

## PEs on a fund raising spree for realty ventures

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Private equity funds flowing into the real estate market in India appears to be on a rebound going by number of real estate funds being launched to provide equity support for real estate projects. ArthVeda Fund Management, which launched its second realty fund ArthVeda Star in December is already looking at attaining first closure next month, reports Financial Chronicle.

"Any fund takes about 5-10 months to attain close depending on the size. But the STAR fund, which we launched in December, will attain the first closure of Rs 100-150 crore by March. The second closure would be complete by May or June by when we would have raised about Rs 200-300 crore. It indicates the confidence of investors in the real estate market in India," says Bikram Sen, CEO, ArthVeda Fund Management, to Financial Chronicle. The fund would invest in real estate projects in tier II and III towns.

Kotak Mahindra Bank's Kotak Realty Fund recently raised Rs 523 crore from domestic investors to invest primarily in residential projects. ICICI Venture Funds too is about to attain closure for its second real-estate fund, the India Advantage Fund Two, with a size of Rs 750-1,000 crore. The fund would invest in residential projects of mid-sized developers in top-tier cities like as Delhi-NCR, Mumbai, Pune, Bangalore and Chennai.

Piramal Healthcare's subsidiary Indiareit Fund Advisors has also announced its plans to raise \$500 million through an offshore fund that would invest in real estate developments in the metros.

The boom in real estate market in the Tier II and III markets over the past few years has resulted in most housing finance firms setting up new real estate fund management subsidiaries or launching new funds to invest in projects.

"There is an increasing need for equity for successful financial closure of projects. The portfolio investments of our LICHFL Urban Development Fund would be made in mid income housing projects and income yielding infrastructure assets like IT parks and warehouses," said AK Sharma, CEO, LICHFL AMC.

The income levels of middle income group is rising in across the country and that is an important factor driving the real estate growth in India, Sen says.

Private equity funding in realty projects was up at \$1.3 billion in 2011 as against \$1.1 billion during 2010, according to VCCircle.