The acquired portfolio included an operating retail mall each in Bengaluru, Hyderabad, Mangaluru, Mysuru and Udaipur, a mall management company, Oakwood serviced residences in Bengaluru and properties under construction in Kochi

"This move fits well with our strategy of expanding our rental income base. Our cur-



Lucrative investments With rising rentals, the ticket sizes of investments in retail real estate have picked up pace in tier 2 and 3 cities. This file photo shows a mall in Mysuru

rent estimated exit rental income for FY18 is around ₹700 crore annualised. With this transaction, it will grow by another ₹75 crore per annum," said Venkat K Narayana, CEO, Prestige Group.

Additional investment

In November 2017, Dutch pension fund APG Asset Management had invested an additional \$175 million (₹1,150 crore) in Virtuous Retail South Asia Pte Ltd (VRSA), its joint venture with Virtuous

Retail, the retail development arm of the Xander Group. VRSA has acquired an initial portfolio of three retail assets for ₹2,000 crore.

"The new equity commitment to VRSA reflects our continued support for the growth of the platform and our conviction in the retail sector in India", Patrick Kanters, MD and global head of real assets at APG Asset Management, had said in a statement.

Earlier, in May, VRSA had acquired Chandigarh-based

North Country Mall from PE firm Sun Apollo/Gumberg for ₹700 crore.

Singapore's sovereign wealth fund GIC had in August 2017 picked up a 33 per cent stake in DLF's Cyber City Developers, the entity that earns rental income from commercial assets, for close to ₹8,900 crore.

GIC had previously picked up a stake in R City mall of the Runwal Group in Mumbai, and bought a 50 per cent stake in a mall in Thane for ₹400 crore.

Pankaj Renjhen, MD, Retail Services, JLL India, said in a report: "With retail assets becoming more lucrative, thanks to the impending launch of real estate investment trusts (REITs) in India, the ticket sizes of investments in retail real estate (hitherto largely limited to the metros) has picked up pace in tier 2 and 3 cities. In fact, the period between 2015 and Q3 2017 saw a 54 per cent of investments in retail real estate happen in tier 2 and 3 cities, well exceeding those into the metros."