

Real Estate

MARCH
2013



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Real Estate

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Contents

- ❖ Advantage India
- ❖ Market overview and trends
- ❖ Growth drivers
- ❖ Success stories: DLF, Godrej Properties
- ❖ Opportunities
- ❖ Useful information

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Advantage India

Growing demand

- Demand for residential property has gone up due to increased urbanisation
- Growing economy driving demand for commercial and retail space

Attractive opportunities

- Growing requirements of space from sectors such as education and healthcare
- Growth in tourism providing opportunities in the hospitality sector

2015E

Market size:
USD126
billion

Advantage India

Increasing investments

- FDI in real estate of more than USD11.25 billion between April 2000 and May 2012
- In FY12, the real estate sector accounted for 2.0 per cent of total FDI inflows into India

Policy support

- Allocation of USD625 million for rural housing
- FDI up to 100 per cent allowed with government permission for developing townships and settlements

2010-11

Market size:
USD55.6
billion

Source: BMI (Business Monitor International), Aranca Research

Data for FDI is from Department of Industrial Policy and Promotion;

Notes: FDI - Foreign Direct Investment; 2015E - Estimate for 2015 (estimates by BMI)

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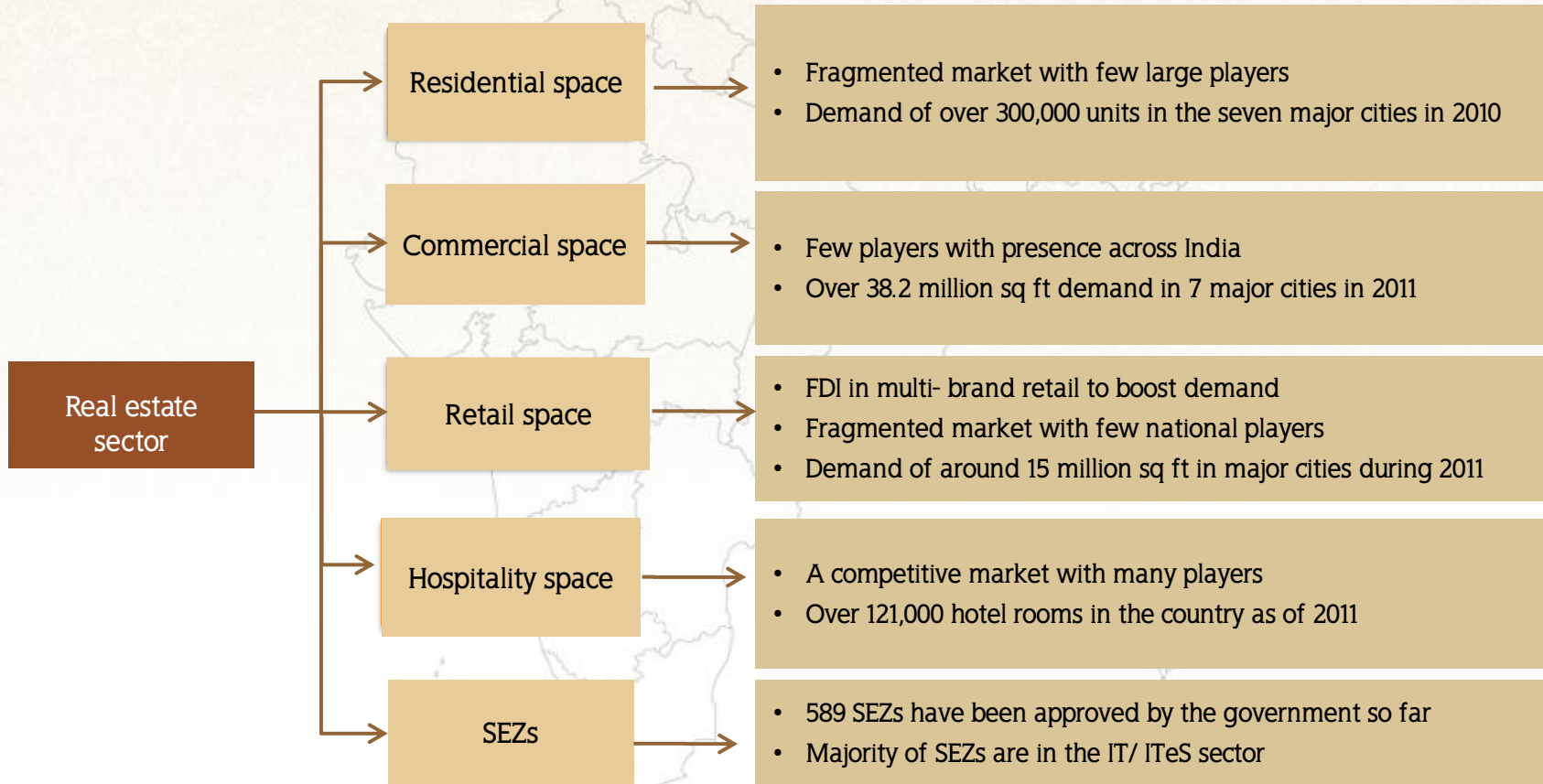
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Segments in the Indian real estate sector



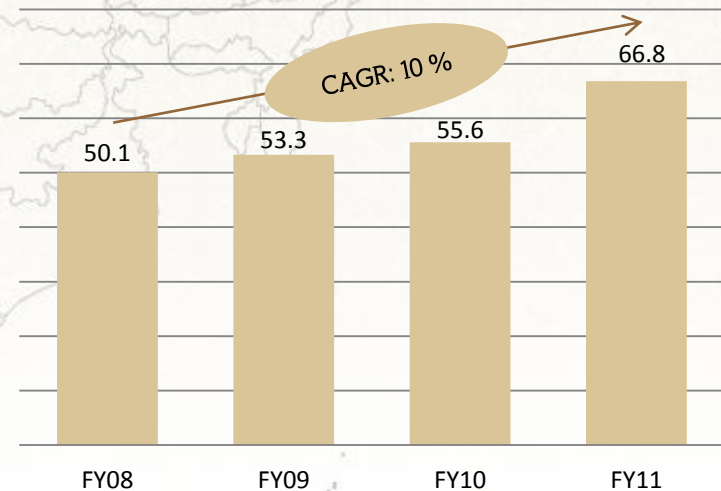
Source: Cushman and Wakefield, Knight Frank, CRISIL, Aranca Research
Notes: SEZ - Special Economic Zone. IT - Information Technology, ITeS - Information Technology Enabled Services

Indian real estate is a large, growing market ...

- Real estate contributes about 5 per cent to India's GDP
- The total revenue generated in FY11 stood at USD66.8 billion

Note: CAGR stands for Compounded Annual Growth Rate

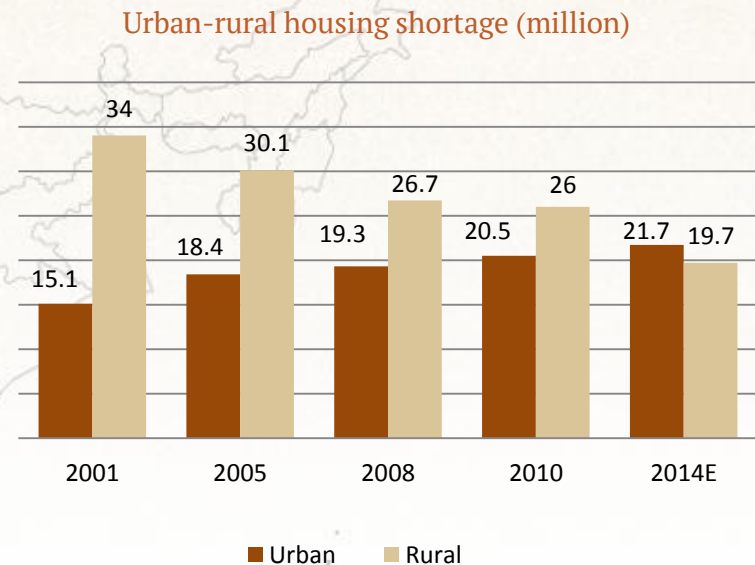
Market size of real estate in India (USD billion)



Source: BMI, Aranca Research

... with significant room for further growth

- The housing shortage in urban India stood at 20.5 million as of 2010
- The housing shortage in rural India stood at 26 million as of 2010
- The housing shortage in urban and rural India will be around 21.7 and 19.7 million units respectively in 2014
- Significant increase in real estate activity in cities like Indore, Raipur, Ahmadabad, Jaipur and other two-tier cities; this has opened new avenues of growth for the sector



Source: BMI, CRISIL, Aranca Research
Note: E - Estimates

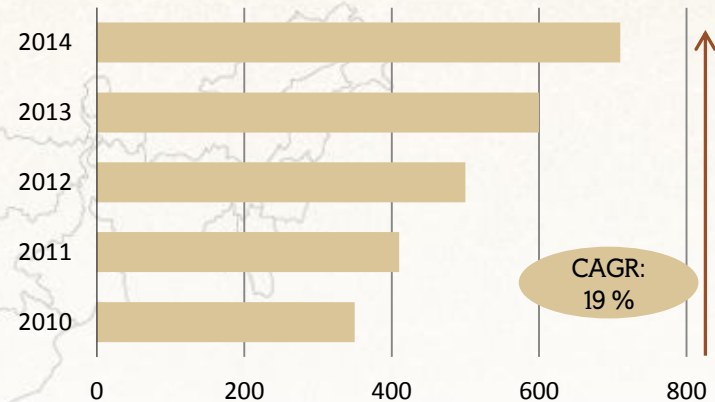
Demand for residential space expected to grow sharply

| | |
|----------------|--|
| Scenario | <ul style="list-style-type: none"> A localised, fragmented market presents opportunities for consolidation There are few large, pan-India players like DLF and Unitech |
| Key drivers | <ul style="list-style-type: none"> Rapid urbanisation Decreasing household size Easy availability of home loans Repatriation of NRIs and HNIs |
| Notable trends | <ul style="list-style-type: none"> Demand expected to grow at a CAGR of 19 per cent between 2010 and 2014 - Tier 1 metropolitan cities are expected to account for about 40 per cent of this Demand-supply gap is highest in the low- and mid-income segments; in fact, demand exceeds supply three-to four-fold Increase in real estate projects in two-tier and three-tier cities |

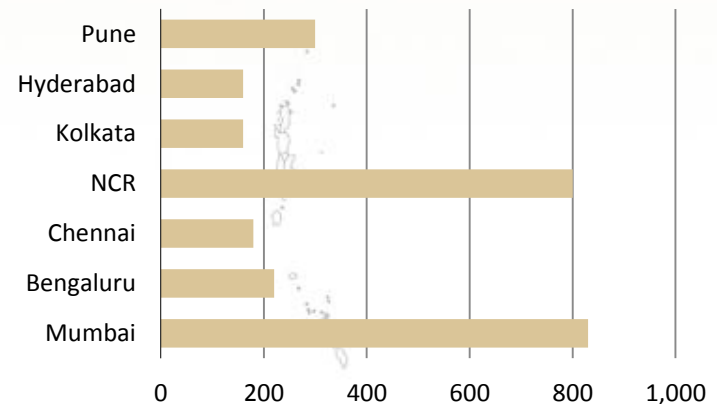
Source: Cushman & Wakefield, Aranca Research

Notes: NRI - Non-resident Indian, HNI - High Net-worth Individual

Demand projections across top 7 cities ('000 units)



Demand analysis of top 7 cities ('000 units) 2010-14

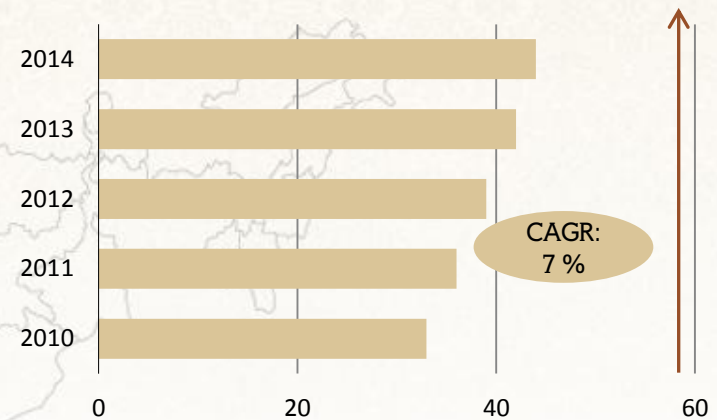


Metros driving demand for commercial space

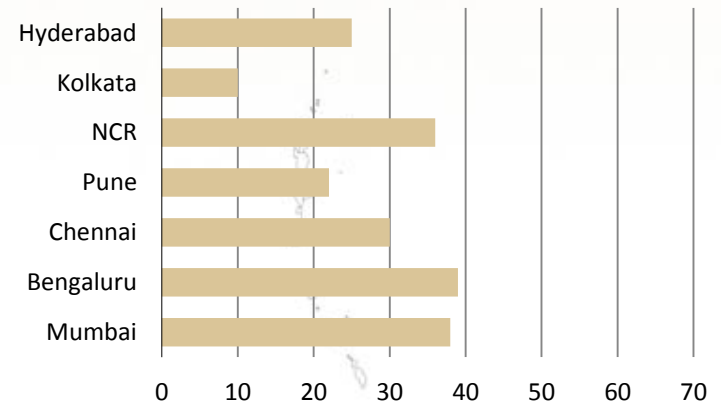
| | |
|----------------|---|
| Scenario | <ul style="list-style-type: none"> Few large developers with a pan-India presence dominate the market Operating model has shifted from sales to a lease-and-maintenance |
| Key drivers | <ul style="list-style-type: none"> Rapid growth in services sectors: IT/ITeS, BFSI and Telecom Rising demand from MNCs Demand for office space in Tier 2 cities |
| Notable trends | <ul style="list-style-type: none"> The top three cities - Mumbai, the NCR and Bengaluru - account for 46 per cent of total demand for office space in India Between 2010 and 2014, demand growth projected to be the highest in Tier 2 cities like Kolkata and Chennai Business activity is shifting from CBDs to SBDs and from Tier 1 cities to Tier 2 cities |

Notes: MNC - Multinational Corporation, BFSI - Banking, Financial and Insurance Services, CBD - Central Business District, SBD - Special Business District, NCR - National Capital Region

Demand projections across top 7 cities (million sq ft)



Demand analysis of top 7 cities (million sq ft) 2010-14

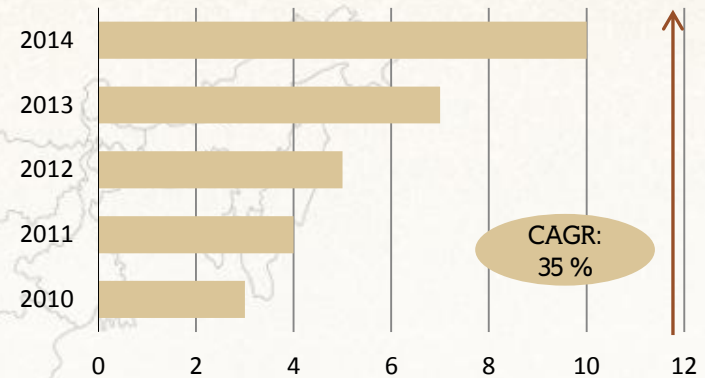


Source: Cushman & Wakefield, Aranca Research

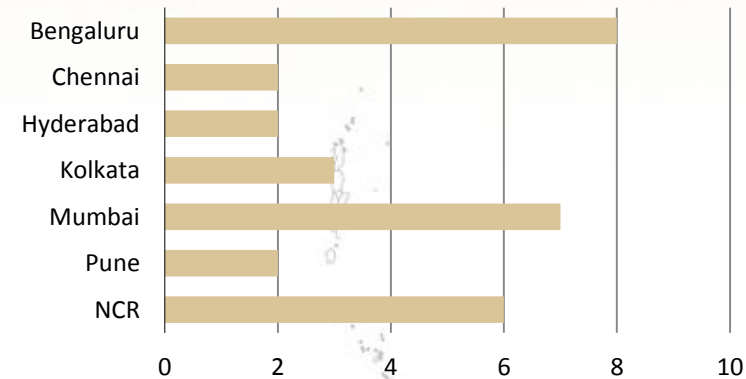
Retail space likely to see strong growth

| | |
|----------------|---|
| Scenario | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> Booming consumerism in India Organised retail sector growing 25-30 per cent annually Entry of MNC retailers |
| Notable trends | <ul style="list-style-type: none"> The NCR accounts for about 30 per cent of the total mall supply in India About 53 per cent of demand for total mall space in India expected to come from top seven cities Besides malls, demand for retail space on high streets is quite high International retail brands are collaborating with Indian partners Increase in FDI limit for multi-brand retail will lead to significant rise in demand for retail space |

Demand projections across top 7 cities (million sq ft)



Demand analysis of top 7 cities (million sq ft) 2010-14



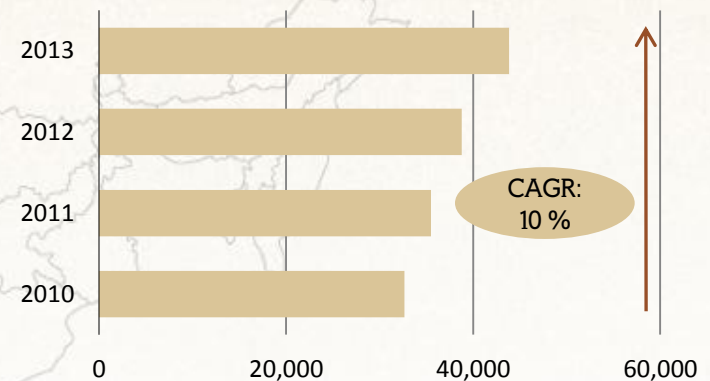
Source: Cushman & Wakefield, Aranca Research

Hospitality market to witness large incremental capacity

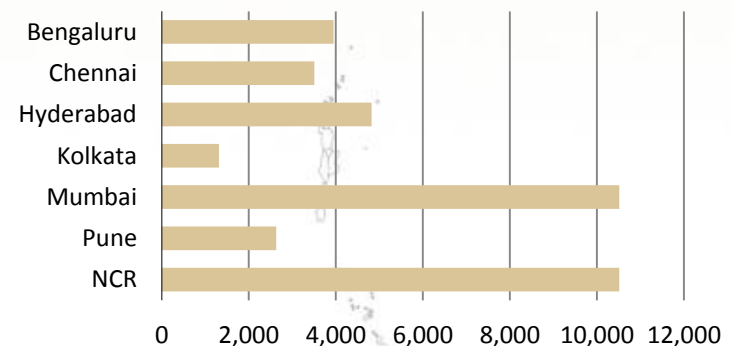
| | |
|----------------|--|
| Scenario | <ul style="list-style-type: none"> The NCR and Mumbai are by far the biggest hospitality markets in India, followed by Bengaluru, Hyderabad and Chennai Besides hotels, the hospitality market comprises serviced apartments and convention centres |
| Key drivers | <ul style="list-style-type: none"> A robust domestic tourism industry The increasingly global nature of Indian businesses boosting business travel Tax incentives for hotels and higher FSI |
| Notable trends | <ul style="list-style-type: none"> 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 these cities, especially for budget hotels |

Source: Knight Frank India, Aranca Research
Notes: FSI - Floor Space Index

Demand projections (no of rooms)



Demand analysis of top 7 cities (no of rooms) 2010-14



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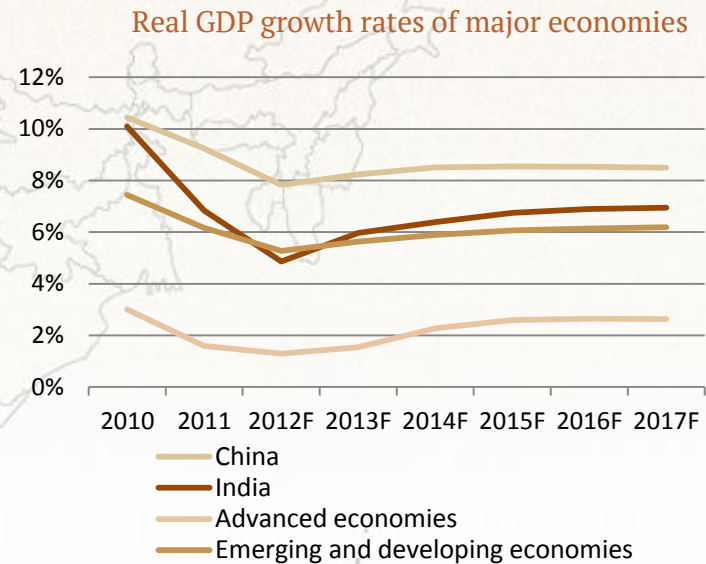
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Real estate being driven by policies and growing economy



Economic growth is boosting real estate demand ...

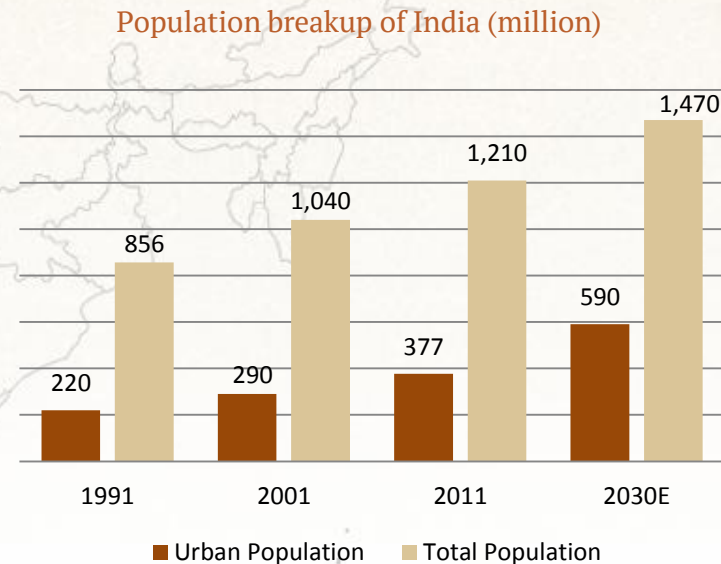
- The Indian economy experienced robust growth in the past decade and is expected to be one of the fastest growing economies in the coming years
- Demand for commercial property is being driven by the country's economic growth



Source: IMF, Aranca Research

... along with growing urbanisation

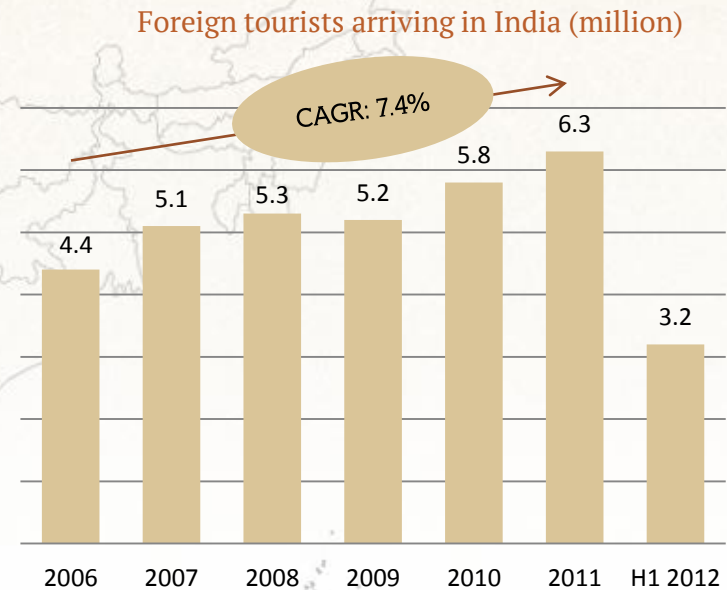
- Urban population has been increasing and is expected to cross 590 million by 2030
- Urbanisation and growing household income is driving demand for residential real estate and growth in the retail sector



Source: Indian Census, Mckinsey estimates, Aranca Research
Note: E - Estimate

Rising tourist numbers boosting the hospitality sector ... (1/2)

- Over 3.2 million foreign tourists are estimated to have arrived in India in 1H 2012
- The number of foreign tourists arriving in India expanded at a CAGR of 7.4 per cent over 2006-11

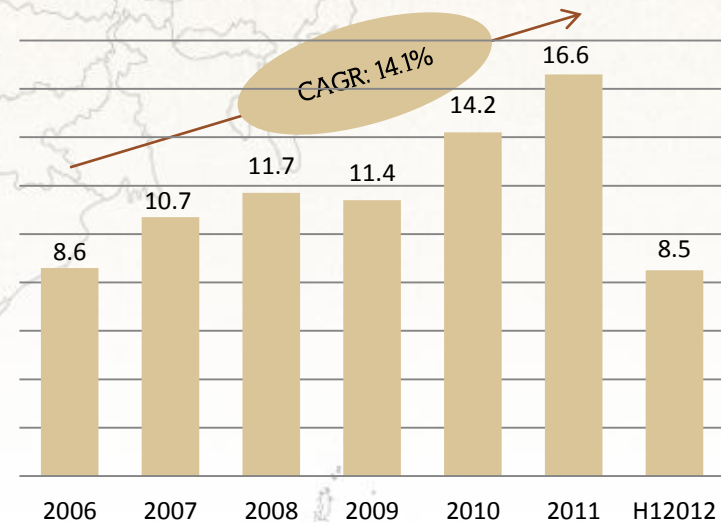


Source: Ministry of Tourism, Aranca Research
Note: H1 2012 - figures up to (Jan-June) 2012

Rising tourist numbers boosting the hospitality sector ... (2/2)

- India earned over USD8.5 billion from the tourism sector during 1H 2012
- The growing inflows from tourists is expected to provide a fillip to the hospitality sector

Foreign exchange earnings from tourism in India (USD billion)

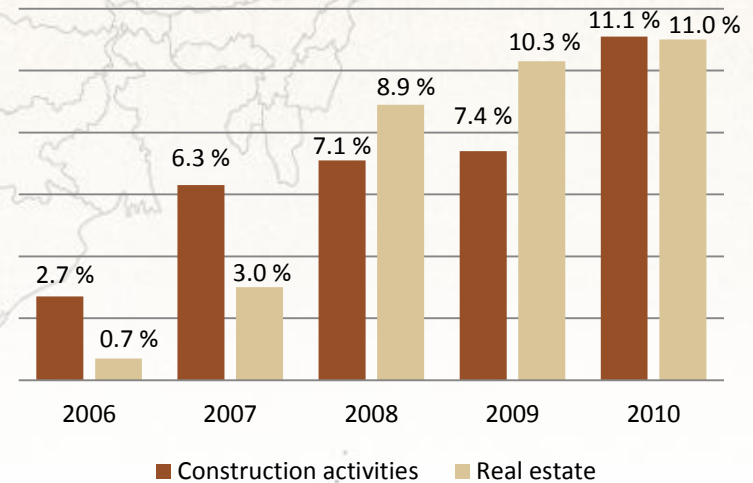


Source: Ministry of Tourism, Aranca Research
Note: H1 2012 - figures up to 2012 (Jan-June)

FDI in real estate on an uptrend ... (1/2)

- Total FDI in the real estate sector during 2000-10 stood at over USD9 billion
- Real estate and construction currently accounts for over 22 per cent of total FDI, up from less than 4 per cent in 2006

FDI in real estate as a per cent of total FDI in India



Source: Dept of Industrial Policy & Promotion,
Aranca Research

FDI in real estate on an uptrend ... (2/2)

- There have been 110 deals in the real estate space during the period 2001 to the first half of 2011
- The biggest disclosed deal was acquisition of DLF Assets' shares by Caraf Builders for USD696 million
- Sector emerged as a popular one for private equity investors; it witnessed investments worth USD1.7 billion in FY11

Major acquisitions in real estate sector in India

| Target | Acquirer | Value (USD million) | Year |
|-------------------------------|----------------------------------|---------------------|------|
| Caraf Builders | DLF Assets Ltd | 696.5 | 2009 |
| 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 |

Source: Thomson Banker, Intelligence Venture, Aranca Research

Government policies helping the real estate sector prosper

Ease in housing finances

- Government has raised the housing loan limit to USD52,080 for priority sector lending
- To liberalise scheme of interest subvention of 1 per cent on home loan by including loans of up to USD31,250 for houses that cost up to USD52,080

Housing for economically weaker sections

- Allocation of USD833 million for Rural Housing Fund in FY13 budget
- A Mortgage Risk Guarantee fund has been created under the Rajiv Awas Yojana to enhance creditworthiness of economically weaker sections

FDI

- FDI up to 100 per cent is allowed with government permission for developing townships and settlements
- FDI of up to 100 per cent is allowed in the hotel and tourism sector through the automatic route

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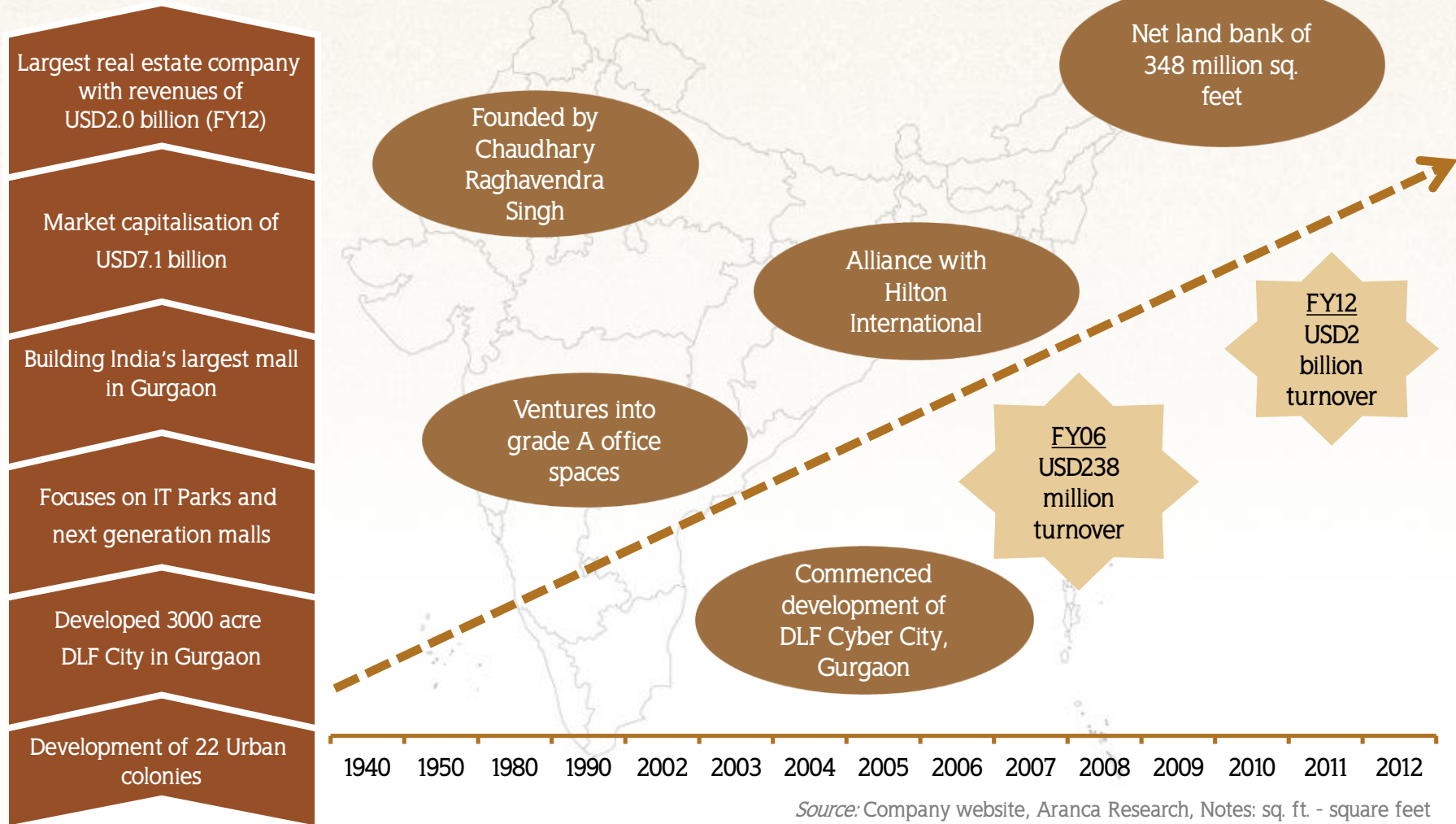
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DLF: India's largest real estate company by value



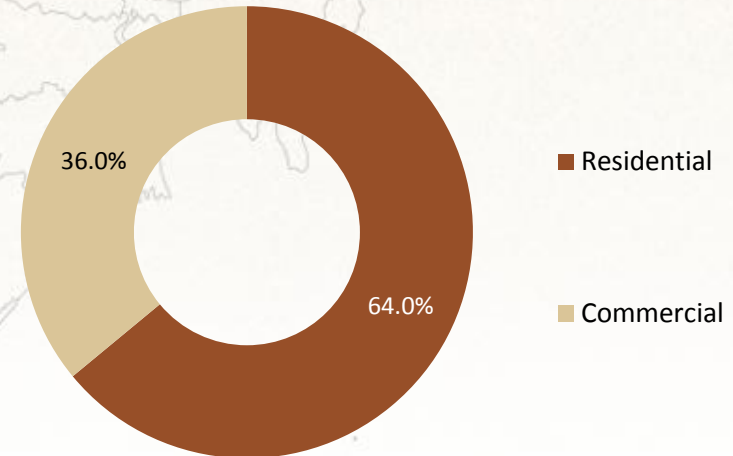
Godrej Properties - Unique asset-light business model ... (1/2)

Godrej Properties

→ Key Facts

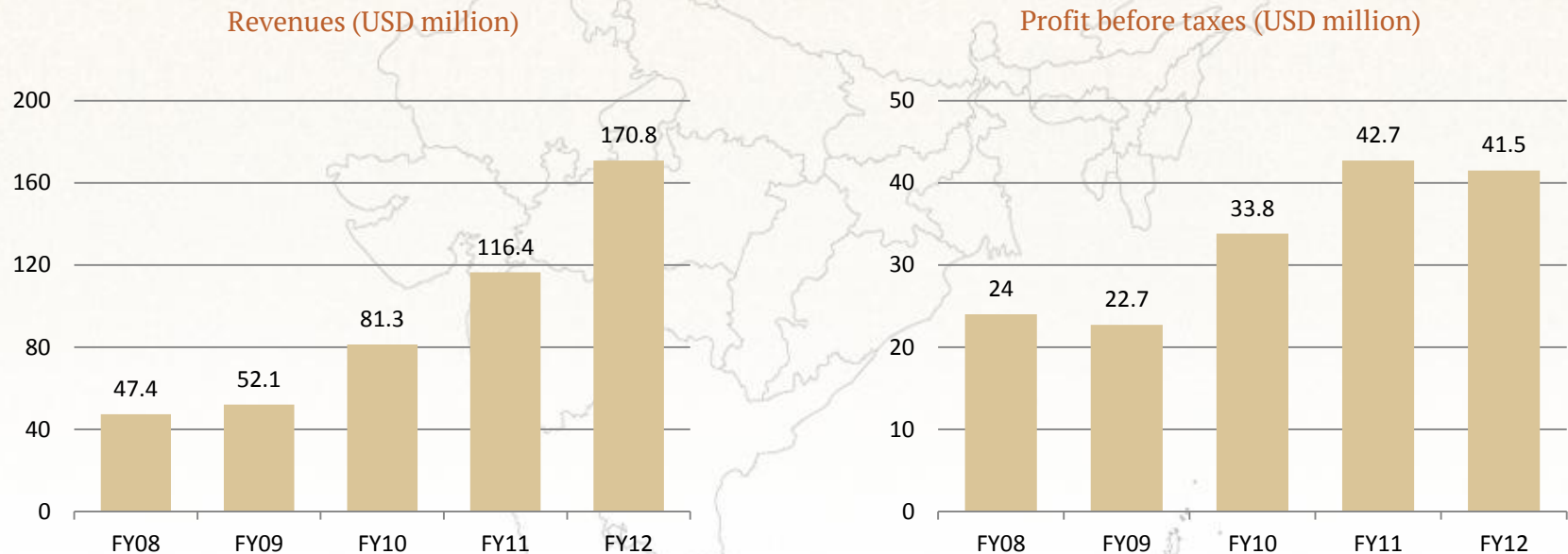
- Started its first project in Mumbai in 1991
- National real estate developer with presence across 12 cities
- Differentiated joint development business model resulted in a debt-equity ratio of less than one
- Current potential developable area stands at 77 million square feet
- Ranked one of India's top 10 builders by Construction World Architect & Builder Awards, 2011
- Consolidated total income of USD170 million in FY12
- Partnered for 27 projects of approximately 65.4 mn sqft

Distribution of ongoing projects by area (as of Oct. 2009)



Source: Company website, Aranca Research
Notes: mn sqft - million square feet

Godrej Properties - Unique asset-light business model ... (2/2)



Source: Company website, Aranca Research

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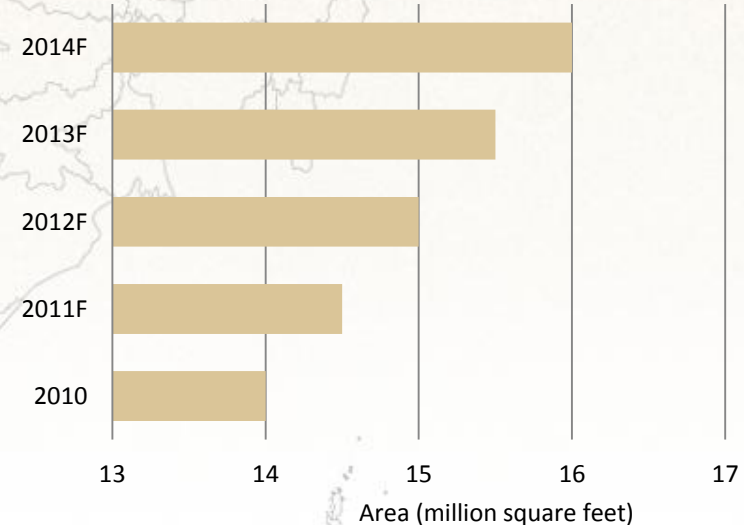
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Education sector presents opportunities for real estate firms ... (1/2)

- The entry of major private players in the education sector has created vast opportunities for the real estate sector
- The top seven cities i.e. Hyderabad, Bengaluru, Mumbai, Delhi, Pune, Chennai and Kolkata are likely to account for 70 per cent of total demand for real estate in the education sector

Real estate demand in education sector (seven top cities)



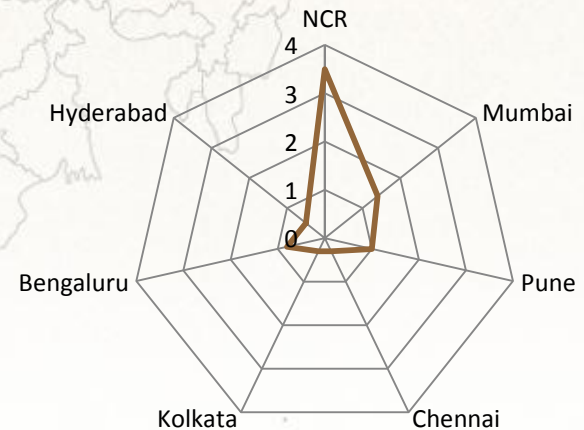
Source: Cushman and Wakefiled, Aranca Research

Education sector presents opportunities for real estate firms ... (2/2)

- NCR is expected to have the highest incremental demand from the education sector
- The rising young population of India is expected to drive this space

Notes: NCR - National Capital Region

Incremental demand across seven major cities (million sq ft)



Source: Cushman and Wakefield, Aranca Research

Niche sectors expected to provide growth opportunities

Healthcare

- The healthcare sector is estimated to grow at the rate of 15 per cent per annum from 2011-16
- India is expected to need additional 920,000 beds, entailing an investment between USD32 billion and USD50 billion over the period 2010-20

Senior citizen housing

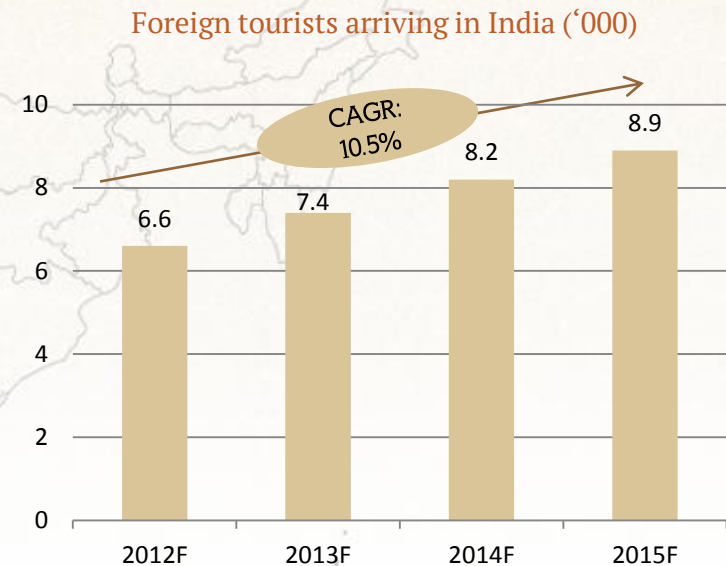
- Emergence of nuclear families and growing urbanisation has given rise to several townships that are developed to take care of the elderly
- A number of senior citizen housing projects have been planned; the segment is expected to grow significantly in future

Service apartments

- Growth in the number of tourists has resulted in demand for service apartments
- This demand is likely to be on uptrend and presents opportunities for the unorganised sector

Tourism market set for a surge; hotels to increase capacity ... (1/2)

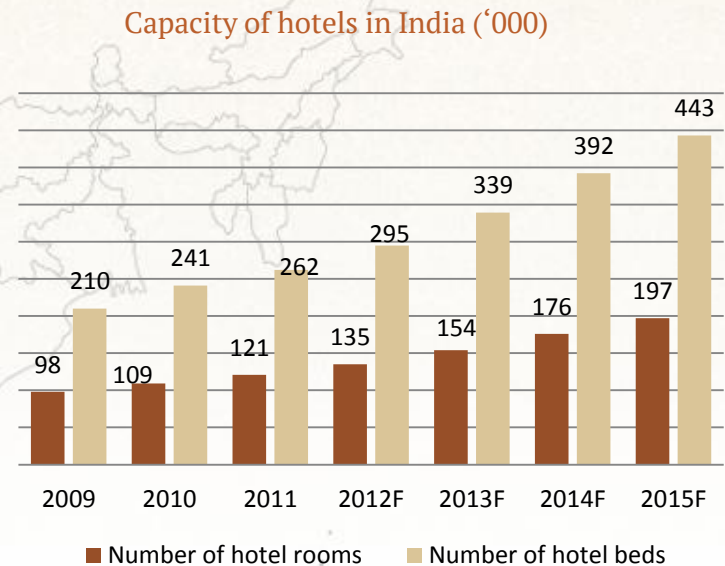
- Foreign tourist arrivals in India are expected to rise at a CAGR of 10.5 per cent during 2012-15
- The number of foreign tourists arriving in the country is expected to be over 8.9 million by 2015



Source: BMI, Aranca Research

Tourism market set for a surge; hotels to increase capacity ... (2/2)

- The number of hotel rooms in India as of 2011 stood at 121,000
- The number of hotel beds in the country is expected to increase to 443,000 by 2015 from the current capacity of 262,000



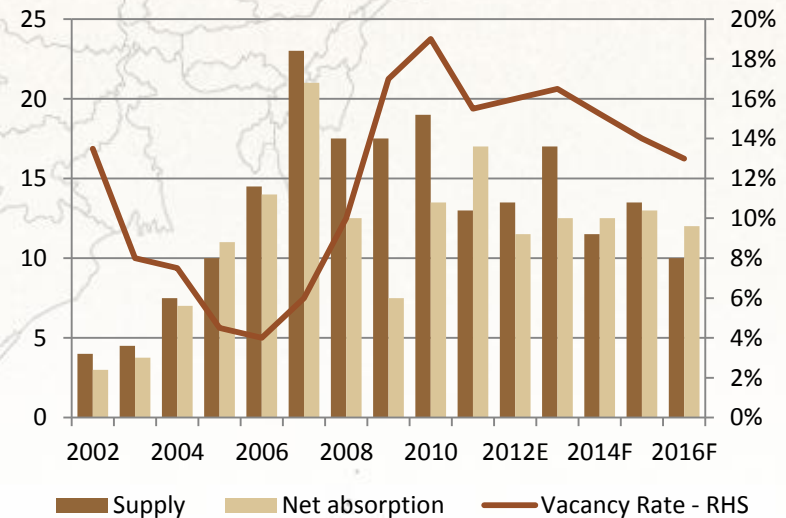
Source: BMI, Aranca Research
Note: F - Forecast

Southern states offer significant investment opportunities (1/2 - Office market)

- The southern Indian States - Andhra Pradesh, Tamil Nadu and Karnataka - have been the major drivers of economic growth in India over the last decade. The three states together account for about 22 per cent of India's GDP
- Nearly 45 per cent of India's office stock is represented by these states; over 64 per cent of the country's IT SEZs are housed in this region
- Office stock in the southern cities is projected* to grow at a CAGR of 8 per cent between 2012 and 2016

* Projections by Jones Lang LaSalle

Office market in southern India (in million sq ft)

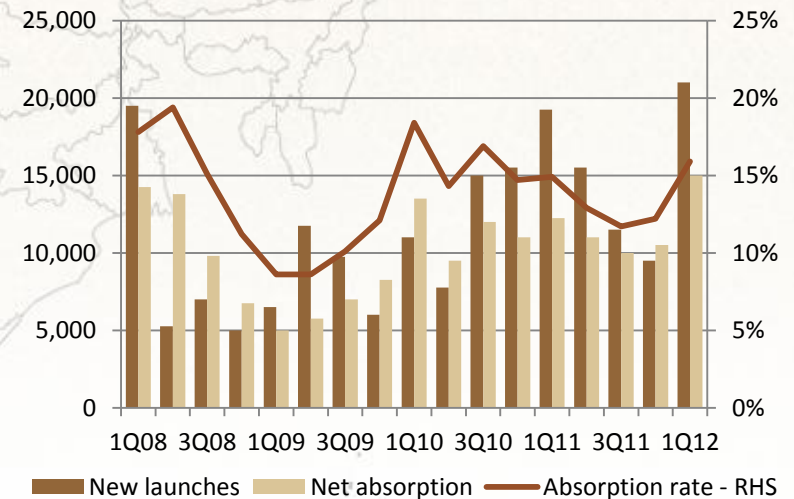


Source: Jones Lang LaSalle, Aranca Research

Southern states offer significant investment opportunities (2/2 - Residential market)

- Net absorption rate in southern India's residential market is once again climbing up to pre-crisis peaks; during 1Q12, net absorption rate stood at 15.1 per cent, compared to 17.8 per cent in 1Q08
- A growing migrant population due to increasing job opportunities, together with healthy infrastructure development, is underpinning demand in the region's residential real estate market

Residential market in southern India (number of units)



Source: Jones Lang LaSalle, Aranca Research

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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

Website: 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

Glossary ... (1/2)

- **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

Glossary ... (2/2)

- **SEZ:** Special Economic Zone
- **USD:** US Dollar
 - Conversion rate used: USD1= INR53
- Wherever applicable, numbers have been rounded off to the nearest whole number



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