

PE investors eyeing distressed property deals

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MUMBAI: Foreign private equity investors are eyeing the Indian real estate market to buy properties from small and mid size developers badly hit by the economic downturn.

A clutch of big investors from the EU and Middle East are expected to invest \$400-500 million in distressed land deals. These include Spain's Nova Capital; Germany's SachsenFonds, Qatar based Barwa International and Al Aqueela, UK's Matrix Partners and Aberdeen International.

"In the next six months, we will see lot of distressed real estate deals in India. Small and medium developers with turnovers in the range of Rs 50 crore-Rs 250 crore will be forced to go for distress sales to sustain themselves in the economic downturn," said YEN Management Consultants managing director, Sunil Shirole, who has been approached by such developers.

Small and medium size developers across the nation are said to be stuck with 5-6 projects on average as demand has been sluggish. They plan to sell 40 per cent of the existing projects at a discount of 25-40 per cent of the original price to fund rest of their projects.

Shirole said, "We could see 50 per cent of total real estate market coming under distressed deals. As foreign PE players have the liquidity and staying power, after buying such properties, they can wait 4-5 years or till such time the property market rebounds to sell them at higher price."

However, the outcome of general election can play spoilsport. "A stable government is a prerequisite to these foreign investors. If there are frequent changes at the Centre, they might turn their back for another five years," cautioned Arun Goel, CEO, DHFL Venture Capital India.

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