

# REAL ESTATE



**APRIL 2017 (As of 13 April 2017)**

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# REAL ESTATE



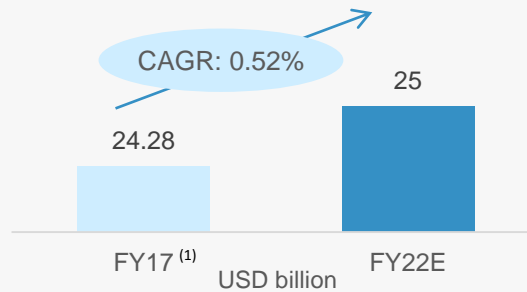
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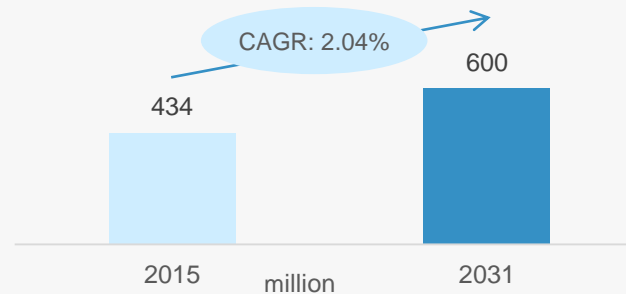
## EXECUTIVE SUMMARY

4<sup>th</sup> largest sector in terms of FDI inflows



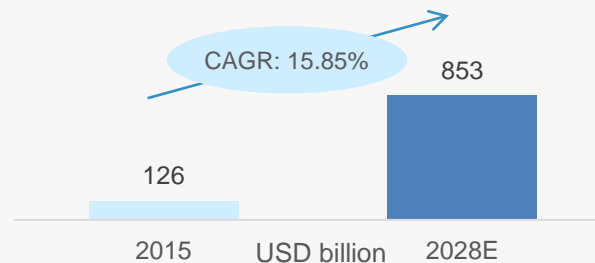
FDI in the sector is estimated to grow to USD25 billion by FY22

Rapid urbanisation bodes well for the sector



The number of Indians living in urban areas will increase from 434 million in 2015 to about 600 million by 2031

By 2028, India's real estate market size is expected to increase by 7 times



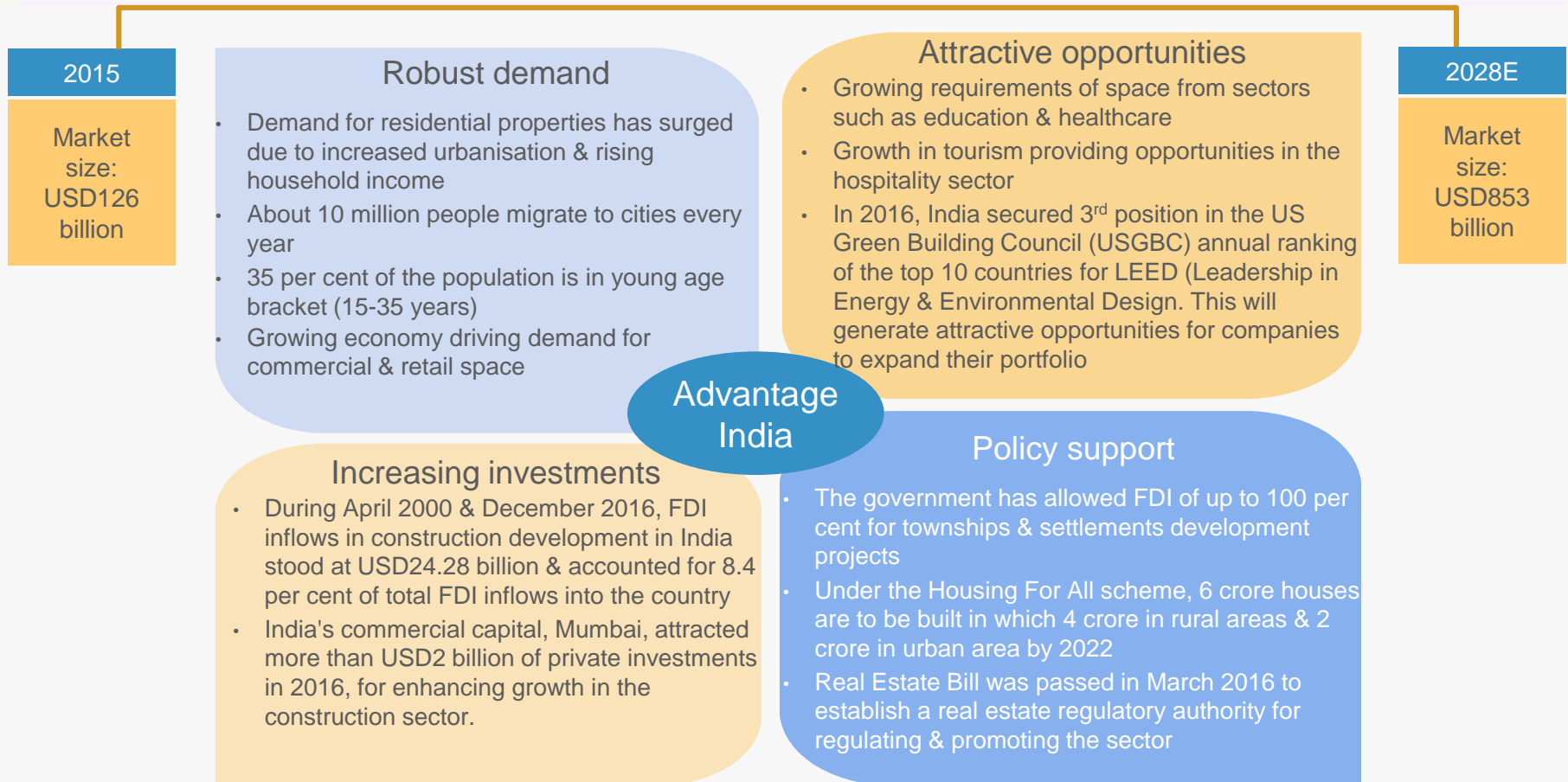
By 2028, India's real estate market size is expected to reach USD853 billion, increasing from USD126 billion in 2015

Source: Ministry of Tourism, KPMG, World Bank, Census 2011, TechSci Research  
Note: E- Estimated; (1): Data till December 2016

# REAL ESTATE



# ADVANTAGE INDIA



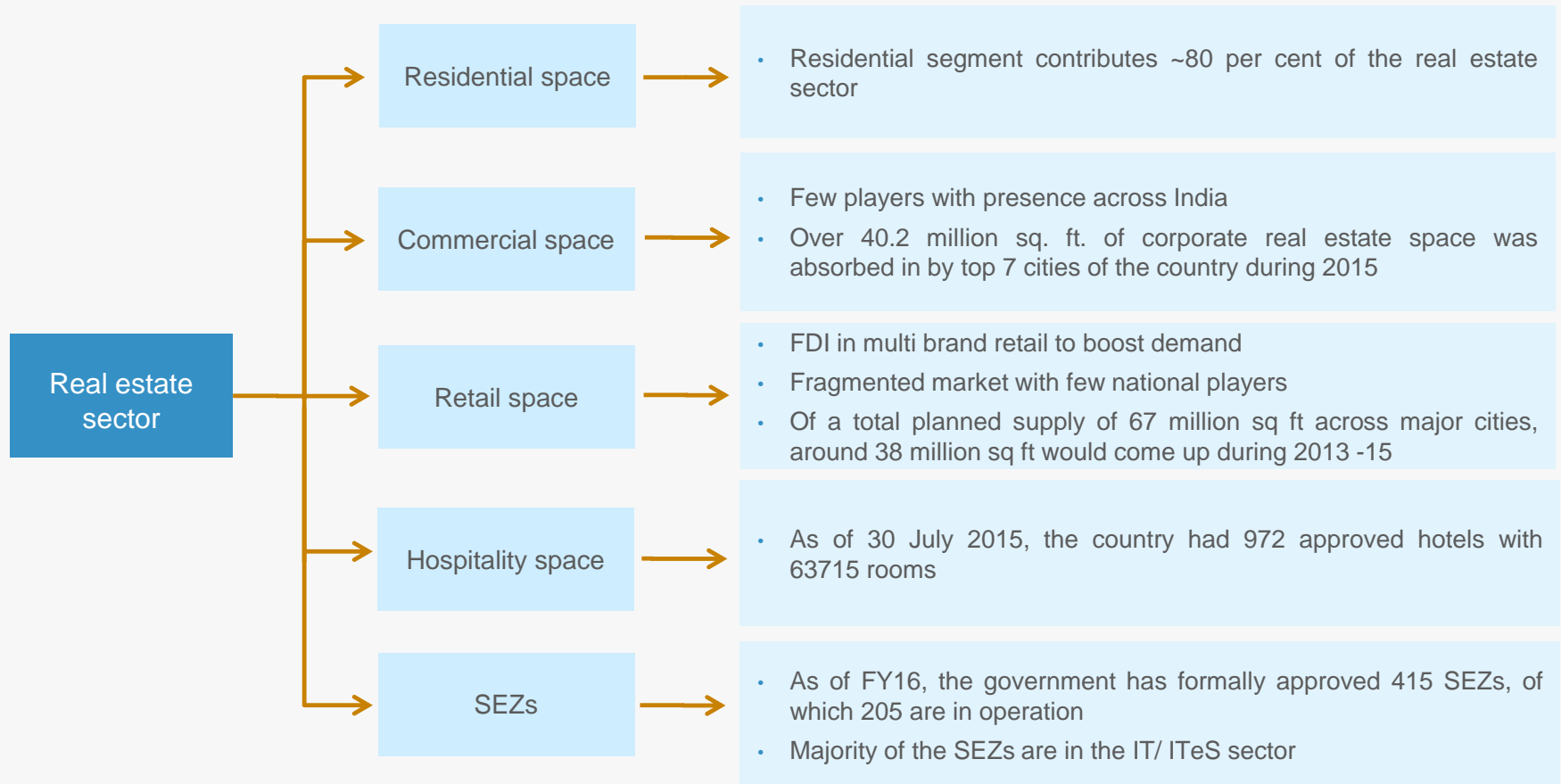
Source: KPMG, Report on Real Estate Sector in India – Corporate Catalyst India Pvt Ltd, Department of Industrial Policy and Promotion, TechSci Research, News articles  
Notes: FDI - Foreign Direct Investment, NHB: National Housing Bank, 2028E - Estimates for 2028;  
Figures mentioned are as per latest data available

# REAL ESTATE



# MARKET OVERVIEW AND TRENDS

## SEGMENTS IN THE INDIAN REAL ESTATE SECTOR

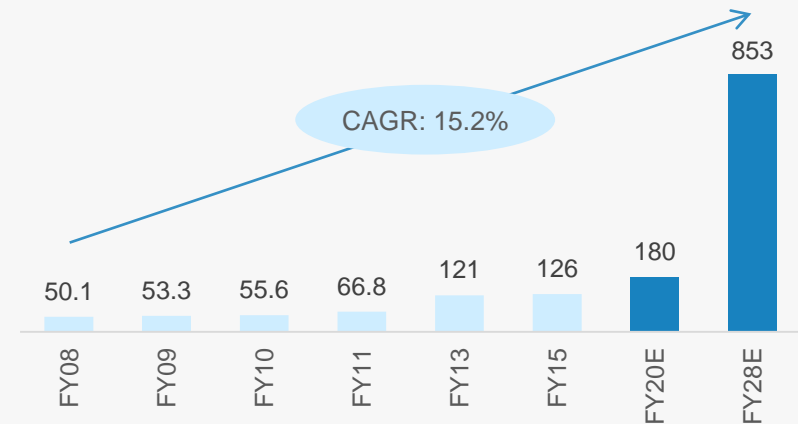


Source: KPMG Cushman & Wakefield, Knight Frank, CRISIL, www.sezindia.com, TechSci Research  
Notes: SEZ - Special Economic Zone. IT - Information Technology, ITeS - Information Technology Enabled Services

## INDIAN REAL ESTATE IS A LARGE, GROWING MARKET...

- \* Real estate contribution to India's GDP is estimated to increase to about 13 per cent by 2028
- \* The market size of real estate in India is expected to increase at a CAGR of 15.2 per cent during FY2008 – 2028E and is estimated to be worth USD853 billion by 2028
- \* Increasing share of real estate in the GDP would be supported by increasing industrial activity, improving income level & urbanisation
- \* Mumbai & Bengaluru have been rated as the top real investment destinations in Asia
- \* The government also launched 10 key policies for real estate sector in 2016, namely:
  - \* Real Estate Regulatory Act
  - \* Benami Transactions Act
  - \* Boost to affordable housing construction
  - \* Interest subsidy to home buyers
  - \* Change in arbitration norms
  - \* Service tax exemption
  - \* Dividend Distribution Tax (DDT) exemption
  - \* Goods and Services Tax
  - \* Demonetization
  - \* PR for foreign investors

Market size of real estate in India (USD billion)



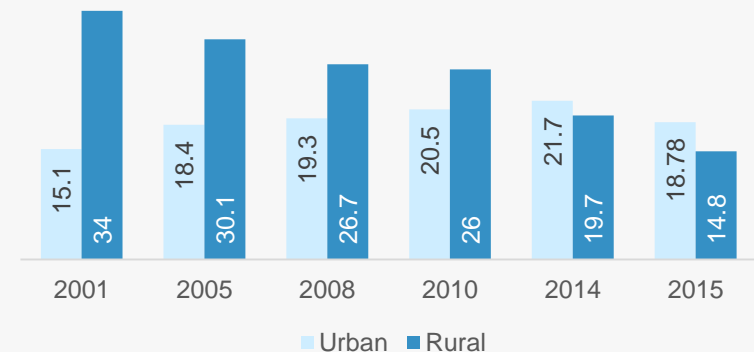
Source: KPMG, Report on Real Estate Sector in India – Corporate Catalyst India Pvt Ltd, CBRE, TechSci Research  
Notes: CAGR - Compounded Annual Growth Rate; E-Estimates



## ... WITH SIGNIFICANT ROOM FOR FURTHER GROWTH

- \* The urban housing shortage is estimated at 18.78 million in 2015.
- \* Total rural housing shortage in India stood at 14.8 million as of 2015 and is expected to grow to 48.8 million during XII plan period (2012-2017)
- \* Significant increase in real estate activity in cities like Indore, Raipur, Ahmedabad, Jaipur & other 2-tier cities; this has opened new avenues of growth for the sector
- \* Relaxation in the FDI norms for real estate sector has been done to boost the real estate sector
- \* Government's plan to build 100 smart cities would reduce the migration of people to metro & other developed cities
- \* In 2017, nearly US\$4.2 billion worth of investments are expected to be invested in India's real estate sector, as the country is emerging as the preferred investment destination owing to favourable government initiatives

Urban-rural housing shortage (million)



Source: Ministry of Housing and Urban Poverty Alleviation, RBI, CRISIL, TechSci Research

Notes: E – Estimates,  
EWS - Economically Weaker Section,  
LIG - Lower Income Group,  
BSUP - Basic Services to the Urban Poor,  
IHSDP - Integrated Housing and Slum Development Programme

## DEMAND FOR RESIDENTIAL SPACE EXPECTED TO GROW SHARPLY

### Scenario

- A localised, fragmented market presents opportunities for consolidation with only few large, pan-India players such as DLF & Unitech
- More foreign players might enter the market as FDI norms have eased
- Furthermore, norms on land acquisitions is expected to be relaxed

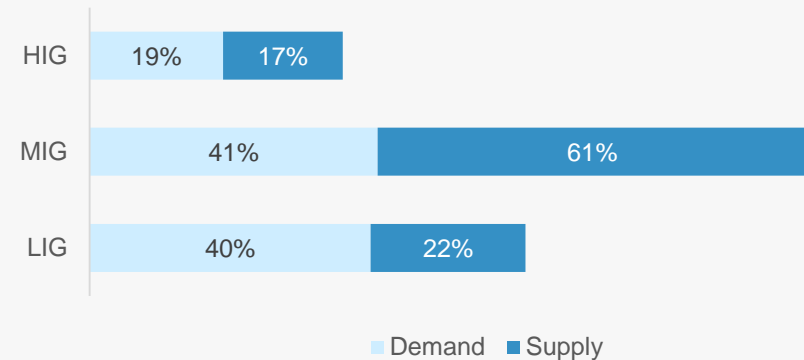
### Key drivers

- Rapid urbanisation
- Growth in population
- Rise in the number of nuclear families
- Easy availability of finance
- Repatriation of NRIs and HNIs
- Rise in disposable income

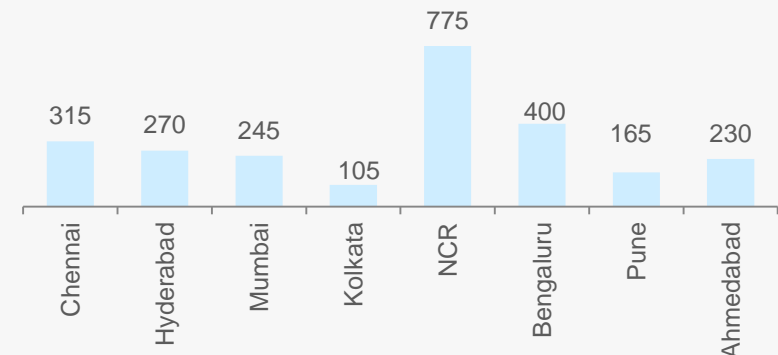
### Notable trends

- Demand to grow at a CAGR of 2.0 per cent over the period 2013-17 across top 8 cities in India
- NCR is expected to generate maximum demand in MIG & HIG category followed by Bengaluru
- Developers now focussing on affordable & mid-range categories to meet the huge demand
- During the period January-June 2016, residential sector commanded the largest share of PE investments with a total value of USD 1.29 billion (44 per cent)
- During the 3<sup>rd</sup> quarter of 2016, cumulative investment in residential assets increased at 9 per cent on q-o-q basis

### Demand-Supply Analysis (2015)



### Demand analysis of top 8 cities ('000 units) 2013-17 (MIG+HIG)



Source: Cushman & Wakefield, TechSci Research

Notes: LIG – Low Income Group, MIG - Middle Income Group, HIG - High Income Group

## METROS DRIVING DEMAND FOR COMMERCIAL SPACE

### Scenario

- Few large developers with a pan-India presence dominate the market
- Operating model has shifted from sales to a lease & maintenance

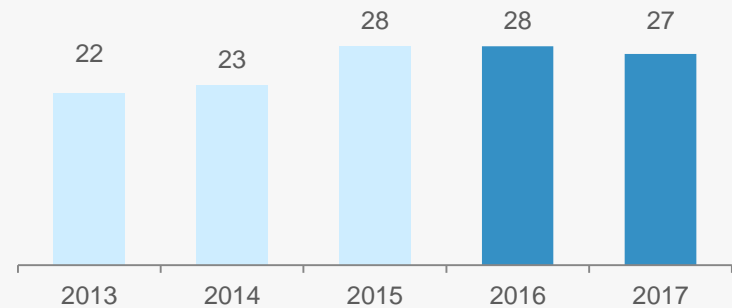
### Key drivers

- Rapid growth in services sectors: IT/ITeS, BFSI & Telecom
- Rising demand from MNCs
- Demand for office space in Tier 2 cities

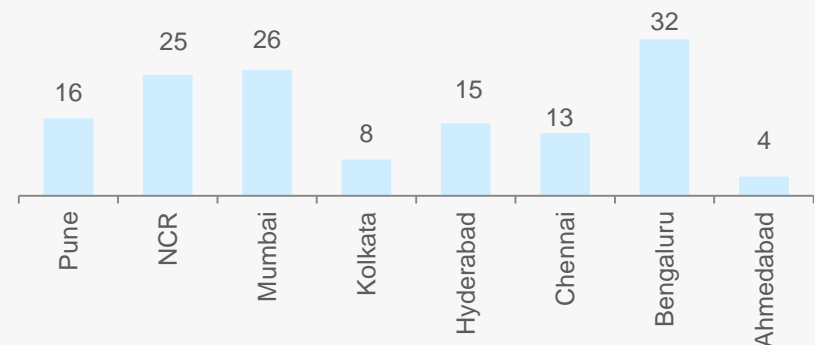
### Notable trends

- Mumbai, NCR & Bengaluru account for 60 per cent of total office space demand in India by 2017
- Bengaluru is likely to experience highest demand over 2013-17 followed by Mumbai & NCR
- Business activity shifting from CBDs to SBDs, Tier 1 to Tier 2 cities
- As on September 2016, the total prime office space absorption across 7 leading cities in the country was about 28 million sq. ft.

Demand projections across top 8 cities (million sq ft)



Demand analysis of top 8 cities (million sq ft) 2013-17



Source: Cushman & Wakefield, TechSci Research  
Notes: MNC - Multinational Corporation, BFSI - Banking, Financial and Insurance Services, CBD - Central Business District, SBD - Special Business District, NCR - National Capital Region

## RETAIL SPACE LIKELY TO SEE STRONG GROWTH

### Scenario

- Currently, retail accounts for a small portion of the Indian real estate market
- Organised retailers are few & the organised retail space is mostly developed by residential/office space developers

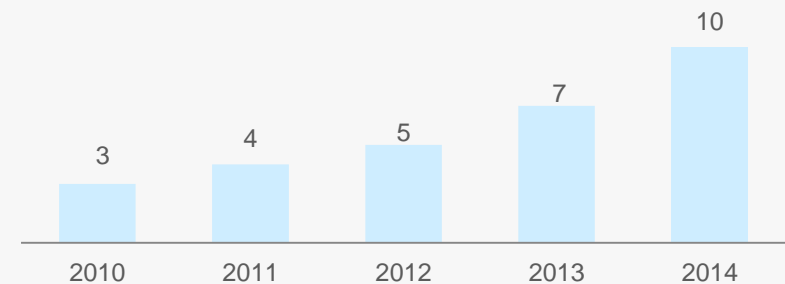
### Key drivers

- Booming consumerism in India
- Organised retail sector growing 25-30 per cent annually
- Entry of MNC retailers
- India's population below 30 years of age having exposure to global retail are expected to drive demand for organised retail

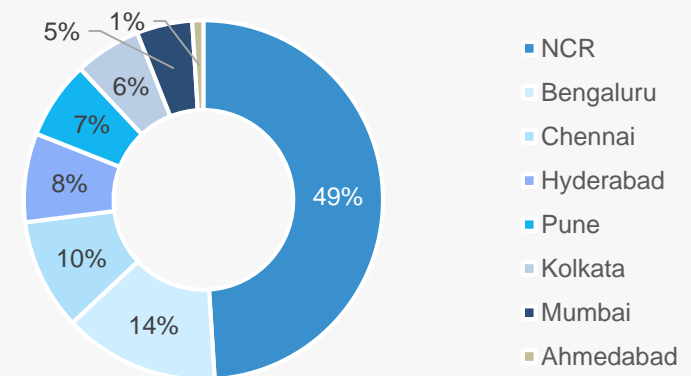
### Notable trends

- NCR accounts for about 49 per cent of the total upcoming mall supply
- Total mall vacancy is 14.1 per cent across 8 cities
- Total 213 malls are operational in India
- Demand for retail space on high streets is quite high, as well as increase in FDI limit for multi-brand retail will lead to significantly higher demand for retail space

Demand projections across top 7 cities (million sq ft)



Upcoming mall supply across top 8 cities (2015)



Source: Cushman & Wakefield, TechSci Research

## HOSPITALITY MARKET TO WITNESS LARGE INCREMENTAL CAPACITY

### Scenario

- NCR & Mumbai are by far the biggest hospitality markets in India, followed by Bengaluru, Hyderabad & Chennai
- Besides hotels, the hospitality market comprises serviced apartments & convention centres

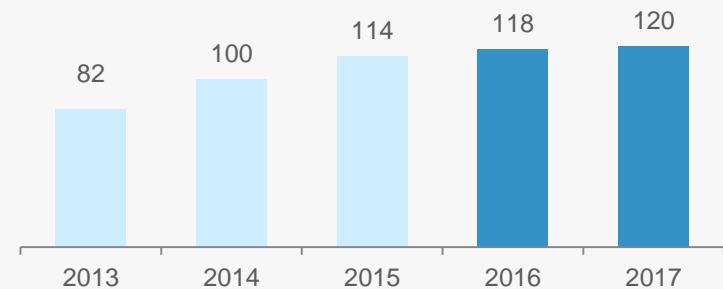
### Key drivers

- A robust domestic tourism industry
- The increasingly global nature of Indian businesses boosting business travel
- Tax incentives for hotels & higher FSI
- Expansion of physical infrastructure during the 12<sup>th</sup> Five Year Plan

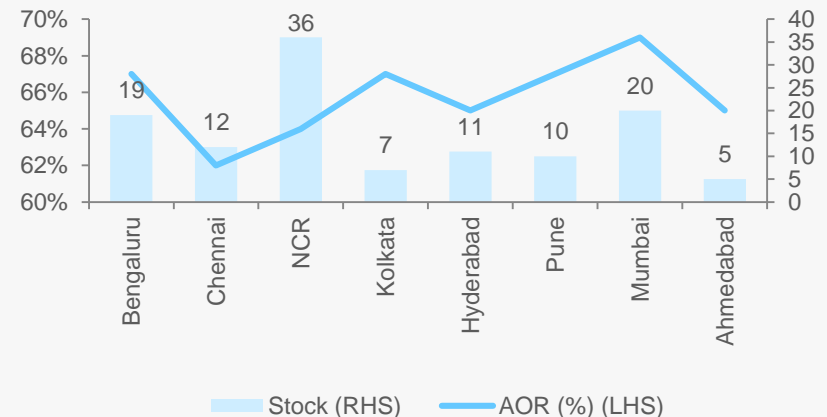
### Notable trends

- Serviced apartments appear particularly attractive within the hospitality space
- Government initiatives to promote tourism in Tier 2 & Tier 3 cities is generating significant demand for hotels in such cities, especially for budget hotels

Trend analysis (stock - no of rooms) ('000)



Occupancy Vs. Stock (Est. 2017)



Source: Cushman & Wakefield, TechSci Research  
Note: FSI - Floor Space Index



# PORTER FIVE FORCES ANALYSIS

## PORTERS FIVE FORCES ANALYSIS

### Competitive Rivalry

- Strong rivalry due to large number of players operating in India
- Limits a seller's ability to set the prices for goods & services
- An absence of competitive neutrality due to unequal provisioning of policy concessions

### Threat of New Entrants

- Uncertain investment timeline due to long gestation period
- High cost of land & land use restrictions act as a natural barrier
- Brand value of the incumbent player for the consumers

### Substitute Products

- No specific substitutes available
- Substitutes are mainly government-provided housing, mostly limited to the economically backward class

### Bargaining Power of Suppliers

- Large real estate firms have good bargaining power against customers
- Unregulated & badly managed land banks make land acquisition difficult for realty companies

### Bargaining Power of Customers

- Due to a large variety of quality players, the customers have many options to choose from
- They are also becoming more discerning & demanding better quality



Source: PricewaterhouseCoopers, Techopak, TechSci Research

# REAL ESTATE



# STRATEGIES ADOPTED



## STRATEGIES ADOPTED

### Superior execution

- Outsourced support functions
- Focus on delivery capability
- Development of world class infrastructure
- Rationalising costs

### Risk management in land sourcing

- Joint Venture with land owners instead of amassing land banks. For e.g.: Oberoi Realty, Mumbai based realty firm adopted this strategy while entering the NCR region
- Revenue, area & profit sharing agreement with the land owner

### Diversified portfolio

- Having a diverse portfolio of residential, commercial & township developments
- Companies have projects in various strategic geographic locations in order to diversify risks
- Focus on the growth of lease business

### Backward integration

- An architectural, structural & interior studio & a metal & glazing factory
- Interiors & wood working factory & a concrete block making plant
- To maintain quality all across projects

### Merger and Acquisitions

- In 2015, real estate advisory Square Yards signed an agreement to merge with online property search portal Realizing.in
- Mergers & acquisition activities would help the real estate players to serve the market in a better manner
- In 2016, Quickr India Pvt Ltd acquired rental start-up – Grabhouse, at an estimated value of USD10 million
- In January 2017, Proptiger.com and housing.com in India merged to become India's largest online real estate service company.

# REAL ESTATE



# GROWTH DRIVERS

## REAL ESTATE BEING DRIVEN BY POLICIES AND GROWING ECONOMY

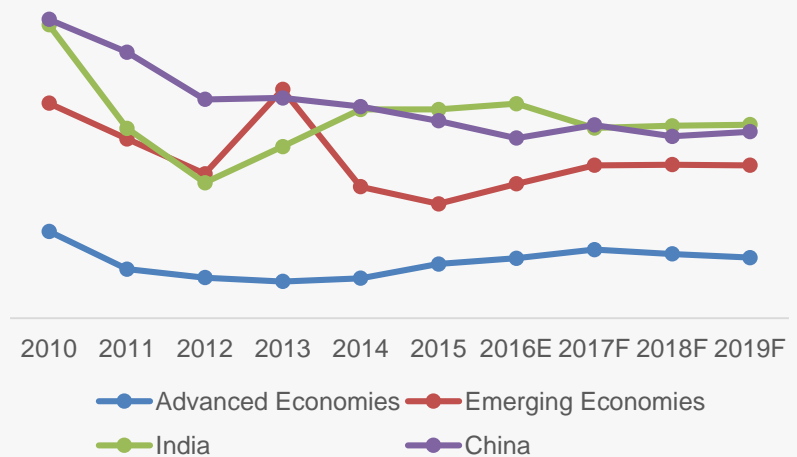


Source: Corporate Catalyst India

## ECONOMIC GROWTH IS BOOSTING REAL ESTATE DEMAND

- \* The Indian economy experienced robust growth in the past decade & is expected to be one of the fastest growing economies in the coming years
- \* Demand for commercial property is being driven by the country's economic growth
- \* India's real GDP grew to 7.3 per cent in 2015 & would rise to 6.6 per cent in 2016 compared with emerging economies' average of 4.00 per cent & 4.7 per cent, respectively. India's real GDP is estimated to be 6.8 per cent in 2019
- \* By 2022, real estate and construction sector in India is expected to generate 75 million jobs & emerge as the largest employer in the country.

Real GDP growth rates of major economies

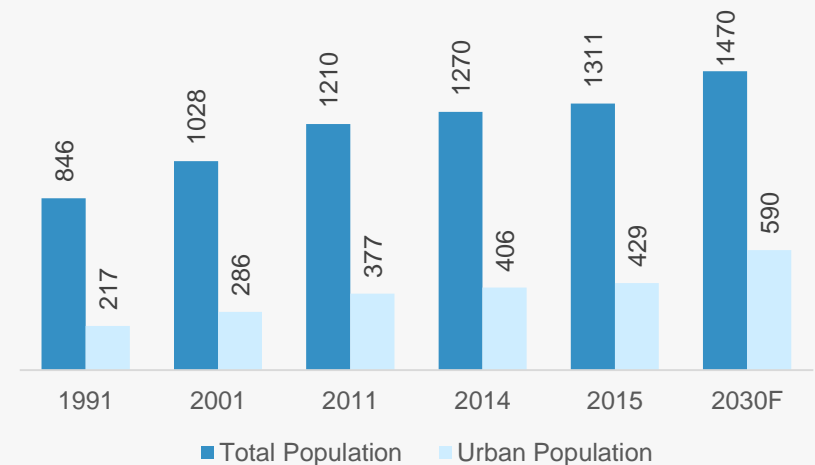


Source: IMF World Economic Outlook Database, TechSci Research  
Notes: E – Estimate, F – Forecast

## ... ALONG WITH GROWING URBANISATION

- \* India's urban population as a percentage of total population is around 32.7 per cent in 2015 & is expected to rise to 40 per cent by 2030
- \* Better wages & better standard of living is expected to result in an increase in urban population in India to above 600 million by 2031 from 429 million in 2015
- \* Government initiatives such as various urban development policies & programmes (e.g., JNNURM) are expected to contribute to enhanced urbanisation.
- \* Urbanisation & growing household incomes are driving demand for residential real estate & growth in the retail sector

Population breakdown of India (million)



Source: Indian Census, World Bank, Mckinsey estimates, Cushman & Wakefield, TechSci Research

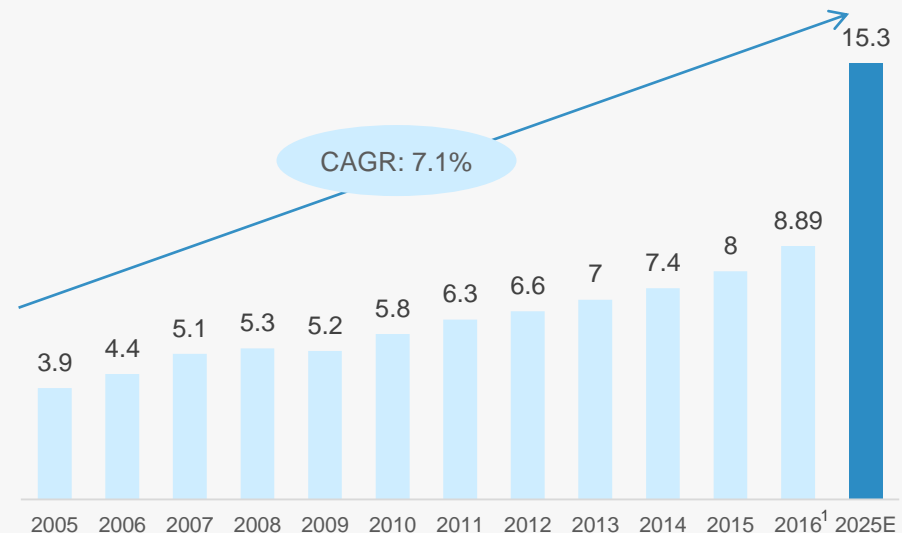
Notes: F - Forecasted

JNNURM: Jawaharlal Nehru National Urban Renewal Mission

## RISING TOURIST NUMBERS BOOSTING THE HOSPITALITY SECTOR ... (1/2)

- \* In 2015, 8 million foreign tourists arrived in India, whereas, from January 2016 to November 2016, foreign tourists in India reached to 7.8 million<sup>1</sup>
- \* Honeywell India is making hotels to increase their market share in projects for the mid segment.
- \* The number of foreign tourists arriving in India is expected to increase at a CAGR of 7.1 per cent during 2007–25E
- \* India's tourism & hospitality industry is anticipated to touch USD418.9 billion by 2022
- \* As per the Union Budget 2016-17:
  - \* Government allocated USD14.5 billion for investment in road sector, focusing on PMGSY during 2016 – 17
  - \* GOI is planning to approve around 10,000 kilometres of National Highways in 2016 – 17
  - \* Around USD2.2 billion would be raised by National Highway Authority of India (NHAI) through bonds
- \* As per the Union Budget 2017-18:
  - \* Government allocated USD 58.92 billion for infrastructure sector.
  - \* By 2019, the government plans to construct 1 crore houses in rural areas
  - \* USD 3.42 billion were allocated for Pradhan Mantri Awas Yojana

Foreign tourists arriving in India (million)



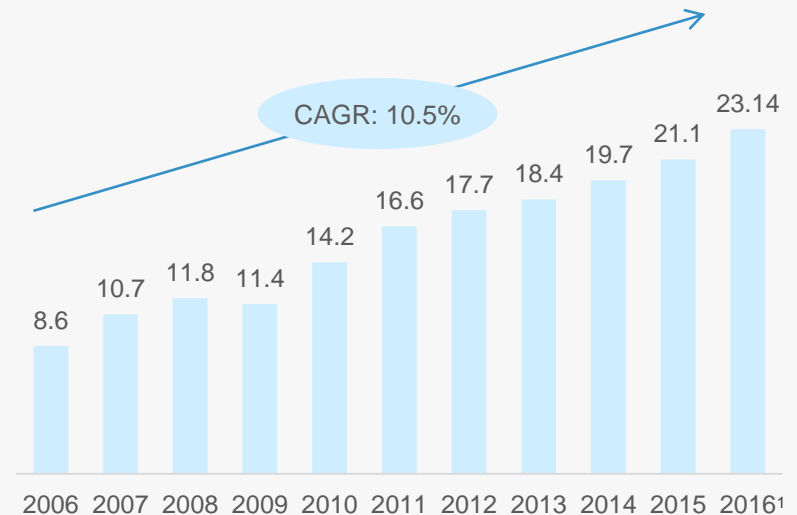
Source: Ministry of Tourism, World Travel & Tourism Council's Economic Impact 2015, TechSci Research

Notes: PMGSY – Pradhan Mantri Gram Sadak Yojana, GOI – Government of India, 2016<sup>1</sup> – Data available till December 2016

## RISING TOURIST NUMBERS BOOSTING THE HOSPITALITY SECTOR ... (2/2)

- \* India earned foreign exchange of about USD21.1 billion from tourism sector in 2015
- \* During 2006-15, India's foreign exchange earnings from tourism grew at a CAGR of 10.5 per cent
- \* During January to December 2016, India earned USD23.14 billion from the tourism sector
- \* The growing inflows from tourists is expected to provide a fillip to the hospitality sector
- \* Booming Indian medical tourism industry is expected to grow with a CAGR of over 27 per cent during 2012–15
- \* Medical tourism sector in India is gaining momentum, with a target of attracting 8 million medical tourists into the country by 2020.

India's foreign exchange earnings from tourism (USD billion)

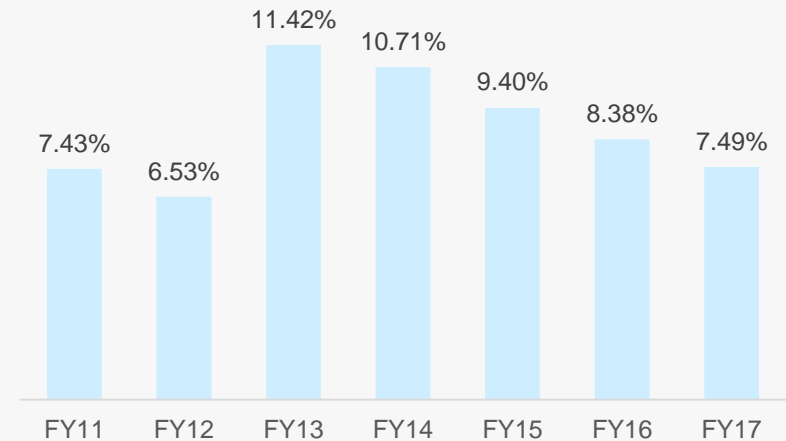


Source: Ministry of Tourism, TechSci Research  
Notes: CAGR: Compound Annual Growth Rate, 2016<sup>1</sup> – Data available till November 2016

## CUMULATIVE FDI IN REAL ESTATE ON A UPWARD TREND

- \* Total FDI in construction development sector, during April 2000–December 2016, stood at around USD24.28 billion
- \* During April 2000–December 2016, total cumulative inflows in the construction development sector accounted for 7.49 per cent of total inflows into the country

FDI in construction development sector as a per cent of India's total FDI



Source: Dept of Industrial Policy & Promotion  
Notes: Construction development sector includes townships, housing, built-up infrastructure and construction development projects



## MAJOR ACQUISITIONS IN REAL ESTATE

- \* Emaar Properties, which entered India in 2005 with largest FDI in the realty sector, has invested about USD126.96 billion (Rs 8,500 crore) in Indian real estate market, through its JV firm Emaar MGF.
- \* In April 2016, Blackstone Group announced its plans to acquire a majority stake in Mphasis Ltd. The deal would be the largest acquisition by Blackstone in the country.
- \* As a sign of its increasing interest in Indian real estate market, In December 2016, Canadian Pension Plan Investment Board (CPPIB) has agreed to buy up to 49 per cent stake in Phoenix MarketCity, Bangalore—a retail asset owned by Mumbai-based developer, The Phoenix Mills Ltd., over a period of 3 years.
- \* As of February 2017, Maruti Suzuki is planning to acquire land for dealership expansion plans at key strategic locations across the country

Major acquisitions in real estate sector in India

Target	Acquirer	Value (USD million)	Year
Cowtown Land Dvlp Pvt Ltd	Lodha Group	513.6	2011
Compact Disc Film City	Jeff Morgan	320	2011
Oceanus Real Estate	Warburg Pincus	318	2011
Indiabulls Properties Pvt Ltd	Indiabulls Property Invest Trust	223.1	2012
Embassy Property	Blackstone	200	2012
Farallon Capital	Indiabulls Real Estate Ltd	187	2013
Candor Investments Inc	Brookfield Asset Management Inc	337.4	2014
GIC and Ascendas	Ascendas India Growth Program	600	2014
Realty Business Intelligence	Housing.com	1.7	2015
Quickr India Pvt Ltd	Indian Realty Exchange	-	2015
Grabhouse	Quickr India Pvt Ltd	10	2016

Source: Corporate Catalyst India , Business Standard, The Economic Times

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## PE INVESTMENTS ON THE RISE

- \* In March 2016, Piramal Enterprises Ltd. jointly with APG Asset Management company invested USD 132 million in Essel Infrastructure Ltd.
- \* In July 2016, PE firm Apollo Global Management invested in Logix Group to fast track existing commercial & residential projects of the company
- \* For the period January-September 2016, total PE investments in the real estate sector were recorded at USD 4.24 billion, showing a 22 per cent increase compared to the same period last year
- \* As of October 2016, Cerestra Advisors Ltd, a real estate-focused PE firm, bought Alexandria Knowledge Park at Genome Valley in Hyderabad, for USD 61.10 million. The company plans to build an office portfolio focused on R&D clients.
- \* On the back of Parliament's clearance of 2 significant legislations - Real Estate (Regulation & Development) Bill & GST, private equity inflows into the country's real estate sector surged 62 per cent reaching USD 5.80 billion, during 2016.
- \* Reserve Bank of India (RBI) proposed to allow banks to invest in real estate investment trusts (REITs) and infrastructure investment trusts (InvITs), attracting more institutional investors to such assets. Indian Banks, which are allowed to invest about 20 per cent of their net-owned funds in equity-linked mutual funds, venture capital funds and stocks, could invest in these trusts within this limit
- \* As of April 2017, Lodha Developers and Indiabulls Real Estate are in the process of initiating numerous projects in London, after they bought prime properties overseas.

### Top PE deals in Indian real estate sector till July 2016

Investor	Investee	Investment (USD million)
KKR & Co. L.P.	Sunteck Realty Ltd	22.4
Apollo Global Management	Logix Group	59.5
Piramal Fund Management Pvt. Ltd	Lodha Group	63.2
KKR & Co. L.P.	Mantri Developers Pvt Ltd	21.5
Goldman Sachs	Piramal Enterprises Ltd	150

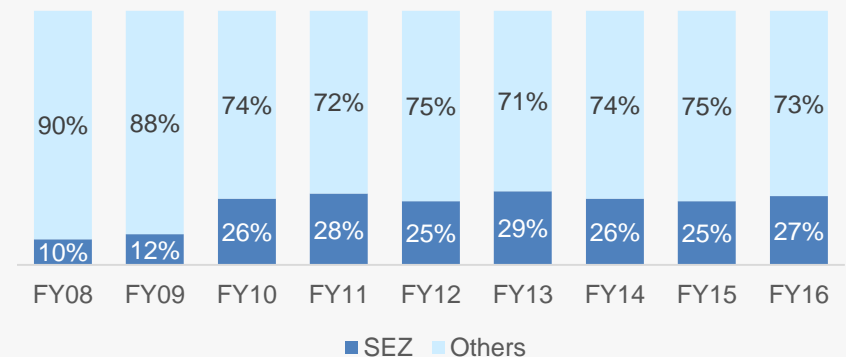
Investor	Seller	Investment (USD million)
Government of Singapore Investment Corporation (GIC)	Nirlon	328.3
The Blackstone Group	3C Company	104.2
Clearwater Capital Partners & SSG Capital Management	Lotus Greens Developers Pvt Ltd	75.0

Source: Grant Thornton, Cushman & Wakefield, Thomson Banker One  
Venture Intelligence, TechSci Research

## SEZs EMERGING AS AN EXTENSION OF REAL ESTATE BUSINESS

- \* 100 per cent FDI permitted in real estate projects within Special Economic Zone (SEZ)
- \* 100 per cent FDI permitted for developing townships within SEZs with residential areas, markets, playgrounds, clubs, recreation centres, etc.
- \* In FY16, exports from SEZs accounted for 27 per cent of total exports
- \* Industry players, including realtors & property analysts, are rooting for the creation of "Special Residential Zones" (SRZs), along the lines of SEZs
- \* Minimum land requirement has been brought down from 1000 hectares to 500 hectares for multi-product SEZ and for sector-specific SEZs to 50 hectares
- \* In 2016, the government has approved 6 proposals from four developers to set up new special economic zones (SEZs) across 3 states in areas such as IT & biotechnology.

Share of SEZ exports in total exports of India



Source: Ministry of Commerce and Industry, SEZ website, TechSci Research

## GOVERNMENT POLICIES ARE HELPING THE REAL ESTATE SECTOR PROSPER

### Ease in housing finances

- A deduction for additional interest of USD746.8 per annum for loans upto USD0.05 million was sanctioned during 2016-17, in case of 1<sup>st</sup> time home buyers, where the cost of house is less than USD0.07 million
- Increase in exemption limit from USD3317 to USD4147 will help in household savings

### Housing for economically weaker sections

- During June 2016 to March 2019, 100 per cent deduction for profits would be approved for undertaking housing project of flats upto 30 sq. metres in 4 metro cities & 60 sq. metres in other cities
- As per section 80GG, increase the limit of deduction of rent paid from USD358 to USD896 per annum, was allowed for the people living on rent

### FDI

- The government has allowed 100 per cent FDI for townships & settlements development projects
- Provision for reduction in minimum capitalisation for FDI investment from USD10 million to USD5 million which would help in boosting urbanisation

### Widening the scope of real estate market

- SEBI released draft guidelines for investments by Real Estate Investment Trusts (REITs) in non-residential segment & Infrastructure Investment Trusts. REIT will open channels for both commercial & infrastructure sector

### Land Acquisition Bill

- In December 2014, the government passed an ordinance amending the Land Acquisition Bill
- This ordinance would help speeding up the process for industrial corridors, social infra, rural infra, housing for the poor & defence capabilities

Source: Union Budget 2016 – 17, TechSci Research

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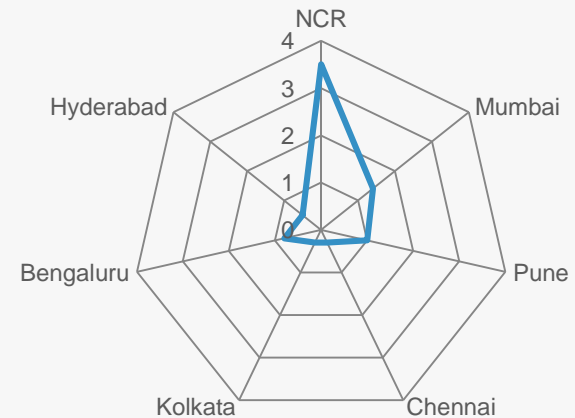


# OPPORTUNITIES

## EDUCATION SECTOR PRESENTS OPPORTUNITIES FOR REAL ESTATE FIRMS

- \* NCR is expected to have the highest incremental demand from the education sector amidst the period of 2015-19
- \* The rising young population of India is expected to drive this space

Incremental demand across seven major cities  
(million sq. ft.) 2015-19



Source: Cushman & Wakefield, TechSci Research  
Note: NCR - National Capital Region, Figures mentioned are as per latest data available

## NICHE SECTORS EXPECTED TO PROVIDE GROWTH OPPORTUNITIES

### Healthcare

- The healthcare market reached USD100 billion in 2015
- India requires additional 1.1 million beds by 2015
- India needs to add 2 million hospital beds to meet the global average of 2.6 for every 1,000 people

### Senior Citizen Housing

- Emergence of nuclear families & growing urbanisation have given rise to several townships that are developed to take care of the elderly
- A number of senior citizen housing projects have been planned; the segment is expected to grow significantly in future

### Service Apartments

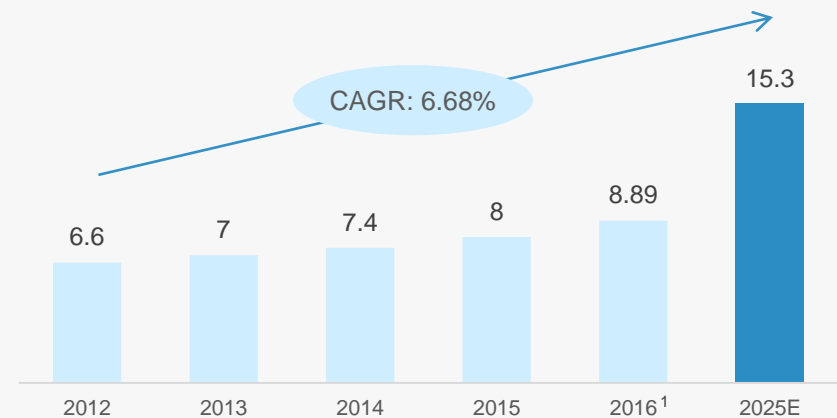
- Growth in the number of tourists has resulted in demand for service apartments.
- In 2015, number of foreign tourist arrivals in India was recorded at 8 million
- This demand is likely to be on uptrend & presents opportunities for the unorganised sector

*Source:* Fitch Ratings, Report on Healthcare, Telemedicine & Medical Tourism In India – ASA & Associates LLP, TechSci Research

## TOURISM MARKET SET TO SURGE; HOTELS TO INCREASE CAPACITY ... (1/2)

- \* Foreign tourist arrivals are expected to increase at a CAGR of 6.68 per cent during 2012–25E
- \* The number of foreign tourists arriving in India in 2016<sup>1</sup> reached 7.8 million

Forecasts of foreign tourists arriving in India (million)



Source: Ministry of Tourism, BMI, TechSci Research  
Note: E – Estimates  
Notes: 2016<sup>1</sup> – Till December 2016



## TOURISM MARKET SET TO SURGE; HOTELS TO INCREASE CAPACITY ... (2/2)

### Ahmedabad

- Upcoming office space likely to boost hospitality segment

### Bengaluru

- Corporate clients expected to provide steady growth to room demand

### Chennai

- Emerging as promising commercial destination with Chennai Bengaluru Industrial Corridor, likely to witness strong demand

### Hyderabad

- Room demand is expected to be driven by commercial and office space projects in the city

### Kolkata

- Projects like Light Rail Transport System, Mono Rail, Eco-Park, Airport expansion etc. are likely to boost travel which would result in increase in demand for hotel industry
- Government of West Bengal announced its plans to spend USD96.68 million to conserve rivers, develop parks & vast green spaces, on installing LED lights, safe transport system in the state along with increasing the green cover under the Green City Mission 2017.

### Mumbai

- Improved infrastructure, new airport terminal & upcoming airport in Navi Mumbai expected to provide growth to hotel industry

### NCR

- Higher Floor Space index, inclusion of hotel projects in infra lending lists provide a positive outlook to hotel market in NCR

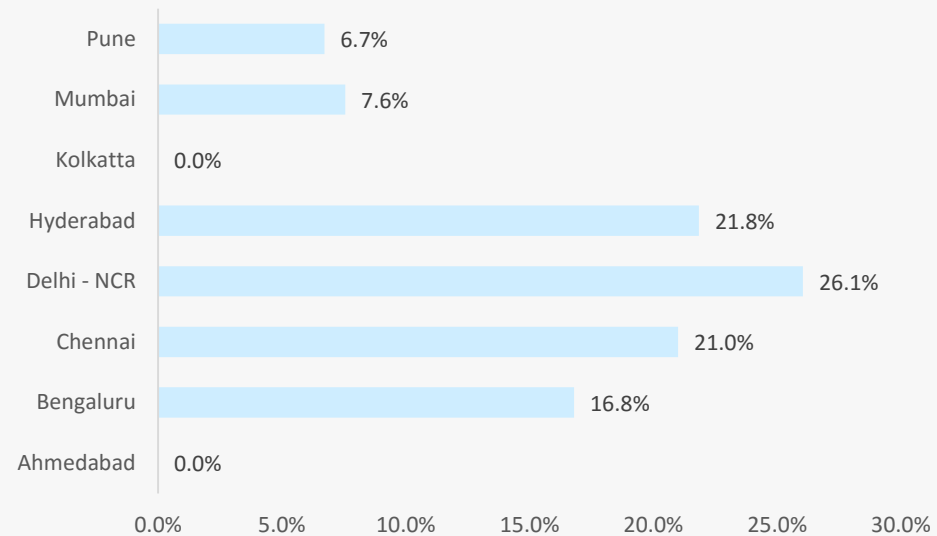
### Pune

- IT parks are attracting global players & increasing traffic. New business units are likely to increase business conferences, events which in turn would boost hotel demand

## OFFICE MARKET OVERVIEW – RENTS SET TO GROW ... (1/2)

- \* In 2016, the top 8 cities recorded a net office absorption of 30 MSF, displaying strong growth potential
- \* Office market has been driven mostly by growth in ITeS/IT, BFSI, consulting and manufacturing
- \* Moreover, many new companies are planning a foray into Indian markets due to huge potential & recently relaxed FDI norms
- \* Supply for prime office space was recorded at 11.9 million sq. ft. for the period 2016.

New supply as percentage of inventory (2013-2015)



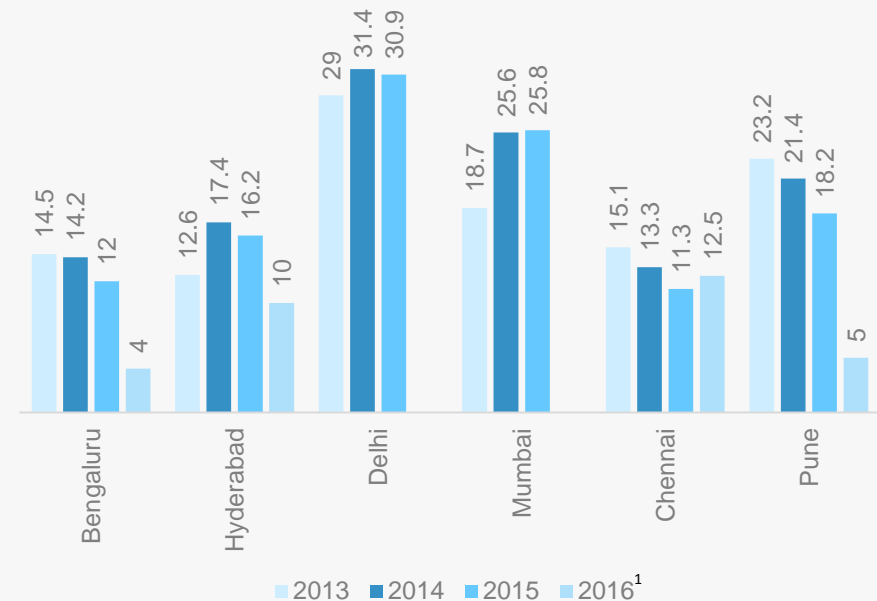
1

Source: Cushman & Wakefield  
Notes: MSF - Million Square Feet,  
ITeS - Information Technology Enabled Service,

## OFFICE MARKET OVERVIEW – RENTS SET TO GROW ... (2/2)

- \* Rental rates likely to see a gradual upward trend in Bengaluru
- \* Supply will exceed demand & hence increase vacancies In Hyderabad
- \* In 2015, with a share of more than 83 per cent, majority of transactions in Mumbai was driven by commercial office sector
- \* Moderate demand, high vacancy & an increased preference for suburban market with low rentals could pressure the core areas in Pune
- \* As of November 2016, Singapore’s DBS Bank announced its plans to secure 100 thousand sq. ft. of prime office at Mumbai’s Nariman Point, on lease basis. With a total tenure of 9 years, the deal will be the largest transaction in the history of the area

Percentage vacancy levels

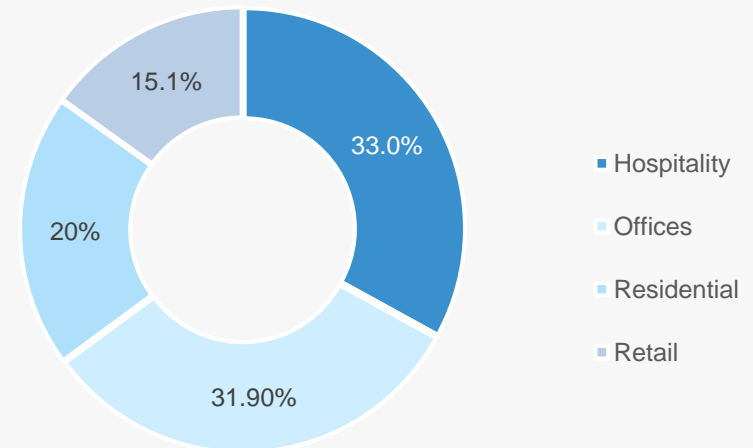


Source: Cushman & Wakefield, Jones Lang LaSalle  
Note: 1 – 2016 data available only for the cities of Bengaluru, Hyderabad, Chennai and Pune

## OFFICE SECTOR HAS THE SECOND HIGHEST SHARE OF INVESTMENTS

- \* Commercial office sector garnered the 2<sup>nd</sup> largest share of investments which stood at USD0.3 billion; hospitality sector has the highest share with investments around USD0.34 billion during January-September 2015
- \* Residential sector attracted a total investments of USD0.26 billion representing nearly 20 per cent of the total investments
- \* Primal Fund Management has expanded its portfolio to offer Flexi - Lease Rental Discounting (LRD). By 2018, the fund aims at securing lease rental discount deals worth USD 1.49 billion

Sector-wise share of investments (2015<sup>1</sup>)



Source: Cushman and Wakefield, TechSci Research  
Note: F – Forecast, <sup>1</sup>- Data is from January-September 2015

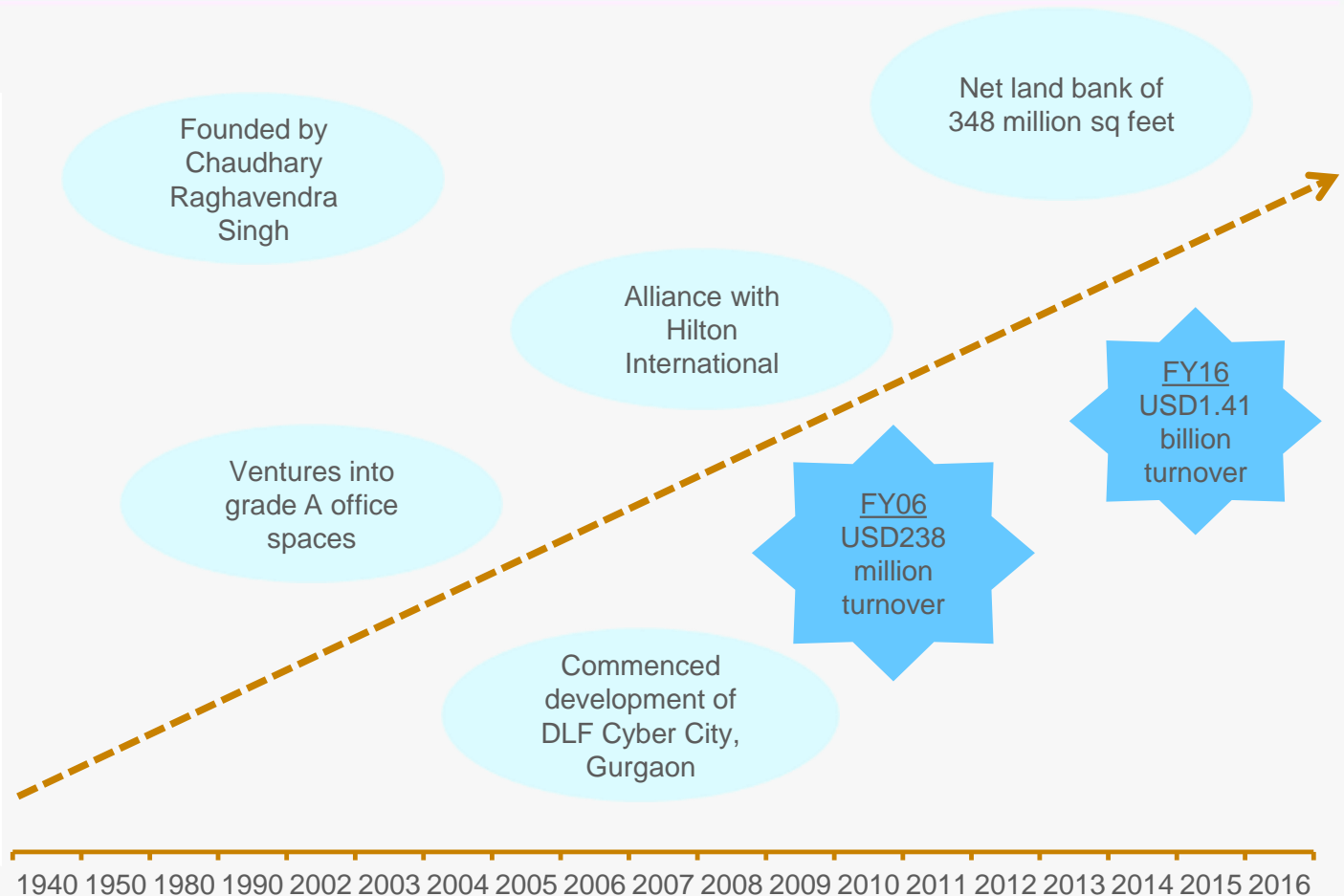
# REAL ESTATE



# SUCCESS STORIES

## DLF: INDIA'S LARGEST REAL ESTATE COMPANY BY VALUE

- Largest real estate company with revenues of USD1.41 billion (FY16)
- Launched India's largest shopping mall "The Mall of India" in Noida during 2016
- Focuses on IT Parks and next generation malls
- Developed 3,000 acre DLF City in Gurgaon
- Development of 22 Urban colonies



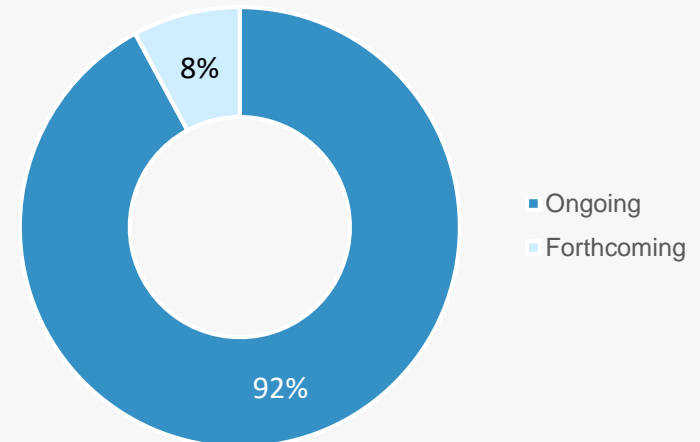
Source: Company website, TechSci Research,  
Note: sq ft - Square Feet

## GODREJ PROPERTIES – UNIQUE ASSET-LIGHT BUSINESS MODEL ... (1/2)

### \* Key Facts

- \* Started its 1<sup>st</sup> project in Mumbai in 1990
- \* National real estate developer with presence across 12 cities
- \* Differentiated joint development business model resulted in a debt-equity ratio of less than one
- \* The current potential developable area stands at 108.0 million sq. ft.
- \* In 2016, Godrej Properties signed deals for 2 developing housing projects, 1 in Devanhalli, Bangalore & another in Panvel, Navi Mumbai
- \* During 2012-16, real estate worth USD2.1 billion have been sold

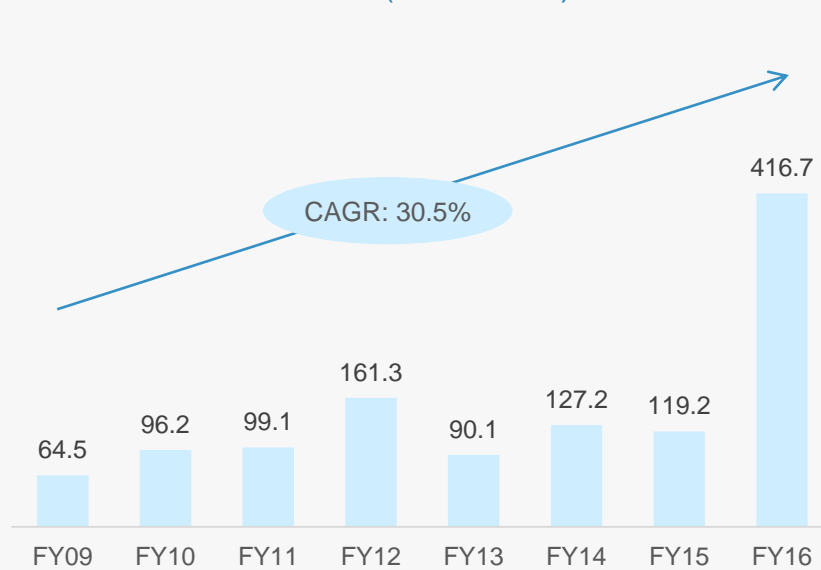
Distribution of ongoing and forthcoming projects by area (FY16)



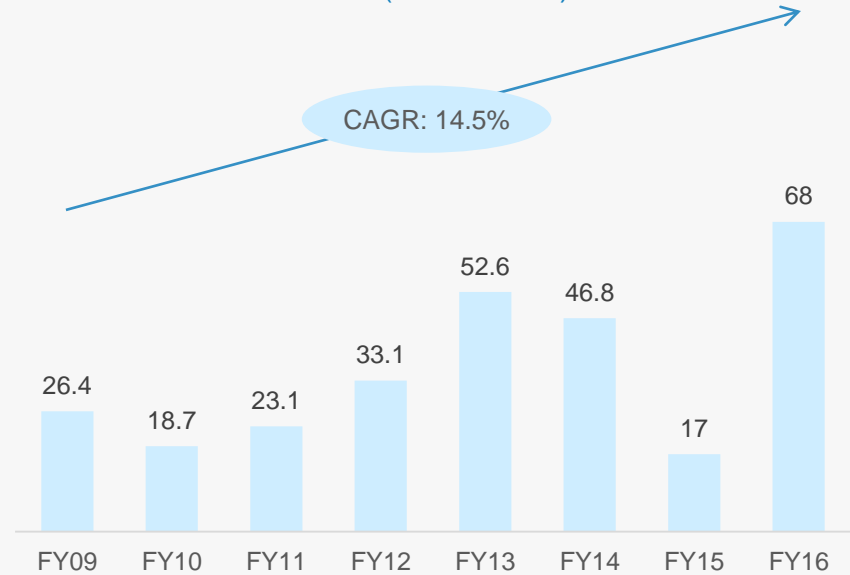
Source: Company website, Corporate Presentation

## GODREJ PROPERTIES – UNIQUE ASSET-LIGHT BUSINESS MODEL ... (2/2)

Total revenues (USD million)



EBITDA (USD million)



Source: Company Annual Report  
EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortisation



## OTHER MAJOR PLAYERS

### UNITECH

- \* Established in 1972 by a group of technocrats
- \* So far Unitech has built more than 100 residential projects
- \* Recently launched Gardens Galleria in Bengaluru, Mohali & Noida, Great India Place in Bhopal & Dehradun as well as Downtown in Mohali

### ANSAL API

- \* Established in 1967 as a family business
- \* Developed and delivered more than 190 million sq ft
- \* Hold 8,803 acres of land reserve in the major states of Haryana, Uttar Pradesh, Punjab & Rajasthan

### SOBHA DEVELOPERS

- \* The company was founded in 1994
- \* It has completed 278 contractual projects as well as 111 real estate projects covering almost 81.64 million square feet
- \* Currently has a land reserve of 2,500 acres

Source: Company website, TechSci Research,  
Note: sq ft - Square Feet

# REAL ESTATE



# USEFUL INFORMATION

## INDUSTRY ASSOCIATIONS

### **The Confederation of Real Estate Developers' Associations of India (CREDAI)**

National Secretariat, 703, Ansal Bhawan,  
16, Kasturba Gandhi Marg, New Delhi – 110 001  
Tel: (011) 43126262/43126200  
Fax: 91 11 43126211  
E-mail: [info@credai.org](mailto:info@credai.org)  
Website: [www.credai.org](http://www.credai.org)

### **Builders' Association of India (BAI)**

G-1/G-20, Commerce Centre, J. Dadajee Road,  
Tardeo, Mumbai – 400034  
Tel: 91 22 23514134, 23514802, 23520507  
Fax: 91 22 23521328  
E-mail: [bai@vsnl.com](mailto:bai@vsnl.com), [baihq.mumbai@gmail.com](mailto:baihq.mumbai@gmail.com)  
Website: [www.baionline.in](http://www.baionline.in)

- \* **BFSI:** Banking, Financial Services and Insurance
- \* **CAGR:** Compound Annual Growth Rate
- \* **CBD:** Central Business District
- \* **FDI:** Foreign Direct Investment
- \* **FSI:** Floor Space Index
- \* **HNI:** High Net-worth Individual
- \* **GOI:** Government of India
- \* **INR:** Indian Rupee
- \* **IT/ITeS:** Information Technology/Information Technology enabled Services
- \* **MNC:** Multinational Corporation
- \* **NRI:** Non Resident Indian
- \* **SBD:** Special Business District
- \* **SEZ:** Special Economic Zone
- \* **USD:** US Dollar
- \* Wherever applicable, numbers have been rounded off to the nearest whole number

## EXCHANGE RATES

Exchange rates (Fiscal Year)

Year	INR equivalent of one USD
2004–05	44.81
2005–06	44.14
2006–07	45.14
2007–08	40.27
2008–09	46.14
2009–10	47.42
2010–11	45.62
2011–12	46.88
2012–13	54.31
2013–14	60.28
2014-15	61.06
2015-16	65.46
2016-17 (E)	66.95

Exchange rates (Calendar Year)

Year	INR equivalent of one USD
2005	43.98
2006	45.18
2007	41.34
2008	43.62
2009	48.42
2010	45.72
2011	46.85
2012	53.46
2013	58.44
2014	61.03
2015	64.15
2016 (Expected)	67.22

Source: Reserve bank of India,  
Average for the year

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