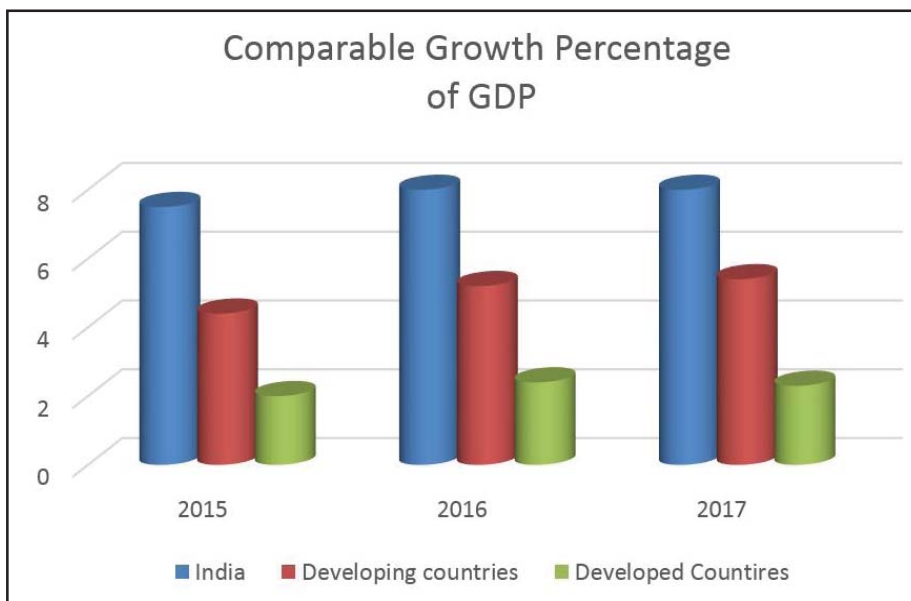


# Indian Realty

The Next Big Leap



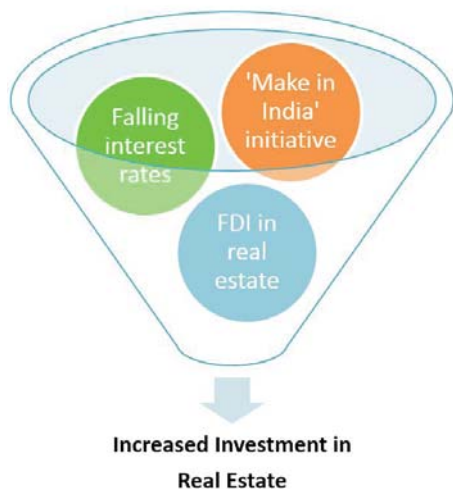
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Since the new Indian government was elected by a clear majority in April 2014, there has been a positive energy across all industry sectors. The new BJP government headed by Prime Minister Narendra Modi has introduced various initiatives and incentives to create a pro-business and manufacturing environment.

The government plans to develop 100 smart cities across India and has undertaken a key initiative called “Digital India.” With an investment of \$15.6 billion, they propose to transform the country into a digitally empowered knowledge economy.

Demographically India adds 10 million people to its urban population every year,



## Mumbai

- 2016+ positive outlook
- Lowered rental
- Low new supply

## Bengaluru

- 2016 + positive outlook
- High demand
- Low supply

## New Delhi - NCR

- 2016 + positive outlook
- Rentals stable
- Moderate supply

with 32 percent of its population living in urban areas. Due to this, there is a lot of focus on infrastructure development.

Recently the World Bank has revised its estimation of GDP growth of India. With the optimistic outlook of the GDP growth rate of India, the real estate sector development as well as consumption will see a vigorous augmentation. At an estimated GDP growth of 7.5 percent in 2015, the GDP growth rate of India will exceed that of China after many decades. What's more it is estimated to grow rapidly in the following years.

### KEY INFRASTRUCTURE INITIATIVES:

- \$1 Trillion investments for infrastructure sector projected in their five year plan (2012-17), of which, \$650 billion investments are in urban infrastructure.

• One hundred percent FDI through the automatic route is permitted in townships, housing, built-up infrastructure, and construction-development projects.

• The government of India is developing the New Delhi-Mumbai Industrial Corridor (DMIC) as a global manufacturing and investment destination, utilizing the 1,483 km-long high-capacity western Dedicated Railway Freight Corridor (DFC) as the backbone. Smart cities including the GIFT city, which is an international financial center is located along this corridor.

• Chennai-Bengaluru Industrial Corridor will have three new Industrial Nodes [Ponneri (TN), Krishnapatnam (AP), Tumkur (Karnataka)].

• Simultaneously progress is being made on the Mumbai Economic Corridor (BMEC); Amritsar – Kolkata Industrial Development Corridor (AKIC) and (CBIC), East Coast Economic Corridor (ECEC) with Chennai - Vizag Industrial Corridor as the first phase of the project (CVIC).

• Eighty-seven new port projects have been sanctioned in the last four years, with an investment of \$7 billion. Twenty-eight PPP terminals are in operation in major ports and another 45 are under construction.

The game changing initiatives by the government that are giving the push factor to the growth in the real estate sector are increased industrial output with the “Make in India” initiative of the government, decreased interest rates by the Reserve Bank of India (RBI), and

### RECENT MAJOR TRANSACTIONS – MUMBAI

CLIENT	BUILDING NAME	LOCATION	AREA - SF
ACCENTURE	GIGAPLEX	NAVI MUMBAI	320,000
CAPGEMINI	GIGAPLEX	NAVI MUMBAI	100,000
TRAFIGURA	ONE INDIABULLS	LOWER PAREL	100,000
DEUTCHE BANK	NIRLON KNOWLEDGE PARK	GOREGAON	90,000
WILLIS INSURANCE INDIA	LODHA I THINK	THANE	130,000
DHL INDIA	SILVER UTOPIA	ANDHERI EAST	100,000
PFIZER INDIA	THE CAPITAL	BANDRA KURLA COMPLEX	90,000

the impact of relaxation in regulations pertaining to FDI in real estate.

The government has also initiated policy changes that will give a jumpstart to the slow moving real estate sector. Some of the important policies implemented are: The Real Estate Regulatory Act (RERA), REITs, the Land Acquisition, and Rehabilitation and Resettlement (LARR) Act. These bills will ensure more professionalism, better transparency, and ease of doing business in the real estate sector.

## MARKET OVERVIEW

Commercial activity has traditionally been concentrated in the key metropolitan cities of Mumbai, New Delhi (NCR), and Bengaluru. Though many other cities have become regional commercial hubs, major focus of office and retail spaces remain in these three key cities.

## MUMBAI

Being the commercial and financial capital of India, the commercial office space absorption has been dominated by Banking and Financial Services and Insurance (BFSI) in Mumbai at almost 40 percent. Unlike 2014, the demand outlook for 2015 and beyond looks very positive. Although the supply in Mumbai is high at the moment with current vacancy levels at approximately 20 percent, this is likely to change significantly in the next 12 to 18 months.

Mumbai's office market size stands at approximately 120 million sq. ft. (all classes) and Class A office market stands at around 70 million sq.ft. The office rents range from \$9 (distant suburbs) to \$60 (Prime) per sq.ft. per year

## INFRASTRUCTURE DRIVERS

- The Maharashtra state government has launched the “Mumbai Next: MMR Transformation” to transform Mumbai into a financial, commercial, and entertainment hub.

- The Mumbai metro Phase II and III and mono rail are much awaited support structures to ease the overburdened suburban railway.

- A new proposed costal road will run along the entire western Mumbai coastline and to reduce commute time.

- The Vadodra-Mumbai Expressway, a 473 km expressway, is underway.

- The state also plans to create a logistic park in Bhiwandi, a suburb of Mumbai.

- Mumbai's new proposed 2nd state of the art international airport had been stuck due to environmental red tape. It might soon see the light of day and will be an important decongestant to Mumbai's air and cargo traffic.

## BANGALURU

With the U.S. economy revival, Indian IT companies are getting the impetus to invest in infrastructure. The city is likely to witness increased demand of commercial real estate from corporates for captive/built-to-suit campuses. Many IT and ITES companies have invested in large campuses for their future expansion plans. These account for nearly 60 to 70 percent of the commercial property transactions in the city. Bengaluru accounted for nearly 48 percent of the Indian commercial property offtake in 2014.

Bengalurus's office market size stands at approximately 114 million sq. ft. The office rents range from \$6 (distant suburbs) to \$25(Prime) per sq. ft. per year.

## BENGALURU – INFRASTRUCTURE DRIVERS

- Bengaluru's infrastructure has not managed to catch up with the city's increasing population and the city has been witnessing massive traffic problems. The much-awaited Namma Metro or Bangalore Metro will be commissioned for public use by

## RECENT MAJOR TRANSACTIONS – BENGALURU

CLIENT	BUILDING NAME	LOCATION	AREA - SF
FLIPKART	EMBASSY TECH VILLAGE	OUTER RING ROAD	3500000
KPMG	RMZ ECO WORLD	OUTER RING ROAD	800000
WIPRO	DIVYASREE TECHNOPARK	WHITEFIELD	50000
MERCEDES BENZ	EMBASSY GROUP	WHITEFIELD	266021
ACCENTURE	DIVYASREE TECHNOPARK	WHITEFIELD	150000
VOLVO INDIA PVT LTD	RMZ ECO WORLD	OUTER RING ROAD	800000
ANZ	RMZ ECO WORLD	OUTER RING ROAD	395000





- The Eastern Peripheral Expressway – a 135 km-long, 6 lane expressway with a total project cost of \$750 million proposed to decongest New Delhi is under construction.

- The New Delhi Meerut Expressway, which will connect the satellite city to the capital.

- DMRC’s Delhi metro Phase 3 is much awaited as development is built along the metro route.

- The Rapid Rail Transit System will ease the travel situation in New Delhi/NCR. This is a proposed integrated multi-modal transportation system connecting New Delhi to its satellite towns.

- The New Delhi-Jaipur expressway will ease the travel conditions between the two cities as it is also a part of major trade route.

The Indian real estate sector is entering an era of transparency and professionalism. The new laws have given a strong voice to the consumer. Like any industry, these changes will help the industry grow steadily. With a projected sharp GDP growth and the positive industry friendly policies of the government, the Indian real estate sector is at the cusp of taking a leap into the future. ■

December 2015. The two lines running North-south and East-west will help decongest the roads.

- Road widening projects in East Bangalore will help ease the traffic.

- Development of Peripheral Ring Road with a budget of \$1.4 billion and near completion of the Bangalore–Mysore Infrastructure Corridor (NICE Road).

- The upcoming Bangalore-Mumbai Industrial Corridor with five National Investment and Manufacturing Zones near Tumkur.

- Expansion of Kempegowda International Airport will include a new terminal and a second runway.

### NEW DELHI (NCR)

The New Delhi commercial real estate market has been stagnant for a year, but has picked up pace recently. Due to the projected market demand, the 2016 outlook is quite positive. Most companies in the National Capital Region (NCR) region have been moving further out to save on cost. Due to this, the NCR region has been expanding in all directions. The New Delhi and NCR market can be broadly divided into three major commercial regions, mainly - New Delhi, Gurgaon, and Noida.

### INFRASTRUCTURE DRIVERS

- New Delhi - Mumbai Industrial Corridor is by far the biggest infrastructure project in India with the New Delhi/NCR at one end of the project.

## RECENT MAJOR TRANSACTIONS – NEW DELHI

CLIENT	BUILDING NAME	LOCATION	AREA - SF
SNAPDEAL	ASF TOWER AND ASF CENTER	GURGAON	500000
GODFREY PHILIPS	OMAXE SQUARE	JASOLA	77500
NAGORRO SOFTWARE	SECTOR18	GURGAON	280000
HARRIS BROADCASTING	CORRANTHUM	NOIDA	80000
SAMSUNG	OKAYA BUILDING	SECTOR 62, NOIDA	150000
NEC HCL	LOGIX TECHNO PARK	SECTOR 127, NOIDA	120000
VFS GLOBAL	BHARTI WORLD MARK	AERO CITY	70000