

## India Property Market Overview

Market Conditions at September 2002  
Market Forecast to December 2002

### Executive Summary

"Demand from Information Technology Enabled Services (ITES), Insurance and the Banking Sector has slowed down considerably, though these sectors continued to be the main demand drivers for commercial and residential space in the last quarter. This trend is likely to continue on account of expansion plans in the ITES, Insurance and Banking sectors."

"Food and Beverages, Fashion Apparel and Accessories, Financial Institutions were the main demand drivers for retail space. Having located themselves in most high street locations, retailers are looking for quality spaces in new areas."

"The initial apprehensions on the Central Government's decision to allow 100% FDI in real estate for the development of integrated townships have been cleared slightly by the recent approval accorded by the Cabinet Committee on Economic Affairs (CCEA) to Feedback Integrated Infrastructure Developers for setting up an integrated township in Gurgaon at an estimated cost of Rs. 737.24 Crore. This has led to a number of enquiries from international developers especially from Singapore, Malaysia and the UK. However, it will take more time and policy decisions before FDI in such developments starts to come in."

"The NK Singh Committee of FDI has suggested for allowing 100% FDI in Real Estate (commercial and residential projects only). Retail Sector is yet to be added to the list. However, there are indications that FDI in Retail Sector may not be allowed in the near future."

"The Central Government has recently allowed for utilisation of External Commercial Borrowings (ECB's) proceeds for investment in the Real Estate Sector. This would allow for raising of overseas borrowing not only for the development of integrated townships but also for development of other real estate activities including the construction of houses, shopping complexes and offices."

"Overall, prices for commercial space have continued to slide in Q3, 2002 leading to an average fall of 8-10% over the last 12 months across metros. However, prices of residential and retail spaces have largely remained stable. These trends are expected to continue due to further addition of commercial real estate, low interest rates and tax benefits for the housing sector and expansion of retail sector into new areas."

### Office Market

In Mumbai, commercial offices are relocating to the SBD's like Andheri from the CBD due to which leasing activity in the CBD continued to be sluggish. As a result, rentals are expected to fall further in the CBD due to increasing

levels of vacancy.

In Delhi, overall commercial office leasing activity remained sluggish due to the wait and watch mode of the Insurance and Banking sector which have been the leading demand drivers for the past one year. However, IT and BPO companies continued to generate some enquiries.

Both Bangalore and Chennai witnessed demand for commercial office space from the ITES, Banking and Insurance sectors. Start-ups were also looking for space in both these markets. Bio-technology, an emerging sector was also seen on the lookout for large spaces in these two cities.

Annual gross yields in commercial real estate across the metros range between 9 - 12%.

### Residential Market

In Mumbai, high end residential lease activity has picked up on account of demand from multinational banks and insurance companies, especially in prime areas such as Malabar Hill, Nepean Sea Road and Cuffe Parade. Sale activity has picked up in the suburbs and will continue in the forthcoming months.

In Delhi, residential lease activity is on the upswing due to demand from multinationals and expatriates who insist on good specification and furnishings. This has induced land lords to upgrade their houses to woo a good tenant. Sale activity of premium residential projects is witnessing a high with projects being sold in the pre-launch stage itself.

In Bangalore and Chennai, there is a demand for ready to move in apartments in projects with good specifications, social amenities, both for lease and sale activity. In Chennai single bedroom houses have been a success due to ITES companies. Interestingly, buyers are willing to pay a premium and compromise somewhat on the location for quality independent houses. Preference of residential accommodation nearer to the beach continues.

Overall, the residential sector continued to grow, spurred by the backing of financial institutions and higher household incomes. Annual gross yields in residential real estate across the metros have remained stable in the region of 6.0-8.5%.

*(continued on page 8)*

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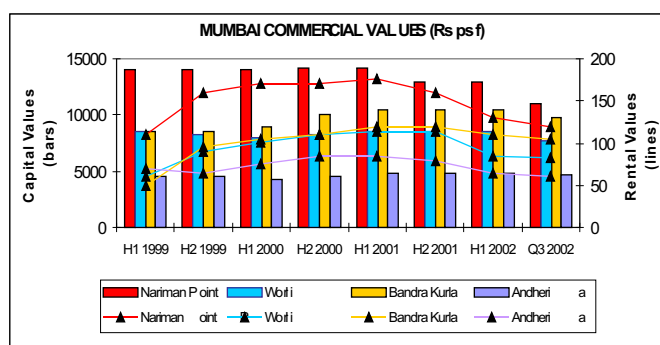


## Mumbai Commercial

### Supply

Lack of developable space and prohibitive land prices have saturated the supply of real estate in South Mumbai. Redeveloping / Upgrading of the Commercial buildings in the CBD, sea links and upgradation of infrastructure maybe the answer to the revitalisation of the CBD. However, developers are concentrating on developing commercial spaces in the suburbs where leasing activity has picked up. The opening up of Mill land for redevelopment will add to the supply of commercial space in Central Mumbai. This would have a long term impact and apply downward pressure on the prices in the CBD as well as the SBD's. However, due to various bottlenecks at the policy level, land is expected to be released in trickle only.

The Development of a SEZ on 7500 acres of land adjacent to the Jawaharlal Nehru Port Trust may further increase the supply of commercial space over the next 5-7 years and this may position Mumbai as a hub for ITES (Information Technology Enabled Services, Business Process Outsourcing (BPO) and Bio-technology. This new SEZ is expected to be ready in the next 36 months. However, it remains to be seen as to what kind of policy initiatives are adopted for this ambitious project.



### Some Recent Deals

Company Name	Area (in sq. ft.)	Building	Location
Asian Paints	44,000	Plot	Navi Mumbai
Tata AIG	16,000	Sim Corners	Andheri
Hutchison	55,000	Mindspace	Malad
Swiss International	8,000	Hoechst House	Nariman Point
Venture Infotek	20,000	Mindspace	Malad
Metlife	6,000	Essar House	Mahalakshmi
Daksh	80,000	Mindspace	Malad
Union Transport	7,500	Solitaire	Andheri

### Retail Market Mumbai

Most of the brands have located themselves in the hi-street and are venturing into unoccupied but potential territories with large space for long term periods. This coupled with the lack of supply of additional retail space on the prime street, effective rental values have remained stable and are in the region of Rs. 140-250 per sq. ft. per month.

Developers are trying to purchase large chunks of land in areas with potential for retail development. However, addition is still expected in the suburban areas, here a number of malls have been developed and more are in advanced stages of construction. Retailers are looking for ample parking space as a factor for locating their outlets. The trend of

### Demand

Sales transactions have reduced considerably and there is negligible movement into the CBD. Leasing activity has picked up pace in the SBD's with Commercial offices relocating themselves from the CBD to the SBD's like Andheri. This is due to the availability of quality infrastructure, new buildings, lower costs, proximity to residential pockets in the SBD's as compared to the CBD.

ITES, Banking and Insurance sector continue to be the demand drivers of commercial space. On account of their expansion plans, they will continue to look for space. Lower Parel and Prabhadevi have become destinations for a number of insurance companies like ICICI Prudential, ING Vysya, Dabur CGU, etc.

Many ITES and BPO units are locating themselves in Mumbai due to availability of quality manpower at competitive rates, uninterrupted power-supply and excellent infrastructure. These companies are giving preference to Andheri-Kurla, Malad, Goregaon, Powai, Vikhroli and Navi Mumbai. Companies like Daksh, Hutchison, Venture Infotek have taken up space in these areas.

### Capital & Rental Values

Prime rentals in the CBD's have fallen by about 8-10% over the last 12 months and are now in the region of Rs. 110-130 per sq. ft. per month. Similarly, prime rentals in the SBD's have fallen by about 10% in a similar time frame and are now in the region of Rs. 60-80 per sq. ft. per month.

The current vacancy levels in the CBD stands at 35% and due to the decrease in demand for space in the CBD, rentals will continue to feel downward pressure. Addition of new space in the SBD's may further dilute the market.

Overall rentals and yields continue to be around 10-12% of the capital values. We expect a slight downward pressure in prices of commercial space across the city.

convenience stores within petrol stations and SIS (store in store) is fast catching up. Grocery retailing and supermarkets are expected to expand. This is evidenced by large deals which have taken place by retailers like Haiko, Pantaloons, Big Bazaar, Loft, etc in some of the leading malls in the city.

### Rates in some of the prime retail areas are

Location	Capital Value/sq. ft.	Rental Value/sq. ft./month
Linking Road	15,000-25,000	150-250
Colaba	18,000-23,000	140-240
Kemps Corner	15,000-20,000	150-200

## Delhi Commercial

### Supply

Although completion certificates have not yet been awarded to Narain Manzil and Birla House, and no new supply has come into the CBD market, the current supply of stock far exceeds the demand for commercial space. The situation of oversupply and no fresh supply entering the commercial market holds good for Gurgaon and NOIDA too. However, a number of developments are likely to hit the market in the coming months due to continued developer activity. The Industrial areas continue to attract corporate's due to low prices of Grade A stock, especially in industrial estates in South Delhi like Okhla and Mohan Co-operative.

The Union Urban Development Ministry had proposed to abolish leasehold system for industrial and commercial property in Delhi and allow industrial land to be used for other purposes, including residential. However, DDA dropped the plan and Delhi has lost an opportunity to provide for much needed quality built environment of commercial and retail space in Delhi. There are currently 31 industrial

areas in Delhi and if the proposal had been passed and accepted by the cabinet, it would have freed area over 2,000 acres of land in prime high cost locations. It would also have given the issue of converting land use a legal backing as most of Okhla and Mohan Co-operative in South Delhi are already being used for commercial purposes.

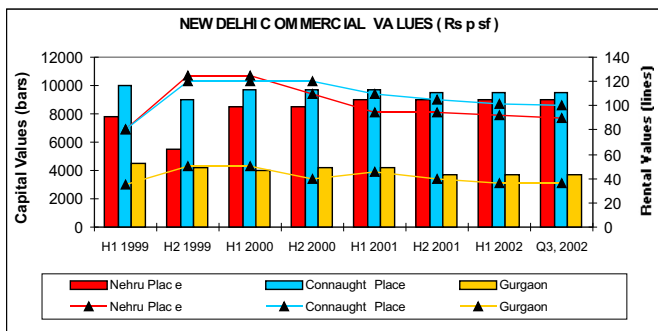
### Demand

The commercial leasing market in the CBD has slowed down in the last quarter due to the wait and watch mode of the Insurance and Banking sectors, which have been the leading demand drivers in the CBD over the past one year. There has not been any significant movement in or out of CBD in the last quarter.

The SBD's of Gurgaon, NOIDA and the industrial zones have also seen subdued activity. However, there has been some movement in the Software Development sector as some of the larger players have lifted the freeze on count head and have started recruitment again. The demand for larger or alternate spaces by these IT companies is likely to be felt over the next 12 months.

### Capital & Rental Values

There has been negligible change in the rental and capital values of either the CBD or SBD commercial markets. Also since there has been no significant movement of offices, there has been no significant change in the overall vacancy rate which stands at approximately 20%. Connaught Place commanded the highest rates with rentals of Grade A buildings averaging between Rs. 95-105 per sq. ft. per month, while the lower quality Grade B office space were being leased at an average rate of Rs. 50-60 per sq. ft. per month. The suburban location of Gurgaon commanded lower values for Grade A office spaces ranging between Rs. 32-40 per sq. ft. per month.



### Some Recent Deals

Company Name	Area (in sq. ft.)	Building	Location
Sumitomo	15,000	DLF Centre	Connaught Place
Star TV	7,500	DLF Centre	Connaught Place
Fidelity Investments	40,000	Central Court	Gurgaon
Allied Domecq	5,000	Independent Plot	Sikandra Road
Star Radio City	7,000	Stand Alone	Okhla Ind. Est.
Print House	4,000	Navrang House	Connaught Place
7 C's	20,000	Central Court	Gurgaon
Cholamandalam	2,400	Kanchenjunga	Connaught Place

## Retail Market Delhi

The Delhi retail real estate scenario is somewhat sluggish as compared to the last quarter. The Food and Beverages segment has however been the driver for retail activity. Existing players like Quickys, Barista, Café Coffee Day which are chain retailers have continued to open outlets in smaller markets as they have established themselves in the hi-street locations.

Retail space in prime markets continues to be scarce and hence command high rentals. The much awaited malls in Gurgaon and NOIDA are yet to start functioning. Lifestyle is expected to launch their store soon at the DLF Mall while McDonalds will soon open their outlet at the Metropolitan Mall followed by Shoppers Stop and PVR. Banana Leaf, again a F&B outlet has opened up in the outer circle of Connaught Place in close proximity to other F&B outlets such as

Barista, Café Coffee Day, Blues, etc. Other retailers are adopting a wait and watch attitude and will observe the interest and footfall generated by these stores before other brands follow suit by launching their brands at the two malls.

### Rates in some of the prime retail areas are

Location	Capital value/sq. ft.	Rental value/sq. ft./month
Connaught Place	10,000-20,000	100-250
South Extension	17,000-20,000	170-250
Rajouri Garden	6,000-8,000	80-100
NOIDA Sec 18	8,000-10,000	80-100
Khan Market	15,000-30,000	200-300
Lajpat Nagar	15,000-20,000	150-200

Note: Prices quoted above are GF Rates

## Bangalore Commercial

### Supply

With the IT industry especially ITES & BPO driving the industry, many developers like IBC, Salarpurias, RMZ and L&T are launching new projects. Developers are also offering built to suit facilities wherein they have either purchased the land or entered into Joint Ventures (JV's). In addition to the activity of Developers, a number of companies like SAP Labs, Mascot, Ivega, etc have purchased land for developing their own facilities.

Since most of the activities are happening in the suburbs, major developments in the Central, East and South Bangalore region have seen the pace of projects being slowed down as there is excess supply of

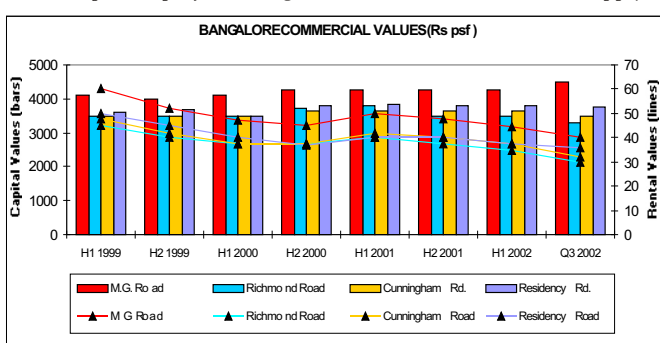
stock in these regions. At least 800,000-1,000,000 sq. ft. of commercial space is expected to be ready by the end of Q4, 2002. Another 1,500,000 sq. ft. of space is expected to be ready in the next 12-18 months.

### Demand

The last quarter saw a change in demand for commercial space with supply outstripping demand. BPO's are looking at Bangalore to locate their offices along with ITES offices establishing call centres. These new companies are looking for furnished options to reduce their capital investment and also time for starting up operations. Banking and Insurance companies have also been active in locating their offices mostly in the city centre and other areas. Biotechnology is being supported by policies of the Government and companies are looking for large spaces in and around Bangalore like Whitefield, Hosur Road, etc.

### Capital & Rental Values

Bangalore has seen a fall in rental values of about 9-11% over the last 12 months. Rentals in CBD have been varying between Rs. 32-40 per sq. ft. per month against Rs. 35-45 per sq. ft. per month last quarter. With an average vacancy rate of 9% and expected supply of 450,000 sq. ft. of space, downward pressure on commercial prices is expected.



### Some Recent Deals

Company Name	Area (in sq. ft.)	Building	Location
Hewlett Packard	54,000	Embassy Icon	Infantry Road
Nirvana Solutions	60,000	Sigma Tech Park	Whitefield
ICICI	45,000	Shobha Pearl	Commasriat Road
Dell	50,000	Stand Alone	Whitefield
Lucent	40,000	Salarpuria Towers	Koramangala
Network Associates	37,000	Millenia	Murphy Road
Delphi	30,000	ITPL	Whitefield
Future Tech Designs	52,000	Prestige Atlanta	Koramangala

## Retail Market Bangalore

Retail market is expected to get a boost in Bangalore with areas like Brigade Road, Jayanagar and Commercial Street attracting maximum number of retailers. Malleswaram, one of the oldest areas in Bangalore yet unexplored till recently has attracted a number of retailers. Retailers such as Food World, Café Coffee Day, Health and Glow have already setup their outlets here.

Branded F&B outlets are still on the lookout for appropriate space and are expanding on a regular basis. Old showrooms especially apparel, fashion accessories and F&B are refurbishing their outlets to attract new brands and generate more footfalls. Pizza Hut has opened a new outlet on Airport road, Pantaloon has committed themselves to Embassy on Commasriat Road, while a number of leading footwear brands have opened their outlets in Jayanagar.

Developer activity is also intense with exclusive focus on retailing. About 150,000 sq. ft. of space is being constructed in areas like

Cunningham Road, Church Street, etc. has also seen immense amount of retail activity.

Brands such as Dockers, Nike, Adidas, Levis, etc have opened factory outlets in all directions on the outskirts of the city, with Marathalli on Airport Road being the most preferred destination followed by Hosur Road, both of which are known to be the IT corridors of Bangalore.

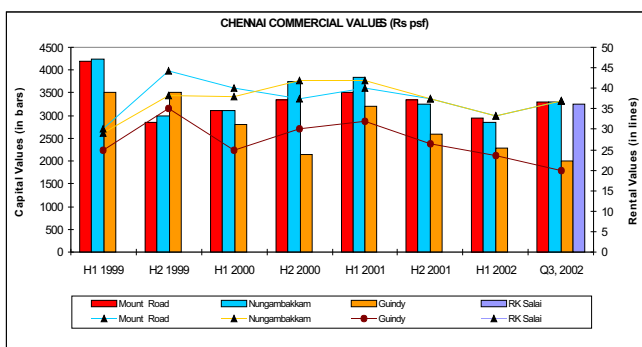
### Rates in some of the prime retail areas are

Location	Capital value/sq. ft.	Rental value/sq. ft./month
MG Road	5,000-7,000	80-100
Brigade Road	7,000-9,000	100-125
Commercial St.	6,000-8,000	80-100
Jayanagar	3,500-5,000	65-100
Airport Road	4,250-5,000	50-80
Malleswaram	2,500-5,500	25-45

## Chennai Commercial

### Supply

Chennai is still reeling under shortage of quality Grade A construction. Many software companies are setting up their own custom built campuses mainly along Old Mahabilpuram Road which is termed as the IT Corridor. A commercial project of 40,000 sq. ft. with large floor plates in the CBD which was supposed to be ready by the end of Q3, 2002 is delayed and is expected to be ready by the end of Q4, 2002. Lack of space for development is one of the reasons the CBD is unable to offer new and quality buildings. This has led to the development of buildings in the neighbouring areas of Anna Salai.



### Demand

Anna Salai (CBD) and RK Salai (SBD) continue to be sought after by corporates and MNC's to locate their offices. Although RK Salai is a SBD the rental are in the range of Rs. 35-40 per sq. ft. per month and comparable to the CBD. In fact the shortage of quality Grade A buildings is so much that DBS Westminster at RK Salai which was built about 6 years back still quotes rental value of over Rs. 45-50 per sq. ft. per month.

Close to 200,000 sq. ft. of commercial space has been absorbed into the market, especially in the TIDEL Park, where space has been taken by IT Companies like Southernland Technologies and Scandent Network which together account for more than 125,000 sq. ft. of space. ABN AMRO which had taken 20,160 sq. ft. of space last year in Raheja Towers has gone for a further expansion and taken an additional space of 30,550 sq. ft. in the same premises.

### Capital & Rental Values

Capital values have firmed by about 10-12% over the last 12 months but mainly in the CBD although rentals have remained stable and are in the range of Rs. 35-40 per sq. ft. per month. However, rental and capital values in Guindy area have fallen marginally by about 10% in the corresponding period. Due to lack of quality commercial spaces vacancy rates in the CBD have dropped significantly in Grade A and B buildings.

### Some Recent Deals

Company Name	Area (in sq. ft.)	Building	Location
ABN AMRO	30,500	Raheja Towers	Anna Salai
Seaways Shipping	3,805	Voltas International	Parrys
Fedex	4,500	Ashirwad Tower	Nungambakkam
Recall India	35,816	Stand Alone	Maraimalai Nagar
Max New York Life Insurance	9,500	TPL Towers	Cenotaph Road
TATA AIG	9,500	Alexander Square	Guindy
Allsec Technology	40,000	Stand Alone	Velachery

## Retail Market Chennai

The Retail Market is still at its peak and Chennai continues to see high demand for retail space. The demand for retail space and the success of chains like supermarkets like Food World and Subhiksha, Coffee shops and apparel stores has made the Chennai retail market reach ne heights with spaces being leased out much before the building is physically erected. However, retail activity is still restricted to the traditional retail areas of T Nagar, Panagal Park, Alwarpet, Pondy Bazaar, Usman Road, 2nd Avenue Anna Nagar, Cathedral Road, Adyar, etc. As space in these traditional markets is limited, these retail outlets are spreading along main corridors and arterial roads.

Recently Pizza Hut opened its outlet in Anna Nagar and plans to open another outlet in RK Salai. Sangeetha, a restaurant chain has opened its outlet in Adyar while Genesis and Basics, a leading garment store opened their seventh store in Purswakkam.

Retail outlets in Nungambakkam, Panagal Park, Cathedral Road and malls like Spencer Plaza and Ispahani Centre command highest rentals in the range of Rs. 40-75 per sq. ft. per month. This is in comparison to the price range of Rs. 25-55 per sq. ft. per month quoted in other areas. A number of projects are in the development stage and about 180,000 sq. ft. of retail space is expected to hit the market by the end of the year 2003.

### Rates in some of the prime retail areas are

Location	Capital value/sq. ft.	Rental value/sq. ft./month
Mount Road	4,000-5,000	40-55
Nungambakkam	3,500-5,500	35-50
Anna Nagar	2,200-2,700	25-40
Adyar	2,200-3,200	25-40
Spencer Plaza	4,000-6,500	55-75
Ispahani Centre	-	60-200

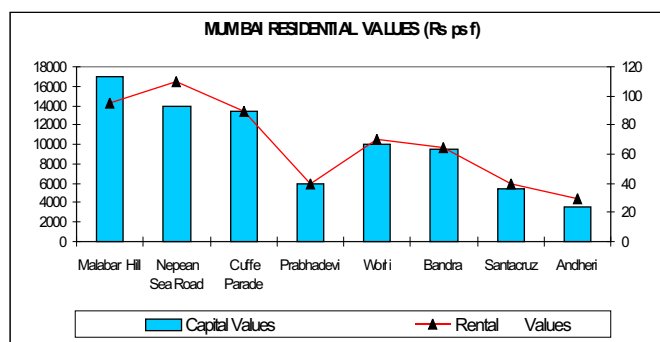
## Mumbai Residential

### Demand & Supply

Residential lease activity has picked up due to demand from Multinational Banks and Insurance companies. These companies are looking for space in the prime areas like Malabar Hill, Nepean Sea Road, Cuffe Parade, etc. Suburban areas are witnessing activity among the mid level housing segment with a fair amount of supply entering into the market.

Sales activity has been consistent in the prime areas while it has increased in the suburbs, mainly due to low interest rates, attractive finance options, first time buyers, and young and upwardly mobile class who are shifting to larger and better apartments in the suburbs.

Vacancy rates are low in the prime areas and with demand for prime residential areas on the rise, it is expected that the prices may increase marginally. However, due to fair amount of supply entering into the market, rentals in the suburbs are expected to remain stable.

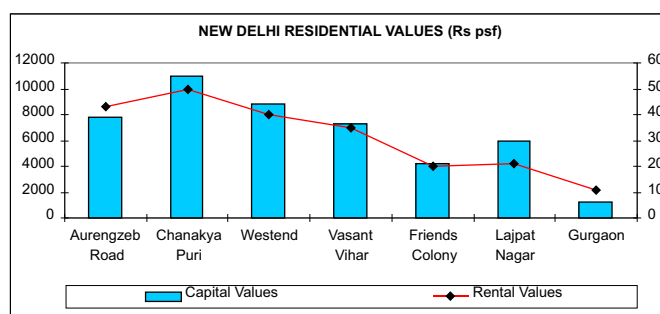


## Delhi Residential

### Demand & Supply

The third quarter witnessed sharp fluctuations in demand for residences in the Delhi market with excessive supply and low demand due to the Travel Advisory sent by Diplomatic missions. This translated into good quality houses being leased out at less than market rate and large availability of stock. Shortly after the travel advisories were lifted, there was a sudden spurt in demand for good quality independent houses.

A serious shift in product quality has been perceived as tenants demand good quality and attention to detailing, exerting pressure on landlords to upgrade their houses in order to woo a good tenant. This is in sharp contrast to the past where the landlords had a 'take it or leave it' attitude and tenants accepted it as a market character.



### Capital & Rental Values

Capital values have remained stable in the prime areas and are in the region of Rs. 13,500 - 17,000 per sq. ft except Cuffe Parade where prices have dropped by about 4% over Q3, 2001. In the Central Mumbai region prices were in the range of Rs. 6,000 - 10,000 with Prabhadevi having remained stable. However, Worli registered a fall of about 8-10% in Capital Values and about 4-6% in Rental Values over Q3, 2001. Rental Values have remained stable throughout the city except in Bandra where the rentals have gone up marginally by about 2%. Annual gross yields range between 6% to 7% of the capital value.

### Outlook

Residential demand for leasing is expected to remain low for a while due to the looming threat of war in the middle east. However, over the next 3-6 months demand will stabilise as a result of which rentals are also expected to be stable. Sales activity is expected to continue at the same pace and prices are expected to remain stable.

### Some Recent deals

Company Name	Building	Location
L'Oreal India	Suraj Apartments	Breach Candy
Tata AIG Insurance	Samudra Mahal	Worli
Standard Chartered	Ashoks Apartments	Napean Sea
Swiss International	Kismet	Breach Candy
MasterCard Intl	Darshan	Mt. Pleasant Road
Tata AIG Insurance	Apsara	Pali Hill, Bandra
Swiss International	Kanta	Malabar Hill

### Capital & Rental Values

Due to sharp fluctuations in the residential market, rentals have remained unstable across the city. In the prime residential area of Aurgzeb Road rentals were in the range of Rs 43-60 per sq. ft. per month in contrast to areas like Vasant Vihar and Friends Colony where rentals have been in the region of Rs. 22-35 per sq. ft. per month. Annual gross yields in the Delhi Residential market have been in the range of 6-9%.

### Outlook

The residential market in Delhi is slowly maturing, and land lords need to provide well maintained premises suitably fitted with high quality fixtures. While the gross yields of unfurnished properties may decline, the furnished properties may command a premium.

### Some Recent deals

Company Name	Building	Location
ADB	Independent House	Shanti Niketan
Premier Oil	Apartment	Sunder Nagar
British Council	Independent House	Vasant Vihar
Infrastructure Tech	Independent House	Maharani Bagh
Schlumberger	Independent House	Vasant Vihar
Mitsui Corp.	Apartment	Sunder Nagar
Embassy of Ghana	Independent House	Anand Niketan

## Bangalore Residential

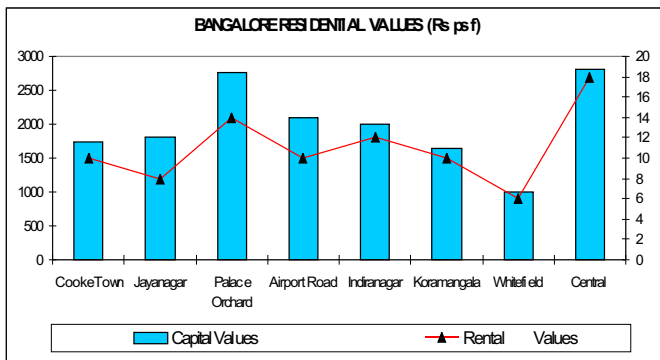
### Demand & Supply

Bangalore has witnessed considerable amount of supply coming into the residential market with a number of projects being completed or nearing completion both in Central as well as in the peripheries, especially those being developed close to the Ring Road.

Bangalore is witnessing a considerable amount of sale activity in the Grade A as well as mid-budget housing due to improved service levels, tax benefits, immense amount of construction activity, easy availability of housing loans and end user buying.

St. John Woods, a apartment complex located in Koramangala witnessed a record sale of 332 apartments in a matter of just 18 day although the project is scheduled for completion only in the year 2004. The positive sentiment in the housing sector is reflected in the mid budget housing sector also with leading developers in the city developing projects mostly in South and East Bangalore.

There is an increased demand for serviced apartments as a result of which a large number of private developers as well as established hospitality brands like Leela Palace on Airport Road and Royal Orchid Park Plaza have positioned a few rooms and suites as serviced apartment facilities in their hotels to meet this demand.

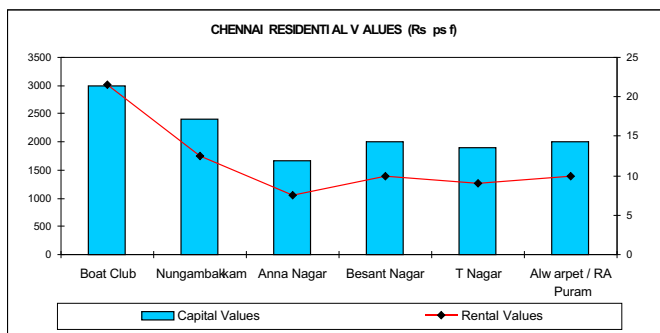


## Chennai Residential

### Demand & Supply

The residential market is on a steady growth, with supply coming from developers like CeeBros, Arihant, DBS, etc. The main demand drivers were the Banking and Finance sector. There has been demand from the IT and ITES sector too and developers are coming up with a number of projects in South Chennai. An increased preference is also being seen for well designed single bedroom flats which are being developed in and around the IT corridor and Velachery.

Today, Chennai offers a diverse range of residential options meeting the budget of all sizes, be it the entry level (Rs. 1,400,000 - 1,800,000) to the very upmarket premium housing (Rs. 2,800,000 - 3,200,000). These are from single bedroom flats to four bedroom flats with all modern facilities.



### Capital & Rental Values

Due to increasing demand from the ITES sector, the capital and rental values have increased considerably in the range of 8-10% over the last 12 months. Both capital and lease values of residences in Palace Orchard and along Airport Road have increased as high as 20 - 25% over Q3, 2001. The current capital values are in the range of Rs. 2,100-2,800 per sq. ft. while rental values are in the range of Rs. 10 - 18 per sq. ft. per month.

In other parts of the city rentals have almost remained stable, with the exception of Whitefield where capital values have fallen by about 15 - 20% over Q3, 2001.

### Outlook

The demand for plotted housing remains unabated, with builders developing independent villas. Some developers are also offering housing colonies with plotted development. The serviced apartment concept has been successful in Bangalore. This demand is likely to see entry of a few hospitality players and developments in the next 12 - 18 months. The residential market is expected to remain stable in the current quarter as the demand and supply seem to keep pace with each other.

### Some Recent deals

Company Name	Building	Location
GE	Vars	Airport Road
Yahoo	Apartment	Cubbon Road
John Mammen	Hutchins Court	Cooke Town
AOL	Four Seasons	Brunton Road
Siemens	Independent House	Koramangala
Lucent	Independent House	Koramangala
Yahoo	Independent House	Raj Mahal Vilas

### Capital & Rental Values

There is a demand for premium housing in both the leasing and sale market. Capital values have increased in the range of 6-8% across the city, while rentals have increased by about 8-10% over the last 12 months. Capital and rental values are the highest in Boat Club and Bishop Garden area where they are in the range of Rs. 2,900- 3,100 per sq. ft. and Rs. 19 - 24 per sq. ft. per month respectively.

### Outlook

Demand in the residential sector is expected to increase especially in the premium segment, but prices would remain stable for the next 3-6 months. The city needs more good quality single bedroom apartments especially in the TIDEL Park and Old Mahabalipuram area where a number of professionals reside.

### Some Recent deals

Company Name	Building	Location
Thomson Multimedia	La Terraza	Kotturpuram
Standard Chartered	Golden Kings Worth	Anna Nagar
Hexaware	Kshema	Mylapore
CES Onxy	Tangy Apartment	Egmore
Standard Chartered	Alsa Residency	Chetpet
Tata Teleservices	Apartment	Kotturpuram
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## Executive Summary

### Retail Market

In Mumbai, retail markets are fast changing face (renovation and branded outlets on hi-street and malls). However, the spread of retailing is restricted in South Mumbai due to steep pricing. A number of companies have set up offices in the Bandra Kurla Complex and a number of residents too have settled in Bandra and western suburbs, due to which retailing activity has picked up considerably.

In Delhi there is negligible supply in hi-street locations while the demand from branded retailers has been steadily increasing. This and the fact that most of the retailers have already located themselves in hi-street locations has led to growth in non hi-street locations and neighbouring markets. Sector 18 market in NOIDA is also transforming from being a neighbourhood market to a hi-street destination. Gurgaon is eagerly waiting for its first shopping mall to open. However, the residents of Gurgaon might have to wait due to delay in completion of the upcoming malls.

Chennai has emerged as a Mecca for retailers with most of the brands wanting to have multiple outlets. However, due to lack of space for the development of new shopping malls, retailers are concentrating on opening outlets in traditional shopping areas like T Nagar, Nungambakkam, Anna Salai, etc and even choosing to locate into stand alone developments.

Bangalore has seen a spurt in retail activity from all sectors, mainly in the F&B sector. Malleswaram, hitherto an unexplored area has seen a beeline of retailers wanting to locate themselves. There has also been some activity on Airport Road mainly due to the presence of IT and multinational companies.

Entertainment companies are also heading towards Bangalore and Chennai with a number of operators like PVR, INOX, Satyam, etc finalising deals in these cities while Adlabs has finalised a deal for operating a multiplex in Mumbai.

The yields in retail real estate varied between 12-14.8%.

### Economy

The International Monetary Fund (IMF) which had projected a 5.5% growth in GDP for the country earlier, has now scaled it down to 5% for this financial year ie 2002 - 03, in the face of sluggish recovery of the economy and drought. The revised macro-economic forecasts for 2002 - 03 place overall GDP growth at 4.8%. This is despite the fact that the GDP grew 6% in the first quarter of the current fiscal against 3.5% in the corresponding period last year.

However, there is good news on the Foreign Direct Investment (FDI) front. FDI inflows jumped by 68.6% during the first seven months at USD 2.68 billion against USD 1.59 billion in the same period last year. According to UNCTAD World Investment Report 2002, Indias' FDI inflows registered a 47% growth during 2001 even as global FDI flows declined by over 50%.

The inflation rate is currently at 3.59% as compared to 5.14% last year registering a drop of 30% in a period of one year..

Incentives provided in the budget to the Housing sector is likely to translate into higher investments in Housing Finance. Sanctions have already grown by 34% and disbursements by housing companies have grown by 33%.

Special Economic Zones (SEZ's) have also not taken off as planned. Of the 13 projects cleared by the government, none have been set up despite receiving approvals nearly two years ago. The Positra SEZ in Gujarat has been shifted to Mumbai due to the Gujarat Governments' inability to allot 10,000 acres of land for the projects. A 7500 acre plot has been identified near Jawaharlal Nehru Port Trust and will be rechristened as Maha Mumbai SEZ. The project is estimated to be completed in 36 months at a cost of Rs. 5200 Crore.