



NAI COLLABORATORS INDIA

Office Report / Second Quarter 2007



India Real Estate – Trends



Commercial Real Estate Trends

Rental Trend



Vacancy Level



Demand Level



Supply Level



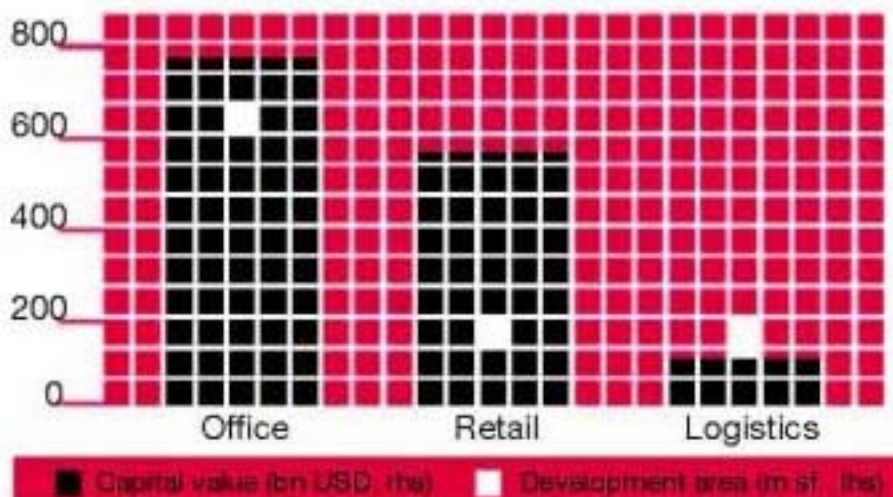
- India continues to be the favoured location for FDI and has displaced US to become the second-most favored destination for FDI after China
- India's economy has been expanding over for the past few years and in the period April – June 2007 grew to 9.3%
- FDI target of \$26 billion for 2007-08 envisaging a 62% increase over the previous year's inflow of \$16 billion
- India's booming population, emerging middle class and rapid urbanization is spurring the real estate, which has resulted in greater buying power and high end-user demand for real estate
- Secondary cities like Chandigarh, Pune, Kochi, Indore & Kolkata are emerging as new preferred locations due to their cost and infrastructure advantages
- IT/ITES, Telecom, Banking & Financial Services account for approximately 75% of the demand for commercial real estate
- In terms of value, residential market constitutes 75% of the real estate market. The housing sector is growing at 30-35% per annum
- The current size of organized retail is USD7 billion which is 3% of the total retail market. The organized retail is poised to grow @25-30% per annum and is expected to be worth USD30 billion by 2010



India Real Estate – Projected Growth

- Real estate market is projected to grow to \$50 billion by 2010. CAGR (compound annual growth rate) of over 30% p.a. is expected over the next 5 years
- Five-fold increase in office space requirement over the next 3 years. The demand for office space over the next 2 years is estimated to be in excess of 45 million sq. ft.
- Commercial space for organized retail – 200 million sq. ft by 2010
- 20 million new housing units to be built in the next five years
- In the hotel and hospitality sector additional 50,000 new rooms in the next 5 years
- Investment opportunity of over \$50 billion in the next 5 years
- 43 million sq meter potential real estate absorption for IT Parks over 2005-08
- FDI in India is expected to trigger an investment of \$3 to 5 billion annually
- New destinations like Tier – II and Tier – III cities are emerging and challenging established ones

Growth Potential on India's commercial real estate market
Change in total stock, 2006 - 2010



Sources: RREEF Research, DS Research

New Delhi (NCR) Market Overview

Delhi, India's second largest city represents the central hub in the north of India. Delhi's office market also known as Northern Capital Region (NCR) extends neighbouring Gurgaon and Noida. New Delhi & NCR has witnessed a surge in commercial real estate prices, with demand increasing and supply being stagnant.

Delhi commercial areas are classified into Central Business District (CBD) including Connaught Place and around, Secondary Business District (SBD) consisting of Nehru Place, Jasola, Saket and South Delhi and Suburban location consisting of Gurgaon, Noida and Greater Noida.

The rentals in CBD and SBD areas witnessed an upward trend of approximately 20% due to continuous demand of legal commercial space. The rentals in the NCR region are going up by 15%. One of the main reasons for this upward trend is improved infrastructure, easy accessibility, top of the class facilities in these areas that is generating a lot of interest among companies who are looking for office space in these areas.

The estimated supply of commercial space in CBD and SBD is approximately 2 million sq. ft. spread over in areas of Saket, Jasola and Vasant Vihar. Whereas Gurgaon will have an additional supply of approximately 8 million sq. ft. which is spread over on Golf Course Road, NH – 8, and others. And Noida's share is expected to be around 5.6 million sq. ft.

Central Business District (CBD)

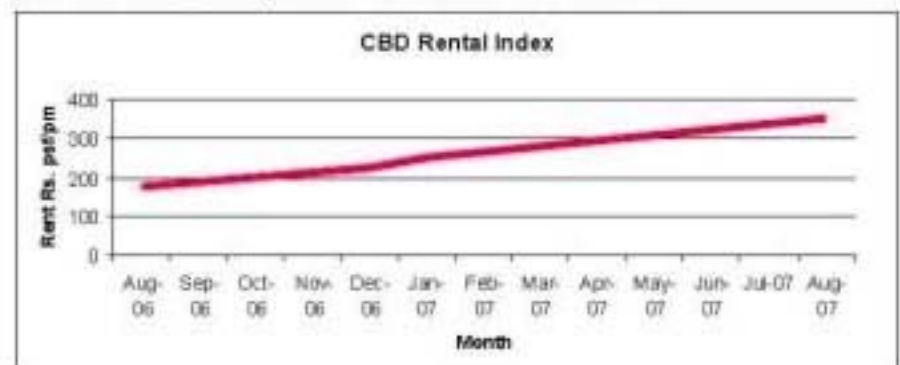
The rental and capital value of commercial property in CBD area witnessed a sharp upward movement and achieved new heights due to demand for legal commercial space that emerged from the sealing drive. CBD witnessed a hike of approximately 15% in Q1 2007.

Supply

No new supply was recorded in Q1 2007.

Demand

CBD has once again started attracting MNC's, IT, Banking and Financial sector. The credit goes to the Metro network due to which there has been an improved infrastructure in the area.



Secondary Business District (SBD)

With lack of supply in the CBD, the SBD market has expanded and includes areas of Nehru Place, Jasola, Saket, Mohan Co-operative, Okhla and Community Centres.

Supply

Due to avid construction activity in Jasola District Centre and completion of Saket District Centre new additional supply is scheduled in the SBD area. Jasola is expected to see development of over 2 million square feet of commercial space, out of which almost 40 - 50% of which has already been leased.

Demand

Due to the lack of A Grade buildings in the CBD area, substantial demand has been witnessed in Jasola & Saket. The increase in demand has been another reason for corporates to explore options in Mohan Co-operative, Okhla and Community Centres.



Suburban Areas

Gurgaon, Noida and Greater Noida are the emerging satellite locations that offer large floor plates, low rental, high grade infrastructure as compared to CBD and SBD areas.

Over 4.4 million sq. ft of office space has been leased in Gurgaon over the past 12 months. Due to increase in demand and shortage of supply, rentals have increased by 44% in the past 12 months. Noida has also seen an upward trend in leasing due to its fast developing infrastructure and low costs. Approximately 1 million sq.ft of space has been leased to top companies in Noida.

Demand for office space in Gurgaon and Noida continued to be strong, driven by the IT and ITES sectors as well as the movement of some corporates from the CBD to the suburbs

The average rental in Gurgaon for Grade-A office rose to Rs. 100 per sq ft per month and similarly the rentals in Noida have gone up to Rs. 75 – 100 per sq ft per month

Perception of Faridabad is now no longer an industrial town but a city that promises malls, offices and modern townships, that has seen a sharp increase of 70% in land prices.

Ghaziabad is also fast emerging as a residential and retail real estate hotspot driven by its excellent infrastructure and proximity to IT/ITES centres like Noida.

Market Outlook - Office

| Classification | Low Rental Rates | High Rental Rates | Vacancy Rate | Investment Yield |
|------------------------------|------------------|-------------------|--------------|------------------|
| CBD Office Area | | | | |
| Class A (Prime) | 240 | 350 | 2 – 3% | 8 – 9% |
| Class B (Secondary) | 150 | 200 | 2 – 3% | 8 – 9% |
| SBD Office Area | | | | |
| Class A (Prime) | 150 | 220 | 20% | 9% |
| Class B (Secondary) | 120 | 170 | 20% | 9% |
| Suburban Office | | | | |
| Class A (Prime) | 90 | 130 | 3% | 9% |
| Class B (Secondary) | 55 | 85 | 2 - 3% | 9% |
| Bulk Warehouse | 40 | 50 | 5% | 12% |
| Industrial | 30 | 35 | 5 – 10% | 10 – 11% |
| Downtown (High Street Shops) | 400 | 700 | 2% | 9% |
| Regional Malls | 200 | 300 | 10 - 15% | 10% |

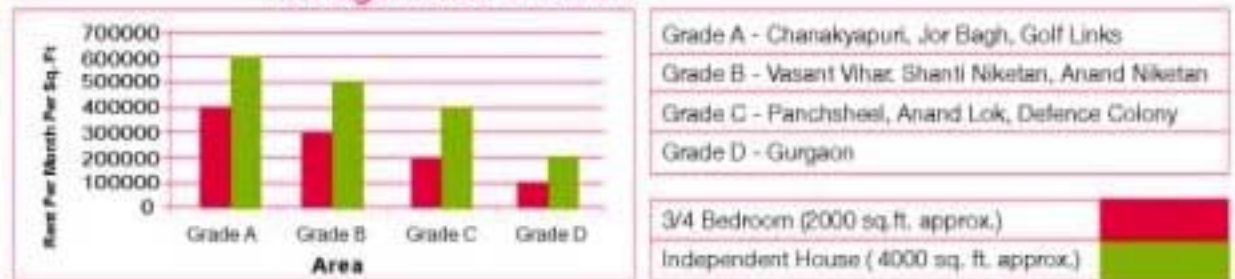
Average Rental Overview



Market Outlook - Residential

It is projected that by 2010 India will be world's third largest economy in terms of purchasing power and is expected to have 300 million people as the middle class, larger than the entire USA population. In terms of value the residential market consist 75% of the real estate market. Due to deficient supply the upward pressure will surely be on rental and capital value. The rentals in the prime location of Delhi & NCR have increased by approximately 18%, whereas, the capital value has seen an appreciation of 20%. Upward surge is due to strong economic growth and rising per capita income, increase in nuclear families, urbanization and shortfall of over 20m houses. The housing sector is growing at 30-35% per annum. The prominent residential areas in Delhi for Indian nationals and expatriates, have been Prithviraj Road, Chanakyapuri, Sundar Nagar, Westend, Shanti Niketan

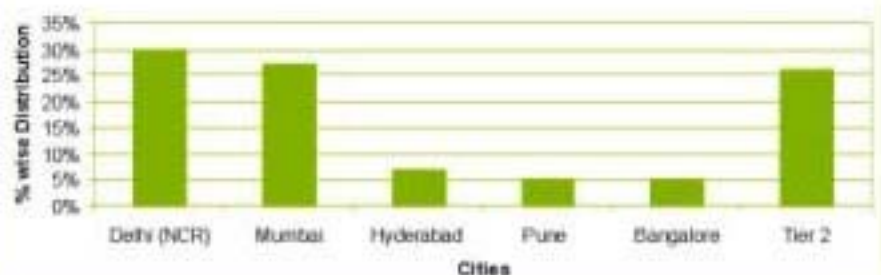
Average Rental Overview



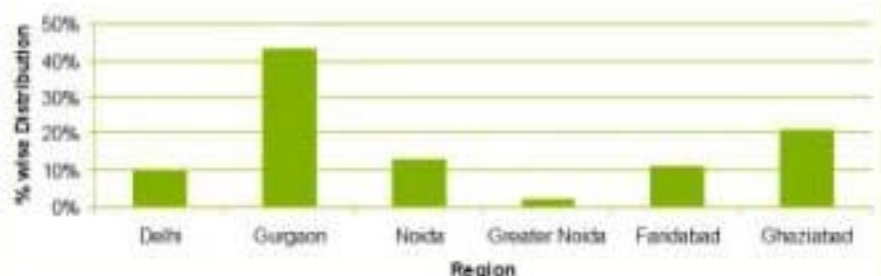
Market Outlook - Retail

The current size of organized retail is US\$7 billion which is 3- 4% of the total retail market. The organized retail is poised to grow @25-30% per annum and is expected to be worth USD30 billion by 2010. Delhi and its suburbs have so far seen the growth of 100 bigger and smaller malls. Roughly 600 new malls are coming up in other metropolis and large townships. Over 1000 malls are in the pipelines for smaller townships in which the retail sector is projected to grow at over 60%. Based on ongoing projects, built-up Mall area is to increase from 33 million sq.ft to 88 million sq.ft in 2007.

Proposed Mall Space India



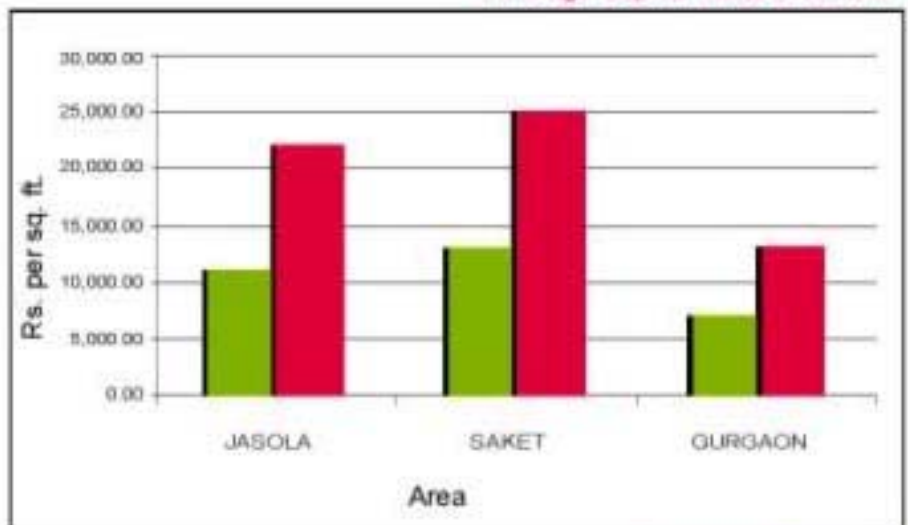
Proposed Mall Space Delhi (NCR)



Market Outlook - Investment

According to ASSOCHAM's report real estate investment in India forecasts an estimated US\$ 60 billion future market size of real estate business in India, wherein the share of foreign investments will be within the range of US\$ 25-28 billion by 2010. There has been scarcity of investment options in Delhi and NCR. Delhi has handful of commercial places like Connaught Place, Nehru Place etc., which do not serve the growing need. This has resulted in development of new commercial hubs like Jasola and Saket. Real estate developments in these areas have been attracting significant investors. One of the new areas which has new supply available is Jasola which is also expected to get 100% leased out within the next 3 - 6 months. Due to this real estate prices have shot up more than 25 - 30% in the last two quarters. Jasola is well connected to commercial areas such as Nehru Place, Okhla Industrial area, Noida and Faridabad and residential areas such as New Friends Colony and Sarita Vihar. Saket is also another favoured destination due to its proximity to CBD, Nehru Place, Noida and main access road to Gurgaon. Gurgaon will continue to dominate other suburban locations due to world class infrastructure, number of options available and quality of building.

Average Capital Value Overview

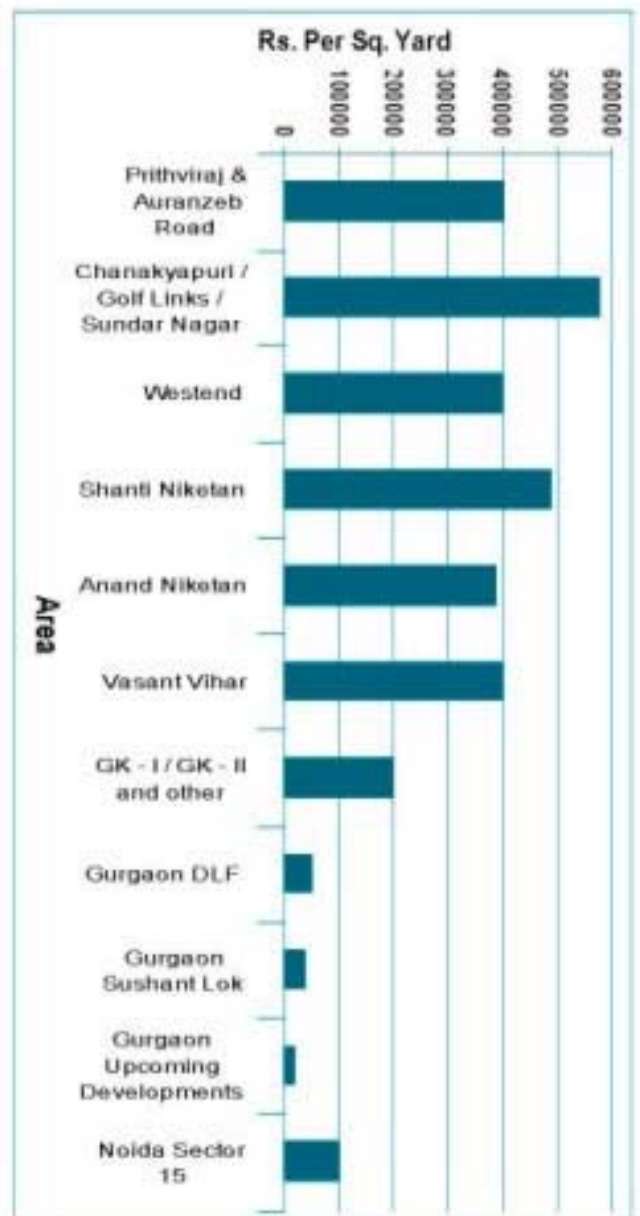


Aug 06

Aug 07

Market Overview - Land

Land acquisition in the NCR continues to attract developers and investors. Key challenges like zoning issues, title clearances etc., are still the main hurdles towards the acquisition process. Due to the shortage of zoned land and clear titles, prices of land continue to increase across the region. The Government authorities have also auctioned prime pieces of land in Gurgaon, Dwarka and other areas which has attracted very high bids changing the economics of future developments. The other reasons of the growth in prices have been the improvement in infrastructure like Gurgaon & Noida Expressways. The requirement of land is across all sections like hospitality, residential, industrial and commercial uses. A lot of MNCs, both end users and reality funds have got in the forefront in the acquisition process which is beginning to show signs of transparency which was lacking in the Indian real estate market.



Major Transactions

| Tenant | Type | Building | Size (Sq. Ft) | Area |
|-------------------|--------|-----------------------|---------------|-----------------|
| Barclays Bank | Lease | Eros Corporate Tower | 40,000 | Nehru Place |
| Ernst & Young | Lease | Hindustan Times House | 14,000 | Connaught Place |
| Target | Lease | Copia Business Suites | 37,000 | Jasola |
| Fluor Corporation | Lease | DLF Cyber City | 46,000 | Gurgaon |
| Kuehe+Nagel | Lease | 70 Udyog Vihar | 28,000 | Gurgaon |
| Siemens | Lease | DLF Cyber City | 53,000 | Gurgaon |
| Birla Soft | Lease | Sector – 63 | 1,00,000 | Noida |
| CNBC | Lease | Film City | 52,000 | Noida |
| Spencer's | Retail | MGF Mall | 60,000 | Gurgaon |
| Reliance Retail | Retail | Crown Interiorz | 1,25,000 | Faridabad |
| Pantaloon | Retail | MG Road | 2,50,000 | Gurgaon |
| Home Town | Retail | Great India Place | 1,00,000 | Noida |

New Construction Pipeline

| Sector | Scheduled Completion | Submarket | Bldg. Name/Address | Total sq.ft. |
|-----------------|----------------------|-----------|--------------------------------|--------------|
| Office | 2007 Sept | Delhi | Copia, Jasola | 1,80,000 |
| Office | 2007 Sep | Delhi | M-6 Plaza, Jasola | 1,80,000 |
| Retail | 2007 Nov | Delhi | Select City Walk, Saket | 10,00,000 |
| Retail | 2008 Oct | Delhi | Citadel, Jasola | 1,00,000 |
| Retail | 2008 Oct | Delhi | Rasvilas, Saket | 2,00,000 |
| Office | 2008 Dec | Delhi | DLF Tower, Jasola | 4,17,000 |
| Office / Retail | 2008 Feb | Delhi | South Court | 6,00,000 |
| Office / Retail | 2008 Feb | Delhi | South Court & Courtyard | 6,00,000 |
| Office | 2007 Dec | Gurgaon | Veritas GC Road | 1,25,000 |
| Office | 2007 Dec | Gurgaon | Corporate Suites MG Road | 1,40,000 |
| Office | 2008 May | Gurgaon | Time Tower MG Road | 2,15,000 |
| Office | 2008 May | Gurgaon | Suncity Business Tower GC Road | 2,15,000 |
| Retail | 2007 Dec | Gurgaon | Ambi Mall | 14,00,000 |
| Office | 2009 Jan | Manesar | Eros Corporate Park | 5,00,000 |
| Office | 2009 Jan | Manesar | Uppal Corporate Park | 3,75,000 |
| Retail | 2009 July | Noida | Town Square | 17,00,000 |
| Retail | 2007 Dec | Faridabad | Crown Interiorz | 7,50,000 |



About us

NAI Collaborators India, New Delhi ISO 9001:2000 certified organization in the business of commercial real estate for over 15 years and has successfully completed 4 years tenure with NAI Global and during the time has grown as one of the largest real estate service organization in New Delhi (NCR) which specialize in providing solution to property related challenges

NAI Global, which is one of the oldest and largest commercial real estate service providers worldwide. With 350 offices in 45 countries including 22 offices in the Asia Pacific region and 7 offices in India, NAI Global has over 5,000 professionals on its global team NAI offices around the world completed more than 36,000 transactions worth over \$40 billion , and also managed over 200 million square feet of commercial space.

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