

News monitored for: Lemon Tree Hotels

Warburg in ₹3,000-cr JV with Lemon Tree to offer co-living spaces

Both partners to initially invest ₹1,500 crore equity in joint venture

Bidya Sapam
bidya.s@livemint.com
MUMBAI

Hospitality chain Lemon Tree Hotels Ltd on Thursday said it has entered into a joint venture with global private equity firm Warburg Pincus Llc to form a platform that would jointly invest about ₹3,000 crore to develop student housing and other co-living space in India.

Warburg Pincus formed the partnership through its affiliate Magnolia Grove Investment Ltd, Lemon Tree said in a filing to the BSE. This would also mark the entry of Lemon Tree into the rental housing business.

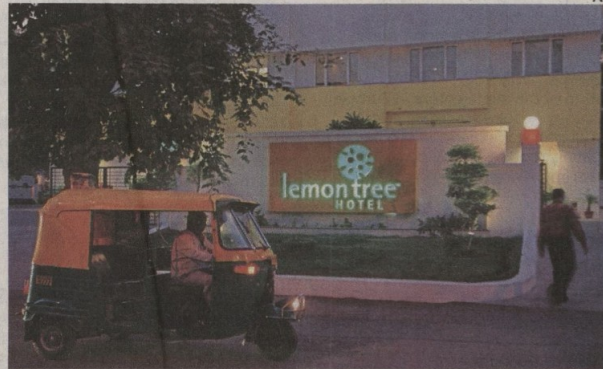
The JV company called Hamstede Living Pvt. Ltd will build, acquire, develop, operate and offer on short and long-term leases real estate projects, with primary focus on student housing, co-living for working professionals and multi-family users, the New Delhi-based hotel company said.

Lemon Tree and Warburg Pincus follow budget hospitality firm OYO Rooms which in October entered the rental housing business by setting up OYO Living. OYO had announced that it would start with 35 properties comprising more than 2,000 beds in Noida, Gurugram, Bengaluru and Pune.

Lemon Tree will hold a 30% stake in Hamstede Living, while Magnolia Grove will own 68%. The rest 2% will be held by Patanjali Keswani, managing director of Lemon Tree.

"In India, co-living is the largest unexplored real estate asset class. In markets like China and US, co-living has already been recognised as the largest asset class. Co-living targets people below the age of 35 years in markets where the cost of buying or renting space is a significant portion of your salary," said Keswani over the phone.

The two partners would initially



Hamstede to build, buy, operate realty projects

The JV called Hamstede Living will build, buy, develop, operate and offer on short and long-term leases real estate projects

Lemon Tree will hold a 30% stake in Hamstede, while Magnolia will own 68%. The rest 2% will be held by Lemon Tree MD Patanjali Keswani

Private equity firm Warburg Pincus formed the partnership through its affiliate Magnolia Grove Investment Ltd

The two partners would initially invest ₹1,500 cr in equity into the JV. A similar amount is planned for investment at a later stage

invest ₹1,500 crore in equity into the joint venture. A similar amount is planned for investment at a later stage.

"We will keep infusing equity over a period of time as and when opportunity arise up to a limit of ₹1,500 crore. Then at a mutual agreement assuming this is successful, we have the option to upsize to another ₹1,500 crore," Keswani said.

Through the platform, the JV firm would develop rental housing projects through various routes. It could either be "greenfield projects, refurbishment of existing under-managed and stressed commercial and residential assets taken on lease or acquisition basis as well as management of existing for-rent accommodation projects."

In the long term, the company would look at shifting the business model to an asset light one where it would largely manage the co-living

assets.

"Ultimately when we are able to build a large enough brand in the segment, there will be developers who come to us with built to suit projects to manage those assets. So, the long-term vision is to manage," Keswani said adding the company plans to start the business in one of the three metros.

"India has a large addressable rental population across students and young professionals which is expected to grow significantly as a result of rapid urbanization, increasingly unaffordable housing prices/rentals and shortage of on-campus housing infrastructure. Moreover, this millennial population desires modern housing facilities with a sense of community living, which is missing in existing accommodation offerings," said Anish Saraf, managing director, Warburg Pincus in a statement.