

# Private equity firms are back to investing in malls

## Relaxed FDI Policies And Global Interest Spurs Trend | Blackstone Leading Surge

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**Bengaluru:** Private equity firms have renewed their interest in retail assets in India, after shying away from it since the end of the last decade. The turnaround comes following improved leasing activity, relaxed government FDI policies, and interest among global retail brands to speed up their entry into the country.

Private equity investments in malls in the first half of the year was Rs 3,350 crore, up from a meagre Rs 250 crore during the same period last year, according to data from property consultant Cushman & Wakefield. This is the highest half-yearly private equity investment since 2008.

The increased investments, led by Blackstone's Rs 1,500 crore infusion in L&T Realty's Seawoods Grand Central mall in Mumbai, has accounted for about 18% of the total PE investment in the real estate sector in the first half of 2016, compared to only 2% in 2015. Funds, led by Blackstone and Singapore's GIC, are exploring opportunities in the retail segment as these assets can also be listed as REITs (real estate investment trusts).

"Post 2009, the learning among the Indian mall owners has been significant and the supply of malls has been controlled. The introduction of new international brands has also energized the market in the last few years," Vishal Mirchandani, chief exec-

INVESTOR	INVESTE COMPANY	CITY	AMOUNT (₹ CR)	PROJECT NAME
Blackstone	L&T Realty	Mumbai	1500	Seawoods Grand Central
GIC, Singapore	Sheth Developers	Mumbai	1000	Viviana Mall
Nambi Buildwell	DLF	Delhi	904	DLF Place

Source: Cushman & Wakefield

utive of retail and commercial at Brigade Enterprises, said. Brigade runs the Orion Mall chain in Bengaluru.

Ever since 100% FDI in single brand retail was allowed under the automatic route, several foreign retail brands have entered India and are rapidly expanding their chains. Global players such as Massimo Dutti, Longchamp, Cole Haan, and Hunkemoller are making inroads into the country, while others like Zara, H&M, GAP and Marks & Spencer are expanding operations.

Of India's roughly 650 malls, barely 10% are profitable. This was a big reason for several developers jettisoning plans for mall development and PE firms remaining reluctant in the asset class between 2009 and 2014. But now the tables have turned – a total supply of about 13 million sqft is scheduled to come up in the next two years.

"Private equity firms have capitalized on this opportunity, as many of the non-performing malls have ended up with liabilities from financial institutions. Anticipating better ROI (return on investment), there is an increasing investor in-

terest in malls," Sankey Prasad, chairman and managing director of project management company Synergy Property Development, said.

Leading the mall investment surge is Blackstone, the world's largest private equity manager. It has set up a fully owned subsidiary Nexus Malls. The entity will own and manage malls with the aim of turning around underperforming ones. Property developer Prestige is looking to sell a string of shopping malls and office spaces to raise about Rs 2,000 crore and this has drawn interest from the Canadian Pension Plan Investment Board and GIC.

"The commercial real estate asset class as a whole is attracting major attention from Grade-A PE investors as the residential sector across the country is still considerably soft. Good quality malls, even though scarce, are the best bet as there has been an upward trend in absorption levels with a healthy net operating income for Grade-A and well-managed malls," Juggy Marwaha, south India managing director (MD) of the property consultant JLL, said.