

# Indian realty funds home in on Gulf investors

ArthVeda launches \$250m fund that will take exposures in mid-income property

Dubai: An Indian asset management firm has launched a speciality realty fund offering Gulf-based investors to get exposures on Indian residential property. The Star Fund II has a corpus of \$250 million (Dh918 million) and will only look to 'mid-income' property assets to pick up.

This "is considered to be the sweet spot offering lower risks and high returns in a relatively short fund life," said Bikram Sen, CEO at ArthVeda, which is part of Dewan Housing Finance Ltd., India's second largest private mortgage finance company with managed assets of \$8 billion plus. "Investments in this segment have low cyclicity and low average investment ticket size — exactly the opposite of premium residential real estate — and that makes Star Fund II a prudent and growth-oriented investment opportunity for global investors."

The fund targets institutions, large corporate houses, sovereign wealth funds, family houses and high networth individuals (HNI) in the GCC and other foreign markets. The minimum investment size is \$500,000. It is part of ArthVeda's 'Star' series of realty funds and the first realty fund to be offered in Gulf and other overseas markets following recent amendments to India's FDI (foreign direct investment) policy in the realty sector.

The changes reduced the project size requirements for such investments to 20,000 square feet from 50,000 and the minimum investment ticket size to \$5 million from the earlier \$10 million.

The fund promoters are projecting an IRR (internal rate of return) of 18-21 per cent in dollar terms with a maximum fund tenure of 60 months. The fund will have two closures, the first one three months after the launch or upon reaching an investment milestone of \$100 million, whichever is early.

The second and final closure will be six months from the first closure or upon total commitments to the tune of \$250 million, whichever is early.

Star Fund II will make around 35 to 40 investments across 11 cities such as Mumbai, Bengaluru, Chennai, Ahmedabad, Kolkata, Coimbatore, Jaipur, etc.

While this is the first overseas fund from ArthVeda, its earlier realty funds include a metro and tier-1 city focused residential 'Dream Fund I' which closed in 2006 with a 17 per cent gross return (in rupees) to investors. The Star Fund I was launched in 2012 and also with a focus on mid-income housing. Two exits have already been achieved with IRR in excess of 31 per cent.