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The significance of property fund management in India

India is one the fastest growing major economies of the world, with Gross Domestic Product (GDP) growing at 7.3% during 2015. The real estate sector is an important growth driver for the Indian economy and is estimated to contribute 6.3% to the GDP, providing employment to 7.6 million people in 2013. This contribution to GDP is expected to double by 2025 to become approximately 13% and employment in the real estate sector is expected to increase to 17 million people.

Historically, real estate development was funded by High Net-worth Individuals (HNIs) in India for buying land and pre-construction activities. This mode of unstructured financing had been both in the form of debt and equity. Post – 2005, with the opening up of FDI in real estate development in India, private equity became an alternate source for funding for project acquisition and development. Unlike other Asian real estate markets (example: China, Singapore and Hong Kong), very limited previous research is available.

This study will critically analyse the property fund management industry in India. Looking at its evolution since 2005, this was the first time the government of India allowed FDI in Indian real estate through Press Note 2. In the last decade, fund management in Indian real estate has evolved from an initial exploration phase (2005 – 2008) to post - Global Financial Crisis (GFC) phase (2008 -2013) to the present (2013-15). These different phases were characterised by the investors (investment style, investment mandate, fund manager background, etc.), investments (quantum of investment, geographical spread, number of transactions), receivers (kind of developers, listed/ family owned), market characteristics (growth drivers, industry dynamics and its state, alternate investment options) and regulatory framework in banking and FDI in real estate and its impact on the sector. This study will use secondary data from various sources including various published industry and brokerage reports and data on private equity transactions (example: Preqin, Venture Intelligence, etc.) since the opening of this important sector.

Overall, this paper will identify the context for property fund management in India in a local, regional and global context, as well as articulating the drivers for property fund management in India going forward.

Key Words – India, real estate, investments, property fund management, FDI

