EXECUTIVE SUMMARY

- 4th largest sector in terms of FDI inflows. FDI in the sector stood at US$ 24.66 billion from April 2000 to September 2017.
- FDI in the sector is estimated to grow to US$ 25 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.
- More than 70 per cent of India’s GDP will be contributed by the urban areas by 2020.

- 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 US$ 853 billion, increasing from US$ 126 billion in 2015

Notes: E – estimated; * from April 2000
Source: Ministry of Tourism, KPMG, World Bank, Census 2011, EY – India’s Growth Paradigm 2017
ADVANTAGE INDIA
Demand for residential properties has surged due to increased urbanisation and rising household income. India is among the top 10 price appreciating housing markets internationally.

About 10 million people migrate to cities every year.

35 per cent of the population is in young age bracket (15-35 years).

Growing economy driving demand for commercial and retail space.

Growing requirements of space from sectors such as education and healthcare

Growth in tourism providing opportunities in the hospitality sector

In 2016, India secured 3rd position in the US Green Building Council (USGBC) annual ranking of the top 10 countries for LEED (Leadership in Energy and Environmental Design. This will generate attractive opportunities for companies to expand their portfolio

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The government has allowed FDI of up to 100 per cent for townships and settlements development projects

Under the Housing For All scheme, 60 million houses are to be built which include 40 million in rural areas and 20 million in urban area by 2022

Real Estate Bill was passed in March 2016 to establish a real estate regulatory authority for regulating and promoting the sector

Notes: KPMG, Report on Real Estate Sector in India – Corporate Catalyst India Pvt Ltd, Department of Industrial Policy and Promotion,*Calendar Year
Source: FDI - Foreign Direct Investment, NHB: National Housing Bank, 2028E - Estimates for 2028; Figures mentioned are as per latest data available
MARKET OVERVIEW AND TRENDS
SEGMENTS IN THE INDIAN REAL ESTATE SECTOR

- **Residential space**
  - Residential segment contributes ~80 per cent of the real estate sector. Total residential unit launches in FY17 stood at around 108,200.

- **Commercial space**
  - Few players with presence across India
  - The office space absorption in 2016 across the top eight cities amounted to 34 million square feet (msf) and net absorption reached 18 million square feet (msf) in 2017*.
  - FDI in multi brand retail to boost demand
  - In 2017, new retail space of 6.4 million has finished and supply of around 20 mn sq ft is expected in 2019.
  - The retail segment in the real estate sector attracted an investment of over $700 million in 2016

- **Retail space**

- **Hospitality space**
  - The country has 431 approved hotels with 34,187 rooms*

- **SEZs**
  - As of December 2017, the government had formally approved 423 SEZs, of which 222 are in operation.
  - Majority of the SEZs are in the IT/ITeS sector.

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**Notes:** SEZ - Special Economic Zone, IT - Information Technology, ITeS - Information Technology Enabled Services, *as of Dec 20, 2017
**Source:** KPMG Cushman and Wakefield, Knight Frank, CRISIL, www.sezindia.com, Ministry of Tourism, JLL India
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 US$ 853 billion by 2028
- Increasing share of real estate in the GDP would be supported by increasing industrial activity, improving income level and urbanisation
- Mumbai and 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
  - Demonetisation
  - PR for foreign investors

**Market size of real estate in India (US$ billion)**

<table>
<thead>
<tr>
<th></th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY13</th>
<th>FY15</th>
<th>FY20 F</th>
<th>FY28 F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>50.1</td>
<td>53.3</td>
<td>55.6</td>
<td>66.8</td>
<td>121</td>
<td>126</td>
<td>180</td>
<td>853</td>
</tr>
</tbody>
</table>

**Notes:** CAGR - Compounded Annual Growth Rate; F – Forecast, Information is as per latest data available

**Source:** KPMG, Report on Real Estate Sector in India – Corporate Catalyst India Pvt Ltd, CBRE
The urban housing shortage in India is estimated at around 10 million units* which is being addressed through Pradhan Mantri Awas Yojana (PMAY), Urban, under which 1,427,486 houses have been sanctioned in 2017-18.

Total rural housing shortage in India stood at 14.8 million as of 2015 and is estimated to have grown to 48.8 million during XII plan period (2012-2017)

Significant increase in real estate activity in cities like Indore, Raipur, Ahmedabad, Jaipur and 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 and other developed cities

In 2017¹, M&A US$ 3.26 billion worth of deals have been made in India’s real estate sector.

In March 2017, the State Bank of India (SBI) and the Confederation of Real Estate Developers’ Association of India (CREDAI) signed an MoU for three years to work towards the development of real estate sector.

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

Urban-rural housing shortage (million)
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 and 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

- NCR is expected to generate maximum demand in MIG and HIG category followed by Bengaluru
- Developers now focussing on affordable and 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 US$ 1.29 billion (44 per cent)
- India jumped 13 spots in Knight Frank’s Global House Price Index to reach 9th position in Q2 2017.

Notes: LIG – Low Income Group, MIG - Middle Income Group, HIG - High Income Group
Source: : Cushman and Wakefield

Cumulative Housing Demand-Supply in Top 8 Cities (‘000 units) 2016-20

- NCR is expected to generate maximum demand in MIG and HIG category followed by Bengaluru
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- During the period January-June 2016, residential sector commanded the largest share of PE investments with a total value of US$ 1.29 billion (44 per cent)
- India jumped 13 spots in Knight Frank’s Global House Price Index to reach 9th position in Q2 2017.

Notes: LIG – Low Income Group, MIG - Middle Income Group, HIG - High Income Group
Source: : Cushman and Wakefield
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 and maintenance

Key Drivers

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

Notable Trends

- Mumbai, NCR and Bengaluru account for 60 per cent of total office space demand in India as of 2017
- The office space absorption in 2016 across the top eight cities amounted to 34 million square feet (msf) with Bengaluru recording the highest net absorption during the year.
- Business activity shifting from CBDs to SBDs, Tier 1 to Tier 2 cities

Demand for commercial space in top 8 cities (million sq ft)

<table>
<thead>
<tr>
<th>Year</th>
<th>Pune</th>
<th>NCR</th>
<th>Mumbai</th>
<th>Kolkata</th>
<th>Hyderabad</th>
<th>Chennai</th>
<th>Bengaluru</th>
<th>Ahmedabad</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>16</td>
<td>25</td>
<td>26</td>
<td>8</td>
<td>15</td>
<td>13</td>
<td>32</td>
<td>4</td>
</tr>
<tr>
<td>2014</td>
<td>22</td>
<td>23</td>
<td>28</td>
<td>28</td>
<td>28</td>
<td>28</td>
<td>27</td>
<td></td>
</tr>
</tbody>
</table>

Notes: MNC - Multinational Corporation, BFSI - Banking, Financial and Insurance Services, CBD - Central Business District, SBD - Special Business District, NCR - National Capital Region
Source: Cushman and Wakefield
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 and 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
- Retail projects in Indian tier 2 and tier 3 cities received investments of US$ 6,192 million between 2006-17.
- Total mall vacancy is 14.1 per cent across 8 cities
- Total 213 malls are operational in India and 34 new malls are expected to become operational in top 8 cities by 2020.
- 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

Source: Cushman and Wakefield
HOSPITALITY MARKET TO WITNESS LARGE INCREMENTAL CAPACITY

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

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

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

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>82</td>
</tr>
<tr>
<td>2014</td>
<td>100</td>
</tr>
<tr>
<td>2015</td>
<td>114</td>
</tr>
<tr>
<td>2016</td>
<td>118</td>
</tr>
<tr>
<td>2017</td>
<td>120</td>
</tr>
</tbody>
</table>

Occupancy Vs. Stock (2017E)

<table>
<thead>
<tr>
<th>City</th>
<th>Stock</th>
<th>Occupancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bengaluru</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>Chennai</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>NCR</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>Kolkata</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Hyderabad</td>
<td>11</td>
<td>62%</td>
</tr>
<tr>
<td>Pune</td>
<td>10</td>
<td>60%</td>
</tr>
<tr>
<td>Mumbai</td>
<td>20</td>
<td>70%</td>
</tr>
<tr>
<td>Ahemdabad</td>
<td>5</td>
<td>58%</td>
</tr>
</tbody>
</table>

Notes: FSI - Floor Space Index, E - estimates
Source: Cushman and Wakefield
### PORTER’S FIVE FORCES FRAMEWORK ANALYSIS

#### Bargaining Power of Suppliers
- Large real estate firms have good bargaining power against customers
- Unregulated and badly managed land banks make land acquisition difficult for realty companies

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

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

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

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

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**Source:** Aranca Research

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For updated information, please visit www.ibef.org
STRATEGIES ADOPTED
# STRATEGIES ADOPTED

| Diversified portfolio | ▪ Having a diverse portfolio of residential, commercial and township developments  
  ▪ Companies have projects in various strategic geographic locations in order to diversify risks  
  ▪ Focus on the growth of lease business  
  ▪ Housing finance companies and private equity companies have started focusing on affordable housing. |
|-----------------------|---------------------------------------------------------------|
| Backward integration  | ▪ An architectural, structural and interior studio and a metal and glazing factory  
  ▪ Interiors and wood working factory and a concrete block making plant |
| Merger and Acquisitions | ▪ In 2016, Quickr India Pvt Ltd acquired rental start-up – Grabhouse, at an estimated value of US$ 10 million  
  ▪ In January 2017, Proptiger.com and housing.com in India merged to become India’s largest online real estate service company.  
  ▪ In November 2017, Singapore’s sovereign wealth fund GIC’s acquisition of a 33.34 per cent stake in DLF Cyber City Developers for Rs 9,000 crore (US$ 1.4 billion) was approved by the Competition Commission of India. |
| 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 and profit sharing agreement with the land owner |
| Superior execution | ▪ Outsourced support functions  
  ▪ Focus on delivery capability  
  ▪ Development of world class infrastructure  
  ▪ Rationalising costs |

*Source: Aranca Research, Livemint, Economic Times*
GROWTH DRIVERS
REAL ESTATE BEING DRIVEN BY POLICIES AND GROWING ECONOMY

Growth in tourism
Urbanisation
Epidemological changes
Growing economy
Easier financing
Policy support
ECONOMIC GROWTH ALONG WITH GROWING URBANISATION IS BOOSTING REAL ESTATE DEMAND

- The Indian economy experienced robust growth in the past decade and 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.

- By 2022, real estate and construction sector in India is expected to generate 75 million jobs and emerge as the largest employer in the country.

**Notes:** E – Estimate, F – Forecast, JNNURM: Jawaharlal Nehru National Urban Renewal Mission

**Source:** IMF World Economic Outlook Database, Indian Census, World Bank, McKinsey estimates, Cushman and Wakefield, Aranca Research

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**Real GDP growth rates of major economies**

<table>
<thead>
<tr>
<th>Year</th>
<th>Advanced Economies</th>
<th>Emerging Economies</th>
<th>India</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2010</td>
<td>6.00%</td>
<td>8.00%</td>
<td>5.00%</td>
<td>8.00%</td>
</tr>
<tr>
<td>FY 2011</td>
<td>5.00%</td>
<td>7.00%</td>
<td>4.50%</td>
<td>8.50%</td>
</tr>
<tr>
<td>FY 2012</td>
<td>4.50%</td>
<td>6.50%</td>
<td>4.00%</td>
<td>9.00%</td>
</tr>
<tr>
<td>FY 2013</td>
<td>4.00%</td>
<td>6.00%</td>
<td>3.50%</td>
<td>9.50%</td>
</tr>
<tr>
<td>FY 2014</td>
<td>3.50%</td>
<td>5.50%</td>
<td>3.00%</td>
<td>10.00%</td>
</tr>
<tr>
<td>FY 2015</td>
<td>3.00%</td>
<td>5.00%</td>
<td>2.50%</td>
<td>10.50%</td>
</tr>
<tr>
<td>FY 2016</td>
<td>2.50%</td>
<td>4.50%</td>
<td>2.00%</td>
<td>11.00%</td>
</tr>
<tr>
<td>FY 2017</td>
<td>2.00%</td>
<td>4.00%</td>
<td>1.50%</td>
<td>11.50%</td>
</tr>
<tr>
<td>FY 2018F</td>
<td>1.50%</td>
<td>3.50%</td>
<td>1.00%</td>
<td>12.00%</td>
</tr>
<tr>
<td>FY 2019F</td>
<td>1.00%</td>
<td>3.00%</td>
<td>0.50%</td>
<td>12.50%</td>
</tr>
</tbody>
</table>

**Population breakdown of India (million)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total population</th>
<th>Urban population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>846</td>
<td>217</td>
</tr>
<tr>
<td>2001</td>
<td>1026</td>
<td>286</td>
</tr>
<tr>
<td>2011</td>
<td>1210</td>
<td>377</td>
</tr>
<tr>
<td>2014E</td>
<td>1270</td>
<td>406</td>
</tr>
<tr>
<td>2015E</td>
<td>1311</td>
<td>429</td>
</tr>
<tr>
<td>2030F</td>
<td>1470</td>
<td>590</td>
</tr>
</tbody>
</table>

- India’s urban population as a percentage of total population was around 32.7 per cent in 2015 and is expected to rise to 40 per cent by 2030.

- Better wages and 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 and programmes (e.g., JNNURM) are expected to contribute to enhanced urbanisation.
RISING TOURIST NUMBERS BOOSTING THE HOSPITALITY SECTOR

- The number of FTAs in November 2017 rose 14.4 per cent y-o-y to 1,005,000.
- 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 and hospitality industry is anticipated to touch US$ 418.9 billion by 2022.
- As per the Union Budget 2017-18:
  - Government allocated US$ 58.92 billion for infrastructure sector.
  - By 2019, the government plans to construct one crore houses in rural areas.
  - US$ 3.42 billion were allocated for Pradhan Mantri Awas Yojana.
- In November 2017, India earned US$ 2.566 billion from the tourism sector registering a growth of 21.6 per cent from November 2016.
- The growing inflows from tourists is expected to provide a fillip to the hospitality sector.
- Medical tourism sector in India is gaining momentum, with a target of attracting 8 million medical tourists into the country by 2020.

**Notes:** CAGR: Compound Annual Growth Rate; 2017*: Till November 2017

**Source:** Ministry of Tourism, World Travel and Tourism Council’s Economic Impact 2015, Aranca Research
A joint venture between Dutch asset manager APG Asset Management and real estate asset platform Virtuous Retail, has acquired a portfolio of three shopping malls for US$ 300 million, and has committed an additional US$ 150 million as equity capital to expand the portfolio.

Emaar Properties, which entered India in 2005 with largest FDI in the realty sector, has invested about US$ 126.96 billion 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.

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

<table>
<thead>
<tr>
<th>Target</th>
<th>Acquirer</th>
<th>Value (US$ million)</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cowtown Land Dvlp Pvt Ltd</td>
<td>Lodha Group</td>
<td>513.6</td>
<td>2011</td>
</tr>
<tr>
<td>Compact Disc Film City</td>
<td>Jeff Morgan</td>
<td>320</td>
<td>2011</td>
</tr>
<tr>
<td>Oceanus Real Estate</td>
<td>Warburg Pincus</td>
<td>318</td>
<td>2011</td>
</tr>
<tr>
<td>Indiabulls Properties Pvt Ltd</td>
<td>Indiabulls Property Invest Trust</td>
<td>223.1</td>
<td>2012</td>
</tr>
<tr>
<td>Embassy Property</td>
<td>Blackstone</td>
<td>200</td>
<td>2012</td>
</tr>
<tr>
<td>Farallon Capital</td>
<td>Indiabulls Real Estate Ltd</td>
<td>187</td>
<td>2013</td>
</tr>
<tr>
<td>Candor Investments Inc</td>
<td>Brookfield Asset Management Inc</td>
<td>337.4</td>
<td>2014</td>
</tr>
<tr>
<td>GIC and Ascendas</td>
<td>Ascendas India Growth Programme</td>
<td>600</td>
<td>2014</td>
</tr>
<tr>
<td>Realty Business Intelligence</td>
<td>Housing.com</td>
<td>1.7</td>
<td>2015</td>
</tr>
<tr>
<td>Quickr India Pvt Ltd</td>
<td>Indian Realty Exchange</td>
<td>-</td>
<td>2015</td>
</tr>
<tr>
<td>Grabhouse</td>
<td>Quickr India Pvt Ltd</td>
<td>10</td>
<td>2016</td>
</tr>
<tr>
<td>Phoenix MarketCity, Bangalore (49 per cent stake)</td>
<td>Canadian Pension Plan Investment Board (CPPIB)</td>
<td>-</td>
<td>2016</td>
</tr>
<tr>
<td>DLF Cyber City Developers (33.34 % stake)</td>
<td>GIC</td>
<td>1,399.9</td>
<td>2017</td>
</tr>
</tbody>
</table>

**Source:** Corporate Catalyst India, Business Standard, The Economic Times
PE INVESTMENTS ON THE RISE

- RBI proposed to allow banks to invest in real estate investment trusts and infrastructure investment trusts, 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.
- In April 2017, HDFC Property Fund decided to launch a US$ 500 million offshore fund. The fund will invest up to 40 per cent in office spaces and the rest in residential projects with a focus on affordable housing.
- KKR India Asset Finance invested over US$ 500 million in residential projects in India in 2017.
- Private equity and debt investments in Indian real estate increased to US$ 4.18 billion in 2017*, compared to US$ 3.73 billion 2016*.

### Top PE deals in Indian real estate sector in 2017

<table>
<thead>
<tr>
<th>Investor</th>
<th>Investee</th>
<th>Investment (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>KKR and Co. L.P.</td>
<td>Sunteck Realty Ltd</td>
<td>22.4</td>
</tr>
<tr>
<td>Apollo Global Management</td>
<td>Logix Group</td>
<td>59.5</td>
</tr>
<tr>
<td>Piramal Fund Management Pvt. Ltd</td>
<td>Lodha Group</td>
<td>63.2</td>
</tr>
<tr>
<td>KKR and Co. L.P.</td>
<td>Mantri Developers Pvt Ltd</td>
<td>21.5</td>
</tr>
<tr>
<td>Goldman Sachs</td>
<td>Piramal Enterprises Ltd</td>
<td>150</td>
</tr>
<tr>
<td>Government of Singapore Investment Corp (GIC)</td>
<td>Nirlon</td>
<td>328.3</td>
</tr>
<tr>
<td>The Blackstone Group</td>
<td>3C Company</td>
<td>104.2</td>
</tr>
<tr>
<td>Clearwater Capital Partners and SSG Capital Management</td>
<td>Lotus Greens Developers Pvt Ltd</td>
<td>75.0</td>
</tr>
<tr>
<td>KKR and Co. LP</td>
<td>Bhartiya City Developers Pvt Ltd; Signature Global; Prince Foundations Ltd</td>
<td>148.73</td>
</tr>
<tr>
<td>Cerestra Advisors Ltd</td>
<td>Alexandria Knowledge Park at Genome Valley in Hyderabad</td>
<td>61.1</td>
</tr>
</tbody>
</table>

**Note:** * Calendar Year

**Source:** Grant Thornton, Cushman and Wakefield, Thomson Banker OneVenture Intelligence
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.
- Exports from SEZs reached Rs 5.24 trillion (US$ 78.1 billion) in FY17 and Rs 1.35 trillion (US$ 20.9 billion) in Q1 FY18.
- Industry players, including realtors and 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 approved six proposals from four developers to set up new special economic zones (SEZs) across 3 states in areas such as IT and biotechnology.
- In May 2017, Xander, a private equity group, signed two property deals worth US$ 446.22 million in India. The company bought a functioning special economic zone in Chennai for US$ 340.77 million from Sriram Properties.

Source: * includes exports from SEZs and Export Oriented Units (EOUs)
Source: Ministry of Commerce and Industry, SEZ website
GOVERNMENT POLICIES ARE HELPING THE REAL ESTATE SECTOR PROSPER

| Ease in housing finances | ▪ A deduction for additional interest of US$ 746.8 per annum for loans upto US$ 0.05 million was sanctioned during 2016-17, in case of first time home buyers, where the cost of house is less than US$ 0.07 million  
▪ Increase in exemption limit from US$ 3317 to US$ 4147 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 and 60 sq. metres in other cities  
▪ As per section 80GG, increase the limit of deduction of rent paid from US$ 358 to US$ 896 per annum, was allowed for the people living on rent.  
▪ Under Union Budget 2017-18, allocation of Rs 23,000 crore (US$ 3.57 billion) has been made for Pradhan Mantri Awaas Yojana – Gramin, with a target to complete 10 million houses in rural areas by 2019. |
| FDI | ▪ The government has allowed 100 per cent FDI for townships and settlements development projects  
▪ Provision for reduction in minimum capitalisation for FDI investment from US$ 10 million to US$ 5 million which would help in boosting urbanisation  
▪ In January 2018, Government of India allowed 100 per cent FDI in single-brand retail trading and construction development without any government approvals. |
| Widening the scope of real estate market | ▪ SEBI released draft guidelines for investments by Real Estate Investment Trusts (REITs) in non-residential segment and Infrastructure Investment Trusts. REIT will open channels for both commercial and 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 and defence capabilities |

*Source: Union Budget 2016 – 17*
OPPORTUNITIES
### NICHE SECTORS EXPECTED TO PROVIDE GROWTH OPPORTUNITIES

<table>
<thead>
<tr>
<th>Sector</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>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.</td>
</tr>
<tr>
<td>Healthcare</td>
<td>The healthcare market reached US$ 372 billion by 2022. India requires additional 1.1 million beds. India needs to add 2 million hospital beds to meet the global average of 2.6 for every 1,000 people.</td>
</tr>
<tr>
<td>Senior Citizen Housing</td>
<td>Emergence of nuclear families and 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.</td>
</tr>
<tr>
<td>Service Apartments</td>
<td>Growth in the number of tourists has resulted in demand for service apartments. In 2016, number of foreign tourist arrivals in India was recorded at 8.8 million. This demand is likely to be on uptrend and presents opportunities for the unorganised sector.</td>
</tr>
<tr>
<td>Hotels</td>
<td>FTAs in India is expected to reach 15.3 million by 2025, which is expected to lead to an increase in demand for hotels.</td>
</tr>
</tbody>
</table>

*Notes: NCR – National Capital Region*

*Source: Cushman and Wakefield, Fitch Ratings, Report on Healthcare, Telemedicine and Medical Tourism In India – ASA and Associates LLP, Ministry of Tourism*
### TOURISM MARKET SET TO SURGE; HOTELS TO INCREASE CAPACITY

<table>
<thead>
<tr>
<th>City</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ahmedabad</td>
<td>Upcoming office space likely to boost hospitality segment</td>
</tr>
<tr>
<td>Bengaluru</td>
<td>Corporate clients expected to provide steady growth to room demand</td>
</tr>
<tr>
<td>Chennai</td>
<td>Emerging as promising commercial destination with Chennai Bengaluru Industrial Corridor, likely to witness strong demand</td>
</tr>
<tr>
<td>Hyderabad</td>
<td>Room demand is expected to be driven by commercial and office space projects in the city</td>
</tr>
<tr>
<td>Kolkata</td>
<td>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</td>
</tr>
<tr>
<td></td>
<td>Government of West Bengal announced its plans to spend US$ 96.68 million to conserve rivers, develop parks and 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.</td>
</tr>
<tr>
<td>Mumbai</td>
<td>Improved infrastructure, new airport terminal and upcoming airport in Navi Mumbai expected to provide growth to hotel industry</td>
</tr>
<tr>
<td>NCR</td>
<td>Higher Floor Space index, inclusion of hotel projects in infra lending lists provide a positive outlook to hotel market in NCR</td>
</tr>
<tr>
<td>Pune</td>
<td>IT parks are attracting global players and increasing traffic. New business units are likely to increase business conferences, events which in turn would boost hotel demand</td>
</tr>
</tbody>
</table>

*Source: Cushman and Wakefield*
The office space absorption in 2016 across the top eight cities amounted to 34 million square feet (msf). The net absorption across these cities was 18 million square feet (msf) in 2017.

Investments in India’s office space sector are expected to hit peak in 2017. As of September 2017, India’s commercial real estate has received more than US$ 2 billion in foreign investment. The first real estate investment trust (REIT) in India is expected to be launched by 2017 end.

During Q3 2017, office leasing in India reached 10 million sq ft.

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 and recently relaxed FDI norms

Supply for prime office space was recorded at 11.9 million sq. ft. in 2016.

Rental rates likely to see a gradual upward trend in Bengaluru

Supply will exceed demand and 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 and an increased preference for suburban market with low rentals could pressure the core areas in Pune.

**Notes:**

- ITeS - Information Technology Enabled Service, 1 – 2016 data available only for the cities of Bengaluru, Hyderabad, Chennai and Pune, 1Till September 2017
- Source: Cushman and Wakefield, Jones Lang LaSalle, Livemint, Colliers International
CASE STUDIES
DLF: INDIA’S LARGEST REAL ESTATE COMPANY BY VALUE

- DLF has nearly 70 years of track record of sustained growth, customer satisfaction, and innovation. The company has 264 msf of development potential with 22.5 msf of projects under construction.
- DLF’s primary business is development of residential, commercial and retail properties. The company has a unique business model with earnings arising from development and rentals.
- Its exposure across businesses, segments and geographies, mitigates any down-cycles in the market. From developing 22 major colonies in Delhi, DLF is now present across 15 states-24 cities in India.

- 1946 – DLF was founded by Chaudhary Raghvendra Singh
- By 1964 – developed 22 urban colonies in Delhi
- 1985 – development of DLF city Gurgaon
- 1996 – Ventured into group housing projects
- 1999 – Ventured into Grade A Office Spaces
- 2002 – Ventured into Retail complexes
- Development of DLF Cybercity Gurgaon, premium residential complexes, IT Parks and next generation malls, hotels and large townships
- Entered Capital Market with listing in BSE and NSE with largest IPO of US$ 2.25 billion, largest of it's time.
- 2002 – Ventured into Retail complexes
- Development of India’s first luxury mall – Emporio, Residential plots launched in Gurgaon creating a new suburb – New Gurgaon, developed Delhi’s first automated multilevel car parking, Launched township - Gardencity, Gurgaon.
- Launched 8.3km expressway project in partnership with HUDA, First real estate company to set up 3 fire stations, Launched CyberHub- India's first integrated Food-Entertainment destination
- Consolidated revenues reach Rs 1,751 crore (US$ 272.36 million) in Q2 FY18.
GODREJ PROPERTIES – UNIQUE ASSET-LIGHT BUSINESS MODEL

- Started its first 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, Bengaluru and another in Panvel, Navi Mumbai.
- During 2012-16, real estate worth US$ 2.1 billion have been sold.
- During Q1 FY18, total income reached Rs 464.83 crore (US$ 72.11 million).

Source: Company website
### 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
- **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, baihq.mumbai@gmail.com
- **Website:** [www.baionline.in](http://www.baionline.in)
USEFUL INFORMATION
GLOSSARY

- 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
- US$: US Dollar
- Wherever applicable, numbers have been rounded off to the nearest whole number
### Exchange Rates (Fiscal Year)

<table>
<thead>
<tr>
<th>Year</th>
<th>INR Equivalent of one US$</th>
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<tbody>
<tr>
<td>2004–05</td>
<td>44.81</td>
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<tr>
<td>2005–06</td>
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<td>2007–08</td>
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<td>2008–09</td>
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<td>2009–10</td>
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<td>2010–11</td>
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<td>2015–16</td>
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<td>2016–17</td>
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<td>Q1 2017-18</td>
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<td>Q2 2017-18</td>
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<tr>
<td>Q3 2017-18</td>
<td>64.74</td>
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### Exchange Rates (Calendar Year)

<table>
<thead>
<tr>
<th>Year</th>
<th>INR Equivalent of one US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>43.98</td>
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<td>67.21</td>
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<tr>
<td>2017</td>
<td>65.12</td>
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*Source: Reserve bank of India, Average for the year*
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