

# Bulk buying of inventory gaining currency in tepid realty market

Fund houses bail out developers by buying at 20-25% discount

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A clutch of real estate dedicated funds are looking at bulk buying of inventory from developers and holding it for two-three years. Market watchers and analysts say that the trend reflects another variant of structured debts and gives an opportunity to cash-starved developers to attract fund to ongoing projects.

Typically, under such arrangement, the funding companies provide money to projects in near-completion stages and buy apartments at a discount of 20-25 per cent. They typically hold the asset for a period of two years.

## Prime players

Players like Piramal Fund Management, Nisus Finance, Centrum-owned IPAL and JLL's investment arm Segregated

Funds, ICICI Prudential's real estate arm, and Edelweiss are among those who have been undertaking such activities.

Real estate focussed fund Nisus Finance Services Co says the company is able to secure good deals. "We look at bulk buying of inventory at deep discount. We invest in projects which are nearing completions and hold on to the investment for about 2-3 years," Amit Goenka, CEO, Nisus Finance Services said.

Piramal Fund Management has already been doing such deals. It has made several such investments in Mumbai and Chennai among others and has even raised funds to the tune of of ₹500 crore for such projects.

Segregated Funds Group, the investment arm of the consultancy firm Jones Lang LaSalle India too has been investing heavily in bulk buying of inventory. The fund said it has ₹600 crore of asset under management.

"The market is soft and by investing in bulk inventory, we see



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good risk adjusted return. Additionally, the construction risk is mitigated," Mridul Upreti, CEO, JLL Segregated Fund Group, said. The company has invested in projects in NCR, Bengaluru and Pune among others.

Interestingly, the trend of bulk buying or REO assets has gained prominence after the housing sector went topsy-turvy following the sub-prime crisis in the

US. However, Ajay Jain, ED, Investment Banking & Head, Real Estate Group, Centrum, said such deals, even though attractive, comes with its set of problems.

## Not risk-free

"In a tepid market, the onus of selling apartment to buyers becomes the worry of the fund houses. We see lot of people who had undertaken bulk buying

have gone back to structured debt," Jain said. Centrum backed IPAL also works on the bulk buying inventory model.

Typically, real estate funds favour debt lending. Having equity is considered riskier than debt funding. Market watchers also note that project delays and lack of price appreciation may eat into the returns of fund houses.