

Advantage India

Population- Purchasing Power

- In just four decades, India will be the most populous nation on Earth.
- India's middle class alone will be 983 million (98 Crores) by 2015.
- Currently, one half of India is under the age of 25.

Source: MoneyWeek

Advantage India

Economy

- India's net income has doubled in the last ten years.
- Everything is more affordable.
- India is the second largest mobile phone market on Earth.
- India is also home to the world's second largest two-wheeler market.
- Foreign direct investment (FDI) is now allowed in real estate.

Source: MoneyWeek

Advantage India

Economy

- Financial institutions are eagerly awaiting for \$1 billion worth of real estate mutual funds (REITs) in India.
- In India, the ratio of the total value of mortgages to the GDP is only 2%, whereas it is 52% in the United States. This means in the United States, for every \$100 we produce, we owe \$52 as mortgage. Indians, however, owe just \$2.

Source: MoneyWeek

Advantage India

Housing Economy – USA Vs India

- In USA, Housing Interest rates are a healthy 4% to 5 %,
- In India, Housing Interest rates are high as 8% to 9%.
- Indians are using **higher incomes** far more than **lower rates** to buy homes.
- Indian housing market, unlike the United States', is not thriving on propped-up fiscal structure.
- This means that the growth in the housing sector has been mainly income driven and only partially interest-rate driven.
- This fact is further justified as the Indian net income has increased nearly 100% over the last 10 years

Source: MoneyWeek

Advantage India

Investment / Spending

Indian economy has a consumption-driven growth which has resulted in shopping malls, multiplexes, entertainment centers, and luxury hotels.

*“You spend **5 years'** salary and you can own a home today, whereas 17 years back you need to have **22 years'** salary to own a home “ – MD, HDFC property fund.*

Stock Market

The **Sensex** and **Nifty** have shown an unprecedented rise since last year. The rise has healthy corrections and indicate strong Indian economy.

Advantage India

Advantage IT & BPO

- India's booming information technology companies will require nearly 6.5 million square meters of space in the next five years, and their employees will need a range of services from Housing, Infrastructure to Health Care.

Source: firstrung

Indian real estate scenario

Global investment in real estate increased by 12% to US\$457 billion in 2004 (on 2003) according to a report published by Jones Lang LaSalle.

The Indian construction industry is ranked 12th in the world and is riding a growth wave.

Leading construction contractors have shown a 30% to 100% growth rate in the first nine months of 2005

Source: Jones Lang LaSalle

Investment in real estate

Venture Capital Funds

- Venture Capital Funds are all set to enter Real estate in India.
- While real estate is expected to account for 18% for all FDI investments over the next year (up from 10.6% in '04), the VC funds are expected to pump in as much as Rupees 5,400 crore over the next year.

Source: Economic times

Investment in real estate

Venture Capital Funds

- The 'India Property Investment Review' released by Knight Frank for the last quarter of this calendar year estimates that **there** are at least 14 real estate VC funds seeking to enter the market with an investment close to 5,500 crore over the next year.

IDFC Fund Rs. 1,500 Crores

ICICI Tishman Speyer Rs. 1,350 Crores

Ascendas India IT Park Funds Rs. 1,035 Cores

The HDFC Fund has already deployed Rs. 200 Crores out of total 1000 Crores proposed.

Advantage India

Government Initiatives

- Government's comprehensive scheme to boost urban infrastructure and basic services, Urban Renewal Mission is on its way to be approved by the cabinet.
- The investment amount is likely to go up to over Rs 10,000 crore a year from Rs 5500 crore in the first year proposed earlier.

Property Trends

(all areas average)

October, 05

- **Mumbai**, property prices are up **25%** in the past six months.
- **NCR**, property prices are up by 20% in last nine months.
- **Chennai & Kolkata** prices are up to 18% to 20% in last one year.
- **Bangalore**, Prices are up by 22% in last one year.
- **Hyderabad**, Prices are up by 15% in last nine months.
- **Ahmedabad**, Prices are up by 25% since 2004.

Source: Multiple Listings

Supply Trends

Residential Space

- Year 2004 & 2005 witnessed the sharpest price increase as compared to the last few years with price rises ranging from 12% to 50% in some regions.
- The supply of residential stock remains strong. In Mumbai itself, a record 30 million square feet will be added in next two to three years. The yields of residential properties are now in the range of 4% to 6%.
- There has been a significant improvement in the quality of residential stock now being introduced in the market. This has widened the price gap between new and old properties.
- The residential sector is likely to continue to outperform other segments for next two to three years

Supply Trends

Commercial Space

- In 2004 developers erected 18 million square feet of commercial buildings in India - Knight Frank
- In 2005, 23 million sq. ft. of new space will come on the market – Cushman & Wakefield
- by 2009 the 50 million sq. ft. of new space will come to the market. – Cushman & Wakefield

*The building surge is **modest** compared with China, where 25 million sq. ft. of commercial and 200 million sq. ft. of residential space will be built **this year in Beijing alone.***

Beating China

India's economy will outperform China's

Respect for capital

(India has a very vibrant capital market, and the market drives allocation of capital to economic activities. China on the other hand has very active central and local governments directing economic activity, similar to Soviet Union.)

Respect for intellectual property

(India is miles ahead of China in the development of its knowledge industry. While the Chinese score over the Indians in basic primary education, India is miles ahead in higher education.)

Sound banking and monetary system

(One out of two loans in China is probably bad. India, on the other hand, has net NPLs [non-performing loans] in its banking system of 3.5%.)

Entrepreneurship and profit motivation

(India has the second highest number of entrepreneurs per capita after Thailand, and given its population, it has the highest number of entrepreneurs in the world.)

Beating China

Dependency Factor

- India is relatively low on export dependence. Only 10% of **India's economy** is dependent on international trade versus 40-50% of **China's economy**. India also has numerous listed companies that are participating in its domestic growth.
- If there is a problem in the western consumption economies, China will be impacted severely. While, India will survive.

Existing Risks

- India's property market remains **unorganized** and **underdeveloped**.
- In the absence of **clear title** to property, the **risk of litigation** is high.
- In a strong presence of lucrative proposals there is an **Absence** of Strong Implementation of these **proposals**.
- **Higher** and **uneven** Stamp Duty Rates have also contributed to imbalance in investment trends over the entire nation.

Source: The Economist

Future Investment Risks

- An increase in oil prices and commodity prices could lead to increase in inflation resulting in tightening of interest rate by the Reserve Bank of India.
- As Indian economy gets aligned with the world markets it will be more exposed to geopolitical and world markets, and to the risks associated with the same.

Final Word on Indian real estate

- The fundamentals for investing in property markets remain strong in India,

REASONS→

- Relatively low interest rates
- Strong capital flows
- High employment growth
- Abundant liquidity,
- Attractive demographics (young population and migration from West),
- Increase in affordability, large supply of stock to keep up with demand and focus on quality.

Advantage Megacity

- Ahmedabad Population over 50 Lakhs and growing.
- Declared Mega-city in 2005 and thus eligible for central funding.
- Investment Driven Businesses.
- ULC repealed in Gujarat.
- Bio-tech Capital of India.
- Rich NRGs population.
- Untapped Potential.
- First Wi-Fi City of India as proposed by BSNL
- Excellent Law and Order Condition
- Excellent Power Supply.
- Boom in Agro-economics due to Narmada & Sujalam Suflam Water grids.

Advantage Megacity

Growing Size & Sprawl.

1981 D.P.Area	320	Sqkm
AMC area after 1987	190.84	Sqkm
AUDA area excluding AMC	129.16	Sqkm
Area of AUC as per Revised D.P. 2000	478.71	Sqkm
Total AUDA area excluding AMC	287.87	Sqkm

Advantage Megacity

Developers become customer & quality conscious

- More consideration given to structural stability, earthquake resistant construction and other technical aspects.
- Improved quality of finishes with International standards in buildings.
- A great thrust is found in setting up good ambience & high level of infrastructure.
- Great improvement in Customer satisfaction
- Strict adherence to the sanction plans.
- Projects are completed as scheduled & timely Building Use Permissions are obtained.
- Developers follow “ THE CODE OF CONDUCT” and “BUSINESS WITH ETHICS”

Advantage Megacity

Investments in Real Estate	Year 1999	2000	2001	2002	2003	2004	2005
Amount appreciation of 1 Crore	1.000	1.037	1.074	1.222	1.370	1.667	2.667
S.G.Highway	7000	8000	8500	10000	12000	14000	18000
% rise/drop from Previous	0	14.3%	6.3%	17.6%	20.0%	16.7%	28.6%
Total % rise /drop	100%	114%	122%	143%	171%	200%	257%
Total Appreciation in Last 3 YEARS				100%	120%	140%	180%

Advantage Megacity

Growing Commute population

Year (month)	Two Wheelers	Cars	Total Vehicles	Annual % Change
2002 (DEC)	8.8 Lakhs	1.4 Lakhs	13.2 Lakhs	
2003 (JUN)	9.1 Lakhs	1.5 Lakhs	13.7 Lakhs	+ 7.10%
2003 (DEC)	9.5 Lakhs	1.6 Lakhs	14.1 Lakhs	
2004 (JUN)	10.7 Lakhs	1.9 Lakhs	14.9 Lakhs	+ 8.75%
2004 (DEC)	11.3 Lakhs	2.1 Lakhs	15.5 Lakhs	
2005 (JUN)	12.0 Lakhs	2.3 Lakhs	16.4 Lakhs	+ 10.00%

Advantage Megacity

Air - Commute

Year	Cargo in Tonnes		Passengers		Annual % Change	
	Dom.	Intl.	Dom.	Intl.	Dom.	Intl.
2001	9,276	1,554	5,20,200	1,54,800	+ 18.6%	+ 3.5%
2002	7,356	1,130	3,25,200	1,72,800	- 37.5%	+ 11.6%
2003	8,534	1,429	7,23,100	2,32,000	+122.3%	+ 34.2%
2004	14,320	2,411	9,23,400	3,95,700	+ 27.7%	+ 70.5%

Advantage Megacity

Project Name (Ahmedabad)	Planned Total Investment
Ahmedabad Metro Rail	Rs. 3200 Crore
Sabarmati River Front Development	Rs.11,79 Crores
Ahmedabad Metro Bus Transit	Rs. 250 Crores
Lake Development & Conservation	Rs. 118 Crores
International Convention Centre	Rs. 200 Crores
Sewerage System in East AUDA	Rs. 67 Crores
Infrastructure development in AMC & AUDA area	Rs. 412 Crores
Source: Economic times & Vibrant Gujarat	

Advantage Megacity

- Ahmedabad Real Estate Prices are **lower** than 6 other megacities, and 12 metropolitan cities, including Surat and Rajkot. In coming years, Ahmedabad prices are expected to **be at par** with with comparable megacities such as **Hyderabad** and **above all other** metropolitan cities.

Final 'A'-vantage List

- More Investment Driven
- High Private and FDI funding.
- Economic incentives from Central Govt.
- High Population Growth
- Massive Infrastructure Requirements & growth.
- Pressure on Land and Housing (more demand)
- High Environmental Awareness
- Job growth
- Improved Services (medical, recreational, etc.)
- New Policies and reforms
- More public-private Partnerships