



CERTUS VIEWPOINT

**An Institutional Perspective to
Real Estate Investing**

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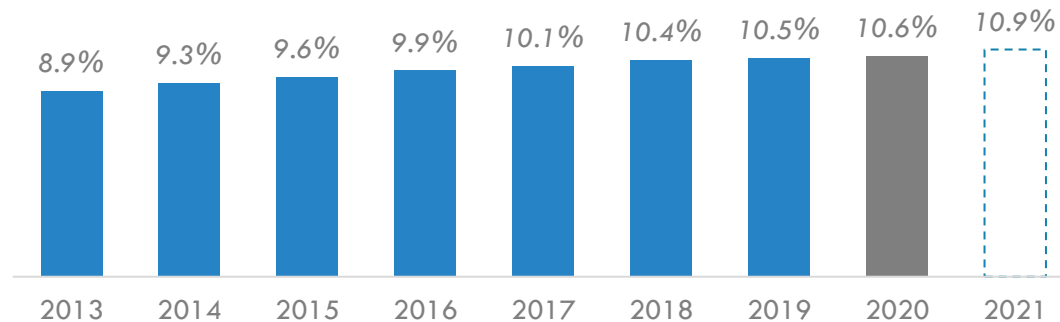
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GLOBAL REAL ESTATE ALLOCATION TREND

Target Allocations to Real Estate



How are global institutions behaving...

- **Steady increase in Real Estate allocations over the last 7 years**
- **~10 bps increase implies ~US\$100Bn increase ⁽¹⁾**
- **Forecast of ~US\$300Bn increase over the next 12 months**

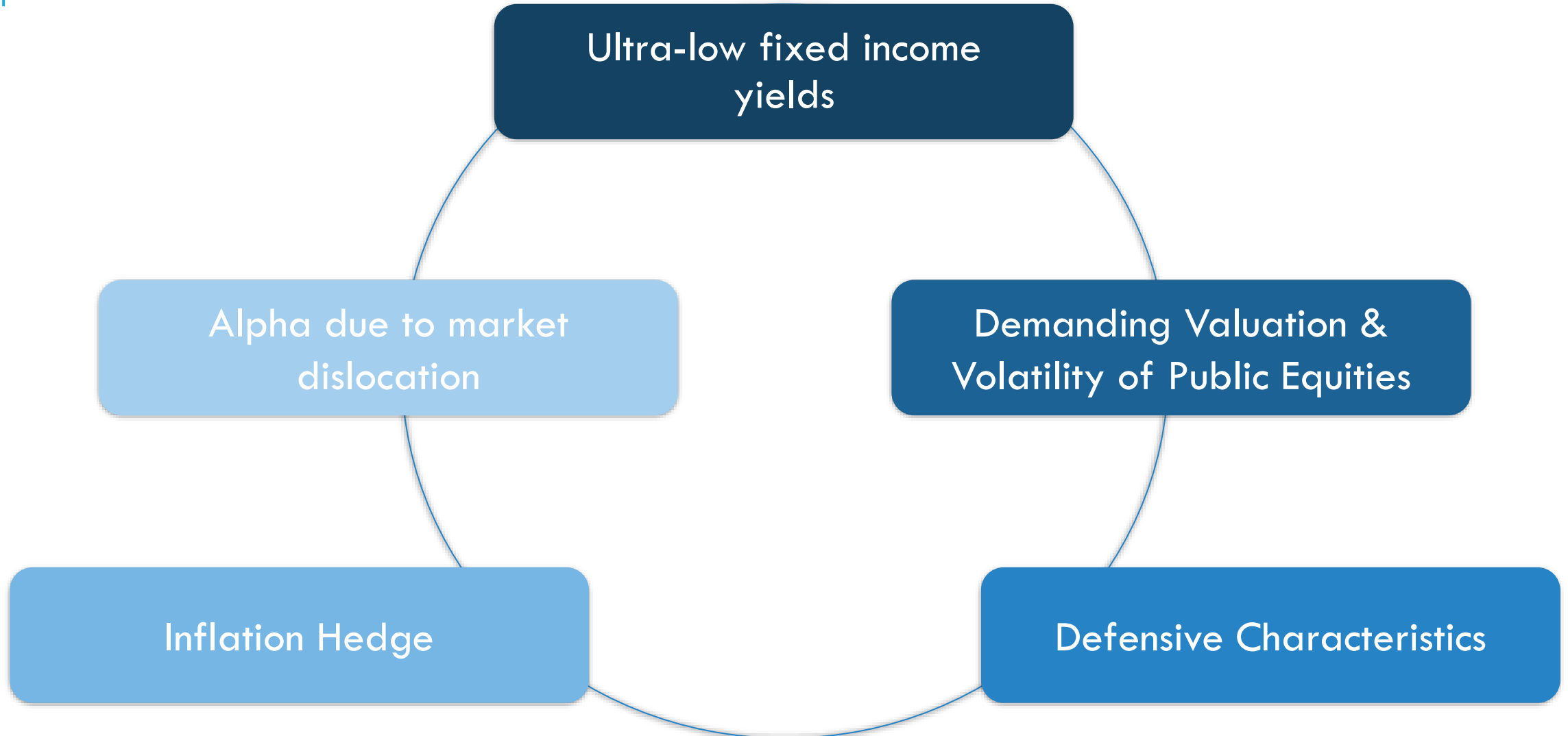
Key Trends of Global Institutional Allocation to RE

- **Target allocations to real estate continue to rise globally**
- **Real estate continues to generate favorable investment returns – (~8.5% US\$ return in 2019)**
- **~58% of institutions remain under-invested relative to target allocations**
- **Tactical allocation to real estate being increased – driven by low yields in the fixed income and all time high public equity markets**
- While cross border capital flows remain resilient, increasingly allocations are shifting towards “home country”

Source: 2020 Allocations Monitor Report (Hodes Weill & Associates)

Notes: (1) Hodes Weill estimate of ±US\$100 trillion of global AUM based on various public disclosures, research reports, and publications

DRIVERS INFLUENCING INCREASING RE ALLOCATION



THE INDIA STORY

~US\$45Bn+ of capital over the last decade

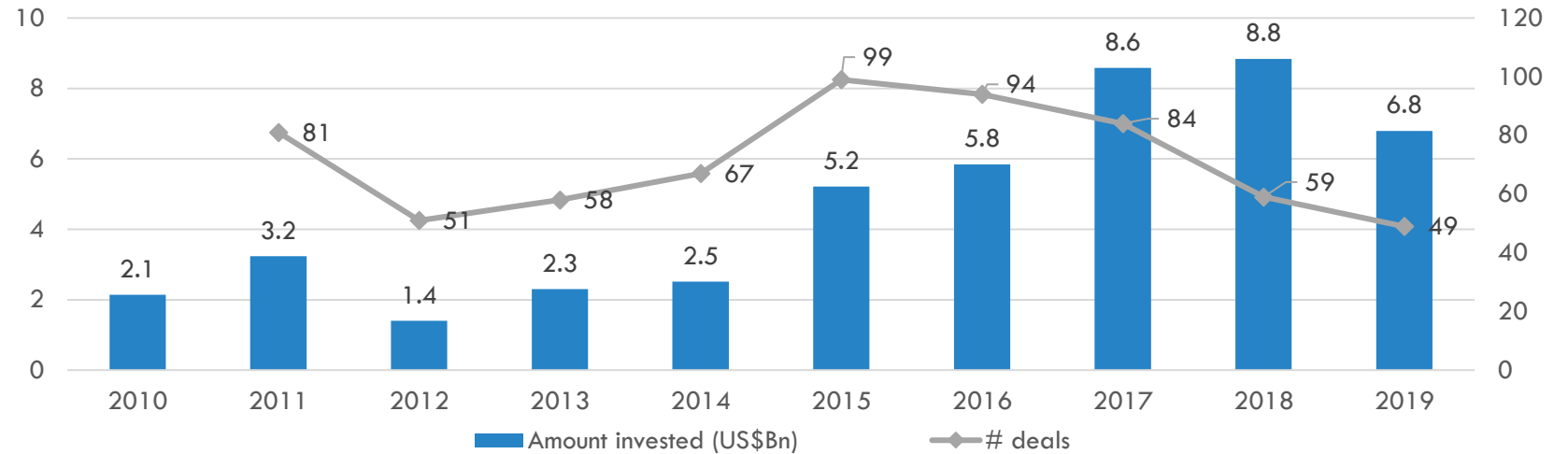
80% of this investment was made during the last 5 years

95% of this from largest global RE investors (PE funds / sovereign wealth funds)

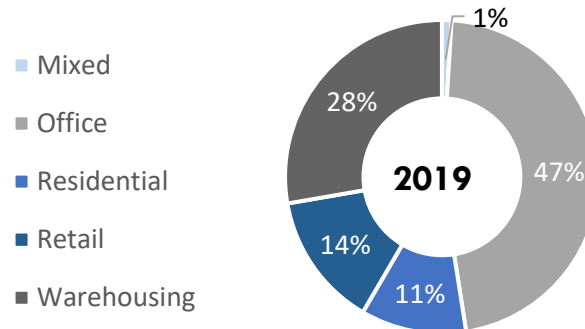
~2.5x increase in avg size of single bets in last decade:

- 2011-2015: ~US\$40MM
- 2016-2019: ~US\$100MM+

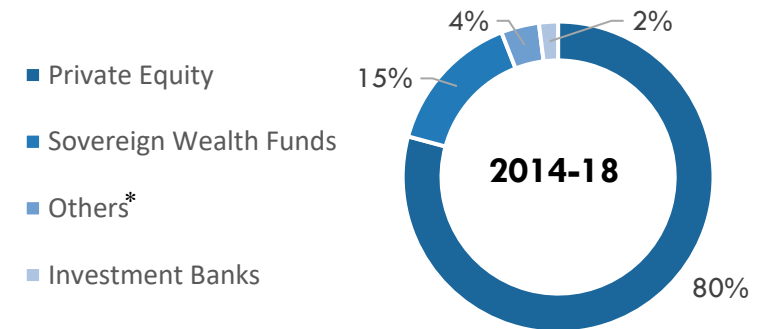
PE investments across debt and equity in Indian real estate



Share of investments by asset class



Share of investments by Institutions



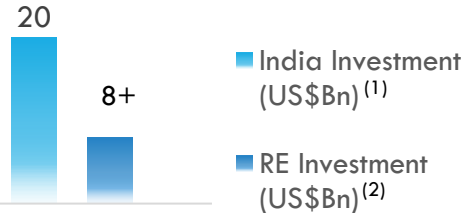
Source: Investment in Real Estate – Trends in Private Equity Investment (2020), Knight Frank Research, Institutional Flow of Funds in Indian RE: JLL 2018

Notes: Others include Family office, Pension funds, Real estate investor cum developers and Foreign Corporate Groups

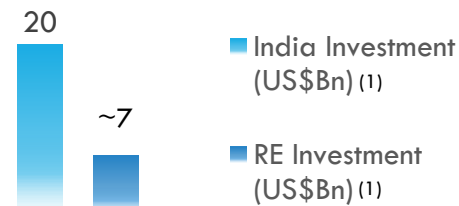
GLOBAL INVESTOR'S CONTINUED INTEREST IN INDIAN RE



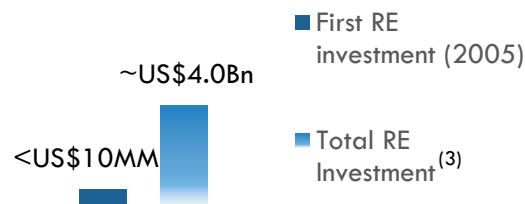
India remains among the Top 5 markets globally, constantly delivering high returns



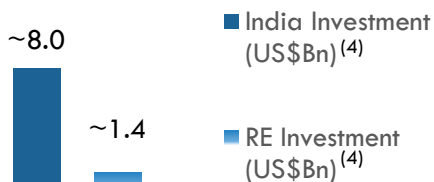
Continue to place large bets on acquiring assets



Among Top 3 investors; started with modest US\$10MM in 2005



~20% of exposure is in commercial real estate & infrastructure



“For Blackstone, **India is the “strongest performer” in the world**...India has given us the strongest results across the world. And I am optimistic this is to continue going forward...India is an unusual market and despite the problems, such as the crisis in the banking system, the country has a lot of potential.”

Chairman, CEO and Co-founder Stephen A Schwarzman (Mar'20)

The **amount of growth that we are going to see combined with the fact that we do have a short-term dislocation of capital today, make it (India) very appealing**. So this is our most attractive market in the world today, and we will continue to put in more capital,”

Anuj Ranjan, Managing Partner and Chief Executive (Mar'20)

“**GIC has been investing in India for more than a decade**, and this investment (JV with logistics major ESR – **US\$750MM**) is a testament to our confidence in the long-term potential of this market.”

Lee Kok Sun, CIO (Real Estate) (Dec'20)

“The **ongoing credit issues in the financial services industry**, which have been exacerbated by the pandemic's impact on the economy, also **present interesting investment opportunities to provide long-term, stable capital** to select financial institutions and companies to finance India's next growth cycle.”

Suyi Kim, Asia-Pacific Head (Sep'20)

Source: Industry Sources

Notes: (1) Mint Article (5 Jan 2021); (2) As of Aug 2020; (3) As of Dec 22, 2020; (4) Dec 2019

2020: VERY STRONG YEAR DESPITE COVID

- **COVID related disruptions accelerated RE investment pace**
- **2020 deals (closed/in-closing): ~INR64,000Cr/US\$8.8Bn**
- **Significant new influx towards opportunistic credit theme**



Indiabulls Housing Finance gets ₹2,200 cr lifeline from Oaktree

2 min read · Updated: 03 Jul 2020, 10:59 PM IST
Gopika Gopakumar, Jayshree P. Upadhyay

Indiabulls Housing Finance has pledged a part of its real estate loans to the global stressed assets investor

Business Standard

Apollo Global Management, Piramal Capital in talks for \$500-million loan

This will be the one of the largest debt deals in home finance/non-banking finance this year

US-based private equity (PE) fund Apollo Global Management, Inc. is in final stages of talks with Piramal Capital & Housing Finance, part of Piramal Enterprises, on a loan of \$300-500 million (Rs 2,220-3,700 crore), according to sources in the know. This will be the one of the largest debt deals in home finance/non-banking finance this year.

The deal is structured in such a way that Apollo will come in as senior lender in certain developer loans Piramal will give. By that, it (Apollo) will have the first rights on a project's cash flow. Apollo will get a choice to pick ...

BusinessLine

Real Estate

RMZ Corp completes \$2-b asset sale to Brookfield

Our Bureau | Bengaluru | Updated on December 07, 2020 | Published on December 07, 2020

SSG Capital offers INR 2,750 crore to acquire stressed RE lender Altico Capital

(Source: Livemint, Mar 12)

- SSG Capital has offered ₹2,750 crore upfront for Altico Capital, but plans to sell off its loans and close it down later
- Altico Capital defaulted on interest payment to Dubai-based Mashreqbank PSC in September, amid tight liquidity in India's credit market

THE ECONOMIC TIMES Markets

English Edition • E-Paper

Blackstone set to acquire Rs 12,745 crore of Prestige assets

ET Bureau · Last Updated: Aug 30, 2020, 07:40 AM IST

DEALS IN 2020 (CLOSED/UNDER CLOSURE)

Asset Acquisitions		
#	Investor	Approx. Deal Size (INR Cr)
1	Brookfield	14,680
2	Embassy REIT	9,780
3	Blackstone	9,160
4	GIC	5,500
5	Mindspace REIT IPO	4,500
6	Embassy REIT (Follow-on)	2,270
7	Godrej Fund	1,200
8	Varde Partners	1,055
Total		48,145

Opportunistic Credit		
#	Investor	Approx. Deal Size (INR Cr)
1	Farallon/SSG	4,000
2	Oaktree Capital	2,200
3	Apollo Global	3,500
4	SSG Capital	3,100
5	Goldman Sachs	2,000
6	Varde Partners	1,000
Total		15,800

TO SUM UP

- Institutions are **increasing allocations to Real Estate** – Expected to **increase, globally, by ~US\$300Bn in near term**; driven by:
 - Low yields across fixed income markets
 - Volatile and demanding valuation across public equities
 - Attractive inflation adjusted returns – Relatively high current yield plus potential for capital appreciation
- **~US\$145Bn+ of investments have flown into commercial real estate globally in Q3 2020 alone**
- **~US\$45Bn+ of RE private equity investments in India over the last decade; 95% of this in last five years came from largest global real estate investors**
- **COVID related disruption is increasing the attraction to invest; 2020 a very strong investment year**

Despite very strong institutional interest and backing of India RE investments, domestic capital participation is limited

WHERE DO WE SEE OPPORTUNITIES

Yielding Assets	Project Level Credit	Credit Platform
<ul style="list-style-type: none"> • Grade A, high quality yielding assets • Sector: Office, warehousing/industrial • Debt+ strategy – Combination of current yield (7-8%) and inflation linked capital appreciation • Gross Return: 12-15% 	<ul style="list-style-type: none"> • Lending to high quality, performing, late-stage projects • Sector: Largely residential • Opportunity created by dislocation across credit markets & reviving physical markets • Gross Return: 15-18%, mostly serviced current 	<ul style="list-style-type: none"> • Invest in a leveraged, lending platform to capitalize on the current dislocation in credit markets • Underlying investments similar to project level Credit opportunities • Net Return: 20-25%

- **Massive investments by global investors. However, domestic capital into managed RE remains very low**
 - Largely due to:
 - Bad experience with RE strategies targeting very high risk
 - Lack of specialized, independent managers with global experience
- **Significant scope for HNI capital to participate in RE in a better managed way**

THANK YOU

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