

► Ramesh Jogani, CEO & MD, Indiareit Fund Advisors Pvt Ltd

## 'Be cautious in terms of cities and specific demand profiles'

Which are the sectors where you can see the reach and potential of the real estate sector, apart from hospitality, retail and health industry?

Indiareit, as a fund, has so far stayed away from all three sectors highlighted by you - hospitality, retail & health industry. We are more bullish on the potential of the residential sector; not only does it directly benefit from the economic growth, it is also easier to liquidate. There is a reported shortfall of around 19.4 million household units, which is the expected demand by 2010.

The second other attractive domain is commercial/office space - which is again witnessing huge demand-supply shortfall. It is expected that in next five years, only the IT/ITeS sector needs around 150 million square feet of commercial place. However, at the same time, one need to be cautious in terms of cities and specific demand profiles, one is looking at catering to.

Also, success of malls at Gurgaon



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should not be seen as representative of retail success in cities like Nagpur and Nashik, and similarly the commercial rates in Mumbai are in no way similar to way the markets will behave even in cities like Bangalore or Chennai. Hence, one cannot frame a 'general' opinion on real estate domains - as each city/sector will have its own peculiarities to deal with.

**What are expenses involved in your fund? And what kind of returns can one expect?**

There are several kinds of expenses involved in operating a real estate fund. Some of the broad categories include:

- Distribution fees
- Legal & commercial diligence expenses
- Advisory fees
- Organisational expenses including staffing, travel, etc.

However, at Indiareit, we conservatively look at a returns expectation of around 20-22% per annum.