

## REAL ESTATE

# MPC Synergy plans \$1 billion investment

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**M**PC Synergy Real Estate AG plans to invest about \$1 billion (Rs4,000 crore) in the Indian real estate market over the next 18 months, reflecting the continued interest of overseas investors in India.

The company, a joint venture between Germany's MPC Capital AG and Switzerland-based Synergy Asset Management SA (both companies are in the asset management business), expects a return of around 15% from its India investments, compared with the 5-6% return it typically earns in mature markets.

"We are investing in the Indian real estate market because we see incredible demand here," said Alex Schroeder, chief executive officer, MPC Capital. "There might be a lull now. But the market is huge, considering that the housing shortfall is 28 million units," he added.

MPC Synergy will raise money from retail investors in Europe and launch closed-ended funds, one for each project or family of projects in which it is investing. It recently launched its first real estate fund, with a corpus of \$200 million, to invest in three residential projects being developed by Delhi-based Akme Projects Ltd.

Akme is promoted by Anil Nanda, the former vice-chairman of Escorts Ltd. Nanda said MPC Synergy's investment would cover the capital costs of the three projects.

MPC Synergy is also looking at investing in malls, hotels, hospitals and schools. It plans to invest \$400 million in malls, and is in discussions with two developers to invest in their mall projects, according to Jay Oberai, managing director, Synergy Asset Management.

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He declined to name the developers. "We are also looking at buying one or two malls, which are generating good revenues," Oberai added. MPC Synergy has a similar \$400 million investment planned for hotels in new projects across categories (three-, four- and five-star) in Mumbai, Goa, Bangalore, Agra, Udaipur and Jaipur. "We are in talks with two hotel players, out of which one is an international hotel chain," said Oberai.

It will take time for MPC Synergy to fully invest the \$1 billion in India, said Nitin Gupta, an analyst with audit firm PricewaterhouseCoopers. "These investments typically take three-four years as real estate projects take a long time to complete," he added.

Anshuman Magazine, MD of real estate advisory CB Richard Ellis, said some companies exaggerate the amount of capital they are investing in India. CB Richard Ellis estimates that real estate funds have invested and are looking to invest around \$10 billion in India.

Magazine said these investments would have an impact on real estate prices in the country. "Because of these funds, real estate supply will increase as developers get the money to expand. As supply increase, prices could stabilize or even come down in micro-markets," he added.