

Savills fund mgt arm sets up S'pore office

Outfit will focus on marketing US\$200m Indian property fund

By **CONRAD TAN**

CORDEA Savills, the fund management arm of UK property group Savills, has set up an office here to attract investors from all over the Asia-Pacific.

The office will initially focus on marketing the firm's first Asian property fund – a US\$200 million Indian real estate fund – to institutional investors in the region.

Michael Flynn, a former investment banker, will head the Singapore office as managing director of institutional business in Asia.

The two-man office, based at One Raffles Quay, will grow to 10 people in a year, he said. "We intend Singapore to be our long-term base within the region."

Cordea Savills, which caters solely to institutional investors, had US\$6.8 billion of assets under management at the end of last year, including money from pension funds, family trusts and charities.

Most of the property fund manager's investments are in European real estate. In November last year, the firm launched a joint venture with India's family-owned Nichani business group. The JV's first product, the US\$200 million Cordea Nichani Indian Opportunities No 1 fund, is aiming for a return of 25 per cent a year after costs, by investing in land in India.

Its main investment

themes are residential development, special economic zones (SEZs) created by the Indian government, hotel and leisure development and serviced land.

The fund's first asset is a 10.10ha site 3km from the new international airport at Bangalore, which opened last month. The land was bought at a steep discount to market value, said Mr Flynn.

"Frankly, we've been helped by the credit crunch, because banks in India are a lot less likely now to lend money to developers to buy land," he said.

He believes that there is potential for high returns on investment in Indian real estate, given the rapid growth of the country's emerging economy, which is fuelling demand for urban housing and hotels – demand that is unlikely to be satisfied any time soon.

"India has fewer hotels than Manhattan," he said. "The market can take a lot of supply" before the investment returns on hotel development become unattractive, he reckons.

The fund is also looking at investment opportunities in India's SEZs, many of which house research and development, IT support and other back-office functions of large multinational firms headquartered in the US and Europe, including computer maker Dell and mobile phone manufacturer Nokia.

"We think the IT boom in India will continue. Even in times of recession, when Western economies slow down, firms seek to save money by outsourcing to India," said Mr Flynn.