

## Realty Check India

Festival period starts on a positive note + Now an oversupply of new issuances?

- **Share price performance:** Over the past month (Sep 1- Oct 1), the BSE Realty Index was up by 5%, underperforming the Sensex by 5%. Number of unlisted firms (Sahara, DB Realty, Emaar MGF, etc.) filed their draft IPO prospectus (DRHP) with the SEBI during the last week. These firms are cumulatively looking to raise over US\$2.5B.
- **Physical market movement:**
  - **Festival season begins on a positive note -** Residential segment has witnessed a surge in new launches as the festive season kicked off starting mid-Sep. Thus far notably strong pre-sales have been seen in projects (i.e Capital Greens, Faridabad, Hirco-Panvel). In places like Mumbai/Delhi, even as prices have touched pre-crisis levels, end buyer interest remains fairly strong, as seen in the recently concluded ICICI property exhibition in Mumbai. Home loans rates have now breached the 8% barrier and select PSU banks are now offering loans at 7.95% (offered by GIC HF, DCB).
  - **Office -- inquiries are picking up, rents seem to be bottoming out:** Office segment has witnessed a noticeable pick up in inquiries in 2Q and rental levels in the market may be bottoming out. Transaction activity too has picked up modestly vs. a weak base but incrementally seems to be gaining momentum for non-IT assets as per our channel checks. However, a huge supply line should keep any increase under check. Investment yields in the market seem to have stabilized at 11.0-11.5% currently.
  - **Retail -- High street model may see some recovery:** Retail rents have already corrected by 30%-40% across markets as new supply continues to outstrip the absorption levels in most markets. Over the past few months, some key retailers have started hinting at a possible demand improvement in 2H09.
  - **Expect US\$3B+ new issuance pipeline-** A number of real estate companies across India are looking to raise fresh capital via IPOs and most are looking to de-leverage their balance sheets. New paper supply should keep stocks under check in the near term.
- **Our preferred stocks in the property sector** remain a) Unitech - given its affordable housing positioning, and b) HDIL – given our positive outlook for TDR prices.

### Valuation Summary

	Market Cap US\$ MM	P/E		P/B		ROE		NAV prem/Disc
		FY10E	FY11E	FY 10E	FY11E	FY 10E	FY 11E	
DLF	15,549	41.2	24.8	2.9	2.6	7%	11%	0%
Unitech	5,258	24.8	15.4	2.3	2.0	17%	14%	-15%
IBREL	2,276	59.8	41.4	1.4	1.3	2%	3%	28%
HDIL	2,406	20.7	9.4	1.7	1.4	10%	16%	-7%
Brigade	299	19.3	12.2	1.4	1.2	7%	11%	-43%

Source: Bloomberg, J.P. Morgan estimates. Prices as of close of Oct 1, 2009

### India

#### India Property

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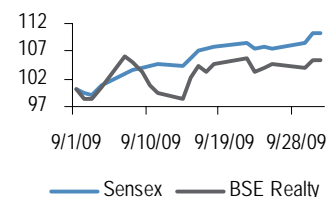
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### BSE Realty vs. Sensex



Source: Bloomberg

See page 25 for analyst certification and important disclosures, including non-US analyst disclosures.

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## Share price performance

Over the past month (Sep 1- Oct 1), the BSE Realty Index was up by 5%, underperforming the Sensex by 5%. Mid cap stocks like Orbit (up 47% M/M) and Parsvnath (up 24% M/M) were relative out-performers. Parsvnath was up sharply on the back of fund raising newsflow. Further, AIM listed stock Hirco also rallied by 14% over the month.

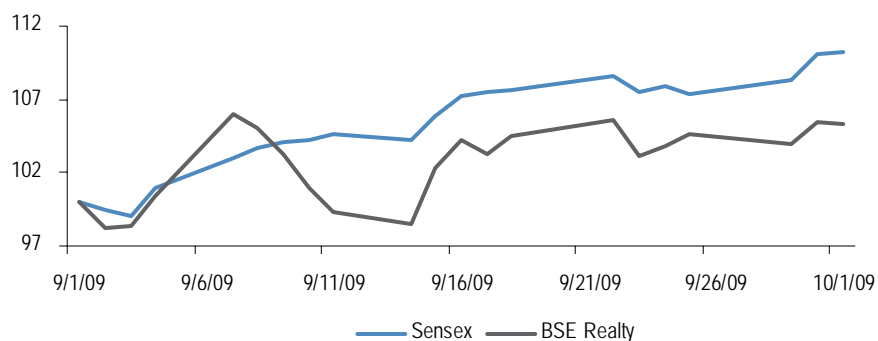
Number of unlisted firms (Sahara, DB Realty, Emaar MGF, etc.) filed their draft IPO prospectus (DRHP) with the SEBI during the last week. These firms are cumulatively looking to raise over US\$2.5 from the primary market.

Table 1: Stock price performance

	Mcap US\$MM	Absolute (%)			Relative (%)		
		1 week	1 month	3 month	1 week	1 month	3 month
DLF	15,550	2	6	35	(0)	(5)	18
Unitech	5,258	(6)	2	28	(9)	(8)	11
HDIL	2,415	(0)	9	42	(3)	(1)	25
Indiabulls Real Estate	2,280	1	5	30	(1)	(5)	13
Anant Raj	931	4	7	48	1	(3)	31
Akruti City	839	3	(2)	9	1	(12)	(8)
Parsvnath	568	17	24	77	15	14	60
Sobha	539	(3)	12	24	(6)	2	7
Peninsula Land	482	1	(1)	22	(1)	(11)	5
Mahindra Lifespaces	312	(3)	5	37	(5)	(6)	20
Brigade	299	6	10	77	3	(0)	60
Orbit	296	24	47	68	22	36	51
APIL IN Equity	207	10	13	61	7	3	44
AHCL IN Equity	22	6	5	31	3	(6)	14
SENSEX Index	NA	2	10	17	NA	NA	NA
BSERIAL Index	NA	2	5	35	(0)	(5)	18
<b>AIM Listed</b>							
Hirco Plc	252	(1)	14	116	(4)	4	99
Trinity Plc	187	0	(1)	3	(2)	(11)	(14)
Unitech Corporate Parks	130	(1)	(4)	43	(4)	(14)	26
Ishaan Plc	95	3	(6)	(4)	0	(16)	(21)

Source: Bloomberg, Prices as of Oct 1, 2009.

Figure 1: BSE Realty vs. Sensex



Source: Bloomberg

Table 2: India: Comparative Valuations

	Market Cap US\$ MM	FY10E	P/E FY11E	FY 10E	P/B FY11E	FY 10E	ROE FY 11E	NAV prem/Disc
DLF	15,549	41.2	24.8	2.9	2.6	7%	11%	0%
Unitech	5,258	24.8	15.4	2.3	2.0	17%	14%	-15%
IBREL	2,276	59.8	41.4	1.4	1.3	2%	3%	28%
HDIL	2,406	20.7	9.4	1.7	1.4	10%	16%	-7%
Brigade	299	19.3	12.2	1.4	1.2	7%	11%	-43%

Source: Company reports and J.P. Morgan estimates. Prices as of close of Oct 1, 2009

Table 3: Regional Valuation Summary

	Market cap	P/E	P/B	ROE	NAV premium/ discount Current			
	CY09E	CY10E	CY09E	CY10E				
	(US\$ MM)	(x)	(x)		(%)			
<b>China</b>								
China Vanke Company	16,429	21.3	17.7	2.9	2.5	15%	15%	53%
China Overseas Land & Investment	17,664	22.6	17.3	3.4	2.9	16%	18%	47%
China Resources Land	11,018	25.9	17.7	1.9	1.7	8%	10%	-5%
Greentown China Holdings	2,283	18.8	11.7	2.0	1.9	11%	17%	-35%
Guangzhou R&F Properties	5,663	15.5	10.6	2.6	2.2	18%	23%	-14%
<b>Malaysia</b>								
SP Setia	1,182	26.4	26.3	2.3	2.3	9%	9%	-3%
IGB Corporation	765	20.7	16.7	1.0	0.9	5%	6%	-40%
KLCC Property Holdings	889	16.9	17.4	0.9	0.9	6%	5%	-18%
<b>Hong Kong developers</b>								
Cheung Kong Holdings	29,392	25.1	24.2	0.9	0.9	5%	6%	-19%
Hang Lung Properties	15,273	49.6	19.4	1.7	1.7	4%	9%	-5%
Henderson Land Development	14,127	22.2	23.6	0.9	0.9	3%	4%	-25%
Kowloon Development Company Limited	1,173	15.7	n/a	0.8	n/a	5%	n/a	-58%
<b>Singapore</b>								
City Developments	6,527	20.5	19.6	1.6	1.5	8%	8%	-10%
Keppel Land	2,695	24.0	19.0	1.1	1.1	8%	6%	-6%
GuocoLand	1,357	30.2	24.9	0.9	0.9	-4%	-2%	15%
Wheelock Properties	1,491	16.3	15.9	1.0	1.1	2%	2%	-24%

Source: Company reports and J.P. Morgan estimates. Prices as of Oct 1, 2009

## Residential: Surge in new launches as festive season kicks off

With the start of the festive season in mid-Sep (Navratri - Hindu festival), the residential segment across the country has witnessed a surge in new project launches. Developers as well as banks are offering special schemes on pricing/mortgage rates to gain from anticipated demand pick up. The festive period has started on a positive note across the country with key launches reporting decent buyer interest.

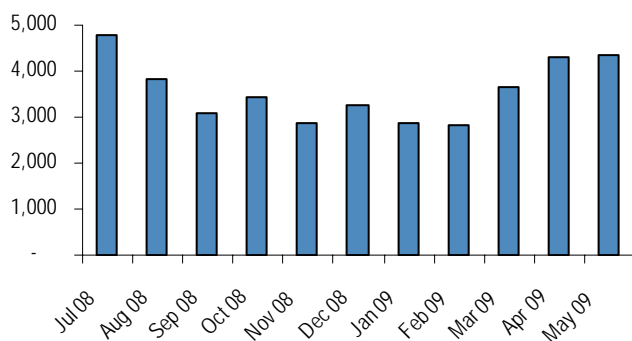
The next 2 months (includes the festival period of Diwali and New Year) typically account for a third of annual volumes and if absorption levels sustain in these new launches in the coming weeks, it could accelerate a pricing recovery. We note that in certain projects in Mumbai and Delhi NCR, price increases have already happened to the extent of 15-25%.

Key projects that witnessed strong oftakes over the last month include:

- **DLF's Capital Green Phase II in Delhi** - Company sold 1,250 flats in Shivaji Marg, Delhi, in a single day (Base price of Rs6,750psf). The project was priced at 30% premium to Phase 1 (Mar-09). DLF had priced this property via a book building process conducted through its property agents.
- **Hiranandani, Panvel** - As per our channel checks, Hiranandani has achieved very strong volumes in its Panvel project in Sep. Apartments under the township have been priced starting from Rs2.2MM (741 sq ft) to Rs11MM (3092 sq f).
- **IBREL, Panvel** - IBREL launched a new residential project Indiabulls Greens at Panvel, Mumbai at Rs2,200 psf. Apartments under the project have been priced starting from Rs1.5MM (683 sq ft) to Rs3MM (1407 sq f).
- **Faridabad project** - A local player in Faridabad sold 1,300 units within 2 days of the launch. The units were priced in the range of Rs3MM (1977 sq ft) -5.5MM (3228 sq ft).

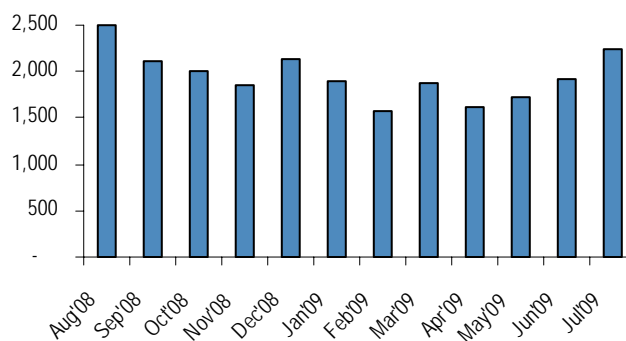
Overall, volume recovery in the residential segment has primarily been driven by improved affordability on the back of aggressive price cuts and reduction in mortgage rate. Prices after witnessing a sharp downward trend (down 25%-35% from peak) have now stopped falling and have shown signs of increase in the past one month.

Figure 2: Property registrations in Mumbai



Source: Inspector General of registrations

Figure 3: Property registrations in Gurgaon



Source: Inspector general of registration.

Residential market update: Demand Supply update 2Q 2009

**Cushman Comments**

<b>Mumbai</b>	<p>- <b>Key Launches:</b> Man Valley Vista (Nerul), Laurel Lilac (Powai), Hiranandani Palace Gardens (Panvel) and Nirmal Galaxy by Man Infraprojects, Nahar Group, Hiranandani Group and Nirmal Lifestyle respectively, were launched in 2Q09.</p> <p>- <b>Demand:</b> Newly launched projects with reduced prices as compared to prevailing market rates received a very strong response. Prices too have increased by 5-10% in few locations driven by strong absorption witnessed in few projects.</p> <p>- <b>Outlook:</b> Mumbai is likely to witness restricted supply in short term due to slowdown in construction activity. Prices too have increased by 5-10% in few locations driven by strong absorption witnessed in few projects.</p>
<b>NCR</b>	<p>- <b>Key launches:</b> Tulip Orange, The Residences and Vatika Bellevue &amp; IRIS-Emilia-Primrose floors were launched by Tulip Infratech Ltd, Unitech and Vatika Group respectively, in the affordable housing segment in Gurgaon.</p> <p>- <b>Demand:</b> Transaction volume increased in the last quarter. The end users as well as investors have started scouting for opportunities to invest as capital values of residential units have declined considerably.</p> <p>- <b>Outlook:</b> More developers are expected to launch new mid income projects on the back of robust demand evinced in the segment. Prices on the other hand have increased marginally in some projects on the back of strong offtake achieved.</p>
<b>Bangalore</b>	<p>- <b>Key Launches:</b> A number of projects were launched in 2Q09 in Bangalore such as Sohba Sunscape, Aquila Heights, Mantri Astra, and Salapurja Symphony by Sobha Developers, Tata Housing, Mantri Developers, and Salapurja Group respectively.</p> <p><b>Demand:</b> Residential segment has witnessed a healthy pick up in volumes over the last few months on the back of reduction in property prices and lower mortgage rates. Further, cut in stamp duty rates (to 6% from 7.5%) by the state government also supported the buyer sentiment. North Bangalore has led the demand revival due to relatively low capital values, advantageous location (closer to new airport) and a number of new projects</p> <p>- <b>Prices:</b> The demand for mid-segment properties is likely to see improvement in the near future as inquiries for these properties have increased significantly. However, at present inquiry to booking rate is very low.</p>
<b>Chennai</b>	<p>- <b>Key launches:</b> Infinity, Metro Golden Nest, Copper County by Vijay Shanthi, True Value Homes and Hallmark Infrastructure Pvt. Ltd., were launched in the second quarter of year 2009. Beside these affordable projects, Olympia Group also launched its premium project named Olympia Opaline Sky Villas in Siruseri.</p> <p>- <b>Demand:</b> Chennai witnessed significant increase in demand for ready to move-in properties by end users. New projects by national players such as DLF, Unitech in peripheral locations were being offered discounted prices. However, local developers (Appaswamy, Arihant, Ceebros, Chaitanya, Vijayashanthi) launched projects within city limits at close to prevailing market rates.</p> <p>- <b>Outlook:</b> Risk appetite for under-construction and newly launched properties has started to emerge and sale volumes are likely to further pick up during 2H09. Capital values are expected to continue to remain range-bound in the near term.</p>

Source: Cushman and Wakefield

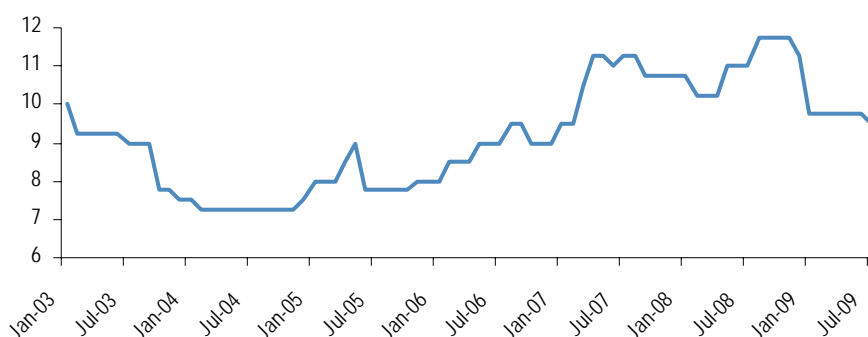
## Mortgage rates

Table 4: Home loan rates offerings by different banks

Floating rates - Home loans (Rs30L-50L)			
%	HDFC	SBI	ICICI Bank
1st year	9.0	8.0	9.25
2nd year	9.0	8.5	9.25
3rd year	9.0	8.5	9.25
4th year onwards	9.0	PLR-275 bps	9.25

Source: HDFC, SBI, ICICI

Figure 4: Mortgage rate trends: HDFC



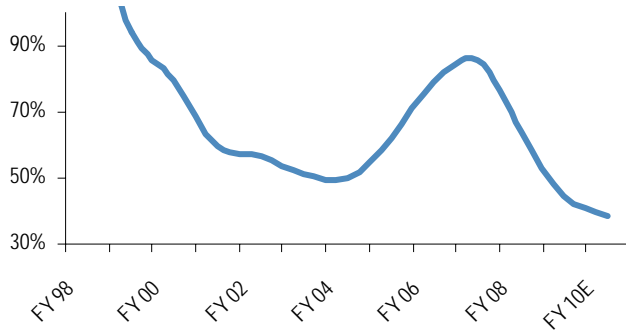
Source: Bloomberg

## Policy announcements

Date	Comments	
Sep-09	- RBI eased lending norms for SEZ developments by treating them as infrastructure lending	↑ Norms Easing
Jul-09	- Extension of 801B(B) scheme by one year and interest subsidy of 1 %	
Jan-09	- ECB norms for overseas lending relaxed	
Dec-08	- Home loan rates on below Rs 20L segment to be cut by about 200bps	
Dec-08	- Rs40B credit line to National Housing Bank to kick start lending in the Rs 2MM category (priority sector lending)	
Dec-08	- Permitted real estate loan restructuring upto Jun-09 as standard loans without requiring banks to classify these as NPAs	
Nov-08	- HFCs allowed to raise short term foreign currency borrowings under the approval route	
Nov-08	- Reduction in provisioning requirements on advances to the commercial real estate sector and home loans beyond Rs 2MM to 0.4%	
Nov-08	- RBI reduced risk weightings on banks' exposures to commercial real estate to 100% from 150% earlier	
May-08	- Lower risk weight (50%) on home loans upto 30L (20L earlier)	
May-07	- Ban on ECB's for township projects. Likely to hit the development plans of large developers	↓ Norms tightening
Jan-07	- Increase in provisioning requirements for real estate loans	
Sep-06	- RBI asks banks to treat loans to SEZs as real estate loans	
May-06	- RBI increases risk weightings on banks' exposures to commercial real estate to 150% from 125%	
May-06	- Increase risk weightings and general provisioning of residential housing/commercial loans above Rs 2MM	
Apr-06	- FII entry into real estate IPOs comes under scanner with RBI trying to classify it as FDI	

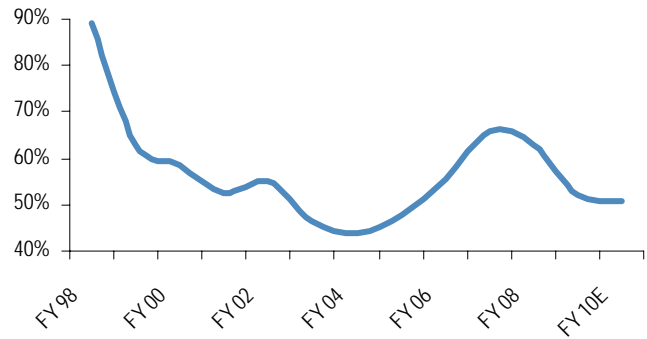
Source: RBI, Newspaper reports (Economic Times, Business Standard)

Figure 5: NCR Affordability (EMI/Monthly Income)



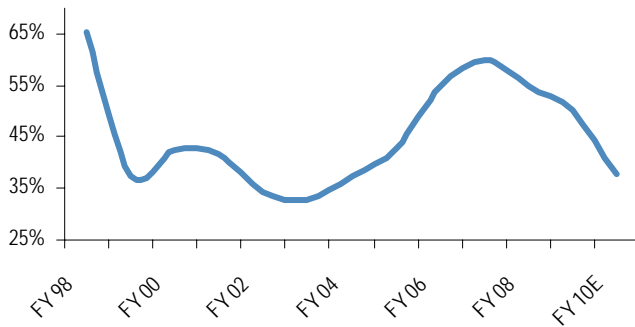
Source: Residex, J.P. Morgan

Figure 6: Mumbai Affordability (EMI/Monthly Income)



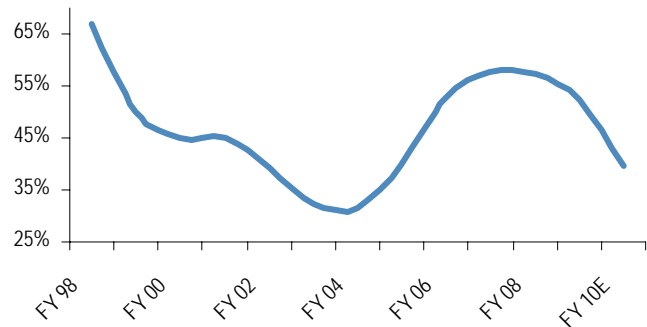
Source: Residex, J.P. Morgan

Figure 7: Bangalore Affordability (EMI/Monthly Income)



Source: Residex, J.P. Morgan

Figure 8: Chennai Affordability (EMI/Monthly Income)



Source: Residex, J.P. Morgan

Table 5: Key recent launches

Project name	Location	Developer	Unit Size (sq ft)	Base Price (Rs psf)
<b>NCR</b>				
Carnation Residency	Sec 85, Gurgaon	Orris	1050-1800	1,980
Unitech Vistas	Sec-70, Gurgaon	Unitech	1115-1560	2,765
The Grand Arch	Sec 58, Gurgaon	Ireo	1375-9897	4,550
Sunbreeze	Sec 69, Gurgaon	Unitech	968-1826	2,765
Emerald Floors	Sec 65, Gurgaon	Emaar MGF	267-350 sq yard	1,650-2,110
Shilas	Sec 109, Gurgaon	Raheja	1302-3712	2,575
The Villas (Uniworld Resort)	Sector 33, Gurgaon	Unitech	6664-10869	4,545-4,892
The View	Sec 37, Gurgaon	Ramprastha	1485	2560
The Residences	Sec 33, Gurgaon	Unitech	825-1545	3,295
Orange	Sec 69-70, Gurgaon	Tulip Group	1,137	2,200
IRIS Emila Primrose	Sec 82, Gurgaon	Vatika Group	1092-1962	1,870-2,150
Unihomes	Sec 117, Noida	Unitech	580-990	2895
Kosmos	Sec 134, Noida	Jaypee Greens	850-1200	2,825
The Willows (Villas)	Noida Expressway	Unitech	191-352 sq yard	5,100
Klassic	Sec 129 and 134, Noida	Jaypee Group	1120-1420	19,000-3,400
Aman	Sec 151, Noida	Jaypee Group	850-1320	2,100
Eldeco Olympia	Noida Expressway	Eldeco Developer	1655-2150	3,500
DLF Capital Greens II	Shivaji Marg, Delhi	DLF	1210-2630	6,750
Metro Park	Dwarka, Delhi	Uppal	1000-1500	5,140
<b>Mumbai</b>				
Hiranandani Heritage	Kandivali West	Hiranandani	1385-5000	8,950
Elanza	Malad West	Rustomjee	1100-1305	9000
Indiabulls Greens	Panvel	Indiabulls	683-1407	2,200
Indiabulls Sky	Lower Parel	Indiabulls	3700-8800	NA
Orbit Terraces	Lower Parel	Orbit Corp	1,600-3,000	NA
Palace Gardens	Panvel	Hiranandani	1395-3092	1,595-3,590
The Residences	Chembur, Mumbai	Unitech Omkar	673-1059	5,225
Global City	Virar (W), Mumbai	Rustomjee	361-503	2,400
Acura	Thane, Mumbai	Rustomjee	845-909	3,660
<b>Bangalore</b>				
Flushing Meadows	Whitefield	Nitesh Estates	1044-1248	2,020-2,050
Sunscape	Kanakapur	Sobha	1276-1562	2,200
	Bannerghatta Road,			
Esteem Enclave	Bangalore	Esteem group	787-1887	2850-3150
Evergreens	Off Sarjapur Road	Ozone Group	902-1206	2,335
Confident Atik	Sarjapur Road	Confident	774-909	1,750
Upscale (Villas)	Devamhalli, Bangalore	Hiranandani	2400-4800	2,510
Astra	Hennur Road, Bangalore	Mantri Group	1100-1480	2,790
Symphony	Hosur Road, Bangalore	Salarpuria Group	1282-1782	2,740
Forest Hill	Whitefield, Bangalore	Nitesh Estates	1301-1626	2,400
Infinity	Electronic City, Bangalore	Ajmera Group	1057-2607	1,700-2,190
Touchwood	Hennur Road, Bangalore	LGCL Group	2172-3219	4,465-5,095
Westend Heights	BTM Extension	DLF	1085-1820	1,850-2,000
	Whitefiled Main Road,			
Vinay Galaxy	Bangalore	SMR Builder	1240-1955	2,250
<b>Chennai</b>				
Unihomes Chennai	Nallambakkam	Unitech	700-715	1,845
Magilam	Pallavaram, Chennai	Vasavi Builders	945-1493	2,775
Prince Village	Tondiarpet, Chennai	Prince	635-1360	2,300
Infiniti	Srimperumbadur, Chennai	Vinay Shanti	385-1059	2,600
Synergy 2	OMR, Chennai	Mantri Group	870-1140	2,800
Heirloom	Thazhambur, Chennai	Arihant	1120-1600	2,090-2,150

Source: J.P. Morgan

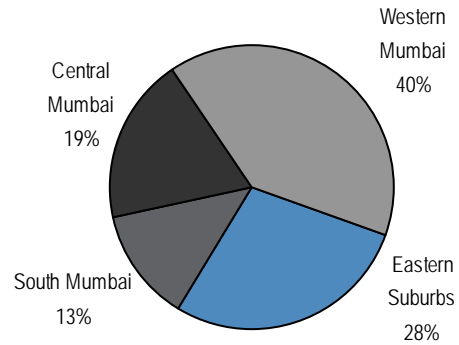
Figure 9: Mumbai residential supply

No of units



Source: DTZ

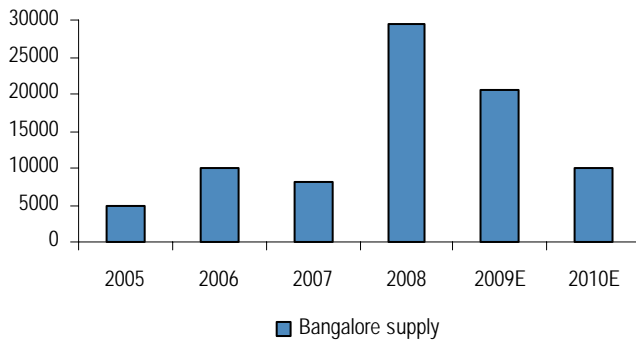
Figure 10: Break up of existing stock (2008)



Source: DTZ

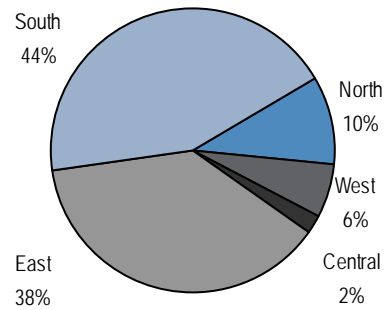
Figure 11: Bangalore residential supply

No of units



Source: DTZ

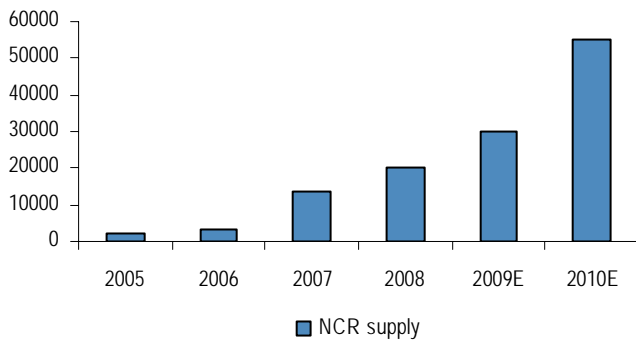
Figure 12: Break up of residential stock (2008)



Source: DTZ

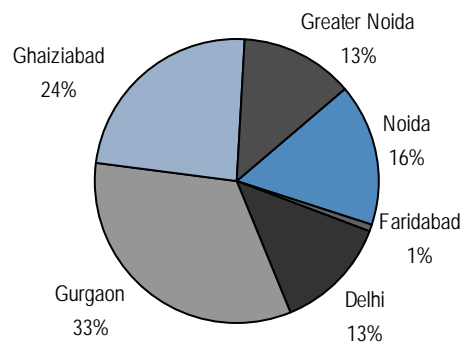
Figure 13: NCR residential supply

No of units



Source: DTZ

Figure 14: Break up of residential stock (2008)



Source: DTZ

## Capital value trends

Table 6: NCR Capital value trends

Rs psf	Jun-08	Sep-08	Dec 08	Mar-09	Jun-09	% ch (Y/Y)
South East (New Friends Colony, Kalindi Colony, Ishwar Nagar)	17,075	17,075	15,050	14,000	14,000	-18%
South Central (Safdarjung Enclave, Sarvapriya Vihar, Panchsheel)	21,000	21,000	19,000	19,000	19,000	-10%
Gurgaon	5,500	5,500	4,500	4,400	4,400	-20%
Noida	4,500	4,500	3,750	3,750	3,750	-17%

Source: Cushman & Wakefield

Table 7: Mumbai capital value trends

Rs psf	Jun-08	Sep-08	Dec 08	Mar-09	Jun-09	% ch (Y/Y)
South Central (Altamount Rd., Malabar Hill, Napeansea etc)	40,100	40,100	38,500	38,500	38,500	-4%
Central (Worli, Prabhadevi, Lower Parel / Parel)	25,000	25,000	20,400	19,000	18,000	-28%
North (Bandra (W), Khar (W), Santacruz (W), Juhu)	17,000	17,000	16,500	16,000	14,500	-15%
Far North (Andheri (W), Malad, Goregaon)	9,100	8,750	7,750	7,000	6,500	-29%
North East (Powai)	6,900	6,900	5,770	4,500	4,500	-35%

Source: Cushman and Wakefield

Table 8: Bangalore Mid income capital value trends

Rs psf	Jun-08	Sep-08	Dec 08	Mar-09	Jun-09	% ch (Y/Y)
Central (Brunton Road, Artillery Road, Ali Askar Road, Cunningham Road)	7,000	6,975	6,385	6,000	5,800	-17%
East (Marathalli, Whitefield, Airport Road)	3,500	3,400	2,900	2,650	2,550	-27%
South East (Koramangala, Jakkasandra)	4,000	4,010	3,450	3,050	3,000	-25%
Off Central (Vasanth Nagar, Richmond Town, Indiranagar)	5,000	5,000	5,000	4,800	4,800	-4%
North West (Malleshwaram, Rajajinagar)	5,300	5,275	5,050	4,750	4,700	-11%

Source: Cushman and Wakefield

Table 9: Chennai Mid Income Residential Capital Values

Rs psf	Jun-08	Sep-08	Dec 08	Mar-09	Jun-09	% ch (Y/Y)
Rajiv Gandhi Salai	3,000	3,225	3,050	2,650	2,650	-12%
Velachery	4,025	4,025	4,025	3,900	3,900	-3%
Poes Garden	12,750	12,750	12,750	12,000	12,000	-6%
T Nagar	5,250	5,250	5,250	5,250	5,250	0%
Nungambakkam	8,250	7,500	8,250	7,500	7,500	-9%
Anna Nagar	6,250	6,250	6,250	6,250	6,250	0%

Source: Cushman and Wakefield

## Office- Worst is over but recovery may take some time

Rentals for office space have already corrected by 30-40% from their peak levels on the back of slow demand and leasing activity. Vacancy rates too remain high at over 10%-15% across key markets.

Amongst the office space while demand from domestic corporates has started to firm up, IT/ITES demand is likely to remain subdued, though inquiries seem to be picking up. As the nascent global economic recovery takes firmer roots and offshoring demand improves (as reported by most MNC IT companies recently), IT office demand should start recovering

Table 10: MNC IT services companies' recent quarterly result trends and outlook summary

Company	Results and outlook brief
IBM	IBM saw strength in outsourcing segment. While technology outsourcing signings were up 24% y/y, strategic outsourcing signings (more long-term deals) were up by substantial 38% y/y. IBM expects continued strength in strategic outsourcing signings in the near term.
Accenture	Accenture too reported strong bookings and management indicated a major shift to outsourcing from consulting. Company reported robust 33% Y/Y growth in the outsourcing bookings and guided to improved outlook for the offshore business on the back of increased consumer confidence.
Cognizant	Management indicated that most clients have finalized IT budgets in 1Q2009 and Cognizant has already begun to see positive impact of the same. Cognizant's comments have indicated to improving business sentiment since Mar-09.

Source: J.P. Morgan

However, even as we expect volumes in this market to start improving by FY11, rents are unlikely to improve any time soon given a large near-term supply overhang.

Amongst key markets, Bangalore is relatively better placed primarily due to the healthy pre-commitments (>75%) in upcoming projects in 2009. NCR is expected to witness the sharp rise in vacancy levels (~30%) as only small amount of the upcoming supply (in 2009) has been leased so far.

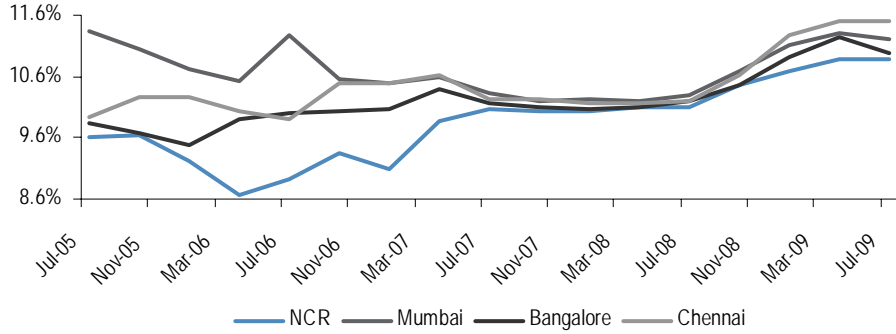
Table 11: Supply Absorption trends (2Q09)

Sq m	1Q09		2Q09	
	Supply	Absorption	Supply	Absorption
NCR	234,786	151,441	138,890	86,995
Mumbai	179,385	(14,903)	71,071	31,253
Bangalore	225,002	151,894	222,782	164,284
Chennai	14,400	(147,618)	183,586	40,759
<b>Total</b>	<b>653,574</b>	<b>140,813</b>	<b>616,329</b>	<b>323,292</b>

Source: JLL

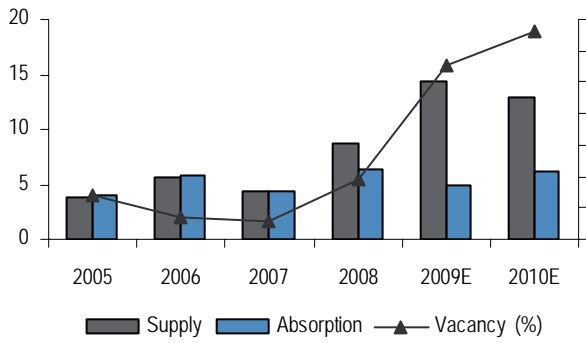
We expect cap rates to start sharply trending downwards, driven by improving liquidity and reduced risk aversion. AIT's forward dividend yield has come down from a high of 13% to ~7% currently

Figure 15: Office Investment yield trends in key cities



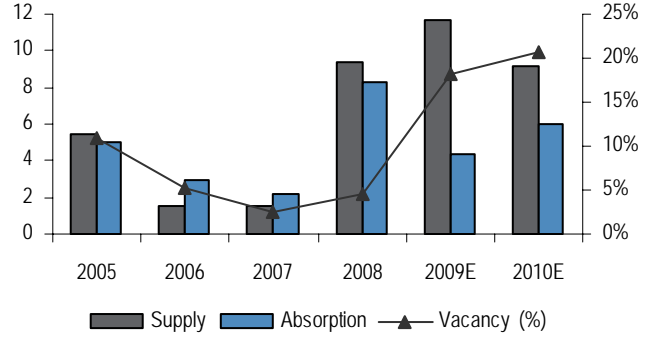
Source: JLL, J.P. Morgan

Figure 16: NCR office: Supply Absorption trends



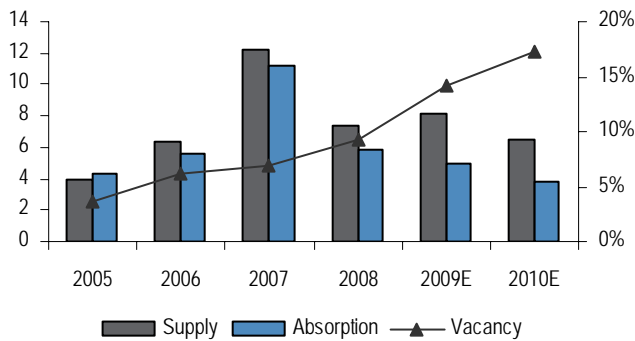
Source: JLL, J.P. Morgan

Figure 17: Mumbai office: Supply Absorption trends



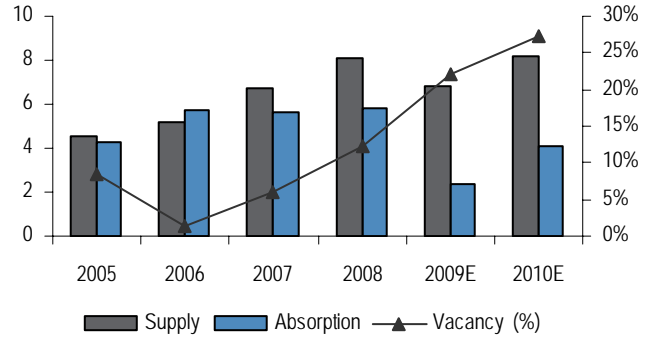
Source: JLL, J.P. Morgan

Figure 18: Bangalore office: Supply Absorption trends (msf)



Source: JLL, J.P. Morgan

Figure 19: Chennai office: Supply Absorption trends (msf)



Source: JLL, J.P. Morgan

## Office market update: 2Q09

Market	Comments
NCR	<p>- <b>Demand:</b> Decline in absorption in is largely due to cautious occupiers who are still delaying or reviewing their expansion plans despite the improved business sentiment in 2Q09. However, occupiers started to believe that rentals have bottomed out.</p> <p>- <b>Vacancy rate:</b> Vacancy rate in the NCR stood at 12.6% in 2Q09 (up 160bps from 1Q09) as majority of the new supply that entered the market was vacant. Construction delays continued in most micro markets on account of high vacancy and lack of occupier demand.</p> <p>- <b>Outlook:</b> Of the total upcoming supply in 2H09, only 18% and 4.5% has been leased in Gurgaon and Noida respectively so far. With huge supply in the pipeline, developers have shown a clear preference towards risk of lower rentals vs. the risk of higher vacancy. This will continue to keep rentals under check.</p>
Mumbai	<p>- <b>Demand:</b> Mumbai's commercial real estate market witnessed some signs of demand recovery this quarter on the back of improved business sentiment and rationalized rentals. Under construction projects (expected to complete in next 6 months) accounted for 70% of the transaction activity and these were leased at about 10% lower rentals as compared to completed developments.</p> <p>- <b>Vacancy rate:</b> The average overall vacancy rate in the city increased marginally by 80 basis points to 10.4% in 2Q09. Vacancy rates are very high especially in western suburban locations. The suburban markets should continue to feel the pressure of oversupply despite expected revival in demand. More deferment and shelving of upcoming projects is expected.</p> <p>- <b>Outlook:</b> Sluggish demand for office space would result in the delay of many projects that are under construction as well as the shelving of proposed projects. Vacancy levels are expected to rise significantly across all micro-markets due to the strong future supply in the pipeline. Property sale transactions have increased in the city especially in micro markets where risk of over supply is higher.</p>
Bangalore	<p>- <b>Demand:</b> Transaction actively too has improved marginally compared to 1Q09, but the same was confined to small size deals. Demand has primarily returned from IT/ITeS companies along with telecom/FMGC companies which are looking to lock in lease agreements at attractive rentals in SBD (esp. ORR) locations. Sub-leasing activity too has increased in the city.</p> <p>- <b>Vacancy rate</b> Current vacancy level in the city is around 11% with both Whitefield and Electronic city recording vacancy rates of over 20%. These micro markets also witnessed instances of developers willing to sell projects at prices slightly below the market average. However, buyers/investors are still cautious due to very high vacancy rates in these markets and hence there were no acquisitions.</p> <p>- <b>Outlook:</b> Supply will continue to outpace demand in the near term as the city is expected to witness more project completions in 2H09. Further, high vacancy levels across all micro-markets are expected to keep the rentals under check going ahead.</p>
Chennai	<p>- <b>Demand:</b> Absorption remains subdued at around 0.4msf primarily in SBD. While overall absorption was positive, certain pockets still witnessed negative absorption. DLF IT SEZ, RMZ Millenia, Elnet Software City and Raththa's Building in the OMR were some of the buildings that saw some leasing activity in this quarter.</p> <p>- <b>Vacancy rates:</b> Vacancy levels increased substantially during the quarter to 21.6%. This was primarily due to substantial supply additions (2msf) during the quarter; of which only 58% was absorbed. Most developers have now put their future construction plans on hold given the state of the market.</p> <p>- <b>Outlook:</b> Request for proposals (RFPs) floating in the market have picked up substantially for those buildings that are ready for the tenants to start fit-outs at affordable rents. This coupled with previously signed may result in increase in absolute absorption levels but vacancy rates are expected to remain high owing to huge supply in the pipeline.</p>

Source: Cushman and Wakefield

## Rental trends in key cities

Table 12: NCR Grade A Office rental trends

Rs psf pm	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	% change (y/y)
Connaught Place	340	300	285	240	220	-35%
Nehru Place	270	250	225	180	160	-41%
Jasola	175	170	170	140	110	-37%
Saket	225	225	220	175	140	-38%
Gurgaon	100	100	90	70	60	-40%
Noida	45	42	40	38	30	-33%

Source: CBRE, J.P. Morgan

Table 13: Mumbai Grade A Office rental trends

Rs psf pm	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	% change (y/y)
Nariman Point, Fort, Cuff Parade	475	425	400	350	300	-37%
Worli, Lower Parel, Prabhadevi	375	325	300	238	225	-40%
Bandra Kurla Complex	415	375	350	300	250	-40%
Andheri	220	200	175	150	125	-43%
Malad	100	90	80	75	70	-30%
Thane, Navi Mumbai	50	50	45	40	37	-26%

Source: CBRE, J.P. Morgan

Table 14: Bangalore Grade A office rental trends

Rs psf pm	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	% change (y/y)
CBD (MG Road, Residency Road)	85	85	85	75	73	-14%
Koramangala, Indira Nagar	65	70	60	50	48	-26%
Outer ring road	47	47	44	40	40	-15%
Whitefield, electronic city	29	29	27	25	25	-14%
South Bangalore	43	43	43	35	35	-19%
North Bangalore	46	46	45	40	40	-13%

Source: CBRE, J.P. Morgan

Table 15: Chennai Grade A Office rental trends

Rs psf pm	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	% change (y/y)
CBD (Anna Salai, Nungambakkam, RK Salai)	80	78	76	70	68	-15%
Off CBD (Alwarpet, Egmore, Guindy, Adyar)	55	55	54	50	49	-11%
SBD (Valachery, Taramani, Perungudi)	45	42	41	38	38	-16%
SBD (Ambattur, Siruseri etc)	38	30	29	25	25	-34%

Source: CBRE, J.P. Morgan

Table 16: Significant recent office lease transaction

Property	Location	Area Leased (sq ft)	Rent psf pm	Tenants
<b>NCR</b>				
Copia	Jasola	20,000	205	Miele Appliances
LIC building	CP	40,000	400	I&B Ministry
Pegasus	Golf Course Road	11,000	95	Taurus
Global Business Park	MG Road, Gurgaon	13,000	98	Siemens (Renegotiated)
Masterpiece	Golf Course Road	50,000	85	Telenor (Unitech Wireless)
Time Tower	MG Road, Gurgaon	6,500	90-95	Singapore Airlines
Technopolis	Golf Course Road	12,100	85-90	Sunbourne Energy, KBR
Standalone building	Sector 58, Noida	50,000	40-42	MD Everywhere
Knowledge Boulevard	Sector 62, Noida	41,000	34-60	Windcullum, Drishti, Pine labs
Windsor IT Park	Expressway, Noida	50,000	NA	Samsung
Logix Cyber Park	Sector 62, Noida	16,000	NA	Samsung
Standalone building	Sector 9, Noida	21,000	NA	Aircel
<b>Mumbai</b>				
Nariman Bhawan	Nariman Point	10,000	200	Axis Bank
India Bulls Center one	Lower Parel	20,000	180	Indus Ind Bank
Platina	BKC	50,500	225	Wyeth, SAP Labs, Bain & Co, Sahara
KRC Tower	Kalina	150,000	160	J P Morgan
VIBGYOR Tower	BKC	18,500	230	BASF
Kalpataru Square	Andheri	20,000	140	Ingersoll Rand
Solitaire Corp Park	Andheri	10,000	150	TNS India
Kamala Executive Park	Andheri	15,000	NA	Faber Castle
Nirlon Knowledge park	Goregaon	3,37,000	80-95	India Infoline, LRN tech, DB, IBM
Obero commez	Goregaon	20,000	120	China Lighting Power
Eureka Tower	Malad	14,000	130	Grid Stone, Nokia Siemens
Citi Park	Powai	90,000	65	Credit Suisse
Ventura	Powai	80,000	65	Citibank
Citi Park	Powai	50,000	90	GM
Delphi	Powai	40,000	100	Kelloggs
Fairmount	Powai	45,000	90	NCR
<b>Bangalore</b>				
Divyasree Chambers	Langford Road	103,200	43-50	Sun Microsystems
Vrindavan Tech Village	Outer Ring Road	28,779	38 (WS)	Sony
Ferns Icon	Outer Ring Road	14,978	36 (WS)	Lenovo
Embassy Golf Links	Inner Ring Road	46,300	56-60 (FF)	VMG BPO, Sasken, Unitech
Salarpuria Touchstone	Outer Ring Road	10,000	42 (WS)	Unitech MSC
Salarpuria Ascent	Koramangala	18,000	60(FF)	BCD
Salarpuria Touchstone	Outer Ring Road	20,000	42 (WS)	ARM Software
ITPL	Whitefield	20,000	46 (EWS)	First India Corporation
Sahara Sree	Whitefield	58,800	46 (FF)	Schneider Electric
AMR Tech Park	Hosur Road	17,700	47 (FF)	I-Runway
ITPL	Whitefield	20,000	46 (EWS)	First India Corporation
Sahara Sree	Whitefield	58,800	46 (FF)	Schneider Electric
AMR Tech Park	Hosur Road	17,700	47 (FF)	I-Runway
<b>Chennai</b>				
Chandok Centre	Mount Road	10,000	48	Polaris
Tamarai Tech park	Guindy	33,000	48	Ericsson
Indialand	Ambattur	60,000	28	Swan Telecom
DLF IT Park@ Chennai	Manapakkam	60,186	48	Petrofac
Kochar PSS Towers	Vadapalani	18,170	44	GJ Multimedia
RMZ Millenia	Perungudi	39,305	28	Swan Telecom
Elnet Software City	Taramani	43,300	40-60	Logitech, Dupont, Applied Dvpt etc
RMZ Millenia	Perungudi	39,305	24	Datacom
Raththa Building	Perungudi	55,000	42	Sanraa Media, Rising Solutions, Macmillan
Tek Meadows Phase 3	Perungudi	100,000	46	First Source Solutions
Bahwan Cybertek Building	Sholinganallur	27,000	43	Beroe Systems

Source: JLL, J.P. Morgan WS: Warm Shell, FF: Fully Fitted

## Retail: High Street may start recovering by end of the year

Retail rents have already corrected by 30%-40% across key markets as new supply continues to outstrip the absorption levels in most markets. While inquiries have picked up to some extent, actual leasing activity still remains subdued. Developers which witnessed active pre-leasing early last year in under-construction malls are busy managing rental negotiation and tenant retention. Further, due to high vacancy levels in existing/upcoming malls, developers have embarked on an aggressive marketing strategy and are willing to offer space at further discounts.

Demand slowdown coupled with significant supply pipeline is expected to increase the vacancy rates sharply to over 25% by 2009 end. This should continue to exert further downward pressure on rentals and the trend is unlikely to reverse until late 2010. Retailers and developers are looking at revenue share models for leases against a fixed rent structure.

Incrementally most large retailers (Pantaloons, Shoppers Stop) seem to be guiding towards improving sales trends. While improving retailer sentiment is an encouraging sign, we believe it may still be too early to call for a full recovery in this segment.

We think there is a good chance that high street retail may recover before large format by the end of the year driven by improved consumer spending and domestic demand linkages. Our channel checks with various IPCs further support this view.

Table 17: Supply absorption trends

Sq MM	1Q09		2Q09	
	Supply	Absorption	Supply	Absorption
NCR	113,342	15,342	31,587	14,978
Mumbai	-	(8,323)	74,323	50,450
Bangalore	-	(1,394)	32,516	27,592
Chennai	-	(841)	-	-
<b>Total</b>	<b>113,342</b>	<b>4,785</b>	<b>138,426</b>	<b>93,020</b>

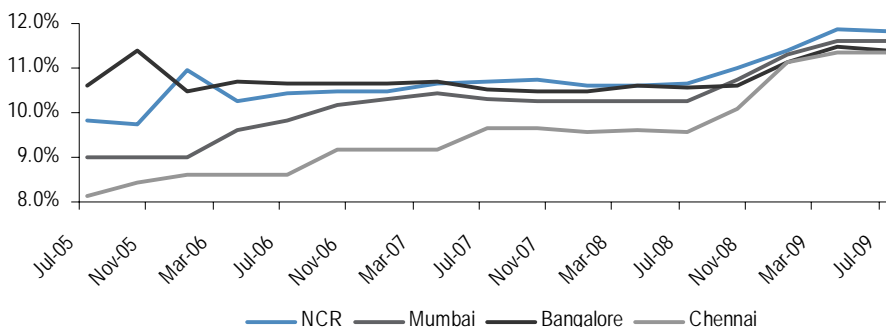
Source: JLL

Table 18: Revenue sharing model

	Percentage of revenue as rent (%)
Hypermarket	3%-4%
Departmental Stores	7%-8%
Apparel	12%-18%
Footwear	15%-18%
Jewellery	2%-2.5%
Health and Beauty	10%-12%
Food	15%-20%
Entertainment	8%-10%

Source: ET

Figure 20: Retail Investment Yields in key cities (%)



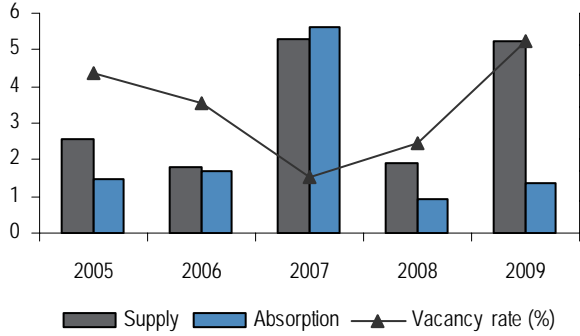
Source: JLL

Table 19: Key Mall Lease Transactions: 2009

Property	Location	Area Leased (sq ft)	Rent Rs psf pm	Tenant
<b>NCR</b>				
DLF Place	Saket	8,000	NA	LeMarche
DLF Place	Vasant Kunj	7,000	NA	Mango
<b>Mumbai</b>				
R Mall	Thane	60,544	37-42	More, Max
R City Center	Ghatkopar	6,292	75-120	Apple, Reliance, Welspun, Barbie
High Street Phoenix	Lower Parel	12,677	160	Ceilo, Planet Sports, Ed Hardy
<b>Bangalore</b>				
Standalone	Jayanagar	11,720	60	Neerus
Standalone	Commercial Street	12,000	250	Vision Express
<b>Chennai</b>				
Ampa Mall	Nelson Manickam Road	103,623	33 (Anchor)-110 (vanilla)	Star India Bazar, Westside, KFC, Pizza Hut etc
Grand Venus Mall	Perambur	33,000	3.5% Rev share	Big Bazaar

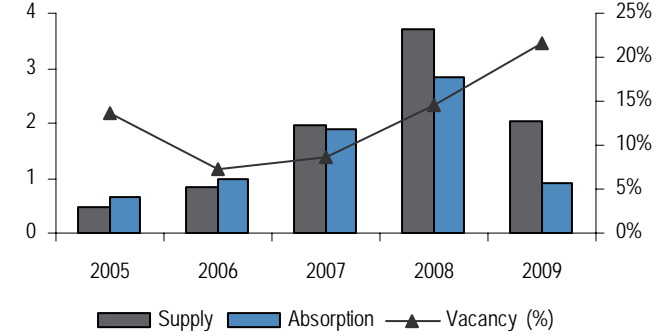
Source: Cushman and Wakefield

Figure 21: NCR Retail: Supply Absorption trends



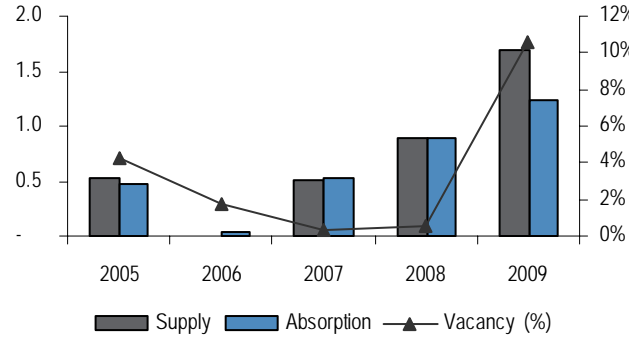
Source: JLL

Figure 22: Mumbai Retail: Supply Absorption trends



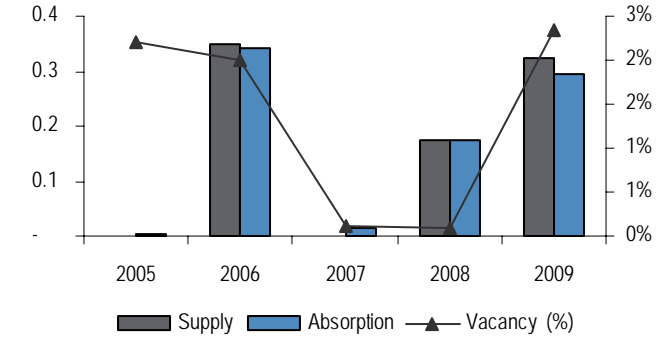
Source: JLL

Figure 23: Bangalore Retail: Supply Absorption trends



Source: JLL, J.P. Morgan

Figure 24: Chennai Retail: Supply Absorption trends



Source: JLL

## Retail market update: 2Q09

Market	Comments
NCR	<p>- <b>Demand:</b> Retailers continued to be extremely cautious about their expansion plans, and many are still reconsidering exercising the pre-leased space in under-construction retail malls. Developers based in Faridabad and Ghaziabad are considering selling their retail space and are even willing to offer assured returns of 10%-12% of the capital value.</p> <p>- <b>Vacancy:</b> Vacancy levels have increased materially to over 20% especially on account of substantial supply addition in suburbs. Going ahead, many upcoming projects will neither be operational nor achieve high occupancies due to lack of retailer interest.</p> <p>- <b>Outlook:</b> Due to high vacancy levels in existing/upcoming malls, developers have embarked on an aggressive marketing strategy and are willing to offer space at further discounts. Further, developers which witnessed active pre-leasing early last year in under-construction malls are busy managing rental negotiation and tenant retention.</p>
Mumbai	<p>- <b>Demand:</b> 2Q09 witnessed moderate leasing activity. However, leasing of retail space was restricted to only few malls in the city such as High Street Phoenix at Lower Parel, R-City Center at Ghatkopar and R mall at Thane.</p> <p>- <b>Vacancy:</b> Vacancy rate in the city rose further by 130bps over the quarter to 16.7%. Select mall projects (Phoenix, Inorbit) continue to record good footfalls, retailer interest and better occupancy rates as compared to other malls which are witnessing very high vacancy levels.</p> <p>- <b>Outlook:</b> Absorption rate, which indicates total absorption as a percentage of available stock, is expected to remain in the range of 27-30% over the next few quarters thereby resulting in higher vacancy levels. Deferment or shelving of retail projects by developers has already begun and the trend is likely to continue.</p>
Bangalore	<p>- <b>Demand:</b> Bangalore witnessed a marginal pick up in retail space absorption in 2Q; however the activity was limited to high street model and some level of activity in Forum Mall in Whitefield which opened during the quarter. Overall the demand still remains sluggish for retail space in the city.</p> <p>- <b>Vacancy:</b> Vacancy rate currently stands at 2.6% with suburban locations recording a vacancy rate of over 10%. Vacancy in suburban malls increased sharply since ~15% of the newly opened Forum Value Mall (0.35msf) in Whitefield remained unoccupied.</p> <p>- <b>Outlook:</b> Rent-free periods have increased across the micro-markets. Developers and property owners are expected to face fierce competition to secure tenants in 2009 given the poor retailer sentiment and availability of abundant space options.</p>
Chennai	<p>- <b>Demand:</b> Chennai witnessed healthy pre leasing activity for the high street locations as well as upcoming malls (Ampa Mall &amp; Express Avenue) expected to be operational in the next 6-9 months. As of 2Q09, these two malls were 90% and 70% pre-leased.</p> <p>- <b>Vacancy:</b> Vacancies in malls continued to remain at 1Q09 levels during 2Q09 at 1.1%.</p> <p>- <b>Outlook:</b> Chennai market is expected to witness more activity in 2H09, with about 2.4msf of mall space expected to become operational by 2010. We note that the upcoming space is substantially pre leased hence vacancy rates would remain under 3%.</p>

Source: Cushman and Wakefield

Table 20: NCR Prime Mall Rental trends

Rs psf pm	Jun-08	Sep-08	Dec 08	Mar-09	Jun-09	% ch (Y/Y)
South Delhi	662	662	550	490	475	-28%
West Delhi	410	400	300	280	240	-41%
Noida	478	450	375	310	310	-35%
Gurgaon	385	350	275	250	230	-40%

Source: Cushman & Wakefield

Table 21: Mumbai Prime Mall Rental trends

Rs psf pm	Jun-08	Sep-08	Dec 08	Mar-09	Jun-09	% ch (Y/Y)
Malad	525	525	525	525	525	0%
Lower Parel	700	700	480	480	480	-31%
Link Road Andheri (W)	415	415	400	400	400	-4%
Mulund	360	330	310	290	260	-28%
Goregaon	600	550	500	290	275	-54%
Vashi	300	270	240	185	185	-38%
Ghatkopar	350	310	285	215	220	-37%

Source: Cushman and Wakefield

Table 22: Bangalore Prime Mall Rental Trends

Rs psf pm	Jun-08	Sep-08	Dec 08	Mar-09	Jun-09	% ch (Y/Y)
Koramangala	485	485	485	400	400	-18%
Magrath Road	368	368	368	350	315	-14%
Cuningham Road	225	225	225	210	200	-11%
Mysore Road	165	165	165	165	150	-9%

Source: Cushman and Wakefield

Table 23: Chennai Prime Mall Rental trends

Rs psf pm	Jun-08	Sep-08	Dec 08	Mar-09	Jun-09	% ch (Y/Y)
Chennai CBD	250	250	250	220	180	-28%
Chennai Suburbs	188	188	188	145	140	-26%

Source: Cushman and Wakefield

### Key Land deals negotiated YTD

Location	Developer	Seller	Area (acres)	Price (RsMM per acre)	Total price (RsMM)
Sec 42, 53 and 54, Gurgaon	DLF	HSIIDC	350	50	17,500
Mantrayala, Nariman Pt, Mumbai	Indiabulls real estate	Maharashtra Govt.	4	3,440	13,760
Crown Mill, Prabhadevi, Mumbai	DB Group	Private Mill Land	7	8,57	6,000
CIDCO - Airoli Plots	Piramal Suntek		~1 acre	288	310
Bandra Govt Colony	DB Realty, Kakade Group, Akruti City	Maharashtra Govt	96	NA	NA

Source: News reports (*Economic Times and Business Standard*), J.P. Morgan.

### Key private placements done YTD

Investor	Company	Investment	Date	Description
Red Fort Capital	Parsvanath	19	Jun-09	18% stake in a luxury residential project in Delhi (1.9msf)
IL&FS	Akruti City	40	Feb-09	15% stake in SPV developing housing for Mumbai police in Ghatkopar
Sun Appolo	Mumbai based Keystone Realtors (Rustomjee Grp)	60	Jan-09	49% stake
IL&FS Investment Advisors	Mumbai based HBS Realtors	60	Jan-09	60% stake

Source: www.vccircle.com.

## Key news flow

*(Source: Business Standard, Economic Times)*

### **Saffron Asset plans to raise INR2bn for real estate fund (Sep 29, 2009)**

PE firm Saffron Asset Advisors (Saffron Asset) plans to raise a domestic fund of ~Rs1.5bn (US\$31.2mm)-Rs2bn (US\$41.6mm) over the next 3-4 months. The fund will focus on investments in a niche segment within the residential space. The fund will have only domestic investors.

### **DLF sells stake in JV with Ackruti City (Sep 29, 2009)**

DLF has sold its 50% stake in a commercial property being jointly developed with Ackruti City at Andheri for over Rs1.9bn (US\$39.5mm). The stake has been sold to Ahmedabad-based Pacifica Companies, a real estate development company. The property is spread over 1mm sq ft.

### **Parsvnath Developers in talks with foreign funds for investment (Sep 29, 2009)**

Parsvnath is in talks with foreign funds to raise ~Rs3bn (US\$62.4mm) for real estate investment, and expects to arrange funds for at least three projects in the national capital region. Parsvnath also plans to raise ~US\$70mm via a qualified institutional placement (QIP) at Rs121.25 (US\$2.52) per share. Parsvnath would use 60% of the QIP proceeds to retire a part of its debt while the remaining 40% would be used towards construction of its ongoing projects.

### **Draft bill on real estate regulator unveiled (Sep 29, 2009)**

Government has unveiled a draft new law with respect to the introduction of a real estate regulator. The draft bill makes it mandatory for builders to register their projects with the regulator before marketing them. The entire information about the project, verified by the regulator, will be put up on the regulator's website that can be accessed by all. The builders will have to submit a bank guarantee of 5% of the total cost of the project, which will be encashed by the regulator in the event of the builder not completing the project in time or violating any other condition agreed upon at the beginning. In case of a builder not completing the project in time, an allottee can ask for full refund of the amount paid, plus an interest on it.

### **Goldman buys into Bangalore hotel (Sep 25, 2009)**

Goldman Sachs Whitehall Real Estate Fund has picked up a 73% stake for Rs5bn (US\$103.9mm) in a seven-star hotel project being built by Century Real Estate in Bangalore. International hotel chain Four Seasons will be the management partner for the property that will cost Rs20bn (US\$415.4mm). Apart from the 200-room hotel, the property will also have 220 luxury apartments in the same vicinity.

### **Millennium Spire to launch US\$400mm real estate fund (Sep 24, 2009)**

Millennium, the real estate investment arm of London-based Millennium Global, aims to launch a US\$350mm-US\$400mm fund by 4Q09. The new fund will invest in the Indian real estate sector. Millennium hopes to close the fund in 1H10. Millennium plans to invest up to US\$1bn, primarily in the residential sector, in high-growth cities stretching from Delhi in northern India to Coimbatore in the south.

**Raymond forays into realty (Sep 18, 2009)**

Textile major Raymond has announced plans to enter the real estate development business in order to encash surplus land. Raymond has decided to develop ~20 acres in its Thane plant for residential usage. Raymond's Thane unit has 160 acres, which also houses a school and a hospital.

**Indiareit plans Rs5bn realty fund (Sep 17, 2009)**

Indiareit Fund Advisors, which is promoted by the Piramal Group, plans to set up its second real estate fund with a corpus of Rs5bn (US\$103.1mm) and expects to raise the money from investors by the end of 2009. The group had earlier floated Indiareit Fund, a US\$450mm real estate fund in 2006. The new fund will invest in projects in Mumbai, New Delhi and Alibaug and will be restricted to the residential segment.

**Plaza Centers to pump in INR30bn for 6 malls in South India (Sep 15, 2009)**

Dutch major Plaza Centers plans to invest Rs30bn (US\$618.6mm) to set up six malls in South India. The size of the malls will vary between 300,000-600,000 sq ft and the development will take place in three years. Plaza Centers is in the process of signing agreements for malls in Bangalore, Hyderabad, Karnataka, Chennai and Kochi. The group will launch its first European-style shopping mall in Pune in 1Q11.

**Omaxe to develop township in Lucknow (Sep 15, 2009)**

Garv Buildtech Private Ltd, a subsidiary of Omaxe, has entered into an agreement with the Lucknow Development Authority to develop a township in Lucknow. The proposed township would yield estimated revenue of over Rs28bn (US\$575mm) and is to be executed in phases over a period of 5-7 years.

**Mafatlal puts city property on the block (Sep 15, 2009)**

Mafatlal Industries, a part of the Arvind Mafatlal Group, has put an 85,000 sq ft property in central Mumbai on the block hoping to generate between Rs1bn (US\$20.6mm)-Rs1.5bn (US\$30.9mm). The proceeds will be used to revive the operations of the loss-making company. The property, Mafatlal Chambers B, is located at Lower Parel. The minimum bid price for this property has been set at Rs11,000 (US\$226.8) per sq ft, compared to the prevailing market rate of Rs15,000 (US\$309.3)-Rs20,000 (US\$412.4) per sq ft.

**Indiabulls plans S\$200.1mm rights issue (Sep 11, 2009)**

Indiabulls Properties Investment Trust has proposed a 53-for-100 renounceable and underwritten rights issue to raise S\$200.1mm (US\$140.3mm). The issue is priced at S\$16 per unit, 48.4% discount to last closing price on 9 Sep 09 and 38.0% discount to TERP. Of the total proceeds, ~S\$193mm (US\$135.4mm) will go towards debt repayment, while the remaining S\$7.1mm (US\$5mm) will pay for expenses incurred for the rights issue, and for corporate and working capital purposes.

**APIL plans converting IT SEZ into residential projects (Sep 11, 2009)**

Hit by slowdown in the IT sector, Ansal Properties & Infrastructure Ltd (APIL) plans to convert 3 out of 4 of its notified IT SEZ into residential projects. APIL will take a decision to apply for de-notification and converting the 3 IT SEZs, which have already been put on hold for the last 8-9 months, by the end of 2009. The sizes of the three SEZs, 2 of which are in Haryana and 1 in Uttar Pradesh, vary between 25-75 acres.

**Tata Housing in talks with PEs for funds (Sep 10, 2009)**

Tata Housing is in preliminary talks with at least two PE funds, Sequoia Capital (Sequoia) and Atlanta Equity (Atlanta), to raise funds for its multiple affordable housing projects. Sequoia and Atlanta have begun talks with Tata Housing to pick up minority stakes into its existing low priced housing project in Boisar near Mumbai and around three other affordable housing projects expected to be launched in the next few months.

**RBI eases realty exposure norms for lending to SEZs (Sep 10, 2009)**

The Reserve Bank of India (RBI) has made it easier for banks to lend to SEZ. Several types of advances to projects in SEZ have now been excluded from the definition of commercial real estate loans. Reference to SEZs as commercial real estate loans by RBI in a 2006 circular had made it difficult for those involved in these projects to raise funds. Real estate loans are considered risky and categorized as part of exposure to sensitive sectors, which also include capital markets and commodities. There are also restrictions on foreign investment in real estate.

**Phoenix Mills plans of signing a deal with Marriot (Sep 7, 2009)**

A consortium led by Phoenix Mills is close to signing a deal with hotel chain Marriott International for its Kurla project in central Mumbai, Phoenix Market City. While the total area of the project is 25 acres, the hotel will occupy 300,000 sq ft. Marriott International would sign the deal with Offbeat Developers (Offbeat), the SPV of the consortium floated by three real estate developers, Phoenix Mills, HBS Realtors and Pradhan Housing. While the hotel will be owned by Offbeat, Marriott will manage the property and get to use its brand name.

**HDFC PE and Temasek plan to invest in Prestige (Sep 7, 2009)**

HDFC Property Ventures and Temasek are in talks to invest ~Rs6.3bn (US\$130mm) in Prestige Estates Projects (Prestige), the holding entity of Prestige Group. According to sources, HDFC's real estate fund, along with Singapore's Temasek, are in discussions with Prestige, which is seeking a valuation of US\$1bn for its business. The two funds may jointly pick up a little over 15% stake in Prestige.

**Golden Tobacco may co-develop or sell its Mumbai property (Sep 3, 2009)**

Golden Tobacco, manufacturer of cigarettes, is learnt to be looking at ways to monetise its 7.5 acre property in western Mumbai. It is estimated that the property is worth at least Rs2bn (US\$41.1mm). According to sources, Golden Tobacco was initially keen on inviting bids, but now it is exploring the possibility of signing an agreement with Godrej Properties. The option of jointly developing the property comes after an informal bidding process not having met with too much of success. The project will have a mix of residential and commercial projects.

**Companies Recommended in This Report (all prices in this report as of market close on 01 October 2009)**

Brigade Enterprises (BRIG.BO/Rs128.45/Overweight), DLF Limited (DLF.BO/Rs440.15/Overweight), Housing Development and Infrastructure Ltd. (HDIL) (HDIL.BO/Rs334.25/Overweight), Indiabulls Real Estate (INRL.BO/Rs272.25/Neutral), Unitech Ltd (UNTE.BO/Rs105.55/Overweight)

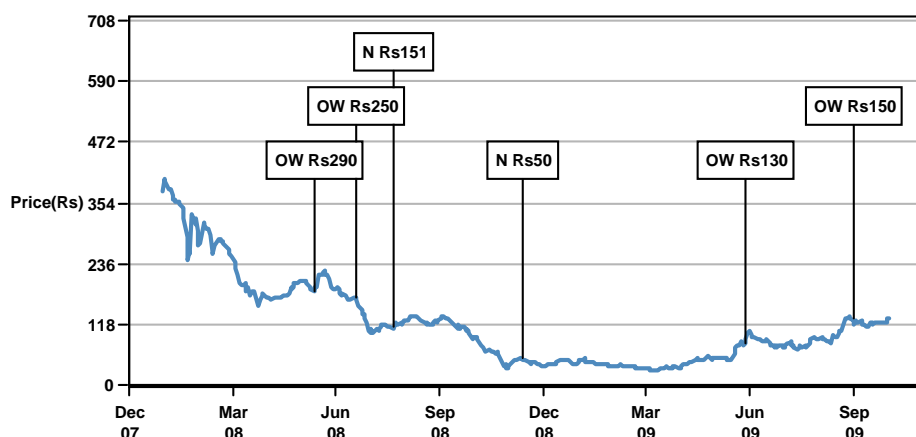
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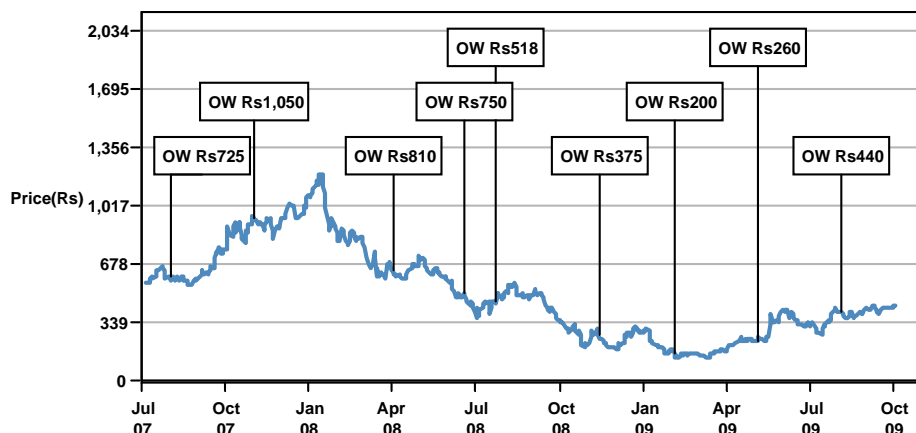
**Brigade Enterprises (BRIG.BO) Price Chart**



Date	Rating	Share Price (Rs)	Price Target (Rs)
13-May-08	OW	182.95	290.00
18-Jun-08	OW	169.00	250.00
21-Jul-08	N	114.95	151.00
12-Nov-08	N	50.75	50.00
28-May-09	OW	82.20	130.00
31-Aug-09	OW	130.25	150.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage May 13, 2008. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

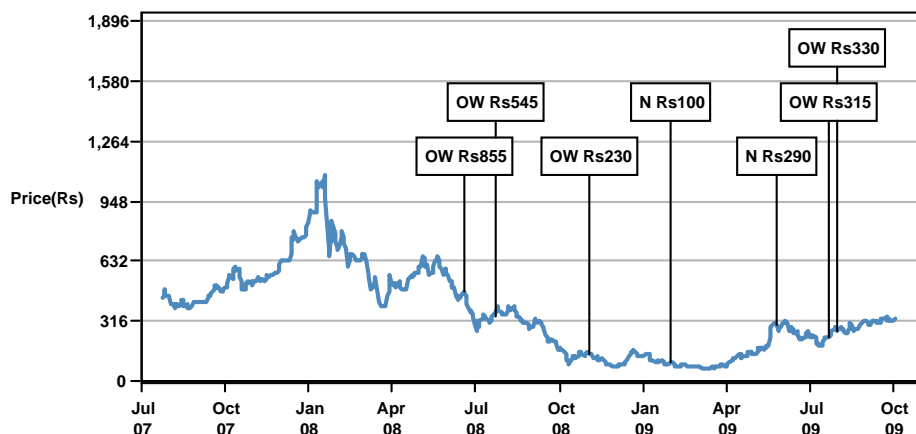
**DLF Limited (DLF.BO) Price Chart**



Date	Rating	Share Price (Rs)	Price Target (Rs)
01-Aug-07	OW	611.70	725.00
01-Nov-07	OW	948.80	1050.00
01-Apr-08	OW	646.50	810.00
18-Jun-08	OW	505.90	750.00
21-Jul-08	OW	463.40	518.00
12-Nov-08	OW	267.65	375.00
03-Feb-09	OW	153.20	200.00
04-May-09	OW	230.90	260.00
03-Aug-09	OW	405.65	440.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.  
 Initiated coverage Aug 01, 2007. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.  
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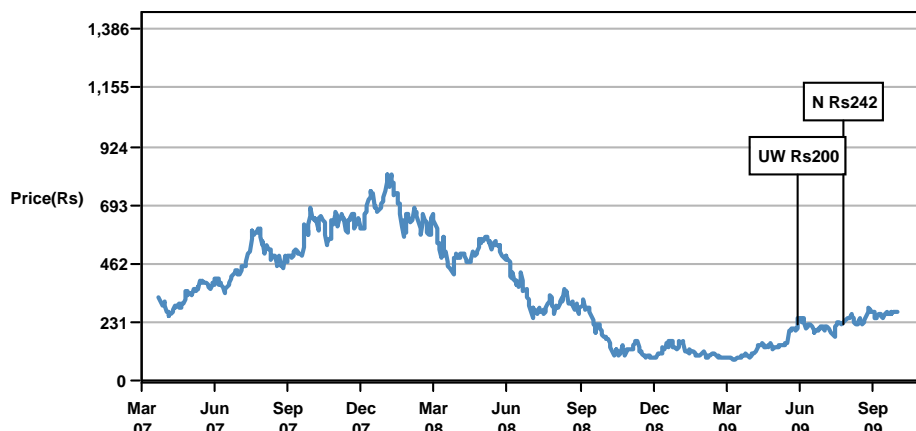
**Housing Development and Infrastructure Ltd. (HDIL) (HDIL.BO) Price Chart**



Date	Rating	Share Price (Rs)	Price Target (Rs)
18-Jun-08	OW	471.45	855.00
21-Jul-08	OW	335.49	545.00
02-Nov-08	OW	144.25	230.00
29-Jan-09	N	96.20	100.00
25-May-09	N	293.60	290.00
20-Jul-09	OW	227.30	315.00
30-Jul-09	OW	267.85	330.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.  
 Initiated coverage Jun 18, 2008. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.  
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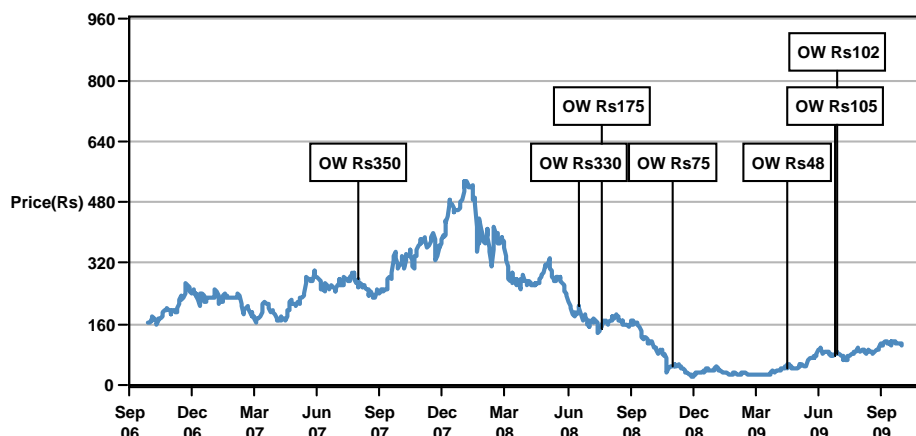
**Indiabulls Real Estate (INRL.BO) Price Chart**



Date	Rating	Share Price (Rs)	Price Target (Rs)
29-May-09	UW	225.55	200.00
23-Jul-09	N	222.00	242.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.  
 Initiated coverage May 29, 2009. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.  
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**Unitech Ltd (UNTE.BO) Price Chart**



Date	Rating	Share Price (Rs)	Price Target (Rs)
01-Aug-07	OW	279.42	350.00
18-Jun-08	OW	207.10	330.00
21-Jul-08	OW	149.20	175.00
02-Nov-08	OW	49.00	75.00
17-Apr-09	OW	43.35	48.00
25-Jun-09	OW	78.00	105.00
28-Jun-09	OW	82.35	102.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.  
 Initiated coverage Aug 01, 2007. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.  
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IB clients*	56%	57%	42%
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IB clients*	76%	72%	56%

\*Percentage of investment banking clients in each rating category.

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