Research

Knight Frank

Emerging Growth Centres-II

India • Quarter 4 2007

Contents

Sun City Enclave, Bhopal

Executive summary

- Real estate action fast trickling to a host of smaller towns and cities
- Rapid urbanisation and improving economic conditions contributing to the attractiveness of these cities as future real estate destinations
- National and foreign developers, retail chains and other lifestyle offering entities chalking out their entry and growth strategies for these cities
- Residential sector emerges as the most active real estate segment in the 10 cities studied for this report
- Growing urban agglomerations to require sizeable investments in infrastructure and other real estate sectors

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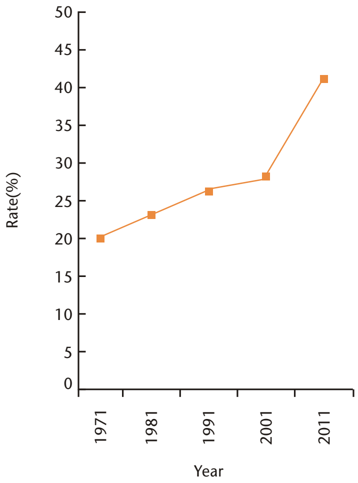
Figure 1

Rate of Urbanisation (1971-2011)



Source: Census of India, 2001

Editorial

Widespread economic activity and rampant urbanisation has led to the transformation of smaller towns and cities into vibrant growth centres. While our Q1 2007 report 'Emerging Growth Centres' dealt with 15 emerging urban agglomerations of India making their way on the growth radar, we endeavour to carry forth the study in 10 other upcoming cities across the country in this succeeding report. After the established real estate hubs of India, commonly referred to as the Tier I and II cities, it is the turn of the Tier III and IV towns to catch the attention of developers and investors. The line demarcating the Tier III and Tier IV cities maybe thin but factors such as per capita income levels, infrastructure and population base help to differentiate between the two.

Rising cost of living and burdened infrastructure have made the possibility of future growth in established metros rather uncertain. In contrast, improving quality of life, infrastructure thrust and positive economic sentiments have led to sharp growth of Tier III and Tier IV cities, many of which are state capitals and other commercially important cities. Significantly, improving economic conditions has impacted the demand for residential, commercial, entertainment and hospitality sectors and this has led to considerable alteration of the real estate landscape of these cities. As a result, a number of national as well as foreign developers are eyeing these small towns to offer lifestyle oriented services and products. As a matter of natural growth, while the residential sector is on an upswing, most of the smaller towns are yet to have an organised or defined office and retail market.

According to the Census of India 2001 estimate, there were a total of 27 cities with a population of more than 1 million, working out to a total of nearly 75 million people. By 2005, cities with more than 1 million people had risen to 35, adding up to around 108 million people, and about 500 cities with a population of at least 100,000. Further, a report released by the International Institute for Environment and Development states that as many as 11 Indian cities, comprising a number of emerging cities, figure among the 100 fastest growing cities in the world. Evidently, India is getting urbanised at a faster rate than the rest of the world and by 2030, as stated in a report by the United Nations Population Fund (UNFPA), 40.7% of the country's population will be living in urban areas. The economic drivers at work in pushing populations to shift to new urban centres can be attributed towards the natural rate of population growth as well as the heightened rate of migration on account of increased economic activity.

Quite evidently, several cities with population of less than or equal to 1 million are expected to emerge over the next few years. These numbers foretell the potential for widespread investment across these cities and bode well for residential and retail developments. This opportunity will open avenues for established national developers to further expand and diversify across the country while encouraging the small local developers to consolidate their positions as well.

However, the accelerated pace of urbanisation has already begun to strain the capacity of the Tier I and II cities, thereby leading to a spill-over effect on the Tier III and IV cities. These smaller cities, which present tremendous potential for economic and social development, now need to gear up to provide for increasing population by expanding their infrastructure and housing capacities correspondingly. In anticipation of the pent-up demand, a number of prominent developers have already launched township projects in various smaller cities. Major retailers too have realised the demand expected to emanate from the growing residential catchment and brands such as Big Bazaar, Reliance Fresh and Subhiksha have opened a number of outlets in the Tier III and IV cities. Also the buoyant outlook of the real estate industry has drawn a number of large business groups like Sahara, Reliance, Future Group, etc. to venture actively in the Tier III and IV towns. Owing to their inherent advantages of high brand recall, market goodwill, sound financial support and project management experiences, these business houses are expected to grow manifold over the next few years.

To provide for the incremental growth in the urban population and better service standards demanded by citizens, cities and towns will require substantial investments. In order to cater to this present and expected demand for investment, government has taken up various proactive stands. The private sector has also been contributing towards this purpose and both domestic and foreign players have evinced keen interest in exploiting the opportunities within the growing urban population of India. Led by the current upbeat real estate sector coupled with favourable government support and the propensity to consume/ spend, the emergence of a stronger real estate market in the smaller towns of India is imminent.

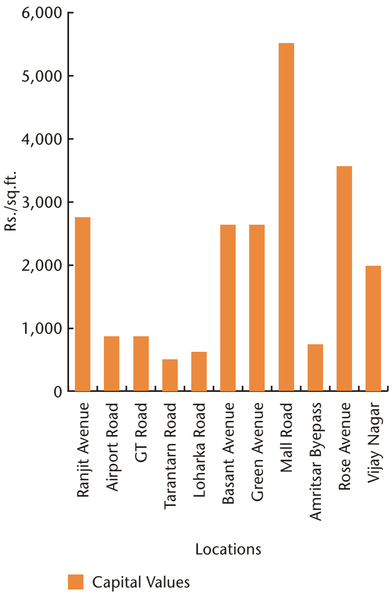
Table 1 - Population Projections for 2012

Population	No. of cities
More than 0.5 mn.	120
More than 1 mn.	68
More than 5 mn.	10

Source: Census 2001

Figure 2

Residential Market Capital Values



Source: Knight Frank Research

Amritsar

Overview

Amritsar, 'The holy pool of nectar', is the hub of business and trading activities in north India. With a population of more than a million, it is a major cultural, religious and tourist centre of Punjab. From being a city of ancient and historical significance, Amritsar has witnessed rapid urbanisation with the onset of textile and woollen industry in and around the city. Major tourist attractions like Golden Temple, Jalian Wala Bagh, educational centers like Guru Nanak Dev University and Medical colleges and the Raja Sansi International airport are few of the major contributors to the regional economy of Amritsar.

The city has undergone organic expansion supporting radial growth pattern from the Walled City to the outskirts like new Amritsar on GT road and towards Ajnala road and Airport road. Initially the Walled City with specialised markets was the address to major retail and residential sectors. A paradigm shift has given way to development of areas like Mall Road, Court Road, Albert Road for office space and Mall Road, Lawrence Road for retail and Ranjit Avenue, Basant Avenue, Kabir Park and Vijay Nagar for residential development. The state and city administration is gradually patronising the economic growth by introducing infrastructure projects in the city which include four laning of major roads, elevated road project from GT Road to Golden Temple, MRTS to support public transportation and improvement of basic services.

Global City, Amritsar Bypass

Ranjit Avenue Market

Current Scenario

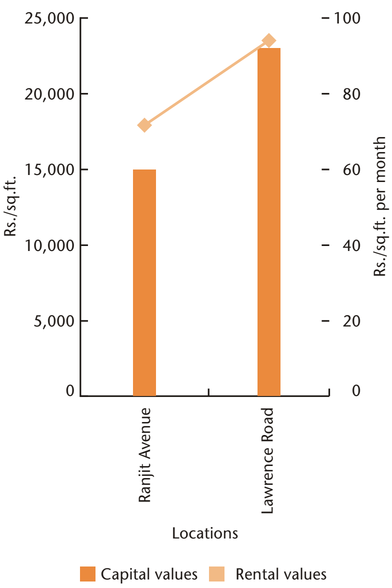
In recent years, with economic reforms and financial restructuring, Amritsar is on the radar of prominent financial companies. Banks and financial firms are scouting the city for entry and expansion. Trading of domestic goods, agro products and export quality fabric has made the economy of city sustainable and has invited in-migration. This has also led to a substantial demand for new locations. The boom in retail sector is also instrumental in driving the real estate prices across major areas of the city.

Declaration of Amritsar-Jalandhar Road as high potential zone has resulted in a spate of projects on this stretch. Corollary to the announcement of projects by Delhi based developers the land prices have escalated by an astounding 200-250% in the last three years. Upgrading of Amritsar Airport as an International Airport has led to considerable development on the Airport Road and the adjoining roads like Ajnala Road and Majitha Road. Amongst the upcoming developments, 7 townships are planned on the Airport Road, 10 projects on GT Road (Amritsar-Jalandhar Road), 9 projects on Amritsar bypass road and few others are in pipeline on Loharaka Road. Real estate market in New Amritsar (GT Road) has also been on an upswing and is primarily end user driven. Few projects underway will introduce the concept of service apartments and luxury apartments and will be a part of the mixed-use developments that will incorporate commercial components as well.

In locations like Mall Road, Queens Road and Court Road there has been a perceptible trend of redeveloping existing bungalows into commercial properties. Amritsar does not have organised office space or locations. Till now, SCO's in Ranjit Avenue and in Nehru Shopping Complex and Albert Road have been the major office destinations. Also, an IT park on PPP mode has been sanctioned for the city.

Figure 3

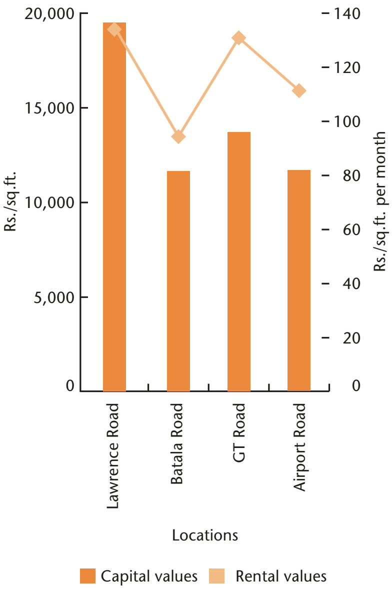
Office Market Values



Source: Knight Frank Research

Figure 4

Retail Market Values



Source: Knight Frank Research

The city is undergoing major transformation on the retail front. Organised retail formats are coming up on Lawrence Road, Mall Road and on the new locations of Batala Road, Airport road and Amritsar-Jalandhar Road/Doburji (GT Road). Around 12 retail projects, totalling to a built-up area of approximately 5.2 mn.sq.ft. are in pipeline and will be operational by 2009. Average size of the upcoming malls varies between 350,000-450,000 sq.ft. and many of them will also incorporate a multiplex.

In accordance to the tourism plan of Amritsar, the State government has also planned a number of hospitality projects. Radisson, Fantasy and some other groups are planning for hotel projects in the city.

Rental and Capital Values

The real estate market of Amritsar has not been uniform across the city. Real estate prices in the prime areas have escalated steadily whereas the prices in newer locations have been increasing gradually.

The capital values in prime residential locations of Ranjit Avenue, Basant Avenue, Rani Ka Bagh, Vijay Nagar and Majitha Road are in the range of Rs.1,800-2,400/sq.ft. while the residential projects in the upcoming locations are quoted in the range of Rs.650-1,150/sq.ft. Projects on GT Road are able to command higher prices owing to better connectivity and accessibility.

Rentals for office space in the prime location of Mall Road vary from Rs.65-100/sq.ft.per month and between Rs.35-65/sq.ft.per month on the upper floors of mall projects. Capital values for similar spaces vary from Rs.6,500-10,500/sq.ft. Rentals for office space in Lawrence Road range from Rs.80-115/sq.ft.per month.

Retail market in the city is on a growth curve. Retail rentals in the prime locations of Lawrence Road are quoted between Rs.125-150/sq.ft.per month. Batala Road and Airport Road command Rs.80-130/sq.ft.per month while GT Road commands Rs.125-140/sq.ft.per month. Retail capital values across locations are similar and vary between Rs.10,000-15,000/sq.ft.

Outlook

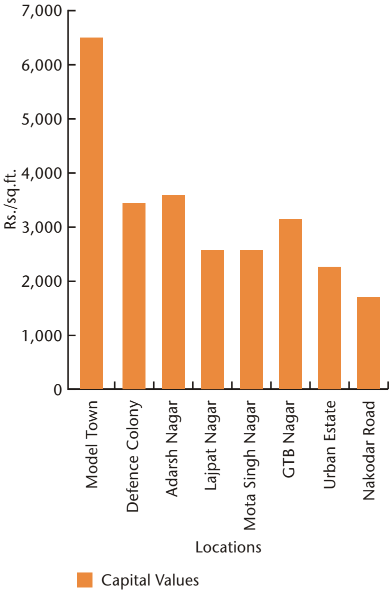
On account of excellent national and international connectivity, Amritsar has the potential to evolve as a vibrant economy. So far, influx of economic activities has not translated into real estate growth for the city. Adverse changes in the Mega Projects Policy have affected the real estate market of the city. Increase in the CLU (Conversion of Land Use) charges and other mandatory charges coupled with the norm of minimum 100 acres area for township projects has put many projects on hold in the city.

Currently, Amritsar's real estate market appears to be a investor friendly market where people are keen to invest provided quality projects are delivered on time. Upper MIG and HIG segments are keen to explore the “Second home option” which will be a favourable factor for growth of the residential market in the city.

With the possibility of new developments like setting up of a new university, development of dry ports and advent of IT/ITES sector in the city may lead to creation of new jobs in the city. This will also result in increased migration to the city which will further support the growth of real estate market. As in the others cities of the country, increasing population coupled with rising income levels will have a resultant positive impact on the real estate development in the city.

Figure 5

Residential Market Capital Values



Source: Knight Frank Research

Jalandhar

Overview

Jalandhar, a prominent city of Punjab, is a statutory industrial town. Being the commercial centre of Punjab, the city is known for its sports goods, surgical tools, hand tools, auto spare parts, medical facilities and tanning industry.

Availability of skilled man-power on account of a number of colleges, high rate of urbanisation, strong economic base and excellent connectivity to the rest of the country has facilitated stable business environment in the city. Migration of populace to the US and other European countries has led to the inflow of foreign money, which very often gets translated into building real estate assets.

Improving infrastructure, development of International Science City to encourage R&D in agriculture and agro based industry, substantial funding to improve local transportation system and urban amenities have made Jalandhar an attractive business destination. Proposed airport near Ludhiana, which is in closer proximity to Jalandhar, will be a catalyst for future development.

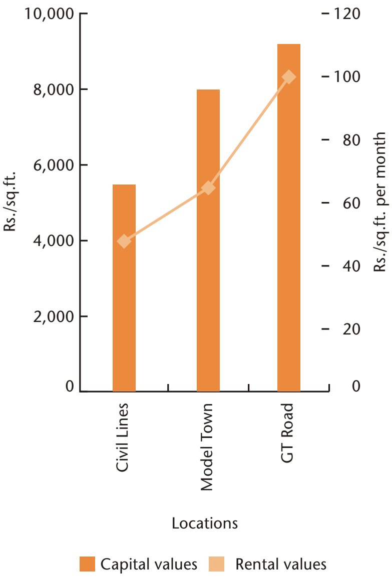
Typically the city has been growing along the arterial roads in a radial pattern. The core areas include Pucca Bagh, Central Town, Football Chowk, Adarsh Nagar, Model Town, Mota Singh Nagar and Lajpat Nagar. Attari Bazaar and Rainik Bazaar are traditional retail markets and Model Town market is the new retail destination. Mai Hiran Bazar, Circular Road and GT Road are key office locations in Jalandhar.


Ansal API Mall, Jalandhar-Phagwara Road


Axis, BMC Chowk

Figure 6

Office Market Values



Source: Knight Frank Research

Current Scenario

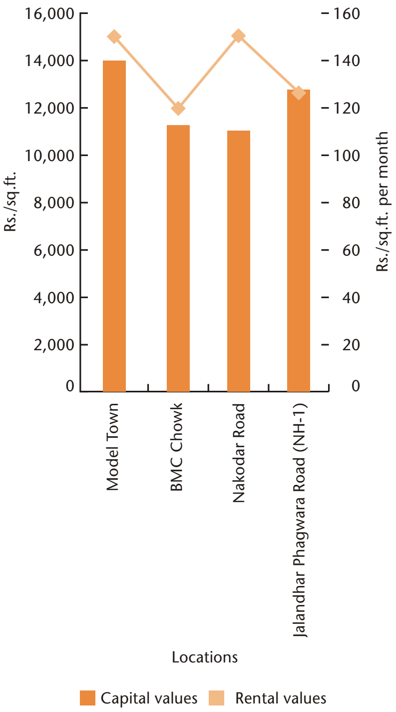
Real estate market in the city has picked up considerably over the last two years. Jalandhar-Phagwara Road (NH-1), Nakodar Road, Hoshiarpur Road have emerged as new real estate locations. In order to venture into retail and entertainment sectors, Reliance has recently bought land parcels in the city. Major retail and residential projects are concentrated around a resort-Haveli, on Jalandhar-Phagwara Road where McDonald's and automobile showrooms are already operational. Sahara, Ansal, Star City and DLF are coming up with integrated townships on the outskirts of the city.

Present growth of residential market in the city is fuelled by NRI investments and as a result has high foreign cash in-flow. Concept of seasonal houses by NRI's, coupled with good investment options is slowly catching up in the residential market. Close to 20 residential projects by local and national developers are in the pipeline in Jalandhar. Star City, Sahara City and Emaar MGF on Jalandhar-Phagwara Road, Silver Heights, Silver Residency and Silver Palm by PPR Associates, Hamilton Towers by Hamilton Land Developers and Eldeco on Nakodar Road, Surya Enclave on Jalandhar-Amritsar Bypass, Kings Garden by Hansmukhi Group, Basant Hills and Phoenix Buildcon on Hoshiarpur Road are some of the major projects. Within the upcoming locations, the projects approved by Punjab Urban Development Authority (PUDA) are able to fetch a higher price than the unapproved projects.

The concept of luxury apartments replete with power back-up and 24-hour security system has been introduced in the city. A typical characteristic of the market is that plots are preferred among the locals and apartments among NRIs and investors.

Figure 7

Retail Market Values



Source: Knight Frank Research

At present, Jalandhar does not have much of organised office space. Circular Road, GT Road and Ladowali Road are the major office space locations in the city. Approximately 0.6 mn.sq.ft. of new office space is in the pipeline. Most of the upcoming malls will offer Grade-A office space on the higher floors.

Till some time back, retail activity in Jalandhar was largely unorganised and concentrated in locations like Rainik Bazar and Attari Bazaar. However, the development of Model Town market marked the advent of organised retail in the city. Jalandhar-Phagwara Road and Nakodar Road with three mall projects each, BMC Chowk with two retail projects and Model Town Market with two mall projects are the new emerging retail destinations of the city. Approximately 3.5 mn.sq.ft. of mall space will enter the market by 2009.

Rental and Capital Values

The residential market in the city is witnessing an upswing over the last one year. Projects on Nakodar Road have undergone an appreciation of about 15-20% in this same period. Capital values on Nakodar Road vary between Rs.1,940-2,190/sq.ft. whereas capital values on Hoshiarpur Road are between Rs.1,730-2,100/sq.ft.

On the retail front, rental values vary between Rs.110-170/sq.ft. per month in Model Town market, Rs.110-140/sq.ft.per month in BMC Chowk, Rs.90-130/sq.ft. per month in Nakodar Chowk and Rs.100-150/sq.ft.per month on Jalandhar-Phagwara Road. Average capital values of retail projects are quoted between Rs.11,000-17,000/sq.ft. depending on the location of the project.

Jalandhar does not have substantial stock of Grade-A office space. Few of the mall projects in the offing are providing office space at a rental of Rs.50-80/sq.ft.per month whereas projects opposite to Bus stand on GT Road command Rs.90-120/sq.ft.per month. Capital values on an average vary from Rs.7,500/sq.ft. to 10,000/sq.ft. based on the location and its distance from transportation nodes.

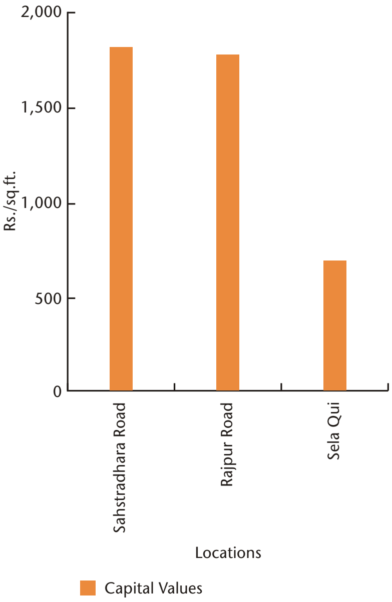
Outlook

Jalandhar-Phagwara Road which falls under high potential corridor, as notified by the State government, coupled with infrastructure initiatives, has made Jalandhar an attractive destination for investment. With industrial clusters and container freight stations planned and slated IT development, the city is expected to have a large influx of employment opportunities which will translate into increased demand for residential, retail and office space.

Scale of real estate development on Jalandhar-Phagwara Road (GT Road) and Nakodar Road imply that Jalandhar is about to witness hectic activity on residential and retail fronts in the coming years. Together with this, the city will continue to witness demand for quality office space.

Figure 8

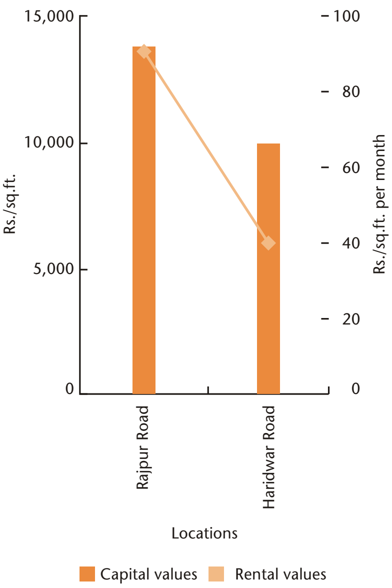
Residential Market Capital Values



Source: Knight Frank Research

Figure 9

Office Market Values



Source: Knight Frank Research

Dehradun

Overview

Dehradun, a city flanked by the Himalayas and Shivalik ranges, is the state capital of Uttarakhand. The city is famous for its educational institutions, military academy and picturesque hills. Dehradun is a major transitional node for places like Shimla, Mussoorie, Rishikesh, Haridwar and Saharanpur. The development in the city gained momentum after its declaration as the state capital of the newly formed Uttarakhand, 27th state of India. Dehradun's economy is largely supported by tourists who visit the city due to its proximity to trekking tracks, archaeological sites and national parks. Eco tourism, religious tourism and educational institutions drive the demand for quality real estate in the city.

Buoyed by strong commercial activity and liberal industrial regime, Dehradun is fast becoming a favourable destination for major industry names. Titan, LG Electronics, Elder Pharma and Intach Pharma already have industrial units in the city. With prohibition on construction activity in Mussorie, Dehardun has emerged as an alternate option for developers and investors. Infrastructure initiatives like planning of Transport Nagar on Saharanpur Road, new Inter-State Bus Terminal (ISBT), Warehouse and Wholesale area being planned on Saharanpur Road indicate towards the quantum of additional economic activities, which will further translate into real estate demand.

The erstwhile old city of Dehradun, which was concentrated around Clock Tower, has given way to new growth corridors like Rajpur Road, Chakrata Road and Sela qui area. Clock tower and adjoining locations like Paltan Bazaar, Sahakari Bazaar, Astley Hall are the traditional commercial hubs of the city.

Treasure Valley, Sahastradhara Road

Amity Amusement, Rajpur Road

Current Scenario

Many local and out of city developers have undertaken construction projects in the city in the last two years. However, due to ambiguity on the floor space ratio and environment clearance disputes, the projects are on hold currently. Sela qui, Mohbewala, Langha Road, Haridwar Bypass, Dharampur area and Sahastradhara Road have come up as new growth centres of the city.

Major residential projects are being developed towards south-east and south-west of Dehradun city. About 14 residential developments, which include two integrated townships, are coming up in the city. Parsvnath is coming up with a 200 acre township near Dehradun and the development includes approximately 1000 apartments in the premier and mid segment. Concept of service and fully furnished apartments is catching up in the city. Projects like Whistling Woods, Impressions, Garden Estates on Sahastradhara Road, Treasure Valley in Aman Vihar, Silver Rock apartments on Curzon Road, Santour City on Chakrata Road, Arun Dev City on Haridwar Road are in various stages of planning. Currently, there is a perceptible shortage of residential options and this has resulted in appreciation of rental values in the city.

Organised retail is slowly permeating into the city and Rajpur Road is the new commercial stretch of Dehradun which has high-end retail activity. Café Coffee day, Nirula's, Pizza Hut, Woodland, Wills Lifestyle and other high end showrooms/retail chains are present on this road. Eleganza by Parsvnath on Rajpur Road, a commercial project by Emaar MGF and four district centres are expected to add to the retail supply in the city.

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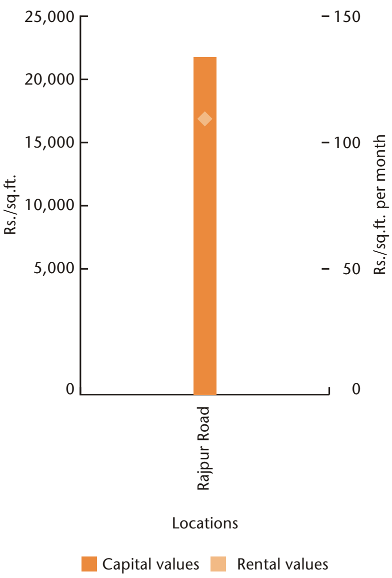
Figure 10

Retail Market Values



Source: Knight Frank Research

Dehradun does not have much of Grade-A office buildings. With introduction of new sector specific policies, IT/ITES sector is slowly picking up in the city. Info Tech Park by State Infrastructure and Industrial Development Corporation of Uttarakhand (SIDCUL) spread over 60 acres with a built-up area of 4 mn.sq.ft. on Rajpur Road, an IT/ITES SEZ by Parsvnath on 35 acres having a built-up area of 3.8 mn.sq.ft. on Sahastradhara Road and Doon Cyber Towers are the major office projects proposed in the city.

Rental and Capital Values

The residential market in the city is witnessing an upswing in the prices over the last one year. Mid segment apartments are available in price band of Rs.1,615-2,100/sq.ft. where as luxury apartments are available in the range of Rs.1,975-2,300/sq.ft. Residential plots on Rajpur Road are available between Rs.14,000-18,000/sq.yd. whereas value of plots on Sahastradhara Road vary from Rs.10,000-15,000/sq.yd. Residential plots are cheaper near Sela qui industrial area and are available in a price band of Rs.6,200-7,500/sq.yd. Central areas of the city like Vasant Vihar, Indira Nagar, Race Course Road and Dalanwala have seen maximum appreciation (40-60%) in terms of real estate prices.

Commercial property rates on Rajpur Road are Rs.18,000-20,000/sq.ft. whereas on Haridwar Road they vary between Rs.12,000-15,000/sq.ft. The rentals on Rajpur Road are approximately Rs.80-100/sq.ft.per month.

For retail space, leasing is the preferred model. The quoted rentals for upcoming projects range between Rs.80-140/sq.ft.per month whereas capital values for retail properties range between Rs. 20,000-25,000/sq.ft.

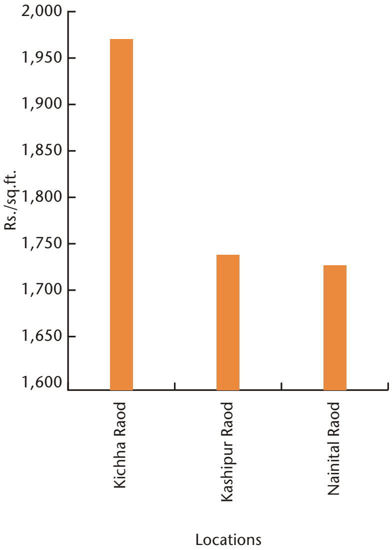
Outlook

Currently, Dehradun market is at a very nascent stage and does not present a very clear picture. However, the future IT/ITES development will boost the per capita income of the city as well as contribute to the GDP growth of the state. Multiplier effect of IT/ITES and industrial growth is expected to attract a lot of investments in the real estate sphere. In coherence with recent developments taking place and the expected inflow of more business tourists, large hotels and convention centres are coming up in the city.

State's initiative to promote the city, as the focal point of urban activities will lead to a surge in demand for residential and office space segment. Entry of national real estate developers in the city will ensure quality real estate products in the market and also lead local developers to deliver the projects within scheduled time. Good climatic conditions and salubrious environment will continue to make Dehradun a leading “second home” option city for the north Indian community. In addition, this trend will open avenues for residential development in the city.

Figure 11

Residential Market Capital Values



Source: Knight Frank Research

Rudrapur

Overview

The foothill town of Rudrapur is located at the juncture of two major national highways, NH-74 and NH-87. Popularly known as the 'Gateway to the Kumaon Hills', the town has become an important industrial destination of the northern Indian state of Uttarakhand in the recent years. The erstwhile settlement of sugarcane and paddy fields has today given way to imposing pre-fabricated industrial structures.

Rudrapur's ascendance as an urban industrial centre has been prompted by a number of factors; its connectivity to the NCR and the government's economic incentives being some of them. Besides, a major infrastructure advantage for industries to locate in Uttarakhand, is that it is a power surplus state. Already a number of business houses like Tata, Bajaj, Escorts, Nestle, Britannia, Dabur, Kores, etc. have their presence here. Further, around 400 companies are expected to start operations in the State Infrastructure and Industrial Development Corporation of Uttarakhand (SIDCUL) industrial area. Thus, all these industrial activities, coupled with tax and economic incentives to encourage industrial growth have led to the development of the real estate sector in Rudrapur.

At present being primarily an industrial city, Rudrapur, has few well-organised residential establishments. Awas Vikas, Model Colony, Adarsh Colony and Indira Colony are the prime residential pockets.

Green Park, Kashipur Road

NRI Lake City, Kashipur Road

Current Scenario

Rudrapur, as with other Tier III cities, does not have an organised retail or office market currently. Real estate growth in the region is primarily by way of residential development. Developers are undertaking projects in anticipation of the demand expected from the advent of more companies in to the SIDCUL area over the next three years. In the last few months, several developers including both local and national level, have acquired land or have begun construction of their projects. Few of the prominent developers in Rudrapur include Samiah International and Alliance Group as well as the NCR-based developers, Omaxe and Assotech-Supertech.

Some of the noteworthy township projects in Rudrapur are by Omaxe and Assotech-Supertech, both located along the NH-87. Assotech-Supertech's 47-acre joint venture integrated township project-The Metropolis, plans to have residential, recreational and commercial space along with the provision for serviced apartments in the project, while Omaxe Riviera, spread over an area of 48 acres, when completed will become the first eco-friendly project in the region. Another high-end residential project, Alliance Cedar Highs by Alliance Nirman is scheduled to be completed over the next two years. Further, Kuwait-based Samiah International Builder's NRI Lake City, located on the Rudrapur-Kashipur Road, is a 210-acre WiFi enabled township project offering plots, multi-storied apartments and independent villas. Also, a number of malls and shopping centres have been planned in the township projects across the city.

With the launching of modern residential projects, Rudrapur has attracted the interest of investors from the NCR and other neighbouring states. Majority of the apartments in the upcoming projects have been pre-committed by the business houses for their senior executives. Presently, there is a shortage of residential supply in the region owing to the proliferation of the employees engaged in the various industrial units and corporates. Also, the completion dates for several projects have been delayed. However, this situation is expected to change in the next three years with construction activity in majority of the projects under development being carried on with hectic pace.

Rental and Capital Values

The residential real estate prices in Rudrapur have witnessed sharp increase in the past one year. The prices have stabilised in the recent months and are quoted in the range of Rs.1,500-1,950/sq.ft. in projects along the Kashipur Road. Residential developments along the other important stretches of Kichha Road and Nainital Road have capital values ranging between Rs.1,610-1,875/sq.ft. and Rs.1,650-2,050/sq.ft. respectively. However, it is a market norm to offer discounts ranging from Rs.150-250/sq.ft on booking of new projects.

An important feature of the residential segment in Rudrapur, is the strengthening of the rental market. Due to the limited supply of ready-to-move-in apartments, rental values in the city have risen to around Rs.7,000-10,000 per month for a 2 bedroom apartment and Rs.12,000-18,000 per month for a 3 bedroom apartment. Demand is coming from the executives of the new factories being set up in the region.

Significantly, there is no organised retail space in Rudrapur. Also, though Nainital Road is emerging as a new office space destination in the city with built-to-suit options, good ready office space is not available currently. As such rental or capital values for retail and office space cannot be provided.

Outlook

As with other similar cities, the real estate market of Rudrapur is presently at a very early stage. Projects are still under construction and the market is dominated by investors. Nonetheless, with the entry of more companies into the city, the demand for apartments and plots is expected to pick up momentum.

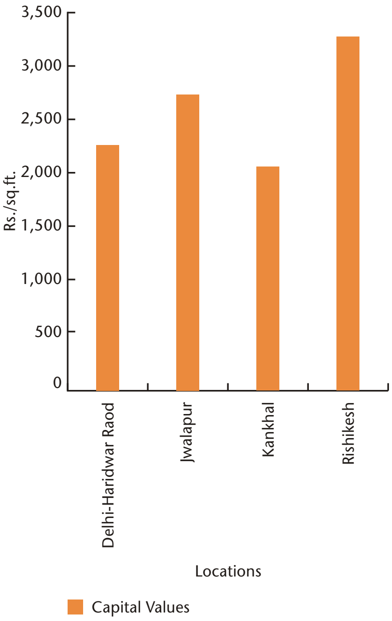
The government has initiated a number of infrastructure developments in the region. Work on widening the NH-87 has already begun. The airport at the neighbouring town of Pantnagar is being developed. Besides, several beautification projects, including a 7 acre entertainment and recreation centre within SIDCUL, have been undertaken to promote Rudrapur as a transitional city for tourists on their way to Nainital.

While there is dearth of quality hotels to manage the floating population in the city, recently the Assotech-Supertech joint venture group has entered into a management contract with US-based Carlson Group to operate a 120-room hotel under the Radisson Brand. Another hotel project, the Tata-promoted budget brand Ginger, is being developed along the NH-87.

Thus, with the quantum of residential and industrial developments underway in the city, coupled with the investments in the region from the business quarters, Rudrapur is set to become a sought after real estate destination in Uttarakhand over the next few years.

Figure 12

Residential Market Capital Values



Source: Knight Frank Research

Rishikesh - Haridwar

Overview

The temple towns of Rishikesh and Haridwar, located along the Ganges in northern Indian state of Uttarakhand, have long been renowned as important pilgrimage locations, attracting multitudes of pilgrims from all across the world every year.

Besides their religious significance, in the recent years, these cities have also widened their horizon to include a host of other tourist attractions. A number of amusement parks have come up in the region along with adventure sports facilities like river rafting, para-sailing, rock climbing, etc. While the famed Ananda Spa is located in the hilly terrains of Rishikesh, Haridwar, separated by about 24 kms, is fast emerging as an important industrial destination of the region. With companies like Hero Honda, HLL, Mahindra & Mahindra, ITC, Dabur and Havell creating their infrastructure in the SIDCUL area, Haridwar is poised to be the industrial hub of Uttarakhand.

Due to the religious sentiments attached these cities, till a some years back, had only ashrams catering to the needs of the visiting devotees. With rising disposable income, people from the neighbouring cities initiated interest in investing in a second home in the region. Besides, the peace and tranquillity of these temple towns also attracted a number of senior executives who found the region suitable as early retirement options. All these factors led to the development of the real estate sector in the cities of Haridwar and Rishikesh.

Gayatrilok, Haridwar

Times of India Apartments, Rishikesh

Current Scenario

Presently majority of the development in Haridwar is taking place in the form of residential projects in the outskirts of the city along the Delhi-Haridwar highway (NH-58) and NH-73 as well as in the vicinity of the SIDCUL area. The commercial real estate market in the city has not evolved as yet. Being in a nascent stage, Haridwar primarily has local developers operating in the market. At present more than 17 residential projects are underway in the city out of which around 5 are township projects and the rest are apartment developments. Gayatrilok, a Haridwar Development Authority approved residential project located on the NH-58, is one of the most successful developments.

A number of residential projects are coming up near Baba Ramdev's Patanjali Nagar, located on the way to Roorkee on NH-58. One of the noteable projects is the 200-acre Arun Dev City by Arun Dev Builders, which consists mostly of villas and plans to have apartments and a shopping mall in the later phases. Another prominent residential project, Vian Ganga Haridwar by Vian Infrastructure, has plans to include a 5-star hotel within its premises in the forthcoming years, while Santour City a township project by Octagon Builders, offers facilities like a meditation centre and club house. Besides, the Synergia Group has also entered the real estate market through Dev Bhoomi Projects, a 425-acre township project located on NH-73.

While there is no organised retailing in Haridwar at present, two malls each of 0.2 mn.sq.ft. of built-up area, have been launched in the recent months and are scheduled to be operational in the next two years. Of them, the Pentagon Mall, located near the SIDCUL area, will be a part of the first shopping-cum-multiplex and hotel project in Haridwar.

The real estate market in Rishikesh has been attracting considerable interest from investors belonging to the neighbouring states of Punjab, Haryana and Delhi, as well as from NRI buyers. Salubrious climate and second home options have driven the demand for the residential sector here. Like Haridwar, Rishikesh too does not have a commercial real estate market. While speculation in the market had driven up the residential prices, stringent approval norms by the state government has brought stability in the market in the last few months.

In the last one year, around 5-6 developers have undertaken residential development in Rishikesh. While Delhi-based AEZ Developers have launched their prestigious river-front project Aloha in the vicinity of the famed Laxman Jhula, other players like Aradhana Group are coming up with two projects Ganga Vatika I and II while BK Associates have launched their projects Rishi Avenue I and II in the same location. In addition, developers like Shiv Ganga Group, Homes India Constructions and Tarika Group are also coming up with their projects in the city. Of late, an increased demand for serviced apartments has been witnessed in Rishikesh, which can primarily be attributed to the domestic and international tourists in the region.

Rental and Capital Values

The real estate market in Haridwar and Rishikesh has witnessed considerable activity on the residential front in the recent months. While residential plots are more widely preferred in Haridwar and fetch a price of around Rs.4,500/sq.yd. along NH-58, apartments on Roorkee Road command capital values in the range of Rs.2,000-2,700/sq.ft. Further, residential values in the upcoming locations of Kankhal and Jwalapur are approximately Rs.2,020/sq.ft and Rs.2,710/sq.ft. respectively. On the retail front, the upcoming malls will have retail space available at capital values of around Rs.8,000-12,000/sq.ft. while office space in the floors above the retail area will be have capital values of about Rs.5,500-7,000/sq.ft.

Rishikesh, on the other hand, witnessed some stabilising of apartment values in the last one year. This can be attributed to the cooling-off of speculation in the market. In Rishikesh, Railway Road is the main commercial hub where residential and commercial prices are the highest. In the past few years an appreciation of about 50% has been witnessed in the Rishikesh residential market. Presently, the projects in the vicinity of the Laxman Jhula have average apartment values of Rs.3,000-3,550/sq.ft. Further, owing to the presence of the strong rental market in the city, furnished apartments have rental values at around Rs.12,000-20,000 per month for 2-bedroom and 3-bedroom apartments.

Outlook

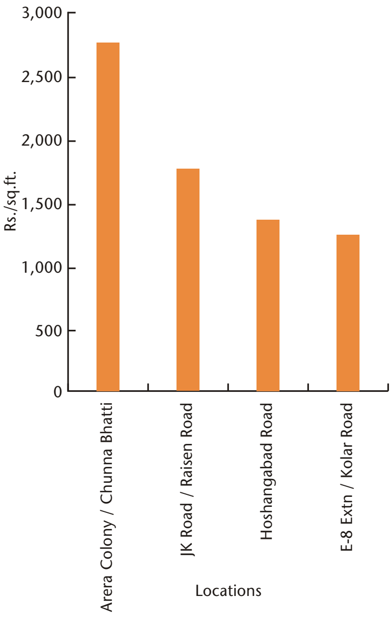
Haridwar and Rishikesh, riding on the back of pilgrimage tourism and the industrial sector, are emerging as real estate markets in north India. However, while the cities have attracted considerable interest from investors, strict government rules which imply that people not domiciled in the state cannot buy more than 250 sq.yd. of agricultural land, has made it difficult for out-of-state developers to get approvals. This has resulted in dampening the developer's sentiments. At present, conversion of land use from agriculture to residential has also been halted. Further, unclear land titles act as hindrances to end-users looking for residential investment. Nevertheless, in Haridwar, the recent rule prohibiting advertising of unregistered property is expected to solve the problem.

Rishikesh, on account of its geographical constraints, does not have much scope for office space. However, owing to its current dearth of residential stock on one hand and large quantum of new supply on the other, the town is gradually becoming more of a residential market.

On a positive note, both these cities have a constant floating population, which can act as catalyst to the serviced apartment sector. Besides, with the completion of the residential projects, mostly comprising of high-end apartments offering excellent amenities and facilities, Haridwar and Rishikesh are expected to become one of the prominent residential markets of Uttarakhand in the medium term.

Figure 13

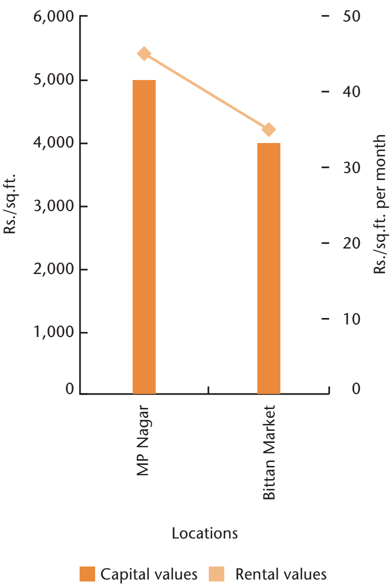
Residential Market Capital Values



Source: Knight Frank Research

Figure 14

Office Market Values



Source: Knight Frank Research

Bhopal

Overview

Bhopal is the capital of the central Indian state of Madhya Pradesh and its district administrative headquarter. The political implications of the city along with its scenic topography marked by a number of lakes, have made it a preferred destination for the service sector.

The growth pattern in Bhopal has largely been determined by the vast expanse of the Kamla Lake which has restricted the westward growth of the city. Early developments were witnessed around the various lakes in the old city in the northern region. In the later years, southern locations like TT Nagar and Arera Hills were developed for administrative purpose after Bhopal became the state capital. Further, the establishment of the BHEL unit acted as a catalyst in the growth of the eastern parts of the city.

At present, locations like Arera Colony, Shyamala Hills, Char Imli and Chunabhatti in the south form the prime residential pockets whereas, Koh-e-Fiza and Edgah Hills are the upmarket residential establishments in the northern part of the city. A number of mid to high-end residential developments are located in proximity to the airport as well.

While there is no clear demarcation regarding office and retail space in the city, MP Nagar, the CBD of Bhopal, accommodates major national banks and insurance companies, media offices, etc. Adjoining locations of New Market, Bittan Market and E-10 Market are the prime retail pockets having the advantage of the neighbouring residential catchment.

Paras Hermitage, Hoshangabad Road

Platinum Plaza, Link Road

Current Scenario

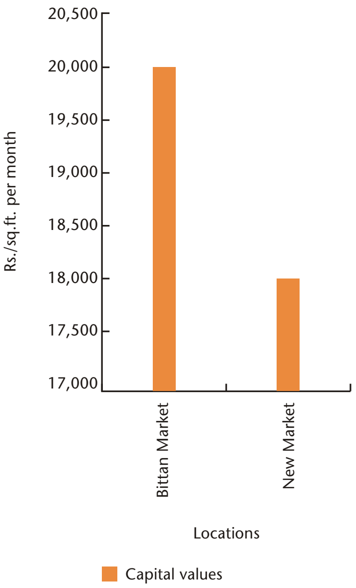
In the recent years, the real estate market in Bhopal has seen a stable growth. This can be chiefly attributed to the presence of the service sector, which has lent a strong end-user characteristic to the residential development in the city. Steady income flows of the local residents and of late, their increasing willingness to invest in property has driven the demand for residential development in Bhopal.

Apartment style residential options have not yet come of age in Bhopal as people prefer living in independent bungalows and row houses. It has been observed that, while the neighbouring market of Indore largely consists of plotted land, in Bhopal the market is predominantly of built structures or developed plots, mostly bungalows. This lends sustainability to the real estate market as developed plots can be marketed faster, unlike plotted land which involves a long gestation period.

At present hectic residential development is being undertaken in the eastern locations of JK Road, Ayodhya Nagar and Raisen Road, as well as in the southern peripheral locations of Kolar Road, E-8 Extension and Hoshangabad Road. Siddhartha Lake City at Raisen Road and Minal Residency II at JK Road by Raj Homes are two important projects in the eastern region. Some of the notable developments at Hoshangabad Road include Paras Hermitage, the first apartment project in Bhopal by Paras Builders and Hitech City by Shubhalay Villa. Further south, large scale projects like Aakriti Eco-city, spread over 40 acres, and Mahendra Green Woods are some of the noteworthy projects on E-8 Extension. The ease of transportation and the proximity to the CBD as well as the Habibganj railway station are the major factors responsible for the southward growth of the city.

Figure 15

Retail Market Values



Source: Knight Frank Research

Aditya Avenue by the Dainik Bhaskar Group is one of the prime row house projects in the vicinity of the airport. At present, land value along the Airport Road has increased manifold and several out-of-state developers have secured large land parcels there.

Bhopal is also inviting considerable interest from organised retailers and multiplex players. Already Reliance Retail has a number of outlets in the old city and in locations like JK Road and Ayodhya Nagar. Other retailers like Big Bazaar are also scheduled to enter the Bhopal market and have booked space in upcoming malls.

Significantly, there are around 5-6 malls planned in the city, majority of them being located on the Hoshangabad Road. The 1 mn.sq.ft. DB Mall by the Dainik Bhaskar Group at MP Nagar is the largest mall development in Bhopal and is scheduled to be completed in the next 3 years. Besides, old structures are being redeveloped as mall-cum-multiplexes in the city. Presently, Bhopal does not have any operational malls and most of the high-end retail brands are located in the highstreets of Bittan Market, New Market and E-10 market.

On the office market front, Bhopal primarily being an administrative centre, does not have much corporate presence other than the BFSI sector located in MP Nagar. No major office project has been announced as yet.

Rental and Capital Values

Unlike the investor driven market of Indore, real estate values in Bhopal have been on a steady growth, appreciating at the rate of 20-30% annually in the past year. While premium residential projects in upmarket locations like Arera Colony and Chunna Bhatti in the south command capital values of Rs.2,500-3,000/sq.ft., upcoming residential projects in E-8 Extension and Kolar Road have values in the range of Rs.1,140-1,285/sq.ft. On Hoshangabad Road, quoted values for apartments are approximately Rs.1,440/sq.ft. On the other hand, eastern locations like JK Road and Raisen Road have residential values in the range of Rs.1,700-1,850/sq.ft.

Although the office market in Bhopal has not yet evolved, capital values for office-use space in MP Nagar is in the range of Rs.4,500-5,500/sq.ft. Generally, commercial space is available on sale basis rather than on lease. Prime retail space in locations like Bittan Market and New Market command capital values of around Rs.20,000/sq.ft. and 18,000/sq.ft. respectively.

Outlook

The real estate market in Bhopal is set to witness a steady rise in the property values. This can be attributed to the largely untapped market conditions as well as the easy availability of land parcels in the city. Although the market is witnessing a slight slow-down from the appreciation rate of 30-40% in the previous two years, capital values will pick up momentum in the medium term.

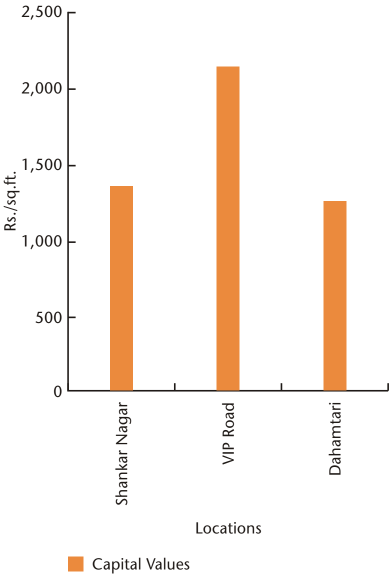
Owing to the generally rising consumption levels, companies like Essel World have also evinced interest in setting up resorts and amusement parks in and around Bhopal. Besides, the state government has also been encouraging industries and other investors by making agricultural land available for commercial purposes.

Moreover, the government has allotted around 300 acres of land near the airport for an IT park, where IT/ITES major Genpact has taken up around 50 acres for its campus development. These developments are expected to enhance the property values in the region while attracting the interest of IT/ITES sector as well.

The government is also promoting Bhopal as a knowledge hub with several prestigious educational institutions in the city, including a number of engineering colleges, National Law Academy and Indian Institute of Forest Management, amongst others. An All India Institute of Medical Sciences is also being planned in Bhopal by the central government. Thus, a thriving knowledge economy is expected to augur well for the real estate market as well.

Figure 16

Residential Market Capital Values



Source: Knight Frank Research

Raipur

Overview

Raipur, is the state capital of Chhattisgarh which is one of the new states of India. Traditionally described as an 'agricultural- processing and saw milling town' this city is now becoming an important regional commercial and industrial destination for the coal, power, steel and aluminum industries. Currently, Raipur is India's largest iron market in addition to having the presence of all major cement manufacturing companies and more than 300 rice milling plants.

Even though Raipur is the capital of a relatively new state, there is a considerable transformation that is being witnessed. The city is largely scattered in terms of development. However during the last few years the concentration of new development has been witnessed in the northern and western part of Raipur. With the new generation of the city catching up with the changing lifestyle trends, small departmental stores are seen in vicinity of Malviya Road , GE Road and Pandri market.

Also, significant developments are taking place approximately 20 kms from the existing city of Raipur. This location, referred to as 'New Raipur', is set to become the new capital of the state, with plans of shifting all administrative functions from the existing Raipur within the next 5-10 years.

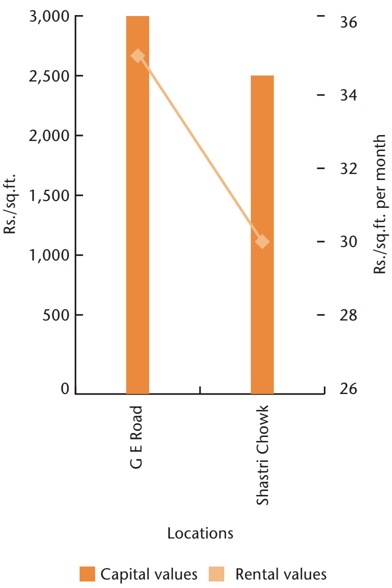
Locations like VIP Road, Civil Lines and Avanti Vihar have witnessed significant residential development, while the growth of the office sector is concentrated in the vicinity of the Shastri Chowk area. GE Road is presently witnessing a great deal of organised retail development and is home to the first operational mall in the city.

VIP Karishma, Shankar Nagar

City Mall, GE Road

Figure 17

Office Market Values



Source: Knight Frank Research

Current Scenario

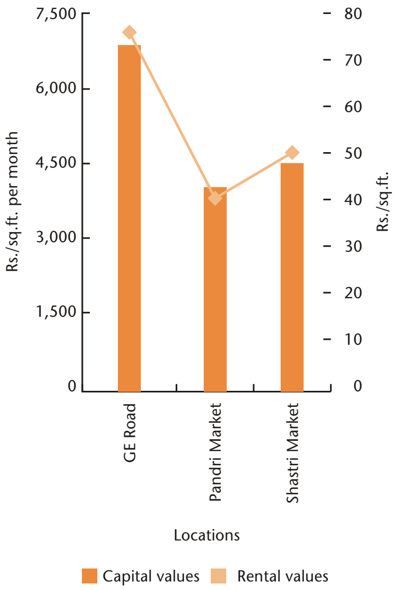
The real estate market in Raipur has begun to take-off only in the past 2 years with most of the construction being undertaken by local developers. The development of the office sector is still in the nascent stages in comparison to the retail sector. However, banking entities like HDFC, ICICI and Kotak Mahindra have set up offices in and around the Shastri Chowk area. Presently Maruti Business Park is the only notable office space development with major corporate occupiers like Sahara, Mahindra Finance, and Reliance Infocom etc.

The organised retail segment is one of the fastest developing sectors in the city. City Mall (450,000 sq.ft.) on GE Road is the only operational mall and is home to the first Inox multiplex of the city. In addition to this, the GE Road stretch leading to the proposed New Raipur is witnessing the construction of two more malls Magneto Mall (618,000 sq.ft.) and Treasure Island (886,000 sq.ft.). In the heart of the city, the Future Group is constructing a mall of around 500,000 sq.ft. at Devendra Nagar which will house Big Bazaar and Pantaloons. It will also have a Cine Max multiplex. According to Knight Frank research, a total of 6 malls will be operational in Raipur in the next 2-3 years.

Residential pockets like Avanti Vihar consist of individual bungalows and G+2 buildings occupied by the LIG and MIG segment. However, Banyan Tree Enclave and Jeevan Enclave are the two significant developments in the vicinity of Shankar Nagar which would cater to the MIG segment. Other prominent residential locations include Civil Lines and VIP Road that have new residential developments, primarily catering to the higher MIG and HIG segment. Dhamtari, which is located relatively close to the airport, can be considered as an upcoming location having a few residential projects in the pipeline.

Figure 18

Retail Market Values



Source: Knight Frank Research

Rental and Capital Values

Raipur has seen considerable appreciation in real estate prices in the past two years. Though the office market is still in the nascent stages, the average office rentals in locations like Shastri Chowk and GE Road are Rs.28/sq.ft. per month and Rs.35/sq.ft. per month respectively. The capital values in office locations in the city range between Rs.2,000-3,000/sq.ft.

The residential market in Raipur had witnessed a sudden spurt in prices, but is likely to stabilise in the near future. The upcoming residential pockets of Shankar Nagar and VIP Road command an average capital value of Rs.1,400/sq.ft. and Rs.2,100/sq.ft. respectively. Dahamtari, on the other hand has capital values within the range of Rs.1,200-1,500/sq.ft., which is nearly double the price of two years back. Land prices also have doubled in Dhamtari in the last two years with the current value being approximately Rs.450/sq.ft.

The organised retail market which is by far the most rapidly expanding sector, is currently concentrated along GE Road with rental values ranging between Rs.65-80/sq.ft.per month. Within the city, rental values in the high streets of Pandri market, Shaastri market, etc. range between Rs.40-50/sq.ft.per.month, though most of the retail space is being sold rather than leased. The current capital values on the high street range between Rs.4,000-7,000/sq.ft.

Outlook

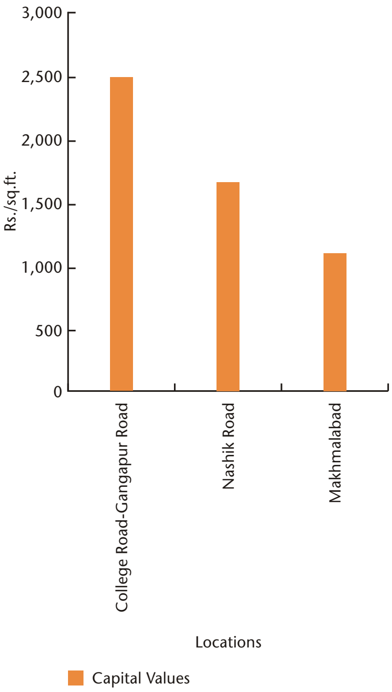
The city of Raipur is undergoing extensive change on the real estate front. According to industry experts, Raipur is stipulated to have substantial potential for real estate investment in the coming times.

At present the retail developments are viewed as the most profitable ventures by the developers though, there is much skepticism on the extent of the future growth of this sector or the potential that it holds. However, unless there is an equal amount of development in the other sectors as well, the development of the retail sector is not likely to be absorbed in the long term.

The development of New Raipur, is set to change the face of the real estate market. Where the existing Raipur lacks in terms of infrastructure and organisation of the various markets, New Raipur is likely to compensate for all these minor roadblocks by way of planned development of the city.

Figure 19

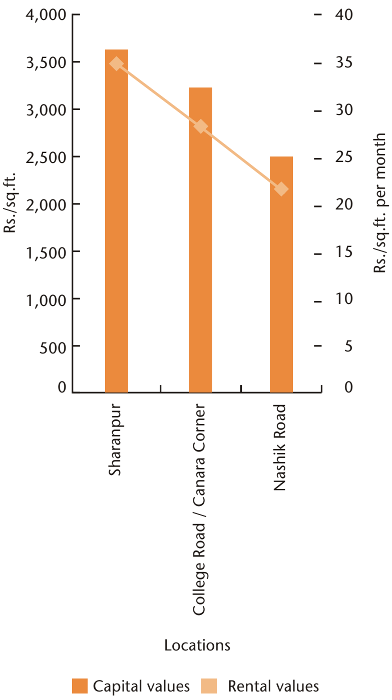
Residential Market Capital Values



Source: Knight Frank Research

Figure 20

Office Market Values



Source: Knight Frank Research

Nashik

Overview

Nashik is popularly know as the 'Wine capital of India'. It is the third most industrialised district and is a major centre for auto, engineering and electric industries of Maharashtra.

Manufacturing industries and agriculture have traditionally supported the economy of Nashik. There are 5 major Maharashtra Industrial Development Corporations (MIDC) that are located in and around Nashik and houses some of the renowned manufacturing units. Though agriculture and other industries have a strong base in the city, it is the service sector that is poised for growth. Of late several IT/ITES companies are setting up base in the city and various SEZs are being developed as well.

Geographical proximity to Mumbai (185 kms) and Pune (220 kms) has accelerated the real estate growth in Nashik. Adequate infrastructures in terms of good roads, ample water supply and excellent educational facilities have played a major role in boosting the growth of this city. The infrastructure and industrial developments of the past two decades have transformed this traditional pilgrimage centre into a vibrant modern city.

The Godavari River has given the growth direction to Nashik and the influence can still be seen in urban Nashik. The erstwhile old city comprising of locations around the banks of Godavari River like Raviwar Peth and Panchwati have given way to new centres of growth like Mahatma Nagar, Gangapur Road and College Road in the suburbs. In more recent times, Mumbai-Agra National Highway (NH-3) and Nashik-Pune National Highway (NH-50) has influenced growth in locations like Pathardi, Adgaon, Nasik Road and Deolali Camp.

Woodland Towers, Gangapur Road

Suyojit Avadhoot Tower, Gangapur Road

Current Scenario

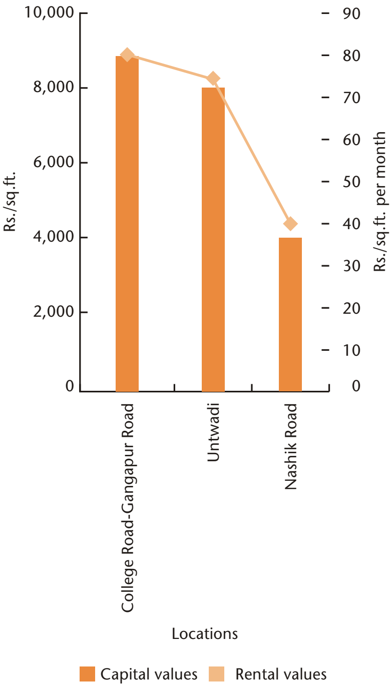
Outskirts of Nashik are undergoing brisk real estate development. Currently, the city may not be in a position to compete with the real estate growth and investments as compared to those in established destinations like Mumbai and Pune, but given the escalating land prices in the above locations, investors and developers alike are looking at Nashik because of its affordable price range. Local residents, followed by people from Mumbai and Pune, are doing majority of the investments.

With the changing real estate scenario of Nashik, the developers are gearing up to meet the new buyer requirements of bigger homes with better amenities and plenty of greenery. Nashik is going to witness residential supply of about 2.1 mn.sq.ft. by 2009. Upmarket addresses in the city include locations like Central Bus Stand, Mahatma Nagar, Gangapur Road and College Road. Locations like Sharanpur Road, Trimbak Road, Nashik Road, Jail Road and Deolali are the other popular residential destinations in Nashik. The demand for open plots and bungalow schemes is rising in areas like Adgaon Road and Pathardi, located close to the Mumbai-Agra highway.

Majority of the upcoming office projects are developed as mixed use developments with ground floor dedicated to retail and the upper floors used as office spaces. The total upcoming office space supply in Nashik till 2009 is around 1.9 mn.sq.ft.

Figure 21

Retail Market Values



Source: Knight Frank Research

Currently, 5% of the total office space is being used by the BPO sector companies like WNS and Tricom. However, the scenario is fast changing as major IT/ITES companies are considering Nashik as the destination for future expansion. The first IT Park of Nashik, V Tech Park (750,000 sq.ft.), a joint venture between Pune based Vascon group and Nashik based Sanklecha Group is coming up in Indira Nagar, near Mumbai Naka and is expected to be operational by 2008.

Nashik attracts a number of tourists due to its old city charm and cultural heritage. The high streets and traditional bazaars thus have a ready market among the visiting population. Nevertheless, the upcoming mall projects are a reflection of the changing aspirations of the local population and the changing retail scenario. Organised retailing has picked up in Nashik over the past 2 to 3 years and major retail brands like Big Bazaar, Café Coffee Day, Mc Donald's, @Home, etc. have their presence in Nashik. Nashik will witness an infusion of close to 2.1 mn.sq.ft. of quality retail space by 2009. Majority of the retail projects are coming along College Road, Gangapur Road, Untwadi and Old Agra Road, as these established retail destinations also have a presence of high end residential catchments. Untwadi also boasts of Banyan Square (750,000 sq.ft.) by Sarda Group, which is projected to be the second largest mall in Maharashtra.

Rental and Capital Values

Till 2006, residential market in Nashik witnessed a slow growth with an annual appreciation in the range of 5-15%. However, the advent of IT/ITES companies into Nashik has led to speculative price rise in the residential sector. Since then, the residential sector has witnessed appreciation in the range of 30-70% in the past one year. Current residential values in the prime locations of the city, like College Road and Gangapur road are in the range of Rs.2,500-3,000/sq.ft.

As compared to the residential market, the office market has seen lower appreciation in the range of 20-30% in the past one year. The rental values and capital values for Canara Corner, Gangapur road, College road and Sharanpur road range from Rs.25-40/sq.ft. per month and Rs.2,500-4,000/sq.ft. respectively. Currently sale is preferred over leasing for office spaces in Nashik.

The capital and rental values for retail market have also seen a healthy appreciation of about 40-45% over the past one year. College road, Gangapur road and Sharanpur road, the most preferred retail location, command a rental in the range of Rs.30-80/sq.ft. per month.

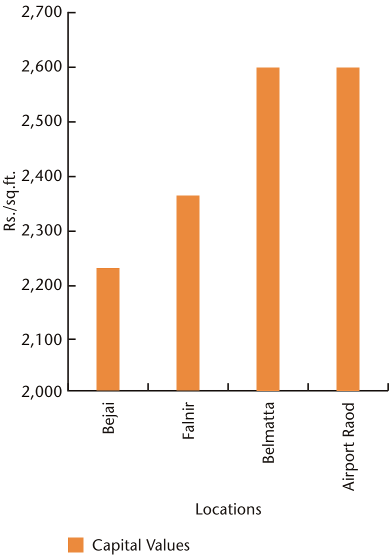
Outlook

With nearly 2,000 students passing out of Nashik's engineering and management institutes every year, the government is looking at using this enormous resource to attract the IT industry to the city. Nashik with its good human resource pool and low real estate cost is picturing in the radar of IT/ITES companies looking at diversifying in smaller towns and cities. The demand for entertainment avenues like multiplexes, branded apparel shops, food and beverages is also slated to increase with the onset of IT/ITES companies into Nashik.

Nashik is in the process of urban makeover which includes a complete overhaul of its existing infrastructure facilities in addition to the ongoing four-laning of the Mumbai-Nashik highway and a proposed airport. The city has already generated a fair amount of excitement among reputed developers from Mumbai, Pune and other Indian cities. Given its comfortable real estate situation and affordable property prices, Nashik holds substantial potential in the near future. In addition, the near saturation of the surrounding established markets of Mumbai and Pune is bringing Nashik into eliciting interest of the investors.

Figure 22

Residential Market Capital Values



Source: Knight Frank Research

Mangalore

Overview

Mangalore (Mangaluru), the district headquarters of Dakshina Kannada is a major port on the West Coast. It is a long stretch of beautiful green land in the south-western part of the Karnataka and has a thriving export/ import industry. As a effect of the rapid expansion due to commercial, industrial and educational activities, the city is witnessing a change in physical and socio-economic developments.

Mangalore has the presence of some of the industry leaders including Infosys, ONGC, MRPL, MCF, BASF, KIOCL, Suzlon, Nagarjuna Power and the GMR group. The city is also known as the 'Cradle of Indian Banking' for having started the Corporation Bank, Karnataka Bank, Syndicate Bank, Canara Bank and Vijaya Bank. This is further enhanced by an excellent industrial climate and governmental support through local presence of Software Technology Parks of India (STPI), The Karnataka Areas Industrial Areas Development Board (KIADB) and Science and Technology Entrepreneurship Parks (STEP).

The growth of the city is restricted towards the west due to the long coastline. Hampankatta Circle is the central area of the city and now the city is growing towards the east along the Mumbai-Kerala highway (NH-17). The city also extends till the New Mangalore Port in the northern direction and towards the south, crossing the Netravati River till Konaje.

Infosys, Kohara Road

Inland Ebony, Kadri

Current Scenario

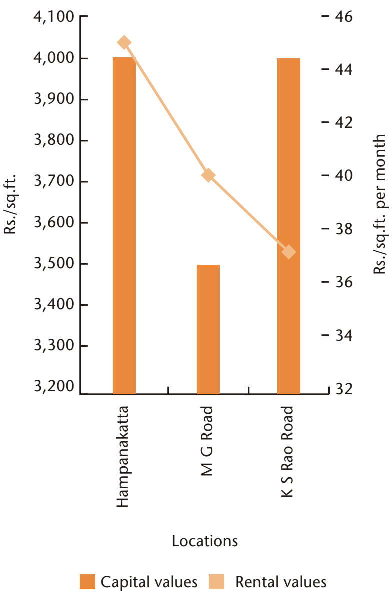
The coastal city of Mangalore has undergone a sea change in the last three years. Some of the factors contributing to this tremendous growth are the proposed Coastal Special Economic Zone (C-SEZ) where ONGC will invest Rs. 250 billion in the next five years and the development of 3 IT-SEZs at Mudipu, Ganjimutt and Thumbe. Commencement of international flights has further fuelled the real estate prospects of the city.

Prime residential pockets are Falnir, Belmatta and Bejai. These locations have easy access and close proximity to traditional markets like Hampankatta and KS Rao Road. Residential areas like Kadri, Vaslane, and Bendoor started developing due to scarcity of land in the core city and now form the mid-end residential pockets. Locations along the NH-17 like Kadri, Derebail and Kulur are the fastest to develop. Lately, the northern and eastern corridors of the city have been witnessing substantial real estate activity. Townships like Mary Hill, Land Links, and Blueberry Hills are coming up on Airport road. Other areas where townships are being planned include Kulur, Kannuru and Neermarga.

The Karnataka government had stopped issuing new approvals for construction projects in 2006 that resulted in delaying many projects. Owing to this, a minimal residential supply of 0.84 mn.sq.ft. will enter the market by 2008. Bangalore based Purvankara Group plans to develop a 40-acre township near Bondel in the city's outskirts, while the Raheja Group is developing a 100-acre township in Kulai in north Mangalore. Local developer Mohtisham is planning a 250-acre township at Kannur. The completion of the proposed township projects and other projects approved this year would result to an addition of approximately 3 mn.sq.ft. of quality residential space by the end of 2009-10.

Figure 23

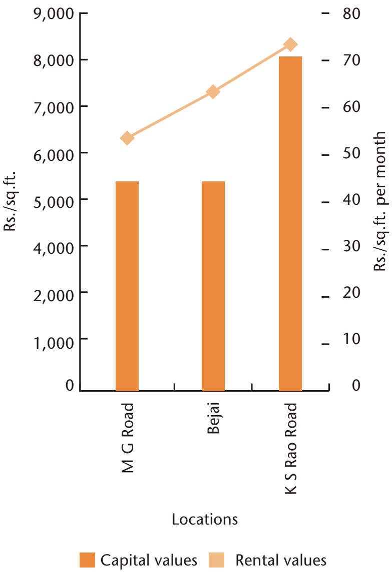
Office Market Values



Source: Knight Frank Research

Figure 24

Retail Market Values



Source: Knight Frank Research

The central locations like Hampankatta and surrounding areas include both office space and retail space with the ground floor supporting retail outlets and the upper floors having office space. The 200-acre Export Promotion Park at Ganjimutt is near completion. Satyam and Wipro have been alloted land here. There is severe dearth of land as the IT SEZ near Konaje is also fully alloted with Infosys taking 311 acres of the total 500 acres. Nitesh Estates of Bangalore is coming up with an IT-SEZ at Ganjimutt with 2 mn.sq.ft. of built-up area. Another IT SEZ of 4 mn.sq.ft. is being developed by the BA Group at Thumbay. Non-IT office supply is limited with approx 0.32 mn.sq.ft. being delivered the end of 2009-10.

Currently, only two malls are operational in the city and six more are at various stages of construction. Major upcoming malls are City Centre (550,000 sq.ft.) and Excel Mall (81,000 sq.ft.) developed by Mohitsham and Mischief Mall (81,000 sq.ft.) at KS Rao Road developed by Bhandary Associates. Prestige group is planning to come up with Forum mall at MG Road. Mangalore will witness a retail supply of 1.6 mn.sq.ft. by 2009-10.

Hospitality sector is yet to establish in this city. Currently, there are only three major hotels in the 3-star category. With tourism and IT sectors gaining importance, leading hospitality brands like Hilton, Intercontinental and Leela have acquired space for setting up 5-star category hotels in and around Mangalore.

Rental and Capital Values

Residential property prices vary from Rs.2,500-3,000/sq.ft. depending on the location, type of builder, specification and additional amenities offered. At present, demand is exceeding supply but the entry of new players is expected to increase the supply level. Demand for villas and premium apartments exist but limited to certain locations only. Capital values in prime residential locations of Falnir and Belmatta range from Rs.2,500-3,000/sq.ft. These locations have witnessed an appreciation of 125% in the last two years. Upcoming residential locations along Airport Road have capital values in the range of Rs.2,500-2,900/sq.ft.

MG Road and Hampanakatta Circle, which cater primarily to government offices, financial institutions and to small corporate offices, lacks Grade-A developments. The rental values for office space on MG Road, and KS Rao Road vary between Rs.35-45/sq.ft. per month. The rentals for office properties located on Hampanakatta Circle are range from Rs.40-50/sq.ft. per month.

Most of the upcoming projects at MG Road and Navbharath Circle are mixed use developments. The capital values for office space in these projects are in the range of Rs.4,000-6,500/sq.ft. whereas capital values for retail space on the lower floors range from Rs.4,000-10,000/sq.ft. The upcoming malls at K S Rao Road are quoting rentals in the range of Rs.55-90/sq.ft. per month.

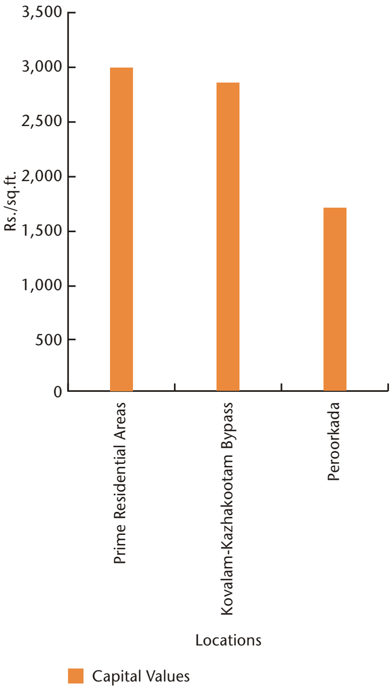
Outlook

The real estate of Mangalore is all set to meet the demands of its international clients wanting to establish their offices in the city in order to leverage the opportunity presented by lower costs, quality manpower pool and improving business conditions. The Mangala Corniche project, a ring road integrating unique waterfront developments from Ullal Bridge to Kannur is expected to commence soon and will be the first of its kind in the state. This 31 km promenade flanked by the sea is likely to be a star attraction in future.

The coastal city offers great competitive edge to the investors through low cost of real estate and manpower. Rapidly improving infrastructure, widening of national highways and the growth in the IT/ITES sector are factors contributing to the boom of real estate in and around Mangalore. The city also has the advantage of good connectivity by air, rail, road, and sea. The region is expected to have a robust growth due to increased business activities, pilgrimage and health tourism.

Figure 25

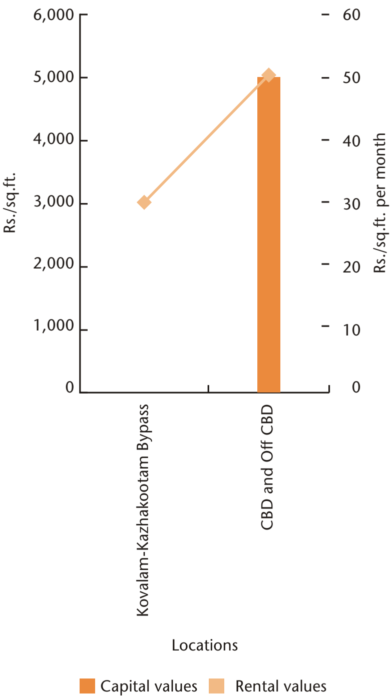
Residential Market Capital Values



Source: Knight Frank Research

Figure 26

Office Market Values



Source: Knight Frank Research

Thiruvananthapuram

Overview

Thiruvananthapuram, the capital of the state of Kerala, is a beautiful seaside city built on seven hills. Apart from being the capital of India's most literate and socially developed state, it is also a strategically important city of Southern India. The first Indian space rocket was developed and launched from the Vikram Sarabhai Space Centre (VSSC) located in the outskirts of the city in 1966. Several establishments of the Indian Space Research Organisation (ISRO) were also later established in the city.

Thiruvananthapuram and its famous beaches are also one of the top tourist destinations in India. The city is also cashing from medical tourism. Many Beach resorts and ayurveda resorts have come up, especially along the beach of Kovalam and Varkala coast.

A major milestone in the city's recent history was the establishment of Technopark in 1995. Technopark has developed into one of the largest IT Parks in India. This has placed Thiruvananthapuram on the IT map of India and it is today one of the most promising in the country in terms of competitiveness and capability. The exponential growth of the services and IT based sectors coupled with its prominence as the state capital and tourist centre has resulted in considerable real estate activity in the city.

Technopark, Kovalam-Kazhakuttam bypass

Heera Velmont, Kowdiar Chowk

Current Scenario

The real estate market is primarily driven by the IT/ITES sector. Traditional houses with long, steep sloping roofs are now giving way to high rise apartments. Prime residential areas of Kowdiar Chowk, Jawahar Nagar, Velayambalam, Sasthamangalam and Medical College Road have many projects under construction. Most of these projects are redevelopments of existing bungalows into multi storied apartments. Expansive residential complexes are also mushrooming on Kovalam-Kazhakuttam bypass to meet the increasing demand generated by new jobs at Technopark.

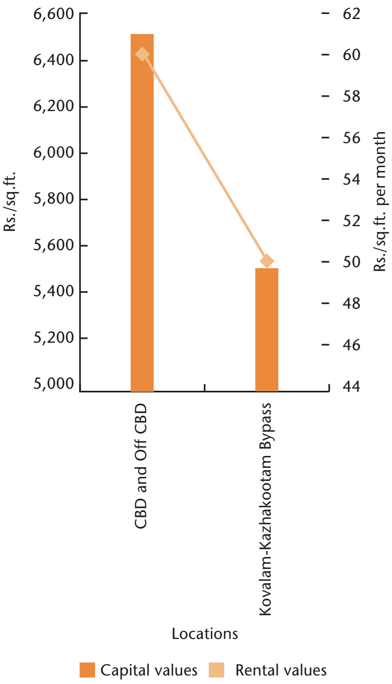
Knight Frank research estimates that 4 mn.sq.ft. of residential space will enter the Thiruvananthapuram market by end of 2009-10. A bulk of this supply is concentrated on the Kovalam-Kazhakuttam bypass, in the vicinity on the Technopark. Major developments in the city are by Heera Group, SFS Group, SI Property, Skyline Builders, etc.

The CBD and off-CBD locations of Vellayambalam Junction, MG Road, Palayam Junction and Pattom lacks Grade- A office developments and caters primarily to government organisations and agencies, financial institutions and other office segments. On the other hand IT/ITES destinations are concentrated on the outskirts of the city on the Kovalam-Kazhakuttam bypass road.

The first phase of Technopark is spread over approximately 300 acres of land and has 3.2 mn.sq.ft. of built-up space currently. It hosts over 120 IT/ITES companies. Major players like TCS and Infosys have their campus here and are on an expansion mode. Technopark has already acquired 86 acres of land, for its Phase II expansion. Out of this, 50 acres has been earmarked for Infosys and 36 acres for UST Global. Further acquisition of 100 acres of land for Phase III expansion is nearly complete. Firms like Larsen & Toubro and the K Raheja Corp are also planning developments in and around Technopark.

Figure 27

Retail Market Values



Source: Knight Frank Research

The Phase IV of Technopark referred to as the Technocity project, is also in the acquisition stage and is to be developed over the next 3-5 years. It will involve a mix use of IT, biotechnology, nanotechnology, commercial and residential development spread over 500 acres of land.

Currently, the city does not have the presence of any operational mall, however it is on the verge of witnessing the onset of mall format. MG Road and Fort are currently the prime retail locations and have commercial complexes which combine both retail and office space. Retail activity has also spilled over to the suburban locations of Pattom and Kesavadasapuam. Big Bazaar and Spencer's have already made a foray into the city whereas Fabmall, Shoppers' Stop and Reliance, are soon to do so.

Condor Group is coming up with Fortuna, a 200,000 sq.ft. mall, on NH-47 which will house a six screen multiplex. Artech Group is also coming up with Kalpana Heights near the Pattom Junction which will have the second outlet of Big Bazaar in the city. Also Plaza Centres, a subsidiary of an Israel based company has acquired about 10 acres of land near Technopark and has planned a mall, office complex, hotel and an apartment hotel totaling to approximately 2.1 mn.sq.ft .of built-up space.

Rental and Capital Values

With substantial development activity taking place across the city, the real estate market is quite upbeat. The astounding rise in demand for residential space due to the fast growing IT/ITES sector has led to a corresponding rise in capital values. The capital rates in the upmarket residential locations like Kowdiar Chowk, Jawahar Nagar, Velayambalam, Sasthamangalam have increased by 25-50% over the last 2 years and currently range from Rs.2,600-3,200/sq.ft. Capital values for modern apartments on Kovalam - Kazhakuttam bypass have seen maximum appreciation of about 30% over the past year and currently range between Rs.2,600-3,000/sq.ft.

With the entry of global firms in the city, the office market in Thiruvananthapuram has also been growing rapidly. Rental Values in CBD and Off CBD areas range from Rs.35-55/sq.ft.per month. Compared to this IT/ITES rentals are lower than those in other cities. Rentals in Technopark are in the range of Rs.20-35/sq.ft. per month.

Retail is a growing sector with current rental values touching Rs.40-80/sq.ft.per month in prime retail markets. The few organised retail developments coming up on the suburban and peripheral locations are expected to charge a rental value of Rs.50-80/sq.ft.per month.

Outlook

Technopark has come to be one of the single largest source of employment in Kerala, with over 15,000 people working directly in the facility itself. With future expansion plans of this facility this number is expected to increase manifold. With potential of 150,000 IT professionals working in the four phases of Technopark, the impact on the economy of the city and its suburbs will be substantial.

The influx of high-income IT professionals in he city has also resulted in demand for high-end apartment complexes, retail chains, star category hotels, multiplexes etc. Other facilities like an improved road network and a high speed transportation avenue along the alignment of the IT Corridor stretching from the present Technopark campus to Akkulam are being planned. Their impact on the city is likely to be very significant.

A large International Convention Centre is also coming up at Akkulam. Being built by a joint venture between Raheja Group and the Government of Kerala, it will further boost the supporting infrastructure of Technopark. Further with infrastructure development projects like conversion of the NH-47 and Kovalam-Kazhakuttam bypass into a four lane-high speed corridor, the Vizhinjam International Container Transshipment Terminal (ICTT), the new Airport Terminal on the NH Bypass side at Chackai, the second Railway passenger and cargo Terminal at Kochuveli, Veli Water Transport Terminal, etc the future prospects of Thiruvananthapuram are bright.

Summing Up

The real estate markets in the upcoming cities, as evident in the report, are exhibiting varying degrees of real estate development. These cities, as in the previous report, Q1 2007 Emerging Growth Centres, have been further analysed on parameters such as real estate, people, physical infrastructure, social infrastructure and business environment. It should be noted that the city comparison and the ranking given in this concluding section of the report has been made only amongst the 10 cities studied for this report and does not bear any comparison to the cities covered in the previous report.

Our study reveals that while the southern cities of Thiruvananthapuram and Mangalore have some degree of IT penetration owing to the spill-over of demand for IT/ITES space emanating from neighbouring established markets, other cities covered in the report do not have much organised office development. Notably, cities in the states formed in the last decade, viz. Rudrapur in Uttarakhand and Raipur in Chattisgarh, lack the presence of commercial space. Similarly, cities with religious significance - Haridwar and Rishikesh, do not have commercial space as well. Although, as of now, there is a dearth of organised retailing in these smaller cities, a number of malls have been planned and these are expected to be operational in next 2 years time. Also, several large retailers have set-up their convenience stores in these cities in the last few months. The only segment that seems to be thriving in all the 10 cities is the residential sector. Even though each of the location has its own characteristics in terms of product offering, the common factor was heightened demand and rapidly rising prices.

Table 2 - City Ranking

City Name	Real Estate	People	Physical Infrastructure	Social Infrastructure	Business Environment
Amritsar	5	5	4	2	2
Jalandhar	5	4	2	4	2
Dehradun	6	3	4	3	4
Rudrapur	3	6	5	7	2
Rishikesh-Haridwar	6	6	6	5	5
Bhopal	5	4	1	2	3
Raipur	3	6	7	6	4
Nashik	4	1	3	1	2
Mangalore	2	1	2	2	3
Trivandrum	1	2	2	1	1

Thiruvananthapuram and Mangalore score high on all 5 parameters leading them to attain the 1st and 2nd rank respectively. Presence of the expanding IT/ITES sector, conducive business environment coupled with good physical and social infrastructure provide these cities the required edge. Nasik with high scores on social infrastructure, people (important attributes of a city for retail success) and improving business environment gets the 3rd rank in the list. Favourable government policies, strong economic conditions promoting increased investment in the city coupled with good connectivity enable Bhopal and Jalandhar to attain 4th and 5th rank respectively.

Average scores on real estate availability and outlook have resulted in pulling Amritsar and Dehradun to the 6th and 7th rank in the list. These cities, however, scored higher on the social and business environment parameters on account of lower cost of living, presence of good educational institutes and improving investment environment. Though Rudrapur has comparatively better business environment, mostly due to the presence of the industrial sector, the city's physical and social infrastructure needs considerable improvement to pull it up from its current 8th rank. Low or average scores on all parameters, particularly on the ready availability of real estate and quality physical infrastructure front, have lowered the holy cities of Haridwar-Rishikesh as well as the capital city of Raipur to the last positions amongst the 10 cities.

Table 3 - Overall Ranking

City Name	Rank
Trivandrum	1
Mangalore	2
Nashik	3
Bhopal	4
Jalandhar	5
Amritsar	6
Dehradun	7
Rudrapur	8
Raipur	9
Rishikesh-Haridwar	9

Research

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