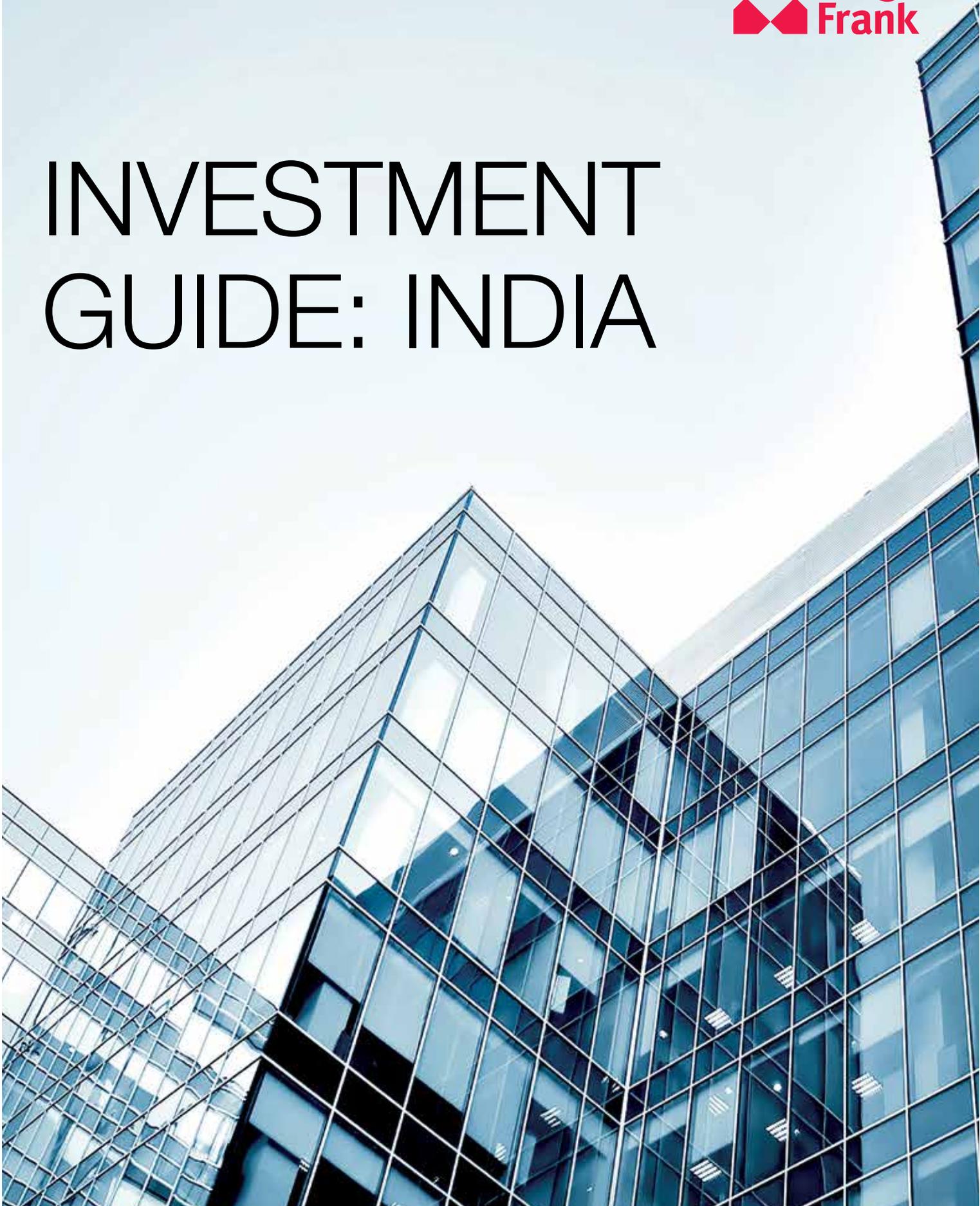


CAPITAL MARKETS



# INVESTMENT GUIDE: INDIA



AN INTRODUCTION TO BUYING COMMERCIAL PROPERTY IN INDIA

Exhibit 1 -

## INDIA IN NUMBERS

Population (Billion)	1.2
GDP (FY 13-14) (USD Billion)	1,892
GDP (USD per capita)	1,564
Consumer Price Inflation (CPI)	4.21%
Unemployment (FY 13-14)	5.20 %

Source: Central Statistics Organization, Govt. of India, Census of India 2011

Exhibit 2

### REIT Market Potential in India

Property Type	Potential REIT Area (Million Sq. Ft)	Potential Market Value (USD Billion)
Office	425	52
Retail	64	16
Warehouse	919	28
<b>Total</b>	<b>1,408</b>	<b>96</b>

Source: Knight Frank Research

# WHY INVEST IN INDIA

A strong demographic dividend and a consumption led growth have continued to attract global investors towards India. With nearly two decades of economic liberalisation and a stable, growth-focused federal government, India is set to witness its next phase of economic growth.

### Political Stability & Growth Focused Government

The current federal government, empowered with one of the largest mandates since last 30 years, has enabled fast, bold and efficient decision making. The reform focused government has already taken many critical decisions to revive the stagnating economy, including liberalizing foreign direct investments in certain sectors (especially real estate), boosting the manufacturing sector with “Make in India” campaign, providing a much needed thrust to infrastructure sector and controlling fiscal deficit by cutting subsidies etc. The world has already taken note of the turnaround with India’s sovereign credit rating being upgraded to “Stable” by Standard & Poor (Credit rating agency) recently.

### Strong Macro-Economic Fundamentals

The Indian economy has exhibited a healthy average growth rate of 7.02% over the last seven years. Increased consumption from strong domestic demand, increasing investment activity and reducing current account deficit and fiscal deficit is expected to further boost this growth.

### Indian Real Estate Market

The Indian real estate market offers a diverse range of property segments - residential being the largest (due to large housing needs & increasing urbanization), followed by office which is emerging as the preferred investment option by institutional investors besides retail and logistics sectors. The recent notification of the REIT policy has made commercial real estate more attractive for both domestic and international investors. In the first phase, the REIT in India would encompass revenue-generating commercial real estate assets. We estimate approximately USD 96 Billion or

1.4 Billion sq.ft. of occupied space across office, retail and warehouse segments that could potentially benefit from the REIT opportunity.

### Diversity of Locations

The real estate activity is spread across multiple cities having independent demand drivers. Key investment destinations include Bangalore, Delhi-NCR\*, and Mumbai, that together account for more than two-thirds of commercial investment activity. Emerging metro cities of Pune, Chennai and Hyderabad, primarily driven by a strong IT/ ITeS industry have also seen significant interest in the recent past.

### Market Liquidity

There are a wide range of active investors present in India. They include well established domestic institutional investors, family offices, ultra high net worth investors, real estate funds and large global institutional investors. Many sovereign funds have tied up with Indian financial institutions or regional developers to acquire core assets. The real estate market is expecting higher liquidity with emergence of REITs in the near future. Over the last 15 years, India has observed foreign investment of USD 341 Billion out of which 10% was invested in the real estate sector.

### Higher yields

India offers one of the highest yields in commercial real estate across the world. While yields from residential properties are between 2-4%, commercial properties offer around 8-11%, depending on the quality of asset and leases. Foreign investors have already bought rent generating commercial assets worth over USD 2 Billion in India in 2014, a four-fold rise compared to 2013.

\*NCR Stands for National Capital Region comprising the Capital city - New Delhi and key suburban towns - Gurgaon, Noida, Ghaziabad, Faridabad and Greater Noida.

Exhibit 3

# KEY FOREIGN INVESTORS IN INDIA

Global Investor	Invested / Committed Amount (USD Million)
Blackstone	1,750+
Brookfield	500+
ADIA	500+
APG	400+
CPPIB	750+
GIC	850+
QIA	500+

Source: Knight Frank Research

Exhibit 4

## Property Market Data – the “Super Six” (Q4 2014)

	 Office	 IT Parks / IT SEZ's	 Logistics	 Shopping Centers
Prime Gross Yields (%)				
<b>Delhi &amp; NCR</b>	9-11	9-11	11-13	8-11
<b>Mumbai</b>	9-11	9-11	11-13	8-11
<b>Bangalore</b>	9-11	9-11	11-13	8-11
<b>Hyderabad</b>	10-12	10-12	11-13	8-11
<b>Chennai</b>	9-12	9-12	11-13	8-11
<b>Pune</b>	9-12	9-12	11-13	8-11
Prime rents ( USD Per Sq. ft Per Month)				
<b>Delhi &amp; NCR</b>	1.0-6.7	0.5-1.7	0.2-0.4	1.7-6.7
<b>Mumbai</b>	1.3-6.7	1.1-2.5	0.3-0.4	1.7-6.7
<b>Bangalore</b>	0.7-1.3	0.5-1.1	0.2-0.3	1.0-3.3
<b>Hyderabad</b>	0.7-1.0	0.5-0.9	0.2-0.3	0.8-3.3
<b>Chennai</b>	0.7-1.0	0.5-1.0	0.2-0.3	0.8-3.3
<b>Pune</b>	0.5-1.0	0.5-0.9	0.2-0.3	0.8-3.3

Source: Knight Frank Research

## MAIN INDIAN CITIES

Bandra Kurla Complex - Mumbai



Mumbai is the financial hub of India with presence of large global investors

Rajiv Gandhi IT Park - Pune



Pune is a modern city and suburb of Mumbai with large ITES industry base

UB City - Bangalore



Bangalore is India's largest office market. It is popularly known as silicon valley of India

Cyber City-Gurgaon NCR



Delhi, the capital of India and National Capital Region (NCR) is a large office market with a diverse occupier base

Cyber tower-Hitech City- Hyderabad

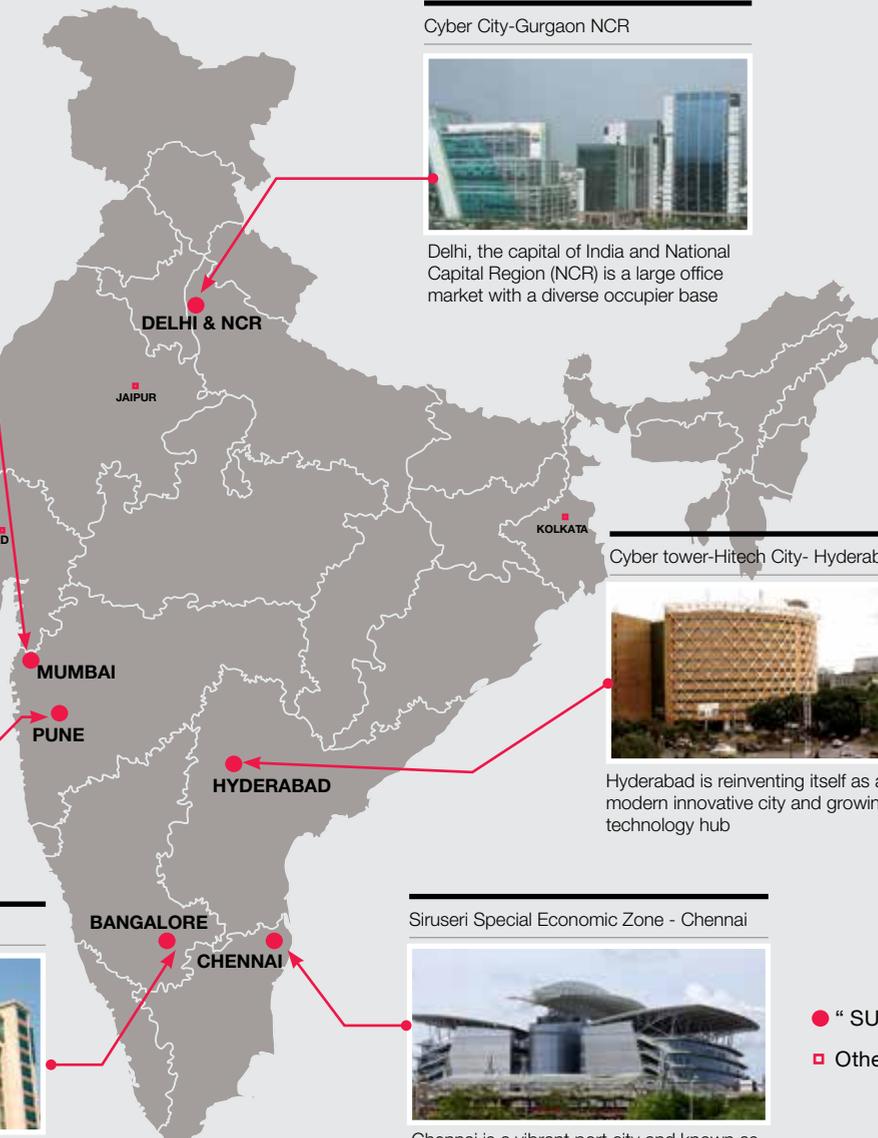


Hyderabad is reinventing itself as a modern innovative city and growing technology hub

Siruseri Special Economic Zone - Chennai



Chennai is a vibrant port city and known as Detroit of India.



● “ SUPER SIX” Cities

■ Other Major Cities

Exhibit 5

## The “SUPER SIX” facts &amp; figures

City	Population (In Million)	Total Office Stock (Approx Million Sq.Ft.)	Key Industries	Key Office Districts	Key Retail Locations
Delhi & NCR	26.4	126	Diversified Industries, IT-ITeS, Power, Media, Telecom, Auto	Connaught Place, Saket, Jasola, Gurgaon, Noida	Saket, Vasant Kunj, Gurgaon, Noida
Mumbai	18.4	112	Financial Services, Banking, Insurance Textiles, Chemicals,	Bandra Kurla Complex, Nariman Point, Lower Parel, Andheri	Lower Parel, Andheri, Colaba, Bandra
Bangalore	8.5	114	IT- ITeS, Technology, Electronics, Life Sciences	MG Road, Whitefield, Electronic City, Outer Ring Road, Hebbal	MG Road, Indiranagar, Brigade Road, Vittal Mallaya Road, Koramangla, Yashwantpur
Hyderabad	7.7	61	IT-ITeS, Manufacturing, FMCG, Diversified Industries	Hi-Tech city, Gachibowli, Banjara Hills, Jubilee Hills	Banjara Hills, Jubilee Hills, Madhapur
Chennai	8.7	57	Diversified Industries, FMCG, Auto, IT –ITeS, Heavy Machines	Anna Salai, Nungambakkam, Guindy, OMR, GST Road	Nungambakkam, T-Nagar, Adyar, Velachery
Pune	8.5	55	Auto, IT-ITeS, Heavy Machines, Dairy & Food Processing, Manufacturing	Hinjewadi, Magarpatta, Kalyani Nagar, Viman Nagar, Kharadi	Viman Nagar, FC Road, Koregaon Park, Balewadi

### Real Estate Regulations and Policies

Foreign investment in real estate is regulated by the Department of Industrial Policy and Promotion (“DIPP”), the Reserve Bank of India (“RBI”) and the Foreign Investment Promotion Board (“FIPB”) under the provisions of the Consolidated Foreign Direct Investment (“FDI”) Policy revised bi-annually by DIPP.

The current government has shown strong focus towards improving and enhancing the existing urban infrastructure. Over the last six months, it has undertaken the following measures:-

- Permitted 100% FDI in completed projects for operations and management of township, malls and business centers
- Approved guidelines for creation of REITs in India

As per recent notifications, foreign owned entities are allowed to own select property classes in India. Such property classes include IT Park / IT SEZ, Office buildings, Shopping centers, Hotels and Logistic Parks.

All these measures have enhanced reach of core assets to public and private investors, increased liquidity for cash strapped real estate developers and generated strong momentum towards sustained real estate growth.

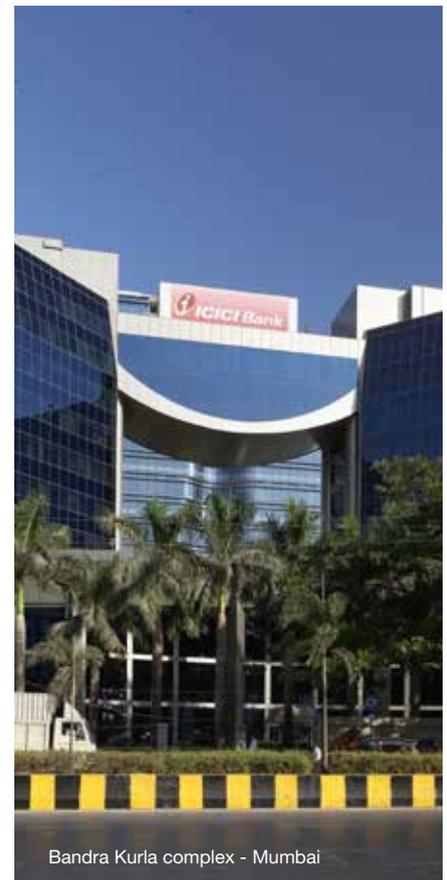
### Taxes associated with the ownership and sale of property

**Property Taxes** – An annual property tax is payable on all properties in India. It is assessed by the local tax office.

**Income Tax** – Rental income from the property is subject to normal personal and corporate income tax rates, regardless of whether the owner is tax resident in India or abroad.

**Tax on Capital Gains** – Any capital gain upon the sale of property is subject to capital gains tax. In case the asset is transacted before completion of three years, short term capital gains tax is applicable and beyond three years, long term capital gains tax is applicable.

*\* Knight Frank's white paper on REITs in India being released in Q1 2015*



Bandra Kurla complex - Mumbai

Exhibit 6

## DEBT YIELDS IN INDIA

Type of Lender	Yield/Cost of Debt
10 year benchmark G-Sec bond	7.7%
Public Sector Bank	10.5-13.5%
Private Sector Bank	11-15%
Non-Banking Finance Company	14-18%
Mezzanine finance from debt funds	20-24%

### Commercial Lease Structures

Standard commercial leases follow a 9 or 15 year structure with 15% fixed escalation post 3 years. In most cases, the lock-in period varies from 3-5 years. Short tenure leases are also prevalent making it more tenant friendly in nature. As per current law, commercial leases are registered but not regulated.

### Rents

Commercial rents are usually quoted in INR per sq.ft. per month, and are payable monthly in advance. Rents are charged separately for the warm shell and fit outs (only if the property owner arranges for the fit outs). In most cases, tenants do their own fit outs.

### Lease lengths

Commercial property leases are usually 5-15 years, and often include an option to renew for a further five year period. The leases generally have a lock in period of 3-5 years.

### Break clauses

Options for the early termination of leases are non-negotiable. For longer leases, there is often a tenant option to break but only post the lock in period.

### Rent revisions

The rent is generally revised every three years and rent escalations vary from 10-15% after every three year period.

### Building repairs

The landlord is generally responsible for structural and major repairs while the tenant carries out internal repairs and decoration.

### Service charges and utilities (popularly called CAM)

Common Area Maintenance – The tenant bears all the service charges including common area maintenance charges. The landlord may agree to manage the asset and charge the tenant for the service charges or tenant may directly manage the building depending on a case to case basis.

### Subletting or assignment of leasing

Subletting is only permitted with the consent of the landlord. In specific cases, the landlord provides his consent in the lease itself.

### Fees payable on Property purchases

Stamp Duty - Transfer of real estate in India is subject to stamp duty (in the nature of transfer tax) that differs from one state to another but generally ranges from 5-8% of the transaction value.

Transfer of Shares – In case the landlord sells the legal entity owning the asset by way of sale of shares of the entity, no transfer duty is applicable.

Agents' Fee – Real estate agents' fees for commercial property transactions are usually between 1.0% and 3.0% of the purchase price plus applicable taxes.

### Availability & Pricing of Debt

Banks are the major source of financing in India, dominating the overall funding to any industry. Reserve Bank of India (Bank Regulator) regulates banks to provide secure lending in the form of construction finance and lease rental discounting. Thus all other needs of the Indian real estate industry are largely fulfilled by private equity funds and high yield Non-banking finance companies.

As of October 2014, banks have an outstanding credit of USD 27.0 Billion in the Commercial Real Estate sector and USD 97.7 Billion in the Housing sector including priority sector housing. (Considering exchange rate of USD 1 = INR 61.4)



Cyber city Gurgaon NCR

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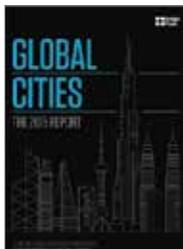
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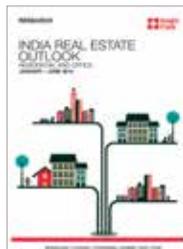
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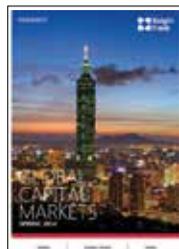
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[Global Cities - The 2015 Report](#)



[India Real Estate Outlook - Jan to June 2014](#)



[Global Capital Markets 2014](#)

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