

ANAROCK

INVESTMENT BANKING



FLUX

YEAR-END MARKET MONITOR
FOR CAPITAL FLOWS IN REAL ESTATE

Key Highlights

2019



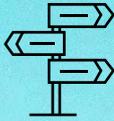
Last mile funding, a correct step towards reviving residential space

1



Income yielding Grade A assets enjoyed majority of equity investments

2



Alternative asset classes witnessed interest

3



Featured Blog

Total real estate loan equals USD 93 Bn, over 62% completely stress-free

Shobhit Agarwal
MD & CEO
ANAROCK Capital



Over 62% or ~USD 58 Bn of the total loan advances (USD 93 Bn) to Indian real estate by banks and NBFCs/HFCs is currently completely stress-free reveals a study by ANAROCK Capital.

Another 22% (~USD 21 Bn) is under some pressure but can potentially be resolved. In fact, the stress on this segment is largely on recovery of interest and not on the principal amount. USD 14 Bn (or merely 16%) of overall lending to Indian real estate is under 'severe' stress, meaning that there has been high leveraging by the concerned developers who have either limited or extremely poor visibility of debt servicing due to a combination of factors.

The 'stress' loan amount in real estate is not as bad as seen in other major sectors like telecom and steel. For instance, the entire 'severe stressed' loan value in real estate is spread across more than 50 developers. In the telecom or steel industries, default by a single company alone equals a sizable portion of the overall stress in the real estate sector. Also, every real estate loan is backed by hard security, which is anywhere between 1.5 times to 2 times. Even if the loan is NPA, there is enough security for the lenders to get a significant portion of their money back. Additionally, if defaulting developers decide to sell their real estate at a discount, there is enough margin for them to pay back.

Meanwhile, HFCs accounted for the largest share of total realty loans equalling 38%, followed by banks which comprised nearly 34% share while NBFCs have 28% (including loans given under trusteeships). Of these, banks and HFCs are much better placed with 70% and 65% of their lending book in a comfortable position. However, it also comes as no surprise that nearly 58% of the total NBFC lending is on a watchlist.

In retrospect, there has been continuous shrinkage of lending to Indian real estate in recent years by both banks and NBFCs/HFCs amidst non-repayment of some loan dues and NBFC crisis post the IL&FS default.

One prime reason was that sluggish residential sales over the last few years completely dried up cash flows for many developers, resulting in unsold inventory pile-up and, thus, their inability to service their loans. Moreover, some developers have even filed for bankruptcy in the backdrop of stricter regulatory norms under RERA. However, with both banks and NBFCs/HFCs now doing their due diligence before giving loans to developers, the situation is gradually getting ironed out. Nearly 84% of the overall loan amount has little or no stress at all.

Going forward, residential sales are likely to pick up due to multiple measures being taken up by the government to revive the sector. This fact itself will help developers to repay their loan dues.

Realty loans breakdown: Builder-type wise

On further analysis of the overall realty loans with respect to builder-type, it emerges that out of the total USD 93 Bn realty loans, Grade A builders received over USD 65 Bn loan advances, followed by USD 27 Bn to Grade B players – and a mere USD 1 Bn to Grade C developers.

This presents a relatively safe outlook because more than 72% of the loans given to Grade A builders is safe and under no stress.

On the other hand, a high amount of realty loans to Grade B & C developers needs strict monitoring. Nearly 28% of the loans given to Grade B developers is under 'severe' stress while for Grade C developers it is over 19%. However, this collectively equals to less than mere USD 8 Bn of overall stressed loan.

Grade A developers are players that are currently active, with an excellent execution track record and having till date developed real estate in excess of 3 Mn sf.

Grade B developers include those with an established execution track record having developed area between 1 Mn sf and 3 Mn sf and are currently active. This category also includes players with an excellent past execution track record but are currently largely inactive.

Grade C comprises of players with less than 1 Mn sf developed area.



**Big ticket investments
largely concluded by
foreign PE investors**

”

2019

Key Equity Deals

2019



Asset



Location



Capital Provider



Recipient



Deal Amount*

Asset	Location	Capital Provider	Recipient	Deal Amount*
Portfolio	MMR & NCR	Blackstone Group	Indiabulls Real Estate	₹ 6,810 Cr
Portfolio	NCR & Chennai	DCCDL#	DLF	₹ 6,110 Cr
Global Village Tech Park	Bengaluru	Blackstone Group & Salarpuria Sattva	Tanglin Property Developments	₹ 2,770 Cr
ONE BKC	MMR	Blackstone Group	Radius Developers	₹ 2,700 Cr
WaveRock	Hyderabad	Allianz & Shapoorji Pallonji Group	GIC	₹ 1,800 Cr
Lodha Excelus	MMR	Varde Partners	Lodha Group	₹ 1,100 Cr
Phoenix Lotus Mall	Hyderabad	Lake Shore	Phoenix Group	₹ 1,000 Cr
Weikfield IT Citi Info Park	Pune	Xander Group	New Vernon	₹ 900 Cr
Project in Hebbal	Bengaluru	Godrej Fund	Century Group	₹ 850 Cr
Land	MMR	Virtuous Retail	Raymond	₹ 710 Cr
Trilium Malls	Nagpur & Amritsar	Virtuous Retail	TRIL	₹ 700 Cr
Portfolio	Chennai	LOGOS India	Casa Grande Distripark	₹ 700 Cr

Commercial

Retail

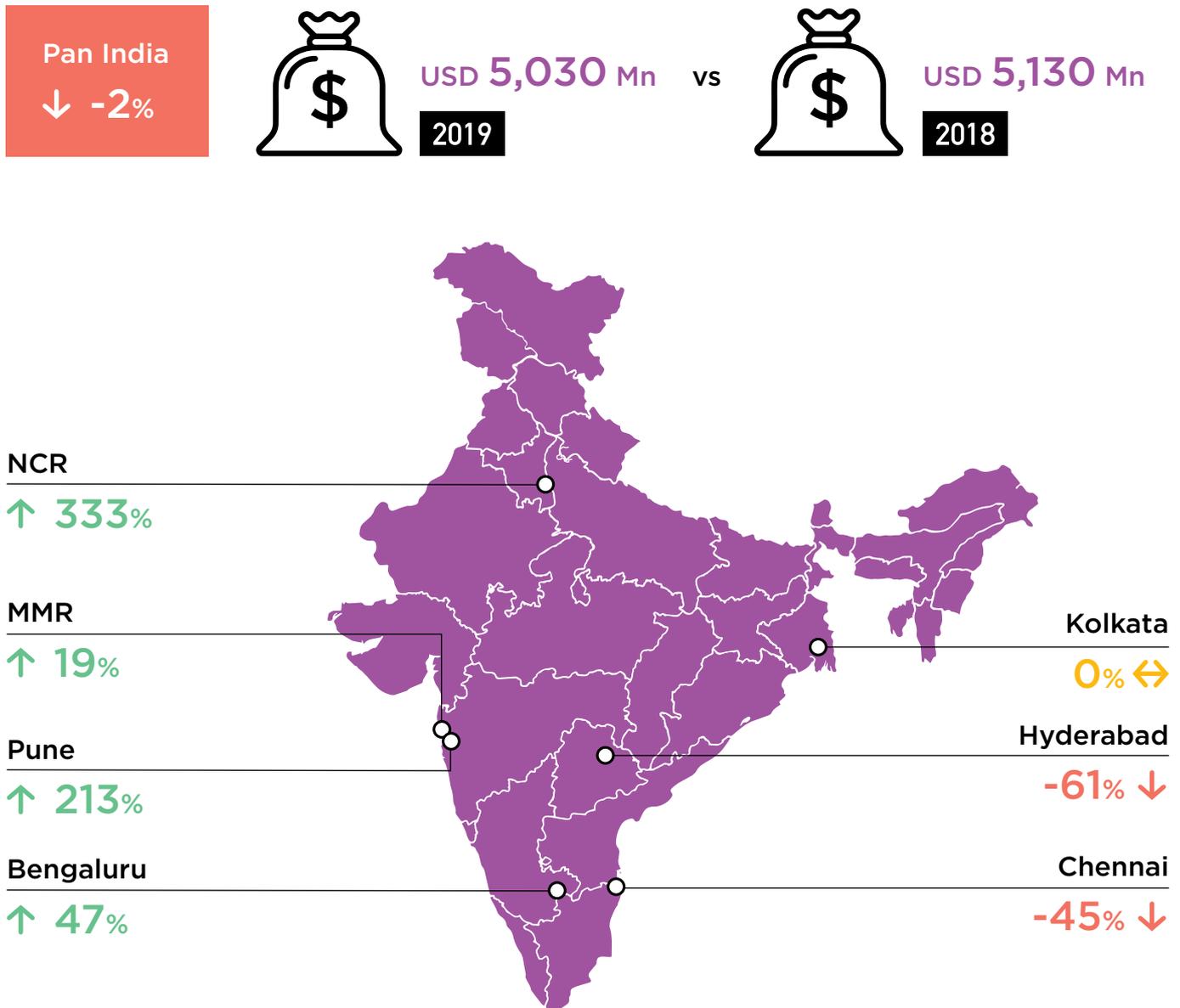
Logistics & Warehousing

Multiple Asset Classes

DCCDL (DLF Cyber City Developers Ltd.) is a JV between DLF & GIC

* Numbers rounded off to the nearest 10

Capital Movement



PE investments in the country continued to stay healthy; marginal 2% decline over previous year

West, North and Bengaluru saw rise in PE investments; largely led by commercial & retail

Note:

- Comparison for 2018 vs 2019
- Numbers rounded off to the nearest 10
- Data represents Private Equity transactions

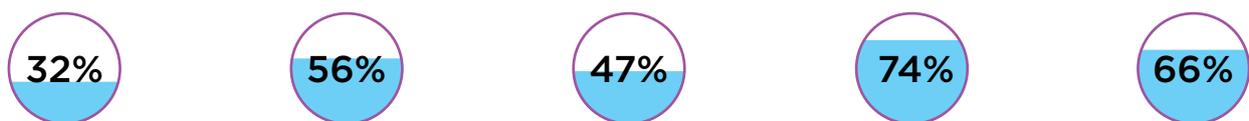
PE in Indian RE



PE in Commercial

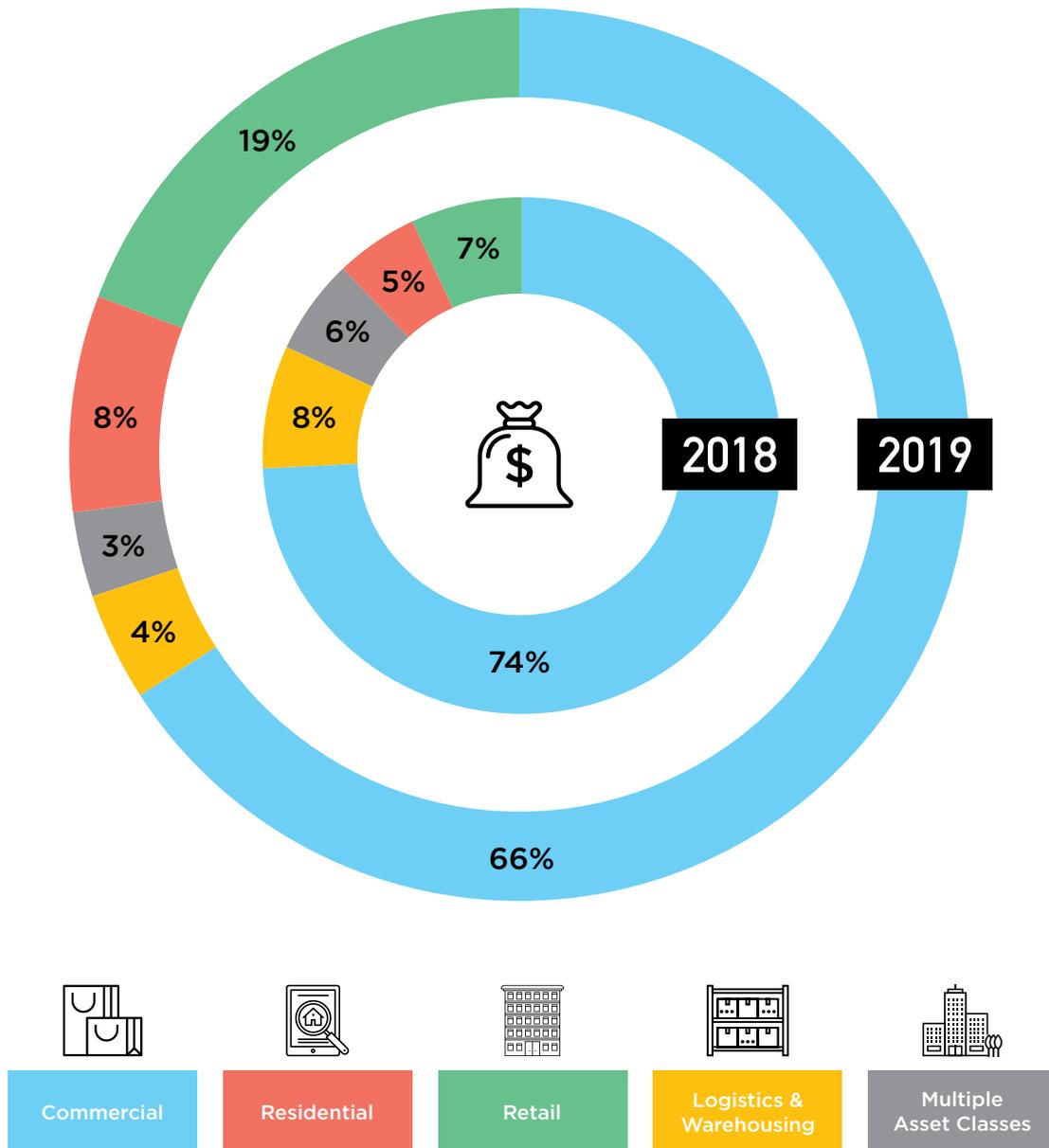


% Share in Total PE

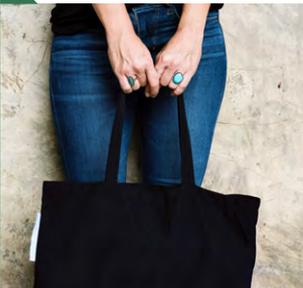


Commercial assets have remained key attraction for PE investors over the past few years

Asset Class wise Funding



Investments in retail jumped sharply in 2019; expected to continue in 2020

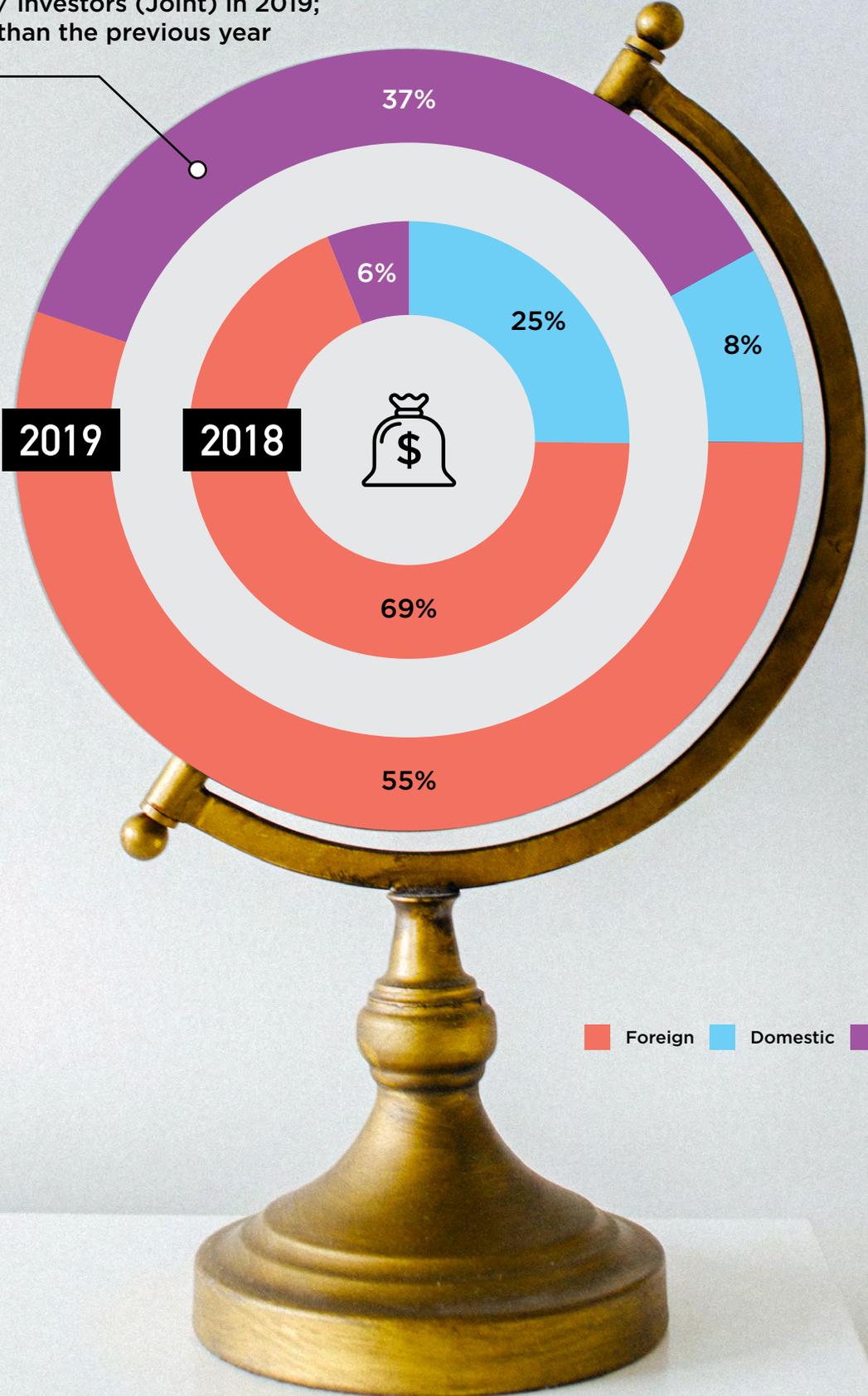


Stressed funds started considering residential assets; 2020 to see many last mile funding deals in residential



Domestic vs Foreign Funding

Foreign investors preferred to invest through platform with domestic developers / investors (Joint) in 2019; way higher than the previous year



Note: Data represents Private Equity transactions

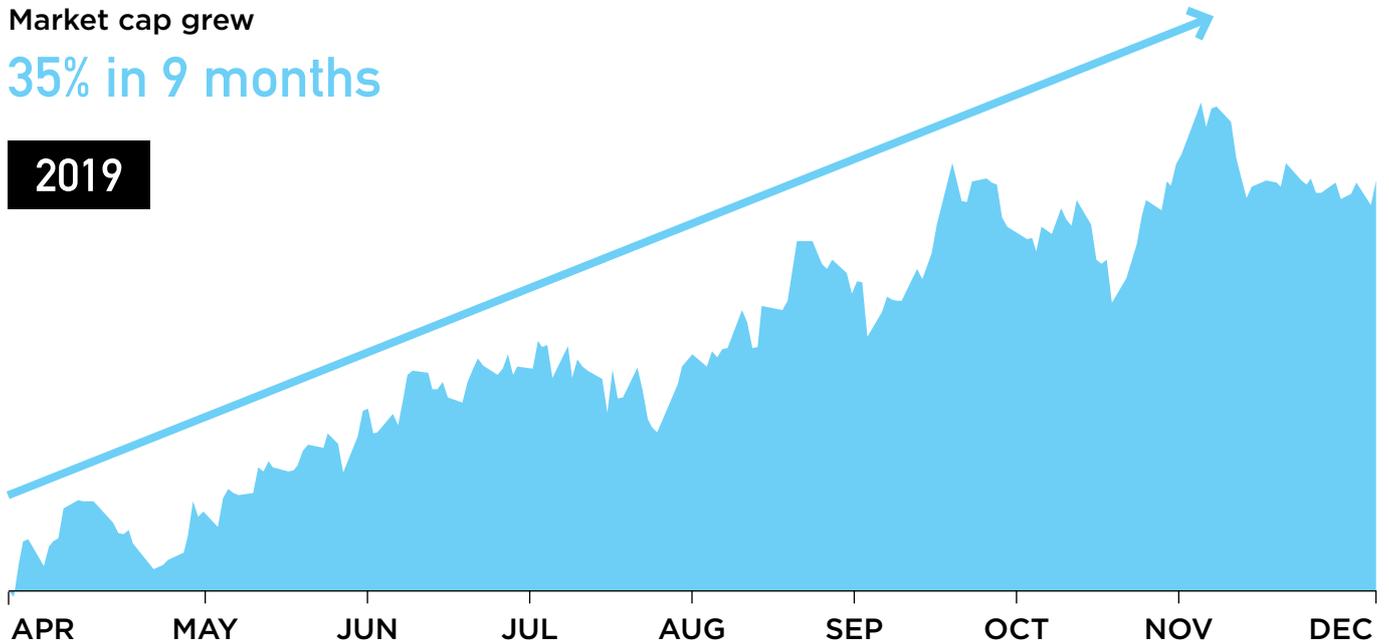
Source: ANAROCK Capital Market Research

1st ever REIT in India witnessed excellent response from the investors

Market cap grew

35% in 9 months

2019



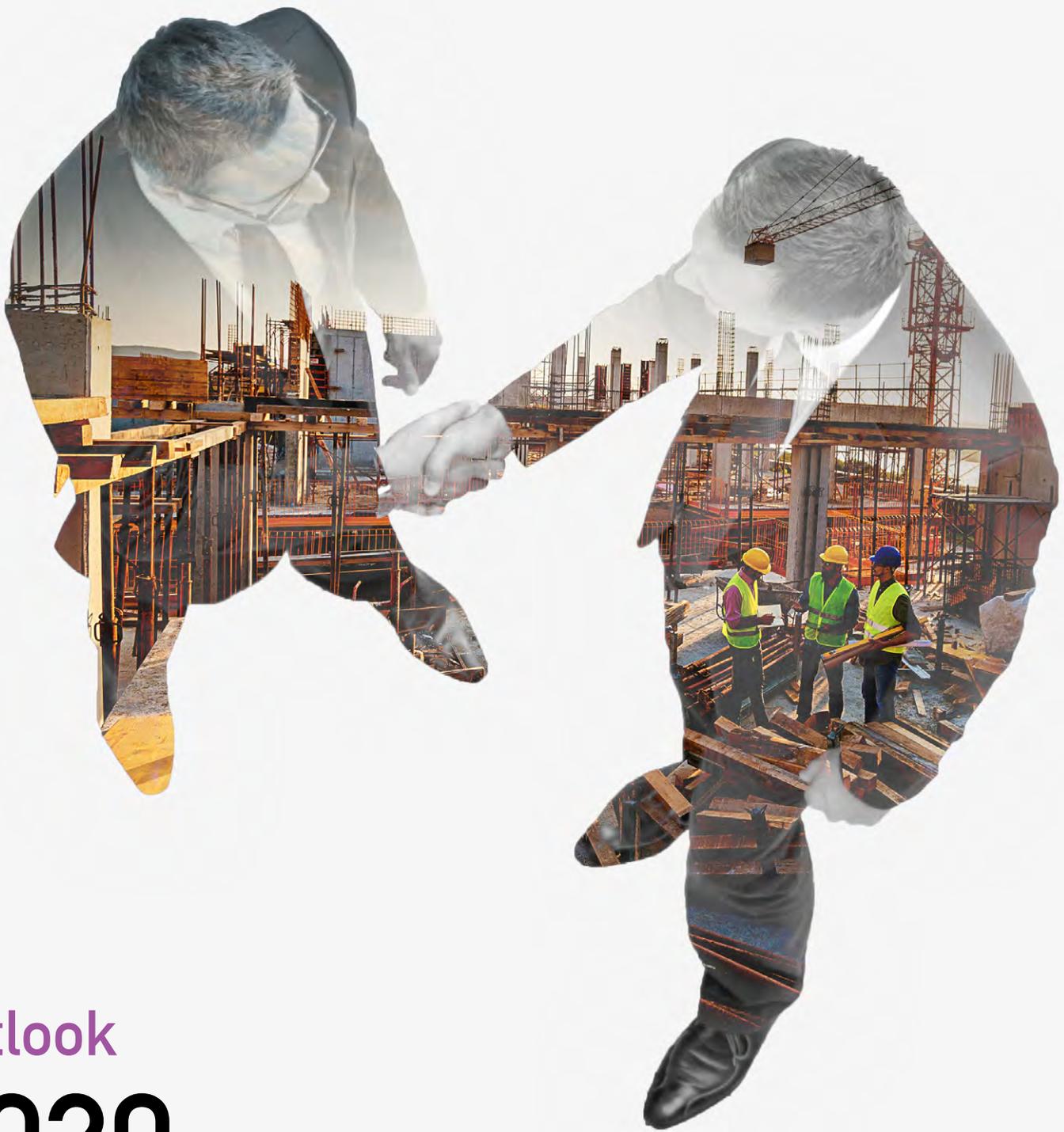
Other probable listings:



Brookfield



Over USD 25 Bn worth of REIT launches expected in next 3 years



Outlook 2020

1

Liquidity crunch may continue until H1 2020; Interest rates won't see much movement

2

Consolidation amongst developers will gain momentum

3

Developers with income generating assets and **listed residential developers** are in a better position to consolidate

4

Ready-to-move-in inventories will gain centre stage

5

Consolidation of NBFC portfolios imminent

6

Distress / Special Situation Funds will spread their wings

Our Trophy Deals

2019



SOLE ADVISOR

ANAROCK
INVESTMENT BANKING

Concluded India's largest
'single-building deal' in office space

MARQUEE DEAL

ONEBKCC

700,000 sf
Saleable Area

Blackstone

&



RADIUS[®]
A SANJAY CHHABRIA VENTURE
BUILT AROUND YOU

anarock.com



SOLE ADVISOR

ANAROCK
INVESTMENT BANKING

Concluded Sale of
2 Retail Malls
in prominent Tier-II cities

USD
100 Mn
Deal Size

Amritsar | Nagpur
Location

1.1 Mn sf
Total Leasable Area


TATA
TATA REALTY AND INFRASTRUCTURE LIMITED

&


VIRTUOUS
RETAIL

anarock.com

Our Trophy Deals

2019

Concluded a **Prime Office Park Deal** in Pune

JOINT
ADVISOR



WEIKFIELD
IT CITI INFO PARK

ANAROCK
INVESTMENT BANKING

📍 **1.1 Mn sf**
Leasable Area 💰 **₹ 900 Cr**
Deal Size



anarock.com



~16 acres
Land Area

7.6 Mn sf
FSI Potential

Mumbai
Location



ANAROCK
INVESTMENT BANKING

SOLE ADVISOR

Concluded
Joint Development Deal
to transform
Kamal Amrohi Studio
into one of India's

Largest Office Park

anarock.com

About ANAROCK

ANAROCK is India's leading independent real estate services company with a presence across India and the Middle East. The Chairman, Mr. Anuj Puri, is a highly respected industry veteran and India's most prominent real estate thought leader. The Company has diversified interests across the real estate lifecycle and deploys its proprietary technology platform to accelerate marketing and sales.

ANAROCK's services include Residential Broking and Technology, Retail, Investment Banking, Hospitality (via HVS ANAROCK), Land Services, Warehousing and Logistics, Investment Management, Research and Strategic Consulting. The Company has a unique business model, which is an amalgamation of traditional product sales supported by a modern technology platform with automated analytical and reporting tools. This offers timely solutions to its clients, while delivering financially favourable and efficient results.

ANAROCK has a team of over 1,800 certified and experienced real estate professionals who operate across all major Indian and GCC markets, and within a period of two years, has successfully completed over 300 exclusive project mandates. ANAROCK also manages over 80,000 established channel partners to ensure global business coverage.

Our assurance of consistent ethical dealing with clients and partners reflects our motto - Values Over Value.

Visit www.anarock.com

Connect with us!



Shobhit Agarwal
MD & CEO, ANAROCK Capital
shobhit.agarwal@anarock.com



Vishal Srivastava
President - Corporate Finance
vishal.srivastava@anarock.com



Kingshuk Chakraborty
President - Banking Advisory
kingshuk.chakraborty@anarock.com



Amit Pande
President - Private Wealth
amit.pande@anarock.com



Aditi Watve
President - Investment Sales &
REIT Advisory
aditi.watve@anarock.com



Pratyush Pandey
President - Warehousing, Industrial &
Logistics
pratyush.pandey@anarock.com



Mandeep Singh Lamba
President (South Asia) - HVS ANAROCK
mlamba@hvs.com



Akshay Uday
Alternatives
akshay.uday@anarock.com

HVS | ANAROCK



© 2020 ANAROCK Property Consultants Pvt Ltd.
All rights reserved.

All information in this report is provided solely for internal circulation and reference purposes. ANAROCK makes no statement, representation, warranty or guarantee as to the accuracy, reliability or timeliness of the information provided. No part of this report may be reproduced, distributed, or transmitted in any form or by any means, including photocopying, recording, or other electronic or mechanical methods.

ANAROCK
INVESTMENT BANKING