

Market Highlights

SEPTEMBER 2014



OFFICE INDEX

Leasing activity improved across cities



RETAIL INDEX

Demand remained stable across all cities except Delhi



RESIDENTIAL INDEX

Capital values appreciated in Bangalore and remained stable in other cities

Get city Pulse by clicking below

INDIA

BANGALORE

CHENNAI

DELHI NCR

HYDERABAD

KOLKATA

MUMBAI

PUNE



Can residential REITs succeed in India?

Can residential REITs succeed in India? The answer is NO, at least for the time being. For any investment option to succeed, it needs to provide returns higher than the opportunity cost. India is witnessing a contrasting scenario than USA. While office assets are yielding an average return of 9-10%, residential assets yield 3-4%. The residential returns are considerably lower than even the risk-free 8.5% from ten-year government security bonds, making investment in residential REITs a no gainer.

Then why is the gap between returns from both asset classes in India so large? The answer lies in the ownership pattern. In the case of office assets, as high as 89% of Grade A assets are leased versus only 11% owner-occupied, demonstrating the huge demand for leased assets and hence higher yields. Traditionally, residential assets have carried a high emotional value in India, and hence the majority has preferred to stay in an owned, rather than rented, apartment.

Does that mean that residential REITs can never see the light in India? The answer is NO. Thanks to the ever-increasing capital values of residential properties in recent years, buyers have started to find owning an apartment less affordable. There is increase preference for rented apartments with change in lifestyle. The government had started rental housing schemes, but were unsuccessful. While higher incentives for rental housing development coupled with an incentivised taxation system can take care of supply related bottlenecks, an increase in demand for rental apartments can lead to a reduction in the gap between capital values and rental values, resulting in increasing yields and a stronger case for residential REITs in India. So yes, residential REITs can succeed in India, but the change will be steady and will take at least another 7-10 years.

To read more refer to <http://www.joneslanglasalleg.com/APResearch/residential-research/can-residential-reits-succeed-in-india>

 <p>Realeconomics</p>	<p>The Central government is planning to ease norms for foreign investment in the construction sector to attract interest in the development of 100 smart cities and affordable housing. This once implemented is likely to boost the growth in real estate and construction sector. Many challenges faced by the affordable housing sector related to increased cost of capital and increase in construction cost is expected to be eased out once this policy is implemented.</p>
<p>Market Sentiment</p>	<p>Investment sentiments strengthen with increase in FDI investments </p>
<p>Deal of the month</p>	<p>IDFC Alternatives Ltd sold two of their real estate to Blackstone Group at a combined value of INR 11 billion. The assets include a SEZ in Pune and an IT park in Noida.</p>

What's new!!

A concept paper on Chennai-Visakhapatnam industrial corridor is being developed by Asian Bank of Development. This will be the third major industrial corridor development in Tamil Nadu. This project is part of the East Coast Economic Corridor project linking Kolkata, Chennai and Tuticorin.



Green Wall

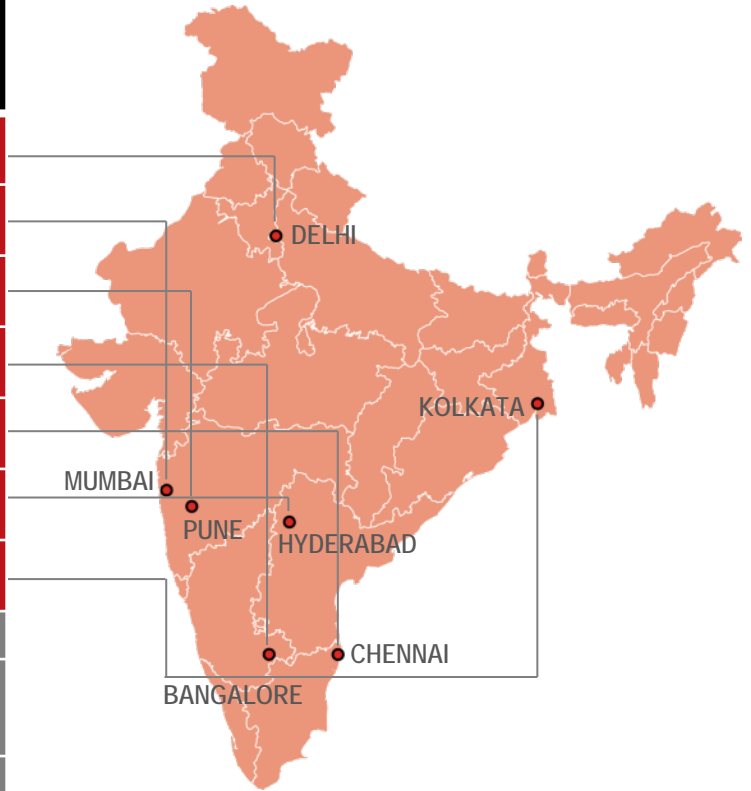
Tech Mahindra to tie up with Bosch Software Innovations to offer solutions for smart cities via internet. By 2022, about 14 billion devices of smart cities solutions are expected to be connected directly or indirectly with the internet.

Legend: Market Sentiment

 Favourable  Neutral  Unfavourable

Weather Map

Cities	Office Rental Value	Retail Rental Value	Residential Capital values
DELHI			
MUMBAI			
PUNE			
BANGALORE			
CHENNAI			
HYDERABAD			
KOLKATA			
Legend			
Growing	Stabilise	Stagnate	Falling



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Research Dynamics 2014
 Pulse reports from JLL are frequent updates on real estate market dynamics.

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Bangalore

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OFFICE		<p>Transaction activity improved in Bangalore office market. Rents and capital values both increased across all submarkets due to increased demand.</p> <p>Major transactions:</p> <ul style="list-style-type: none"> Astra Zeneca, British Telecom and Rolls Royce, all in SBD Neovia in Whitefield Continental in Electronic City 	Key Precincts	Rental Value (INR per sq ft per month)	Capital Value (INR per sq ft)
Demand 	Vacancy 		CBD	80-130	10,000-22,000
RV 	CV 		Old Airport Road	60-75	7,000-12,000
			Outer Ring Road (Eastern)	48-60	5,500-7,500
			Old Madras Road	45-65	5,000-7,000
RETAIL		<p>Bangalore's retail market saw improvement in consumer demand. Rental and capital values increased marginally across all submarkets.</p> <p>Major transactions:</p> <ul style="list-style-type: none"> Audi and Inmark in Prime City Mamagoto and Starbucks in Secondary submarket Bombay Dyeing in Sub-urban submarket 	Key Precincts	Rental Value (INR per sq ft per month)	Capital Value (INR per sq ft)
Demand 	Vacancy 		Koramangala	90-160	9,000-18,000
RV 	CV 		Indiranagar	90-180	12,000-18,000
			New BEL Road	60-80	6,000-12,000
			Commercial Street	175-250	16,000-20,000
RESIDENTIAL		<p>Capital values appreciated marginally across various submarkets due to an increase in sales volumes and prices at most projects that are nearing completion.</p> <p>New Launches:</p> <ul style="list-style-type: none"> Mantri Lithos on Bellary Road Sobha Arena on Kanakapura Road Prestige Temple Bells on Mysore Road 	Key Precincts	Rental Value (INR per month for a 1,000 sq ft 2BHK apartment)	Capital Value (INR per sq ft)
Demand 	Launches 		Old Madras Road	15,000-25,000	5,000-7,000
RV 	CV 		Indiranagar	20,000-30,000	10,000-25,000
			Bellary Road	12,000-18,000	4,500-9,000
			Hosur Road	10,000-14,000	3,000-6,500
			Whitefield	18,000-25,000	5,000-8,000
			Tumkur Road	8,000-12,000	3,200-6,500
			Kanakapura Road	8,000-12,000	3,200-6,500
			Mysore Road	8,000-10,000	3,000-4,000

Policy/ Infrastructure

No new policy was announced in September.

Chennai

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OFFICE		<p>Office absorption improved across all the sub-markets. For the first nine months of the year, the city recorded no new office completions, supporting vacancy levels to drop.</p> <p>Major transactions:</p> <ul style="list-style-type: none"> CSS and iBox technology in Ambattur Atmel and Olam in Pre-toll OMR 	Key Precincts	Rental Value (INR per sq ft per month)	Capital Value (INR per sq ft)
Demand 	Vacancy 		Mount Road	60-85	9,000-15,000
RV 	CV 		RK Salai	65-85	10,000-15,000
			Pre-toll OMR	40-67	5,000-6,500
			Post-toll OMR	25-35	3,500-5,000
		Guindy	45-65	6,500-9,000	
RETAIL		<p>With limited vacancy in the preferred malls along with inadequate quality high street properties, leasing activity remained slow during September.</p> <p>Major transactions:</p> <ul style="list-style-type: none"> Chennai Silks in Velachery Khadims in Thoraipakkam 	Key Precincts	Rental Value (INR per sq ft per month)	Capital Value (INR per sq ft)
Demand 	Vacancy 		T. Nagar	120 - 180	12,000-15,000
RV 	CV 		Nungambakkam	130 - 150	13,000-16,000
			Velachery	80 - 120	10,000-12,000
			Pre-toll OMR	80 - 100	8,000-11,000
			Anna Nagar	120 - 150	11,000-13,000
RESIDENTIAL		<p>Residential supply was pressured during the month. Housing sales remained tepid. However, with developers offering festive discounts we expect improved sales in coming months.</p> <p>New Launches</p> <ul style="list-style-type: none"> Mira Villas in Kanathur, ECR Septem in Indira Nagar, Adyar 	Key Precincts	Rental Value (INR per month for a 1,000 sq ft 2BHK apartment)	Capital Value (INR per sq ft)
Demand 	Launches 		Adyar	20,000 – 30,000	15,000-22,000
RV 	CV 		Medavakkam	7,000-14,000	3,750-5,500
			Tambaram	6,000-12,000	3,500-4,500
			Anna Nagar	15,000 – 25,000	9,000-15,000
			Porur	5,000-10,000	4,000-6,200
			Sholinganallur	9,000-12,000	4,250-5,800
			LB Road (Adyar)	100 - 140	10,500-13,500

Policy/ Infrastructure

The congested Pondy Bazaar location will soon sport a pedestrian Plaza, modelled on the lines of Rambla in Spain and Times Square in US. The INR 830 million project will have a 1.4 Km long pedestrian zone from Panagal Park junction to Anna Salai.

Delhi NCR

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OFFICE		<p>Demand continued to show sustained behaviour. While relocation & consolidation continued, some expansion driven demand was also visible.</p> <p>Major transactions:</p> <ul style="list-style-type: none"> Blackrock & G4S in NH 8 Cheil India & Apple in Golf Course Road Godfrey Philips India in Jasola 	Key Precincts	Rental Value (INR per sq ft per month)	Capital Value (INR per sq ft)
Demand	Vacancy		Barakhamba Road	170-400	28,000-35,000
RV	CV		Jasola	110-170	17,000-21,000
			DLF Cybercity	85-90	NA
			MG Road	115-140	17,000-19,000
		Golf Course Road	90-110	12,500-15,000	
RETAIL		<p>Demand remained slow with some activity seen in under construction malls. Retailers are looking only at prime operational malls and are ready to reduce store size as well.</p> <p>Major transactions:</p> <ul style="list-style-type: none"> Lamour and Bata both in Suburbs Fossil & Johny Rockets in Vasant Kunj Careway Market in Rohini 	Key Precincts	Rental Value (INR per sq ft per month)	Capital Value (INR per sq ft)
Demand	Vacancy		South Delhi	180-330	24,000-32,000
RV	CV		West and North Delhi	140-230	15,000-23,000
			Gurgaon-MG Road	140-270	17,500-23,000
			Rest of Gurgaon	60-100	8,000-14,000
		Noida	130-220	14,000-25,000	
		Ghaziabad	90-150	10,500-16,000	
RESIDENTIAL		<p>Developers were offering discount and attractive payment plans as demand was slow. Meanwhile, due to the upcoming festive season a moderate increase in sales would be visible.</p> <p>New Launches:</p> <ul style="list-style-type: none"> Mahindra Luminare & Latitude in Golf Course Extension Road Ambience Tiverton, Lotus Arena, and Lotus Isle, all in Noida 	Key Precincts	Rental Value (INR per month for a 1,000 sq ft 2BHK apartment)	Capital Value (INR per sq ft)
Demand	Launches		Golf Course Road	26,000-32,000	13,000-19,000
RV	CV		Sohna Road	16,000-20,000	5,800-7,500
			Golf Course Extension Road	18,000-22,000	8,500-11,000
			Dwarka Expressway	NA	5,500-7,500
			Noida- Greater Noida Expressway	13,000-15,000	4,300-6,500
			Noida City	12,000-14,500	4,700-6,000
			Indrapuram	11,000-12,000	4,500-5,300

Policy/ Infrastructure

- Delhi government hikes circle rates by 20%
- Yamuna Expressway Industrial Authority enhanced the compensation to farmers. 64.7% additional burden has been passed on to developers
- Land transfer rate along Yamuna expressway increased by 5 percent

Hyderabad

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OFFICE		<p>Leasing activity remained stable in Hyderabad as occupiers continued to expand. The limited supply in key submarkets continued to push rents upwards.</p> <p>Major transactions:</p> <ul style="list-style-type: none"> I work Smart, Think I, Hyundai and Global Take Off leased space at Hitec City Amazon and Omics Group leased space at Gachibowli 	Key Precincts	Rental Value (INR per sq ft per month)	Capital Value (INR per sq ft)
Demand	Vacancy		Begumpet	45-55	4,500-6,500
RV	CV		Banjara Hills	50-65	4,500-8,500
			Hitec City	36-45	4,000-6,200
RETAIL		<p>Forum Sujana Mall was operational in September. This mall has introduced many new brands in Hyderabad such as Zara and Forever 21. High streets also witnessed stable leasing activity.</p> <p>Major transactions:</p> <ul style="list-style-type: none"> Star Bucks and Arvind Store leased space at Jubilee Hills Numero Uno leased space at Nagarjuna Circle 	Key Precincts	Rental Value (INR per sq ft per month)	Capital Value (INR per sq ft)
Demand	Vacancy		Banjara Hills	110-140	11,000-14,000
RV	CV		Jubilee Hills	130-160	13,000-16,000
			Secunderabad	80-110	8,000-11,000
RESIDENTIAL		<p>Residential sales were stable in September. There were many new launches over the month.</p> <p>Major launches:</p> <ul style="list-style-type: none"> Vazhraa Pushpak by Vazhraa Nirmaan Pvt Ltd launched at Nizampet. Gem Astentia by Gem Vivendas was launched at Hitec City 	Key Precincts	Rental Value (INR per month for a 1,000 sq ft 2BHK apartment)	Capital Value (INR per sq ft)
Demand	Launches		Banjara Hills	20,000-30,000	7,500-14,000
RV	CV		Begumpet	12,000-20,000	4,000-5,500
			Kondapur	10,000-20,000	3,200-5,000
			Gachibowli	10,000-18,000	3,500-4,200
			Tellapur	8,000-15,000	2,800-3,500
			Kukatpally	8,000-15,000	3,500-4,000
			Miyapur	8,000-10,000	2,400-3,700
















Policy/ Infrastructure

The Chief Minister of Telangana State has announced to withdraw Non-Agricultural Land (NALA) tax imposed on conversion of land use from agricultural to non-agricultural and also VAT on construction activity.



Kolkata

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 OFFICE		<p>Demand marginally improved across all sub markets barring the SBD. Projects with better facilities continued to be the key behind the market activities. Enquiries from interested occupiers were seen active in the market.</p> <p>Major Transactions:</p> <ul style="list-style-type: none"> British Telecom and Aegis in Rajarhat 	Key Precincts	Rental Value (INR per sq ft per month)	Capital Value (INR per sq ft)
Demand 	Vacancy 		Park Street	110-135	13,000- 20,000
RV 	CV 		Topsia	70-90	7,500-10,000
			Kasba	75-90	8,000-11,000
		Salt Lake Sector V		40-45	4,000-4,800
		New Town and Rajarhat		32-36	3,200-4,100
 RETAIL		<p>Demand for retail spaces in organised malls remained stable. However, low vacancy in prime malls restricted the number of transactions in the market. Meanwhile prime high streets continued to be at the focal point of retailers.</p> <p>Major Transactions:</p> <ul style="list-style-type: none"> Iconic Kids pre-committed in Suburbs 	Key Precincts	Rental Value (INR per sq ft per month)	Capital Value (INR per sq ft)
Demand 	Vacancy 		Elgin Road	300-325	24,000-28,000
RV 	CV 		Park Street (high street)	325-375	25,000-31,000
			Prince Anwar Shah Road	150-200	15,000-18,000
		Salt Lake		185-225	15,000--20,000
		New Town and Rajarhat		60-80	6,500-8,000
		Gariahat (high street)		200-250	16,000-22,000
 RESIDENTIAL		<p>Residential demand in the city was stable. And with the continued steady demand the number of launches also picked up during the month.</p> <p>New Launches</p> <ul style="list-style-type: none"> Hiland Greens Phase II at Maheshtala Elita Garden Vista Phase II at New Town 	Key Precincts	Rental Value (INR per month for a 1,000 sq ft 2BHK apartment)	Capital Value (INR per sq ft)
Demand 	Launches 		Alipore	43,000-52,000	14,000-22,000
RV 	CV 		Prince Anwar Shah Road	19,000-30,000	7,000-14,000
			EM Bypass (Topsia)	15,000-25,000	6,000-10,000
		Lake Town		11,000-17,000	3,800-7,500
		New Town (AA- I, II & III)		10,000-16,000	3,500-6,000
		Rajarhat		8,000-14,000	2,500-4,700
		Behala		8,000-14,000	3,000-5,500

Policy/ Infrastructure

Public-sector insurance giant New India Assurance (NIA) and re-insurance giant General Insurance Corporation (GIC) of India have evinced interest in setting up offices at the financial hub at New Town, Kolkata. Public-sector lenders such as Central Bank of India, Jammu & Kashmir Bank and Dena Bank are also weighing options to take part in the proposed financial cluster.

Mumbai

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OFFICE		<p>The month of September witnessed robust transaction activity. Interestingly, out of the total transacted area more than 60% was contributed by the relocations, renewals and the consolidations by the tenants.</p> <p>Major transactions:</p> <ul style="list-style-type: none"> Mizuho Bank in SBD Central BNP Paribas in Western Suburbs Vuclip in Eastern Suburbs 	Key Precincts	Rental Value (INR per sq ft per month)	Capital Value (INR per sq ft)
Demand 	Vacancy 		Lower Parel	160 - 185	17,000 - 21,500
RV 	CV 		BKC	250 - 330	25,000 - 34,000
			Andheri	105 - 140	10,000 - 14,600
		Goregaon-Malad	85 - 105	9,000 - 11,900	
		Wagle Estate	50 - 65	5,200 - 6,900	
RETAIL		<p>Retailers of select categories particularly in consumer staples, apparels, F&B gradually executed their expansion plans. Meanwhile, brands remained selective in choosing their location.</p> <p>Major transactions:</p> <ul style="list-style-type: none"> Shoppers Stop and Being Human, both in South Mumbai Lenskart in Suburbs 	Key Precincts	Rental Value (INR per sq ft per month)	Capital Value (INR per sq ft)
Demand 	Vacancy 		Lower Parel	260-390	22,000-32,300
RV 	CV 		Malad	160-250	12,500-20,000
			Ghatkopar	130-220	10,100-18,300
			Mulund	125-200	9,500-15,500
			Thane	100-185	8,000-14,500
RESIDENTIAL		<p>Launches had fallen from last month, possibly as a consequence of developers waiting for the upcoming festive season which is considered auspicious by homebuyers.</p> <p>New Launches:</p> <ul style="list-style-type: none"> 92 Bellevue at Borivali Kalpataru Lumina at Goregaon Jaycee Savvana at Kanjurmarg 	Key Precincts	Rental Value (INR per month for a 1,000 sq ft 2BHK apartment)	Capital Value (INR per sq ft)
Demand 	Launches 		Lower Parel	60,000-1,10,000	25,000- 40,000
RV 	CV 		Wadala	35,000-55,000	15,000-23,000
			Andheri	32,000-55,000	12,500-21,500
			Ghatkopar	30,000-45,000	11,500-17,000
			Ghodbunder Road	12,000-25,000	6,000-9,500
			Kharghar	10,000-18,000	6,000-9,000

Policy/ Infrastructure

Maharashtra State Government has decided to revise the Mumbai Metro Master Plan, to provide direct connectivity between the Chatrapati Shivaji International Airport in Mumbai to proposed international airport in Navi Mumbai.

Pune

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OFFICE		<p>The office space demand in Pune rose notably during the month of September. Select automobile manufacturers and IT companies executed their expansion plans and contributed to the demand the most. Major transactions: Piaggio Vehicles and TechnoSoft Global Services both in Suburbs</p>	Key Precincts	Rental Value (INR per sq ft per month)	Capital Value (INR per sq ft)
Demand	Vacancy		Hadapsar	45-65	5,500-7,500
RV	CV		Kharadi	40-55	4,500-6,000
			Hinjewadi	33-40	4,000-5,500
			Viman Nagar	55-65	6,500-7,500
		SB Road	55-75	6,500-8,000	
RETAIL		<p>Pune retail market witnessed notable transaction activity in the month of September. Select fashion brands & QSR were the major contributor towards demand. Major transactions: Titan Eye Plus and Reliance Supermarket on high street space in Secondary submarket</p>	Key Precincts	Rental Value (INR per sq ft per month)	Capital Value (INR per sq ft)
Demand	Vacancy		MG Road	100-160	15,000-21,000
RV	CV		Bund Garden Road	90-130	13,000-17,000
			FC Road	100-150	15,000-20,000
			JM Road	100-150	15,000-20,000
			DP Road	90-130	12,000-16,000
RESIDENTIAL		<p>Demand was picking-up in September in newly launched projects because of attractive pricing. New Launches:</p> <ul style="list-style-type: none"> Kalpataru Jade Residences at North West Submarket Mantra Senses at South East Submarket Marvel Basilo at Prime Central Submarket 	Key Precincts	Rental Value (INR per month for a 1,000 sq ft 2BHK apartment)	Capital Value (INR per sq ft)
Demand	Launches		SB Road	80-140	13,000-16,000
RV	CV		Wakad	10,000-13,000	4,700-5,700
			Hinjewadi	9,000-11,000	4,800-6,500
			Kharadi	11,000-15,000	4,800-5,800
			Hadapsar	13,000-18,000	5,000-7,500
			Undri	8,000-11,000	4,000-5,200
			Pimri-Chinchwad	8,000-13,000	4,500-6,000

Policy/ Infrastructure

The Central Government has given its approval to the INR 150 billion Pune Metro project.



About JLL

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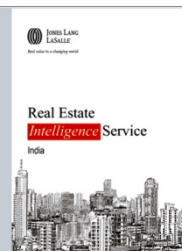
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Research Dynamics 2014

Pulse reports from JLL are frequent updates on real estate market dynamics.

