

POTENTIALS

- The Indian Construction industry is riding a growth wave & is ranked 12th in the world.
- Real Estate and Construction is a \$12 billion (by revenue) industry in India. And it is continuously growing at the rate of 30% for the last few years.
- The real estate development in India focuses on two primary areas : Retail and Residential.. Almost 80 % of real estate developed in India, is residential space and the rest comprise office, shopping malls, hotels and hospitals.
- Lot of foreign players are attracted to invest in real estate market in India. Examples are
 - Morgan Stanley Real Estate has invested \$68 million in mantri Developers private limited, a private Bangalore based Real Estate Developer.
 - Vancouver-based Royal Indian Raj International Corporation (RIRIC) will invest \$2.9billion in a single real estate project named Royal Garden city in Bangalore over a period of ten years and the retail value of project is estimated at \$8.9 billion.
- Returns in India range between 12-15% compared to 3-4% in the advanced countries

Potential Cities

Category	Cities	Characteristics
Tier I	Bangalore, Mumbai & NCR	Well established Real estate market
Tier II	Hyderabad, Pune, Chennai & Kolkata	Growing real estate markets Experiencing heightened demand & Investments
Tier III	Chandigarh, Ludhiana, Lucknow, Guwahati, Bhubaneswar, Jaipur, Ahmedabad, Surat, Nagpur, Indore, Goa, Mysore, Coimbatore, Kochi, Vijaywada, Mangalore, Trivandrum, and Baroda	Real estate markets yet to establish Perceived to have substantial potential demand

PLAYERS – NAME

Real Estate Developers

- **Construction Companies**
- **Corporate Houses**
- **Property consultants**
- **Real Estate brokers**
- **Architects/contractors/consultants**
- **Vendors & Suppliers**

Top Players in the Real Estate & Construction Industry

- **Hiranandani**
- **Unitech**
- **DLF**
- **Ansal**
- **L & T**
- **Gammon India**
- **DLF Universal**
- **HCC**
- **NCCL**
- **IVRCL**
- **Shapoorji Pallonji**
- **Jaiprakash**
- **Shobha Developers**
- **Valecha**
- **Tata Projects**
- **Simplex**
- **Punj Llyod**

POTENTIAL OPPORTUNITIES

- Residential Complexes
- Office/ Industrial Complexes
- Commercial Space for Organized Retailing.
- Hotels and Hospitality Sector
- Special Economic Zones
- Venture Funds

Potential: Residential Complexes

There is significant demand in residential segment

- **The residential market is growing because of rapid increase in salary of young professionals.**
- **Easy access and availability of finance has further fuelled the market.**
- **By 2030, India will need 10 million new housing units per year. The government is targeting 700,000 units to be built in urban areas each year**
- **We expect residential prices to be appreciate by 25% in class II cities and 30%-35% in class III cities over the next 2 years**

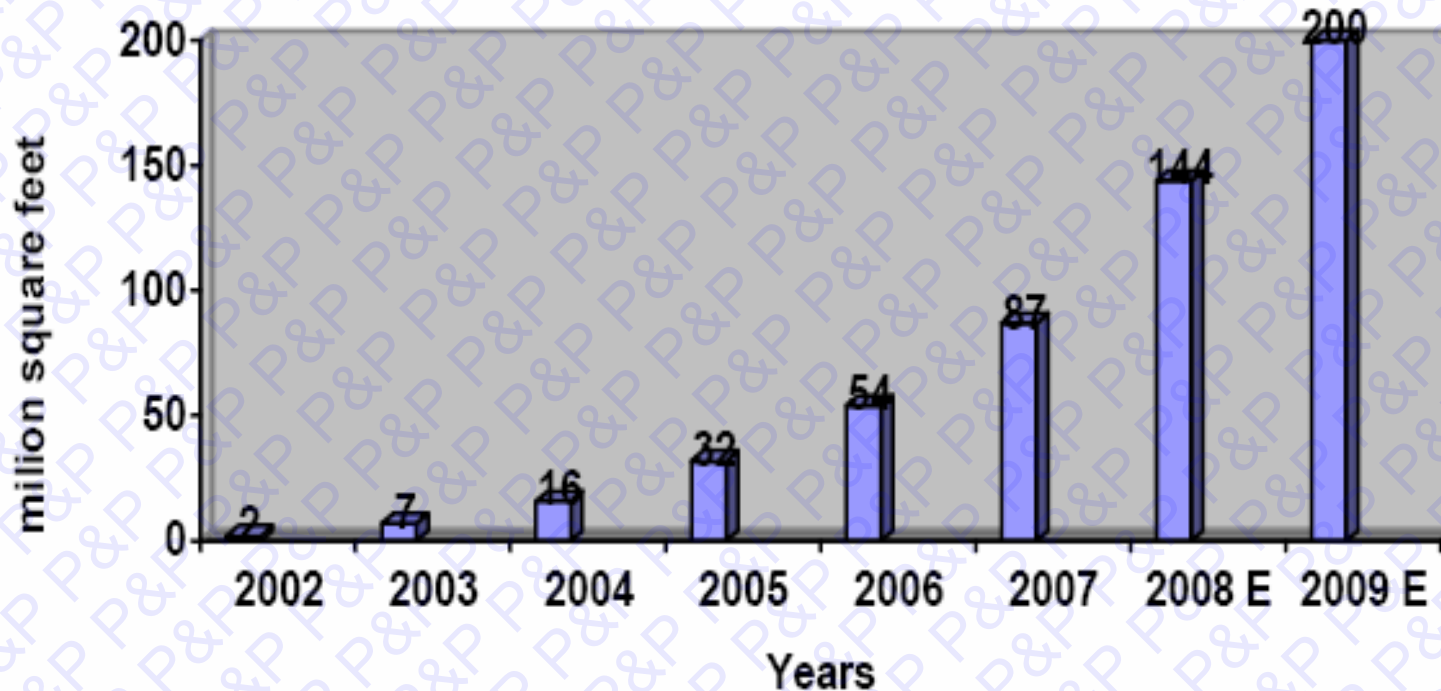
Potential: Office & Industrial complexes

- There is continuous growth in the demand of commercial space due to rapid expansion of IT / ITES sector which is growing at more than 30% a year.
- IT/ITES sector accounts for 75-80% of total office space demand in India.
- IT and ITES industry has currently employed 1.3 million and it is expanding by over 2,00,000 jobs per year (which means additional office space requirement of more than 20 million sq ft per year.)
- However, development focus is expected to shift to suburban areas, Tier II and Tier III cities, as Tier I cities has become more expensive due to lack of space.
- Also, the BPO industry is growing at a very fast pace. It is expected to touch \$17 billion in 2008 and the office space requirement will be 367 million sq ft by 2010.

Potential: Retail

- The Indian retail market is USD 240 billion and is growing at 6-7% annually. It is expected to reach USD 306 billion by 2010.
- The size of organized retail market is USD 10.5 billion or 4.4% of total retail market.
- New domestic & international entrants will drive the growth in the market.
- India has huge potential for retail expansion due to favorable demographics, increasing urbanization, rising disposable incomes, low interest rates, brand competition and youth culture.
- And this can be seen by players entering in this segment which includes Reliance, Bharti, Birla, etc.
- 65 million square feet of space will be required for retail expansion. Reliance has plans to open 1000 hypermarkets and 1500 super markets in phased manner.
- Joint venture of Bharti and Wal-Mart is also expected to boost the realty market.
- Organized retailing will focus on smaller cities (of over 1 million population), which are still largely unexploited. 700 new malls are coming all over India out of which 40% is concentrated in smaller cities.

India's Mall space to rise fourfold in three years



Potential: SEZ

- **SEZ is the new destination for real estate investors. Currently 150 SEZs are approved out of which 85 SEZs are in the IT/ITES area and 10-15 SEZs in the electronics area.**
- **130 SEZs are developed by real estate developers which constitute of about 50% of the total SEZ area.**
- **However, the manufacturing and engineering sector has mere 17 SEZs in the approved category based in Haryana, Karnataka, Punjab, Maharashtra, Andhra and Gujarat.**
- **IT SEZ should be developed and made operational within the period of six months from the date of notification. Thus, 130 approved SEZs would result in investment of US\$10 bn to US\$ 12 bn immediately.**

Potential : Hotels & Hospitality

- There was 4.5 million foreign visitor arrivals this year.
- Foreign tourist arrivals has grown by 10-15% in the last one year. Tier II cities like Jaipur, Gurgaon, Hyderabad, Pune, Bangalore are seeing growth both in occupancy & room rates. Occupancy is around 75-80% , room rates are up by 15-20% in these markets.

City Focus:Pune

- Pune is the cosmopolitan Tech city located in the eastern part of India 180kms from Mumbai .
- The retail market in Pune is booming like never before The rapid ascension of the IT /ITes/BPO sector has brought Pune to limelight of the real estate industry.
- Pune is the city which is growing with opportunities excellent connectivity & educational facilities.
- In the next decade,Pune will witness a growth spurt of 500 percent in the service & industrial sectors. The main potentials lies in the malls,Hospitality,IT/BPO and the industrial sector.

Developments

- During the last nine months, Infosys had acquired 110 acre additional area and Wipro an additional 50 acre at Hinjewadi IT park near Pune.
- Maharashtra (State of Pune), within a short span of seven to eight years, has approved 34 additional private parks, 24 in Mumbai and 9 in Pune (several more coming up) and there were around 46 approved private IT parks in the state.

CURRENT DEALS

- **Morgan Stanley closed a deal with Oberoi Constructions in Mumbai for \$150million.**
- **The Nakheel Group in Dubai signed a deal with DLF for development of residential projects in Tier I & Tier II cities worth \$10 billion.**
- **Yatra capital buys 49 percent in Indian real estate company for 21.6 million Euro.**

Foreign tie-ups - List

Residential

- JP Morgan invested in Lodha group
- Keppel Land (Singaporean Company) - Joint venture with Puravankara
- Salim Group (Indonesia) had a township in West Bengal

Office

- Farallon (US) had a joint venture with India bulls
- Veranda - joint Venture with TCG

Hotels

- GMR Infrastructure - Accor Hotels and Resorts
- EMAAR -Budget Hotels India Limited
- Hilton Group - DLF JV
- ACCOR- Emaar- MGF for budget hotels

STATISTICAL DATA

- The growth in commercial office space requirement is mainly due to outsourcing and Information Technology (IT) industry
- Even the purchasing power and exposure to organized retail markets has increased the scope of the market.
- Projections are made that US\$ 10 billion will be injected into Indian real estate sector in the next 12 to 18 months.
- Almost over 90 foreign investors are already in the country to tap investment avenues.
- Nearly 12 US funds are raising US\$ 3.5 billion for investments in Indian realty.
- Those raising the funds include Wall Street powerhouses such as the Blackstone Group (US\$ 1 billion) Goldman Sachs (US\$ 1 billion), Citigroup Property.
- Investors (US\$ 125 million), Morgan Stanley (US\$ 70 million) and GE
- Commercial Finance Real Estate (US\$ 63 million).
- Organised retail is currently 4.6% of the US\$ 270 billion Indian retail sector which is expected to grow at the rate of 37% in 2007 and 42% in 2008.

EVOLUTION OF THE MARKET

3 YEAR SCENARIO

- Realty sector is growing at the rate of 30% per annum to reach \$45-50 billion by 2010.
- IT sector alone is expected to require 150 million sq ft of space across major cities by 2010
- Organised retail has the potential to add over US\$ 45 billion business by the year 2010.
- This will create a demand of 220 million square feet of retail space by 2010.
- 27 million square feet of organised retail space is currently available. Another 90 million square feet is expected to be added by 2008 from 263 mall projects.
- Of these, 18 million square feet is slated to come up in Delhi as well as in Mumbai, 9.5 million square feet in Ludhiana, 6 million square feet in Chandigarh and 3.6 million square feet in Ahmedabad.
- India will have 2.9 million hotel rooms by 2010 as compared to today's 1.2 million. The demand for hotels rooms will grow at a compounded annual growth rate of 10% over the next five years.