

Blackstone plans to raise Rs 4,000 crore via India's maiden REIT listing: The Economic Times

The world's largest private equity manager Blackstone Group, which is also the most prolific investor in Indian commercial properties, is finalizing plans to raise Rs 4,000 crore (about \$600 million), through a listing of Real Estate Investment Trust (REIT) on the domestic stock exchanges, people directly familiar with the matter said. This will perhaps be India's first REIT listing and a test case for global investors who have poured big bucks into the country's rent-yielding commercial assets, especially tenanted office spaces.

REITs are listed trusts holding income generating properties, earnings from which are distributed to shareholders. Market regulator Sebi came out with REIT guidelines two years ago, helping real estate developers list their rent-yielding assets, and also providing large and small stock market investors with an inflation indexed product. Blackstone, through its joint ventures with Bangalore-based Embassy Group and Pune's Panchshil, is on the road to build 50 million sqft tenanted office buildings—of which 30 million are already leased—across top Indian cities. It could target a possible listing during the first quarter next calendar, though a decision on timing would be taken only after filing for permission with Sebi.

Blackstone and its local partners have been working with investment bank Morgan Stanley and law firm Cyril Amarchand Mangaldas for nearly six months and are expected to announce their "intent" by early October, sources added. Blackstone has met with other banks and law firms to induct them into the listing process.

While the decision on listing an REIT appears certain, Blackstone and its partners are deciding on the assets that may go into the initial trust and the name of the listed vehicle, sources said. Blackstone was unlikely to list its entire portfolio initially and could look at multiple trusts over a period of time given the size of its portfolio. "The specifics are still unclear as there are several moving pieces," one of the sources cited earlier said. Embassy Office Parks is the largest unit among Blackstone's tenanted office portfolio with annualized rental income of Rs 1,150 crore. Blackstone and its partners overall portfolio collected about Rs 2,200 crore, or slightly over \$300 million, in rentals last fiscal.

They are targeting the rental income to touch \$500 million by March, 2018. Blackstone, Morgan Stanley and Cyril Amarchand Mangaldas declined to comment on the story.

Sources said Blackstone and allies could raise anywhere between \$600 million to \$750 million in REIT listing but would be cautious given the fact that it will be the first mover in the market. While tax efficiency concerns persist, the anticipated fall in interest rates and growing investor interest in the REIT market are positives triggering the listing move. Globally, a large specialized pool of capital has emerged to invest only in income generating real estate and infrastructure assets. Japanese, South Korean, Canadian and European pension fund managers and sovereign wealth funds from the Middle-East and Singapore have been big investors in these listed trusts.

Several Indian companies are already lining up for listing InvITs, or Infrastructure Investment Trusts, under the Sebi rules. Infrastructure Leasing & Financial Services (IL&FS), IRB Infra and Sterlite Power has moved ahead with plans for listing InvITs to rev up action in infrastructure even as real state biggies like DLF, K Raheja and RMZ Corp are still sometime away from REIT listing. Some of them are awaiting a possible government decision to allow domestic pension and insurance money to invest in REITs and InvITs.

Marque global investors such as Brookfield Asset Management, Goldman Sachs, Canadian Pension Plan Investment Board, GIC of Singapore and Qatar Investment Authority have built up a portfolio of rent yielding real estate assets in Asia's third largest economy. India's services led economy -- also the world's fastest growing -- has thrown up an opportunity to own office space generating rentals from MNC tenants that ride on country's R&D and software exports. Blackstone's office space assets are spread across Bengaluru, Hyderabad, Pune, Mumbai and National Capital Region.