

UPDATES

constant INFORMATION

Q-2 '10 Vol.-7

Welcome to the seventh edition of "Updates" by Realistic Realtors.

The growth in real estate is healthy and looks robust. Witnessing turbulence in capital markets, Real Estate has gradually become an established asset class and a preferred investment option. Forseeing regular returns and substantial appreciation, HNIs and big pocket investors have shifted their focus to pre-leased commercial properties, which has inturn changed mathematics and their investment calculations over the years.



Residential segment which contributes around 75% to the real estate sector has shown steady growth. With the concept of affordable homes catching up fast, the buyer is now offered plethora of options within limited budgets. Golf course, club houses, thematic landscape, flexible payment plans, small pocket investments to quick deliveries are the common features claimed by every developer. While only few offerings are rational and feasible, others are mere a publicity device to lure the customers by exhibiting luxurious 5 star facilities within the cost of a budget home. Delivering similar facilities has been a challenge even for most of the experienced builders in their premium projects; hence, it seems unfeasible for the new entrants to deliver such high standards in budgeted projects.

Prevailing ambiguity over luxury residential offerings available for middle segment is a sign of caution for the buyers. Whats lagging, probably, is the transparency in operations and true picture of deliveries in the said price. Though few offerings by reputed builders seem to be genuine, rest all seem to be a dream cloud forming a major pie.

On the commercial front, peripheries of office market in Delhi have expanded with boundaries stretching beyond the defined development. Developers have seen ample opportunity for fresh commercial construction in newly appointed areas specially in the extensions of Noida city towards Greater Noida and Ghaziabad. Though not immediate, but offtake in newly elected locations will happen in coming years.

In pursuit of lower rentals and to target new set of customers, many corporates are expanding beyond the metro cities, in Tier II and Tier III cities. Our 'Expert Article' on the back page highlights a list of key points a corporate must consider while designing their expansion plans targeting smaller cities.

Introduction of REITs in many countries has provided much needed boost to the development of the real estate sector across the globe. Originated in the US in the 1960s, it has become an investment instrument of choice with high degree of liquidity and security. Our 'Knowledge Centre' brings you a special report on performance of existing REITs across the globe along with few facts and informative data.

The centre-spread of the newsletter brings you commercial property options in Delhi NCR available for lease & sale along with prevailing rentals in Delhi NCR, Tier II and Tier III cities. 'Must Know' on page 7 brings you amazing facts and commonly used real estate abbreviations.



Harinder Singh
Chairman & Managing Director





SIGNIFICANT NEWS

Impact of budget on real estate

(March '10, The Economic Times)

The Union Budget 2010-11 addresses the real estate sector in many ways, the impact of which is latent at first comprehension. The service tax net has been widened to include the activity of construction as deemed taxable service provided by the builder to the prospective buyer during the construction period. The fate of STPI units has been jeopardized by its conspicuous absence in the speech of the minister. Despite economic crisis India has depicted growth with an estimated GDP of 7.2 % for financial year 2009-10 and 8.5 percent for the subsequent year.



DLF eyes Rs 15,000 crore from super luxury housing project



(May '10, Mumbai, Hindustan Times)

DLF is planning to build a 90 storey tall super luxury housing project, which it estimates will fetch Rs 15,000 crore, in Mumbai. Each apartment here is expected to cost Rs 5-10 crore and would make it one of the country's tallest and most expensive housing projects. The project would be developed on 18 acre land at Lower Parel with over 2,000 super luxury homes. Of this, the first 17 floors would be reserved for parking and there would be a king size garden on the 18th. The project would have a total saleable area of about 5 million sq ft, comprising of multiple towers, each 90 storey tall.

Hike in circle rates to jack up property prices

(May '10, New Delhi, Hindustan Times)

After making substantial increase in fee for registration of properties, Delhi government is now contemplating to increase circle rate by 25-30 % in different pockets of the Capital. How much stamp duty and registration fee the buyer has to pay while buying the property depends on the prevailing circle rates. Delhi Revenue Minister Rajkumar Chauhan said the proposal would soon be brought to the Delhi cabinet for approval. "When circle rates were first introduced in the Capital in 2007, we had decided that it will be revised in three years," added Chauhan. Existing circle rates are far less than the market price of properties and require immediate revision, he said.

New law drafted to guarantee property titles

(May '10, New Delhi, The Financial Express)

To bring uniformity across the country and replace the existing deeds system fraught with litigation due to inaccuracies in property records, the rural development ministry has drafted a model law to usher in a system of conclusive property titles with title guarantees through registration of immovable properties. Land Titling Bill, 2010 provides for establishment and management of a system of conclusive property titles with title guarantees and indemnification against losses due to inaccuracies in property titles, through registration of immovable properties. The system envisaged under the Bill is currently operational in countries like England, Australia and New Zealand.



Hyatt to set up 120 properties across India

(May '10, Financial Chronicle)

Hospitality company Hyatt Hotels said it would set up more than 120 properties in India over the next decade as it undertakes extensive expansion in one of the "greatest hotel markets".

Hyatt, which has been present in India for the past three decades, will expand into 15 new markets including Bangalore, Chennai, Hyderabad and Pune over the next five years, it said in a statement. In addition, three more properties will come up in Pune, Chennai and Goa this year, while the company has also outlined growth plans in cities like Delhi, Goa, Kolkata and Mumbai, it added.

Wal-mart steps up India rollout, hopes rules ease

(May '10, New Delhi, Mint)

Wal-Mart Stores Inc, the world's biggest retailer, will accelerate its rollout of wholesale stores in India, a crucial growth market with restrictive rules for international operators.

Raj Jain, chief of Indian operations for Arkansas-based Wal-Mart, said the firm now expects to open 10-12 wholesale centres in India over two-to-three years, from an earlier target of five years, as real estate prices have become more attractive and it gains confidence for operating in the country.





REIT

REIT stands for Real Estate Investment Trust. REITs are companies that buy, sell, manage and develop real estate assets. Much like mutual funds do, REITs put together the investments of many individuals and institutions; and then deploy this money in real estate. Institutions such as insurance companies and pension funds are major investors in REITs in the developed world. REITs are broadly classified as equity, mortgage, or hybrid.

Analysis of the global REIT markets

Countries with listed REITs	First introduced in year
US	1960
Netherlands	1969
Australia & New Zealand	1971
Finland	1985
Malaysia	1989
Canada	1994
Belgium	1995
Turkey	1999
Japan	2000
Korea & Thailand	2001
Singapore	2002
Hong Kong, Taiwan & France	2003
Bulgaria & Malaysia	2005
Germany & UK	2007
Italy	2008

Source: D&B Research

Quick facts on REITs

- REIT is essentially a tax term which was created in 1960 (act of Congress) in the US as a way to make property investment available to individual investors.
- REITs are typically listed and quoted
- REITs shareholders still have to pay taxes on dividends and capital gains
- REITs do not have to pay federal taxes at the corporate level
- REITs in most countries are not allowed to get into development
- REITs are, however, more volatile than property prices
- REITs have relatively higher correlation with equities than real estate prices

Number of REITs by country

Global region	Country	June 2006	June 2007	June 2008	December 2009
North America	Canada	33	26	33	30
	United States	253	169	148	142
EMEIA	Belgium	13	17	14	15
	France	30	42	48	44
	Germany	n/a	n/a	2	4
	Netherlands	9	7	8	6
	South Africa	7	7	6	5
	Turkey	n/a	15	13	13
	United Kingdom	n/a	14	19	20
Pacific	Australia	58	58	64	57
	New Zealand	6	10	8	8
Asia	Japan	38	41	42	41
	Hong Kong	4	7	7	7
	Malaysia	11	13	13	12
	Singapore	11	16	20	20
	South Korea	11	6	6	3
Total		484	448	451	427

Source: E&Y, GREITR-2010















HOT PROPERTIES

Opportunity for lease

DELHI

Location	area available	
Netaji Subhash Place	1,000 to 3,35,200 Sq. ft.	
Connaught Place	2,000 to 30,000 Sq. ft.	
Saket District Center	800 to 2,00,000 Sq. ft.	
Nehru Place	1,500 to 20,000 Sq. ft.	
Jasola	1,500 to 50,000 Sq. ft.	

GURGAON

Location	area available	
NH-8	1,000 to 3,00,000 Sq. ft.	
M.G. Road	1,500 to 30,000 Sq. ft.	
Golf Course Road	1,500 to 50,000 Sq. ft.	
Sohna Road	4,000 to 1,00,000 Sq. ft.	
Sector Road	5,000 to 60,000 Sq. ft.	



HOT PROPERTIES



Opportunity for lease

NOIDA

Location	area available	
Sector I to II	500 to 70,000 Sq. ft.	
Sector 16 & 16A	500 to 32,000 Sq. ft.	
Sector 57 to 65	1,500 to 1,50,000 Sq. ft.	
Sector 62	2,000 to 7,00,000 Sq. ft.	
Greater Noida Expressway	500 to 7,00,000 Sq. ft.	

Opportunity for Investment

BPTP Capital City, Noida



Property title
Commercial

Total area
21 acres

Area available
2,00,000 Sq. ft.

Investment module
Construction link plan

NBCC Plaza, New Delhi



Property title
Commercial

Total area
24,280 Sq. mtr

Area available
20,000 Sq. ft.

Investment module
Outright purchase

Spaze Edge, Gurgaon



Property title
Commercial

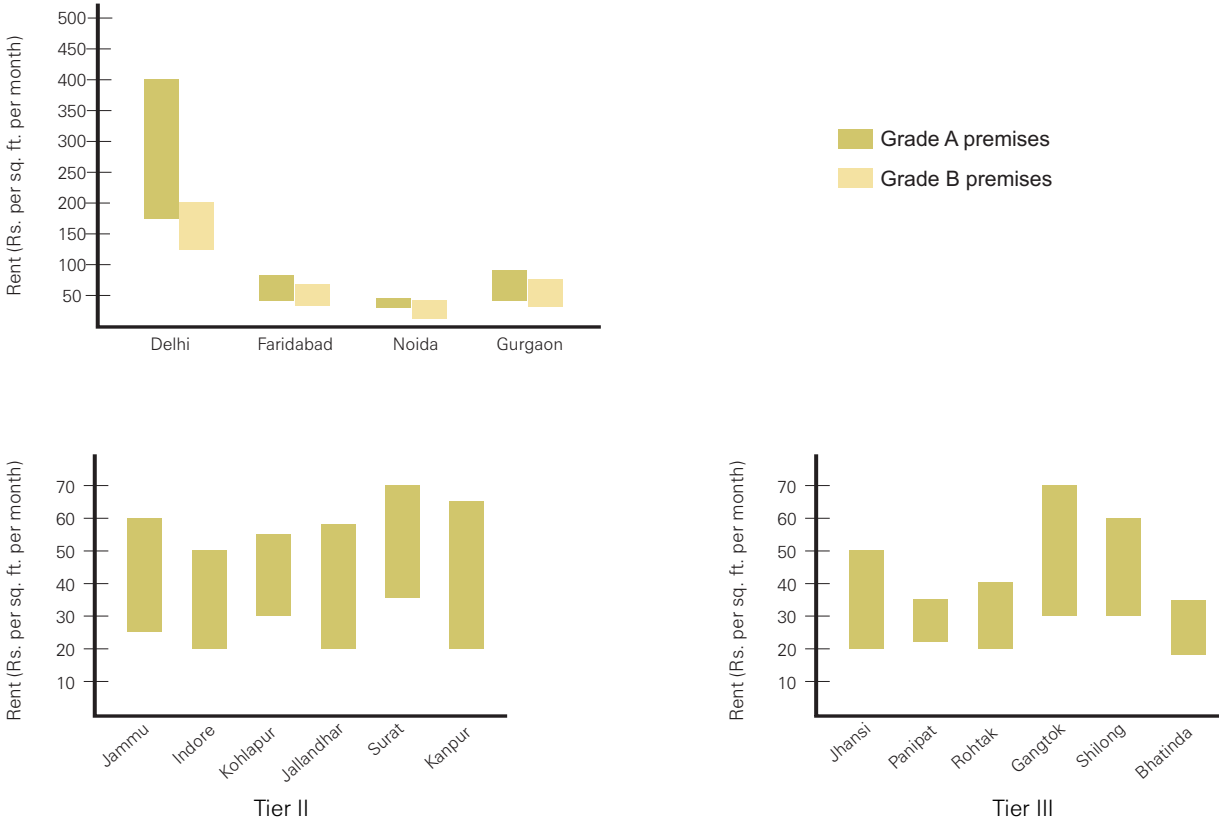
Total area
3 Lac Sq. ft.

Area available
20,000 Sq. ft.

Investment module
Down payment plan



Realty rates Prevailing lease rental range for office premises



*Information mentioned above is only indicative.

Recent market transactions Office & retail premises

Company	Building name	Location	Area transacted (approx.)
EXL	Oxygen SEZ (Sec-144)	Noida	2,50,000 sq. ft.
Uninor	Welldone IT Park	Gurgaon	2,00,000 sq. ft.
Ericsson	Knowledge Boulevard, Sec-62	Noida	1,70,000 sq. ft.
ACS India Pvt. Ltd.	Sec-62	Noida	1,00,000 sq. ft.
Wipro	Omaxe Tower, Jasola Dist. Centre	New Delhi	1,00,000 sq. ft.
Tech Mahindra	Sec-63 & Sec-64	Noida	90,000 sq. ft.
Schneider Electric	DLF Building No. 10	Gurgaon	70,000 sq. ft.
Capital IQ	DLF Building No. 5A	Gurgaon	47,000 sq. ft.
Max Bupa	Saket Dist. Centre	New Delhi	35,000 sq. ft.
Pentair Water India Pvt Ltd	Green Boulevard, Sec-62	Noida	27,000 sq. ft.
Ahluwalia Constructions	Okhla I.E. Phase-III	New Delhi	26,000 sq. ft.
Casio India	Okhla I.E. Phase-III	New Delhi	24,000 sq. ft.
Nissan Motors	Mohan Co-operative	New Delhi	24,000 sq. ft.
DA Vision PMS Ltd.	Sector-3	Noida	22,000 sq. ft.
Kazstroy Engineering (I) Pvt Ltd.	DLF Centre Court	Gurgaon	22,000 sq. ft.
Panasonic	ABW Tower	Gurgaon	12,000 sq. ft.

Source: Realistic Research



Amazing facts

◆ The world's widest road is Monumental Axis in Brazil (160 cars can drive side by side on it)



◆ Most dangerous road- Trollstigen (The Troll Ladder) is a mountain road in Rauma, Norway, part of Norwegian. National Road 63 connects Åndalsnes in Rauma and Valldal in Norddal. It is a popular tourist attraction due to its steep incline of 9% and eleven hairpin bends up a steep mountain side, the road up is narrow with many sharp bends.

◆ The first fountain that is an absolute must see can be found in Las Vegas, Nevada. The water fountain at the Bellagio is professionally choreographed where music flows as beautifully as the water, the water stretches up to 460 feet from over 1200 water emitting devices.

◆ There are more than 50,000 earthquakes throughout the world every year!

◆ Louisiana loses about 30 square miles (78 square kilometers) of land each year to coastal erosion, hurricanes, other natural and human causes and a thing called subsidence, which means sinking.

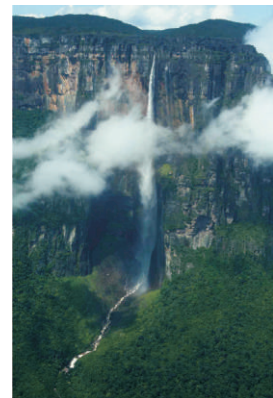
◆ Angel Falls in Venezuela is the worlds highest waterfall, the water of Falls drops 3,212 feet (979 meters).

◆ The deepest hole ever made by humans is in Kola Peninsula in Russia, was completed in 1989, creating a hole 12,262 meters (7.6 miles) deep.

◆ A 1960 Chilean earthquake was the strongest earthquake in recent times, which occurred off the coast, had a magnitude of 9.6 and broke a fault more than 1000 miles (1600 kilometers) long.

◆ The largest casino in the country of India is Winners Casino and Hacienda de Ora which is located in Altomonte Margao. Winners Casino and Hacienda de Ora has 150 casino slot machines video poker games (or other video terminal gaming machines).

◆ The largest pipeline of all, a gas pipeline in Canada, is over 5,650 miles long, that's more than three times as long as the Great Wall of China!



Abbreviations

Frequently used real estate terminologies

AV	Annual Value	OC	Occupancy Certificate
BCA	Building Construction Authority	PBC	Property and Building Corporation
BOT	Build Operate Transfer	PBD	Peripheral Business District
BUA	Built-up Area	PP	Provisional Permission
CAM	Common Area Maintenance	PPP	Public Private Partnership
CBD	Central Business District	REIT	Real Estate Investment Trust
CIDCO	City and Industrial Development Corporation	REMF	Real Estate Mutual Fund
CMA	Comparative Market Analysis	RESIDEX	Real Estate Price Index
DPS	Deferred Payment Scheme	SBD	Suburban Business District
D&B	Design and Build	SCO	Shop Cum Office
EWS	Economically Weaker Section	SEZ	Special Economic Zone
FDI	Foreign Direct Investment	SME	Small and Medium Enterprises
FEC	Food and Entertainment Centre	SPV	Special Purpose Vehicle
FRV	Full Rental Value	SSI	Small Scale Industries
FSI	Floor Space Index	STA	Special Tourist Area
FTWZ	Free Trade and Warehousing Zone	STPI	Software Technology Park of India
GEA	Gross External Area	TAG	Technical Advisory Group
GFA	Gross Floor Area	TOP	Temporary Occupation Permit
GRM	Gross Rent Multiplier	UA	Urban Agglomeration
HVAC	Heating, Ventilation, Air Conditioning	ULB	Urban Local Body
LVR	Loan to Value Ratio	ULCRA	Urban Land Ceiling Regulation Act
MLS	Multiple Listing Service		

How difficult is it to setup an office in small city when compared with a metro? Corporates may find the expansion in tier II and tier III cities lucrative considering cheap labour, low maintenance and lower rentals, however, the decision calls for efficient planning and careful analysis specially while shortlisting the right location and suitable office space.

Though new construction following better design standards and technology is happening in few emerging cities, but even today, most of the tier II and tier III cities lack organized development by experienced builders. Thus, lack of detailed information, mended guidelines and disparate property specifications make the decision more difficult for the corporates. Listed below are few essential checks one should ensure before embarking on expansion plan for emerging cities. Though controllable, but prior understanding of these points will help you plot your finances accurately and set your expectations right.

“Due to non availability of commercial buildings and undefined CBD areas you find offices scattered all over the city in smaller chunks”

Defined CBD area

Due to non-availability of commercial buildings and undefined CBD areas you find offices scattered all over the city in smaller chunks. To suffice the demand of corporates, mostly residential buildings are converted in office space; hence, they lack standardized construction and business environment. Though, with time small commercial complexes are developed which are shaping up as alternate corporate hubs.

Amenities

Continuous electricity is a big problem in most of these cities. In a typical situation, land lords provide basic facilities necessary for smooth office operations but amenities like centrally AC, dedicated parking slots, power backups, lifts, insulators are still a dream there.



Landlords

Following flexible approach, landlords in smaller cities are likely to negotiate the terms and rentals at the discretion of the occupants. Unfamiliar with the prevailing business pattern of metros and expectations of corporates, they are adaptable as the situation demands.

Rental value

Despite mounting land costs, there is lesser probability of sharp rise or fall of rentals in smaller cities. Since the base rate is low, in time of escalation or rental downfall, the prices of the property change, but marginally. In addition, excessive supply of commercial properties with only few takers also controls the property prices.

Area availability

Large and efficient floor plates is a challenge in small cities. Considering that all construction is decade old, sometimes finding consolidated area is a major task, whereas, it is always easier to find area in small portions.

Legal due diligence

Lack of knowledge and non existence of legal processes make the diligence and approval process challenging sometimes. In a typical situation, landlords avoid obtaining the approvals and certificates from the concerned authorities since it has become a common market practice.

Location

While you may opt to acquire space in defined tier II and tier III city but evaluate alternate options in suburb areas or adjoining cities in the same state which can get you lower rentals, better construction quality and space availability.

Though you may foresee flexibility of processes in small cities but lack of standardization make the property comparison difficult. Besides, it is important to gain enough knowledge about the city and prevailing real estate trends. It is preferred to avail services of a professional consultant with wide reach who can give you unbiased opinion on the city infrastructure, facilities, real estate trends, and landlord background. Moreover, consultants' knowledge base of that particular city can get you the best location in line with the presence of competitors at reasonable rentals. With local brokers, the chances are, that you may not be offered true picture and they may take you for a ride.

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