

The logo for AL CONSULTING, featuring the letters 'AL' in a light grey font and the word 'CONSULTING' in a white font inside a dark green rectangular box.The main title of the report, 'INDIA'S REAL ESTATE MARKET', is written in a large, bold, dark grey font. Below it, the subtitle '- Attractive Opportunity for Global Investors' is written in a smaller, dark grey font.

March 2021

The logo for Auctus Advisors, with 'AUCTUS' in a bold, red, serif font and 'ADVISORS' in a smaller, black, sans-serif font below it.

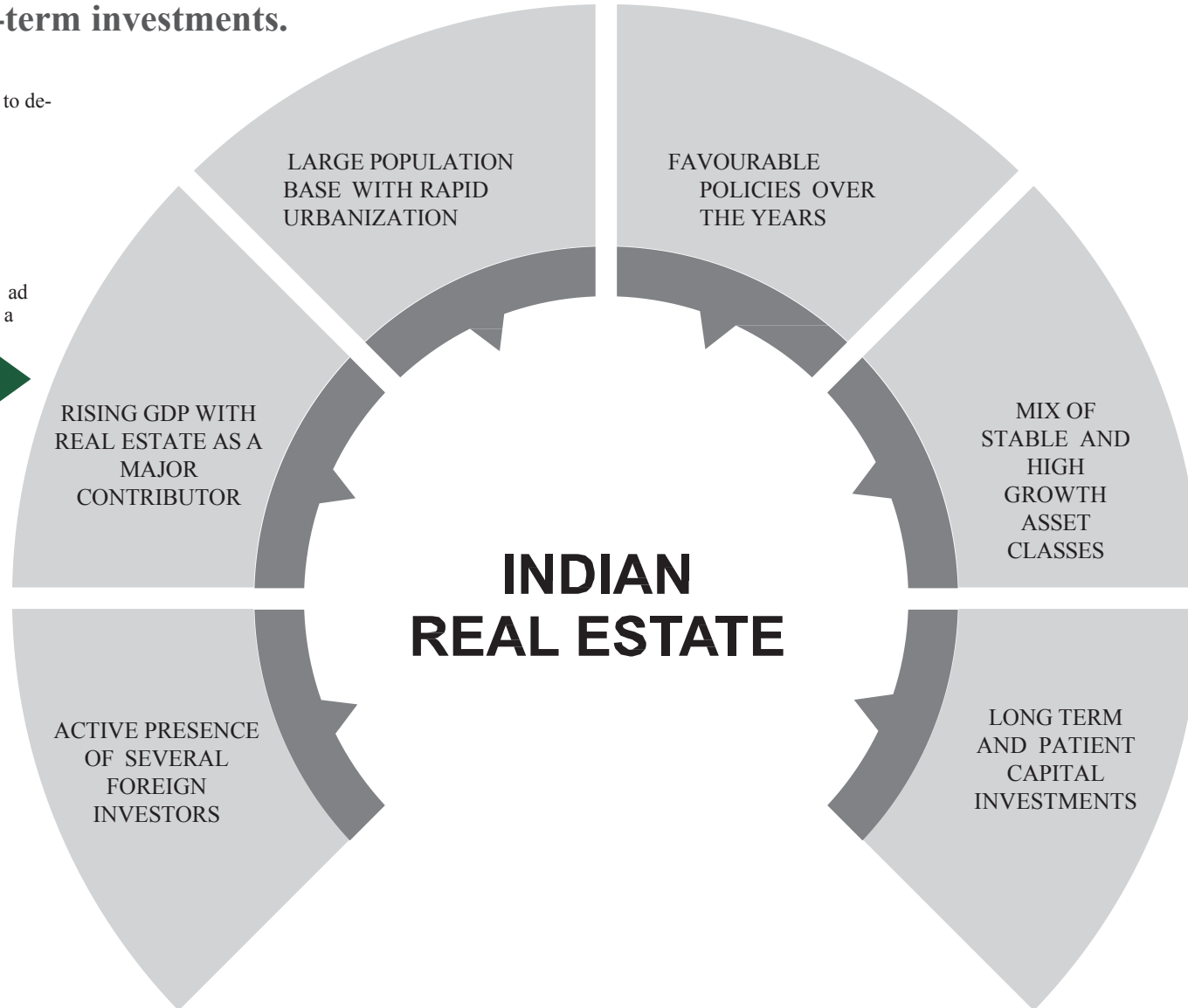
This report has been prepared in collaboration with Auctus Advisors,
a leading transaction advisory firm with a global presence

Indian Real Estate industry presents attractive opportunities for Japanese Investors seeking long-term investments.

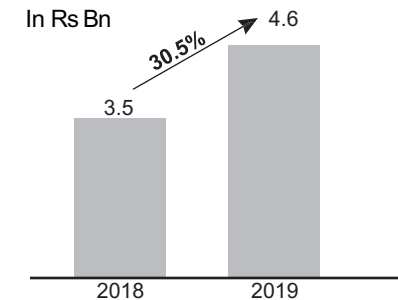
Japanese Real Estate investors are seeking to de-risk their portfolios by diversifying investments into new & emerging markets



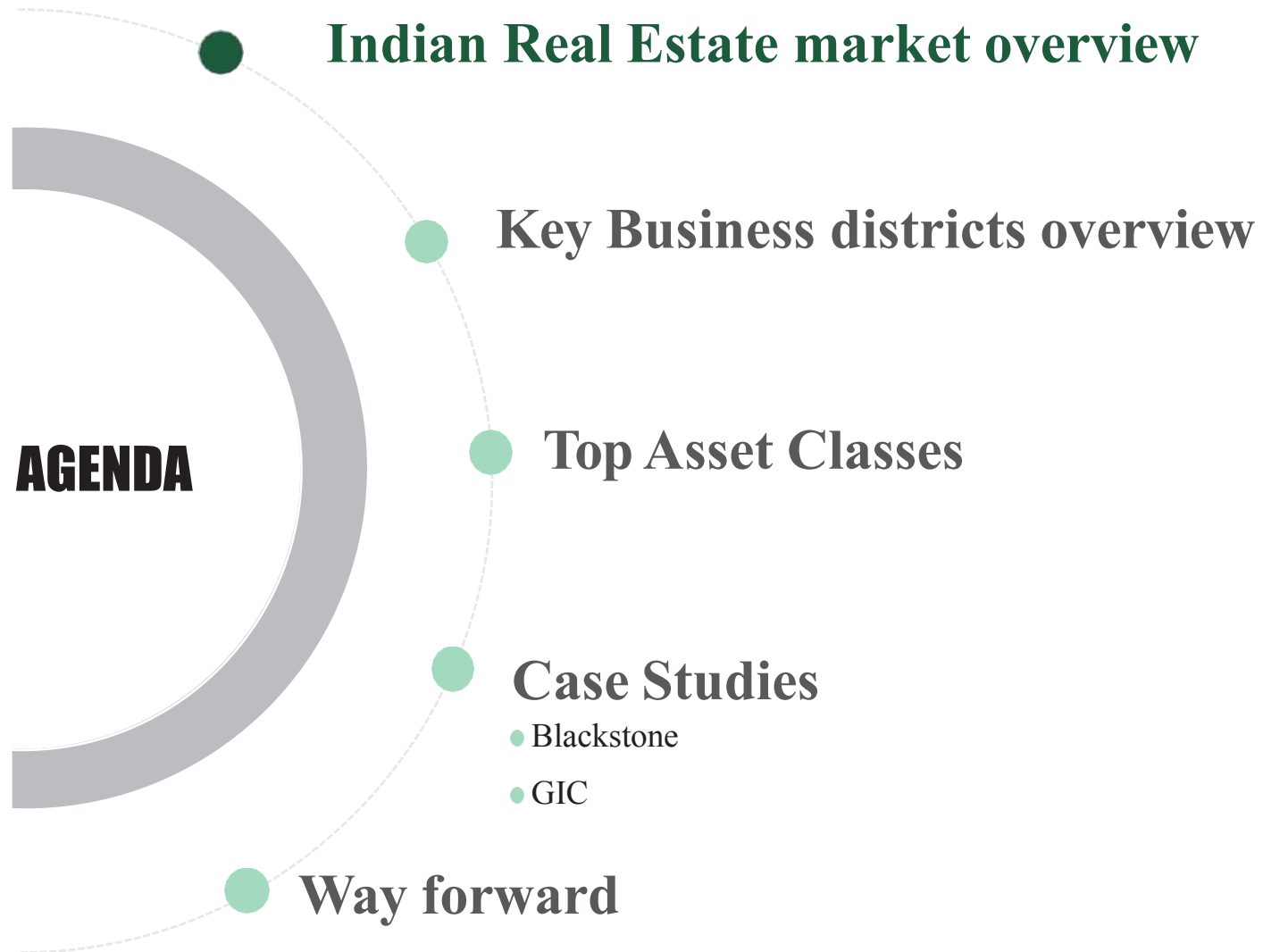
Indian Market with strong fundamentals and active foreign investor presence offers a lucrative opportunity



Indian Market with strong fundamentals and active foreign investor presence offers a lucrative opportunity



This document provides brief understanding of key aspects of Indian Real Estate Market, its growth and participation of Foreign Institutional Investors over the years.



This document provides brief understanding of key aspects of Indian Real Estate Market, its growth and participation of Foreign Institutional Investors over the years.

Indian Real Estate industry currently standing at ~ \$120Bn in size is a growth-stage market in comparison to the established markets of US and Japan.



India's Real Estate Industry is major contributor to its GDP similar to US & Japan

Contribution of Real Estate industry to National GDP (2017)

13 %¹

11 %²

14%

Urban housing market in India is highly under-saturated in comparison to US & Japan

No. of urban housing units

139 Mn (2019)³

62 Mn (2018)²

128 Mn (2019E)

Total Population

328 Mn (2019)⁶

125 Mn (2020)²

1366 Mn (2019)⁶

Commercial Office Market in India is smaller vis-à-vis US & Japan but is rapidly growing over the years

Total Grade A commercial office stock

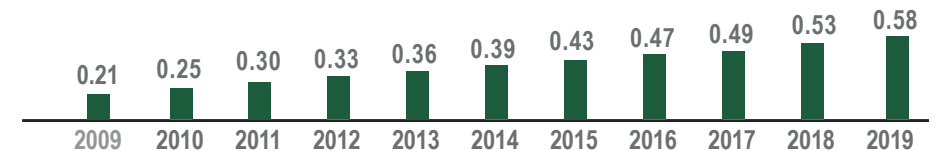
4.4 Bn sq. ft. (2020)

0.9 Bn sq. ft. (2019)⁵

0.6 Bn sq. ft. (2020)

Commercial Office market in India grew steadily over last decade at a 11% CAGR (10-year)

India's Grade A Commercial Office stock over last 10 years (Bn sq. ft.)

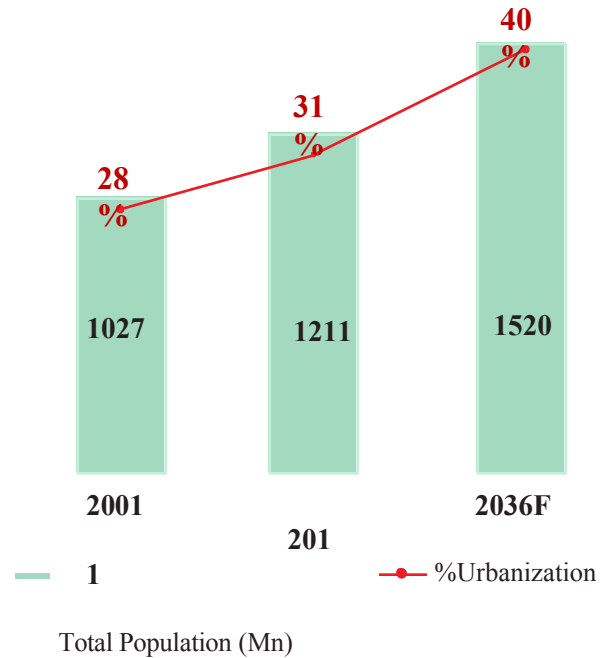


Sources:

1. IMF database
2. Statistics Bureau of Japan
3. US Bureau of Economic Analysis, US Census Bureau – All housing units are assumed to be urban due to very high urbanization rate in US
4. MOSPI – Statistical year books - No. of India housing units for 2019 have been projected over 2011 census data using growth rate observed in 2001-2011 period
5. Mitsui Fudosan
6. World Bank Database

Rapid urbanization, growth of IT industry and favorable policy decisions have been the key growth drivers of Real Estate in India over the last few decades.

Urbanization is on the rise in India over the last 2 decades leading to increasing demand for urban housing



Rapid growth of IT & BPO industry led to rise in office space demand & emergence of IT Hubs in India

- Pre- 1995** US companies began outsourcing to low-cost and skilled talent pool in India
- 1995-2000** Witnessed increase in R&D Investment, making India a product development destination
- 2000-2005** Indian firms grew in size & scope of services as their western customer base expanded
- 2005-2016** Indian firms turned into MNCs with global delivery centers
- 2016-2020** India is now the leader in global BPM outsourcing industry with 38% global market share

Structural reforms and policy changes have higher organization, transparency and global investor participation

- Demonetization
Improved fiscal prudence and customer confidence
- Real Estate Regulation Act 2016
Safeguarded property buyers' interest & increased answerability fo developers
- Insolvency & Bankruptcy Code
New remedial pathway for Investors, property buyers & financial institutions
- REIT Guidelines 2018
Favorable policy framework for listing of REITs on Indian stock exchanges

Sources:
1. Census 2001, 2011 - India
2. Market Reports

Residential and Commercial office are the most established asset classes in India followed by others such as Retail, Hospitality and Warehousing.

Residential

Total Residential units (2020)

128 Mn units

Investor Presence

GIC, CDPQ, etc.



Commercial Office

Total Office Inventory (2020)

0.6 Bn sq. ft. (Grade A)

Investor Presence

Blackstone, GIC, Brookfield, Mapletree, QIA, etc.



Retail Spaces

Total Retail Space Inventory (2017)

120 Mn Sq. ft.

Investor Presence

Blackstone, GIC, Xander, Warburg Pincus, etc.



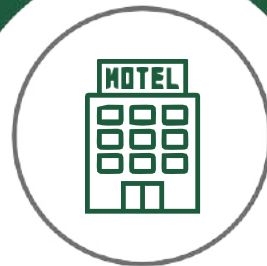
Hospitality

Total Room inventory (2019)

~150k rooms (3-star & above)

Investor Presence

Brookfield, Warburg Pincus, etc.



Warehousing

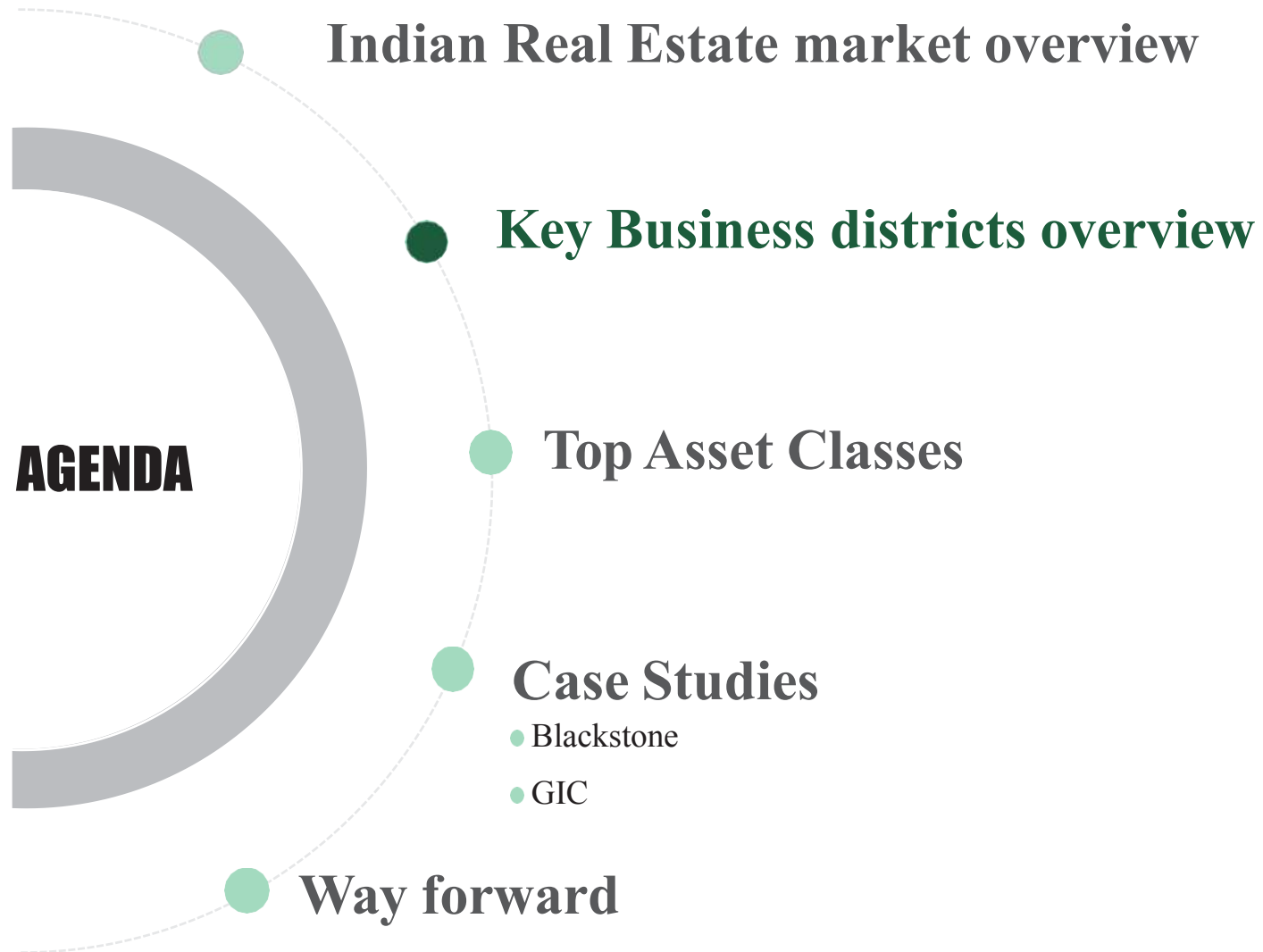
Total Warehousing inventory (2020)

~307 Mn sq. ft. (Grade A and B)

Investor Presence

CPPIB, Ascendas, CDPQ, Warburg Pincus, Assetz





This document provides brief understanding of key aspects of Indian Real Estate Market, its growth and participation of Foreign Institutional Investors over the years.

Organized Real Estate Development is primarily focused in 8 Tier-1 cities while unorganized segment dominates the Tier-2 markets.



	Grade A Office Market Snapshot (2019)		Residential Market Snapshot (2019)	
	% City Share of Gross Office leasing in India (2019)	Avg. Office Rentals (2019) (in \$ / sq. ft. / month)	% City Share of Total Housing Units Sold in India (2019)	Avg. Residential Unit Sale Price (2019) (in \$ / sq. ft.)
Bengaluru	25%	1.1	20%	69
Hyderabad	21%	0.8	7%	63
Mumbai	16%	1.7	25%	97
Delhi NCR	14%	1.2	17%	62
Pune	10%	1.0	13%	59
Chennai	9%	0.8	7%	58
Ahmedabad	3%	0.6	7%	40
Kolkata	2%	0.5	5%	49

The Top 4 cities of Bengaluru, Mumbai, Hyderabad and Delhi NCR have a majority share of Organized Residential and Commercial Development in India

Conversion factor: \$1 = Rs72

In comparison to global CBDs, the leading business districts in India are still smaller in scale and rentals.

Some of the largest and popular CBDs across the globe



Leading Business Districts in Top Indian Cities



•CBD, Singapore refers to the part of Downtown Core comprising of Raffles Place, Shenton Way, Marina Center and Marina Bay
•BKC stands for Bandra Kurla Complex – Data Source for BKC Office stock inventory: CBRE India

*Indicated figures against each CBD are:
•Commercial Office stock (2019) •Average office rentals (2019)

BKC – Mumbai, established in 1973, is one of the first and largest development in India with dedicated captive infrastructure and utilities.

Scale of Development

915 acres

Development Model

- Master planned by Public Development Authority
- Projects developed, owned & occupied / leased by private firms

Asset Class Mix

- Predominantly commercial office developments (22% land allocated as per zoning plan) Limited
- land allocated for residential developments (~2% land)

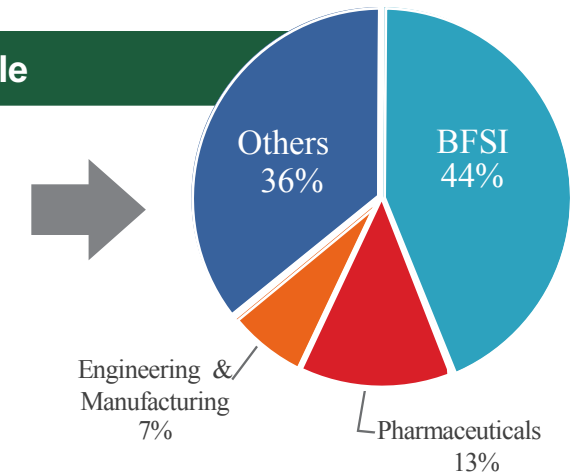
Key Demand Drivers

- Availability of Land coupled with strategic location
- Proximity to airport and train terminal
- High preference among Corporate and BFSI tenants due to BKC's premium quality offices
- Well connected with residential catchments of Mumbai via road & metro rail

Total Grade A office Inventory ~15 Mn Sq. ft.
Vacancy rate (2019) ~15%
2019 Net absorption ~ 0.7 Mn sq. ft.
2019 Avg Office Rentals 3 - 3.5/ sq. ft. / month

Tenant Profile

Top 3 Tenant Categories (2018)



Source: CBRE

Cybercity - Delhi-NCR, established in 2000, is a self-sustainable integrated development and has emerged as the most prominent CBD in India’s Capital region.

Scale of Development

125 acres

Development Model

- Private development initiative led by DLF Ltd upon privately acquired land in suburbs of Delhi
- Phased development approach over the last 20 years

Asset Class Mix

- Balanced mix of Commercial and Residential Developments
- Includes Supporting infrastructure such as Retail, Healthcare, Education, etc to achieve complete sustainability Comprises of
- notified IT Special Economic Zones (SEZs) offering benefits as per Govt. of India SEZ laws

Key Demand Drivers

- Excellent Connectivity – proximity to Airport, Well connected to other parts of Delhi NCR via Road and Metro
- Limitations on development of Commercial office space in Delhi City
- Excellent Infrastructure for Residential & Commercial activities

Total Grade A office Inventory ~14 Mn Sq. ft.
Vacancy rate (2019) ~4%
2019 Net absorption - 0.1 Mn sq. ft.
2019 Avg Office Rentals 1.6 – 1.8/ sq. ft. / month



Whitefield - Bengaluru, established in 1994, is an agglomeration of 5 Industrial Parks which has evolved into a Commercial office & residential district.

Scale of Development

570 acres

Development Model

- Land allotments by Public Development Authority to multiple private developers, industrial firms, etc.
- Office Campus, Standalone buildings developed by private firms for occupying / leasing to tenants

Asset Class Mix

- Comprises of Commercial, Residential and Industrial developments
- Emerged as the first and the largest IT Hub of India and a key economic driver for City of Bengaluru
- Supporting infrastructure such as Retail, Healthcare, Education also present.

Key Demand Drivers

- Presence of large-scale IT Parks / SEZs and growing population
- Connectivity with other parts of City via Outer Ring Road and Metro line (upcoming)
- Availability of Large-scale residential townships enabling proximity to workplace for industrial and IT employees

Total Grade A office Inventory
~27 Mn Sq. ft.

Vacancy rate (2019)
~12%

2019 Net absorption
- 1.8 Mn sq. ft.

2019 Avg Office Rentals
0.9 – 1 / sq. ft. / month



West Hyderabad region is prominent IT hub of India and was catalyzed by state-led development of 151 acre Hitec City in Madhapur in 1998.

Scale of Development

491 acres

Development Model

- Anchor Development of Hitech City was led by the government
- Land auctions were made to private firms after Hitec City expanding development with Madhapur as nucleus

Asset Class Mix

- Comprises of Commercial, Residential and Industrial developments Prominent
- Hospitality & educational institutions have also been established Supporting
- infrastructure such as Retail, Healthcare, Schools also present.

Key Demand Drivers

- Well developed ecosystem, superior support infrastructure
- Investment / Business friendly policies by incumbent state government
- Superior connectivity to Airport by road and upcoming metro

Total Grade A office Inventory

~41 Mn Sq. ft.

Vacancy rate (2019)

~2%

2019 Net absorption

- 7.2 Mn sq. ft.

2019 Avg Office Rentals

0.9 – 1 / sq. ft. / month



Old Mahabalipuram Road (OMR) is the IT Corridor of Chennai with presence of ~500 IT/ITeS firms making it one of the largest employment hubs in the state.

Scale of Development

45 km stretch

Development Model

- Backed & Promoted by State Govt. as ‘IT Corridor’ IT
- Office Parks were developed & operated by State Govt as well as Private developers

Asset Class Mix

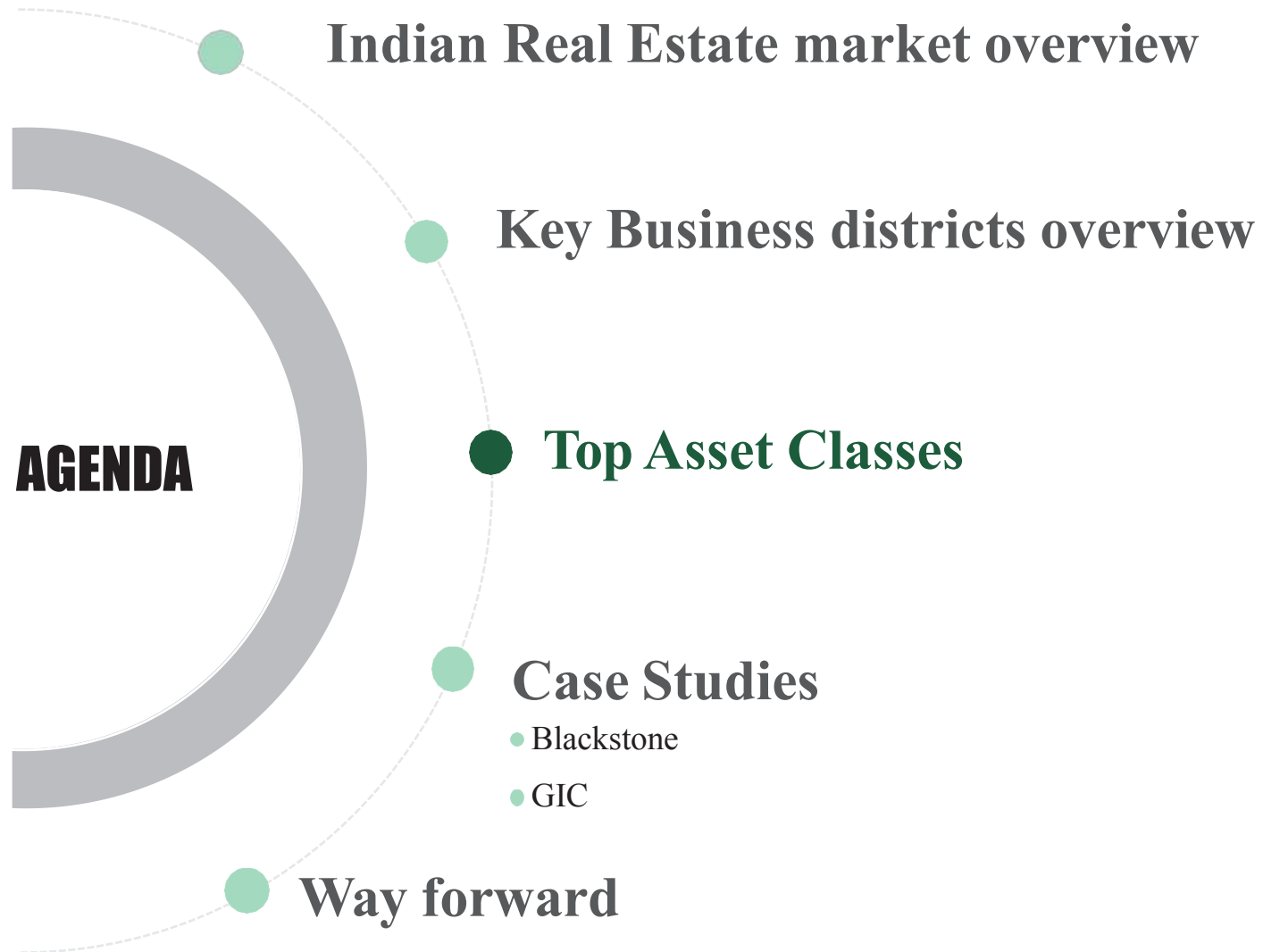
- Comprises of IT Office Parks, Standalone Office Towers and Residential developments Educational &
- healthcare institutions as well as commercial retail have also been established

Key Demand Drivers

- Excellent Social Infrastructure - ~130 Hospitals, ~160 Educational institutions, ~300 restaurants, etc.
- Prominent IT/ITeS Employment node in Tamil Nadu
- Superior connectivity via road and upcoming metro

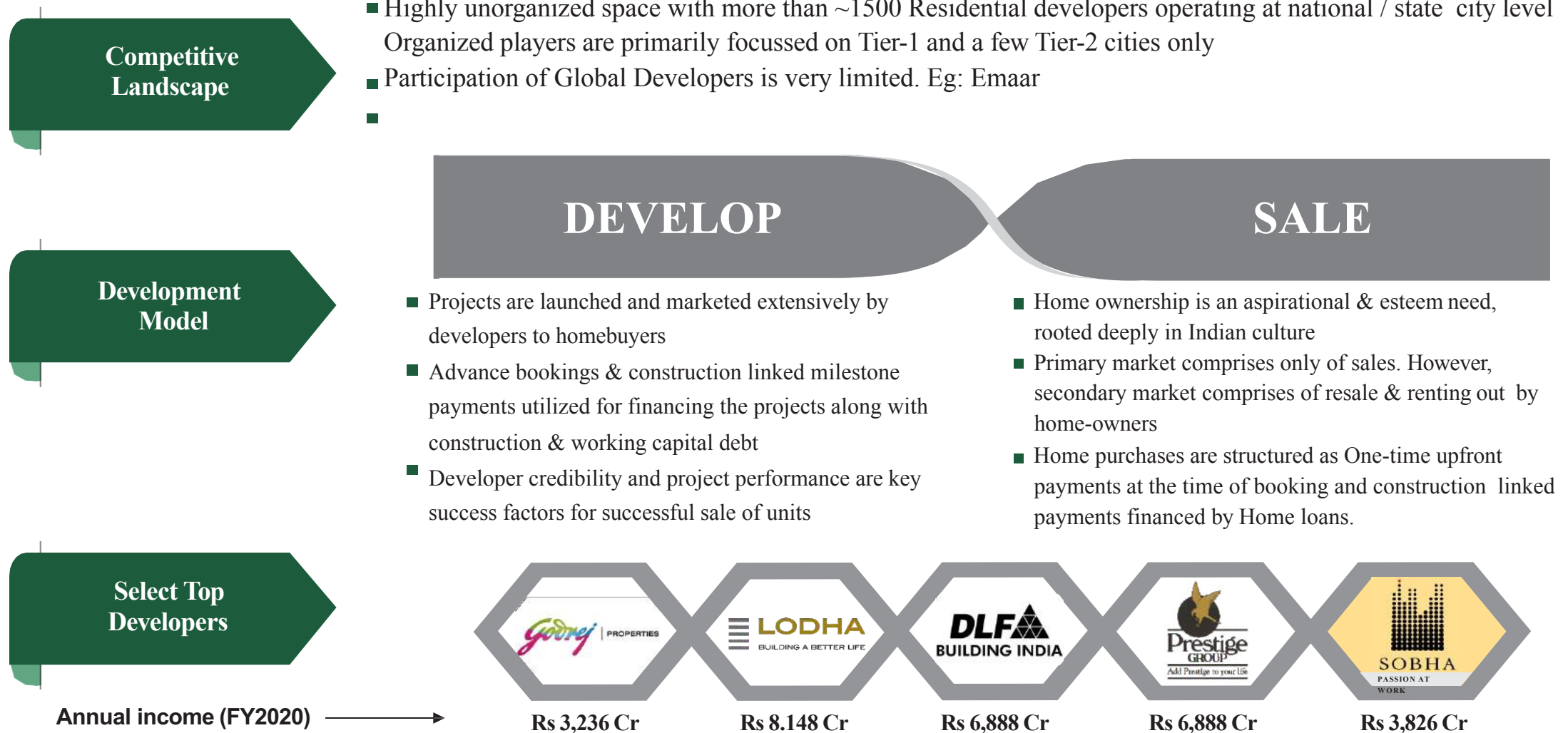
Total Grade A office Inventory ~18 Mn Sq. ft.
Vacancy rate (2019) ~4.7%
2019 Net absorption - 0.1 Mn sq. ft.
2019 Avg Office Rentals 0.9 – 1 / sq. ft. / month





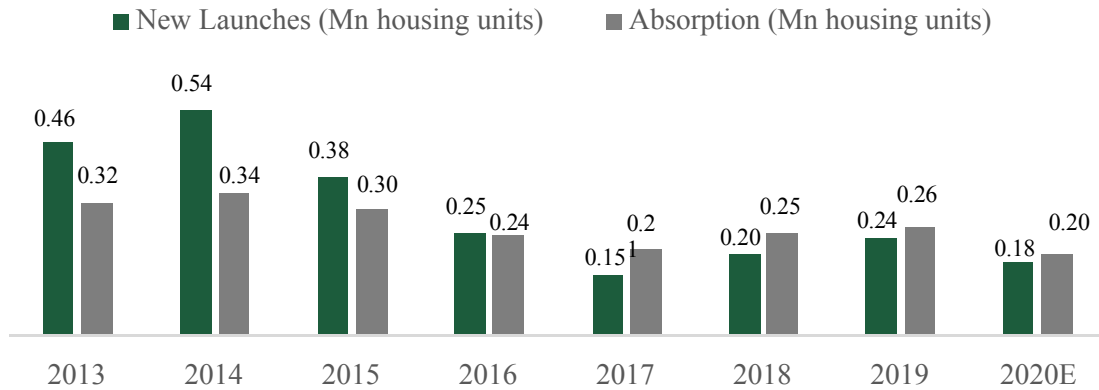
This document provides brief understanding of key aspects of Indian Real Estate Market, its growth and participation of Foreign Institutional Investors over the years.

Residential segment comprises ~80% of the real estate sector with ~237k annual housing unit launches in 2019.



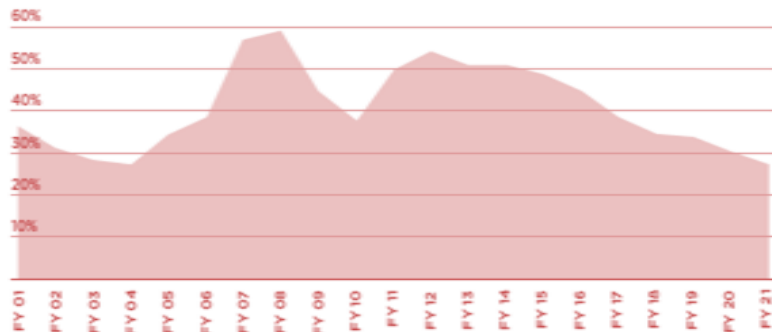
Over last few years, residential segment growth has been subdued but increasing affordability and low interest rates are expected to revive growth.

Residential Market performance over the years across Top 7 Cities

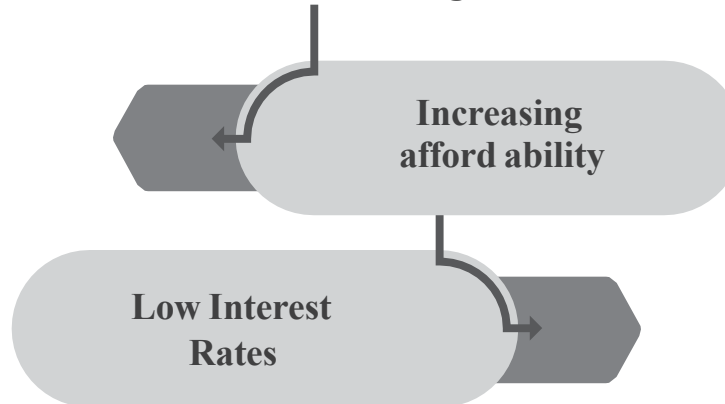


- Over the recent years pace of growth as reduced in Indian Residential Real Estate segment due to several challenges:
 - Subdued demand
 - Liquidity crisis and fallout of NBFCs
 - Shift of PE Investments towards Commercial office segment
- Covid-19 pandemic has further disrupted the recovery with an estimated 25% decline in New launches & absorption units due to construction delays, financing challenges and unemployment risk

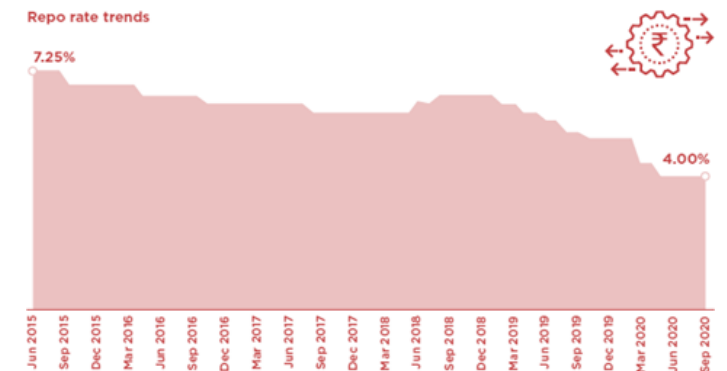
Affordability Ratio (Home Loan Payment / Income ratio)



Positive Factors To Drive Recovery Of Residential Segment

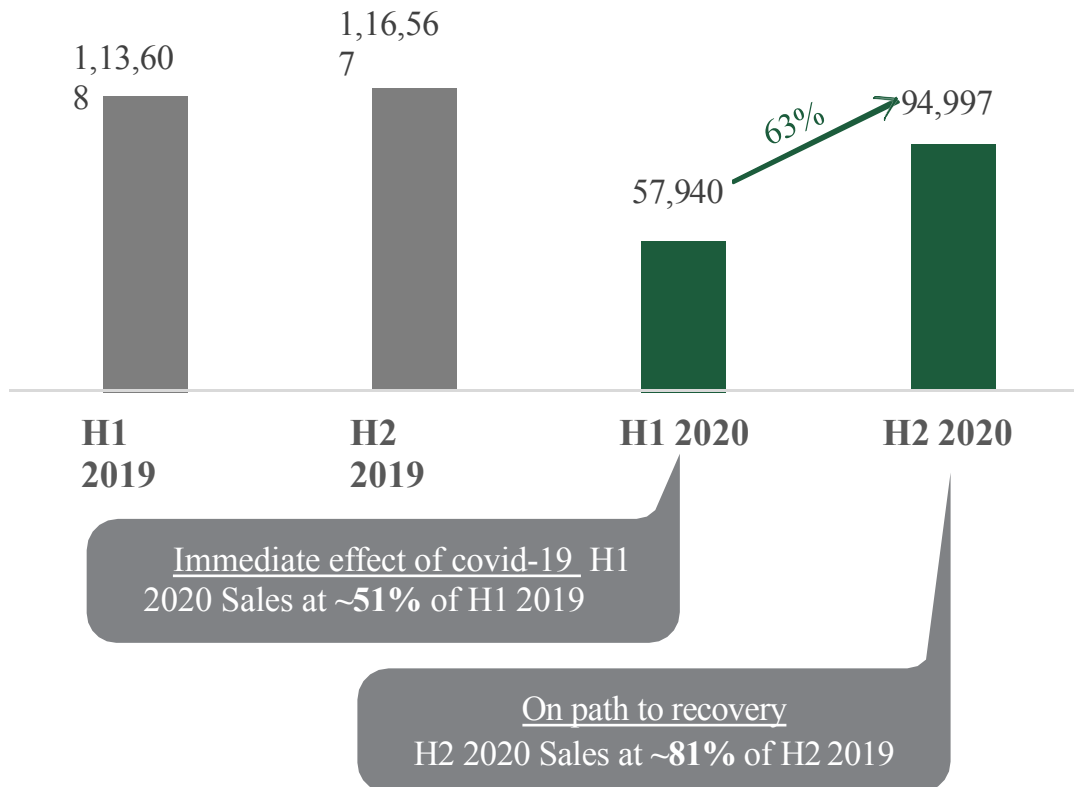


RBI Repo Rates



Post covid-19, market demand has recovered to ~80% of last year's demand driven by home ownership trends, low interest rates and reduced registration costs.

Housing Sales (no of units)



Note: Figures indicated above are for Top 7 cities

Residential market in US is currently booming with record levels of mortgage underwriting expected this year

- In response to Covid-19 pandemic, US Federal Reserve was quick to provide Quantitative Easing to protect the US economy while no lockdown measures were taken.

This has been fueled by Low Interest Rates and high liquidity in the market

Similar trends are expected in the Indian Residential market while the industry is currently recovering back from detrimental impact of covid-19 lockdown

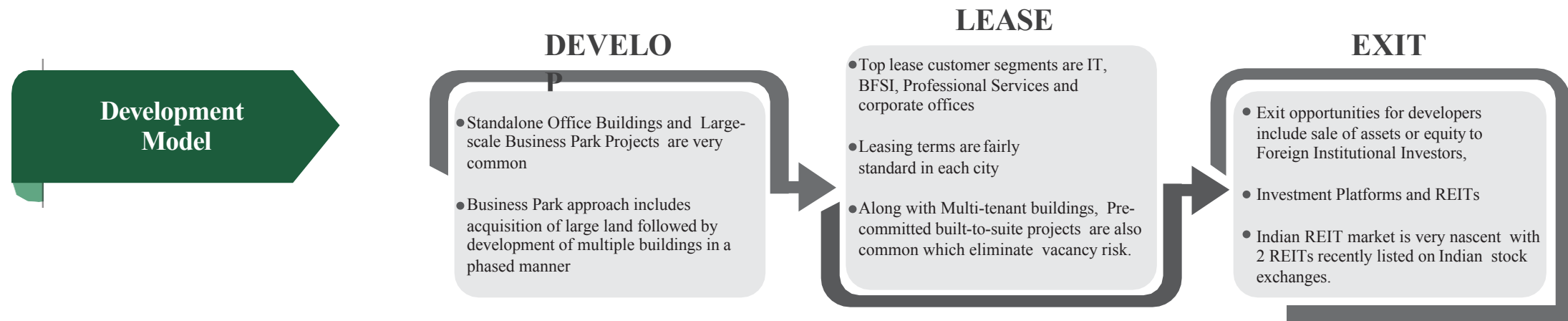
- Since lockdown was announced in Mar 2020, Sales have dropped due to halted registrations
- Restrictions on construction activity and reverse migration of labour has halted many non-going projects
- However, currently after nationwide unlock, labour levels have been recovering resulting in restart of halted projects

Backed by popular Indian affinity for home ownership, the demand is seen to be rising, supported by low interest rates and reduction in stamp duties in several states across India

With low interest rates and increasing trend of Home ownership, Indian Residential market is expected to see a similar boom such as US Residential market in coming years

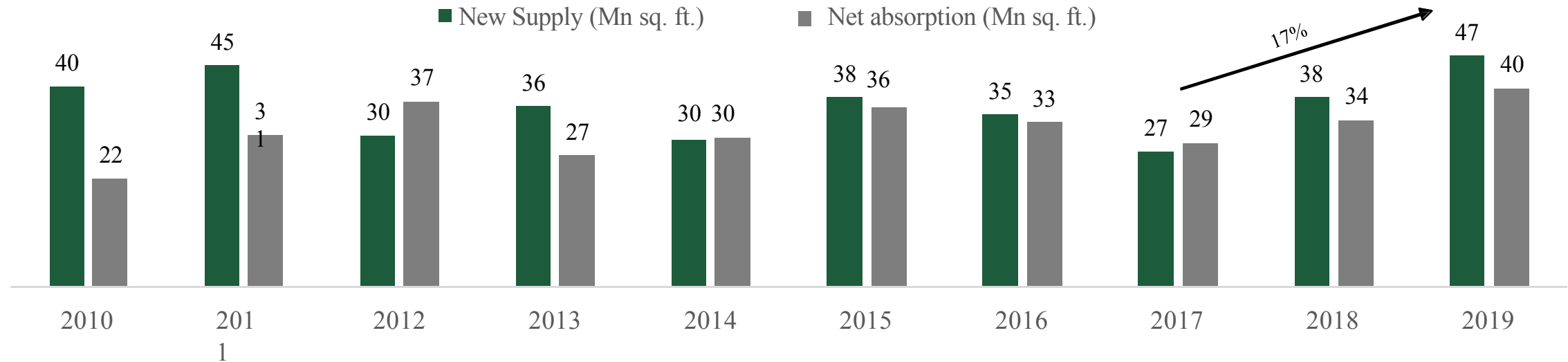
On the other hand, Commercial office segment is a highly stable asset class driven by India’s continued dominance as global outsourcing destination.

- Competitive Landscape**
- Organized segment comprising of High-quality (Grade A and B) offices is restricted to Tier 1 cities catering to MNCs & Indian Corporates
 - Tier 2 markets are highly unorganized currently with very minimal share of High-quality office developments.
 - Office segment has presence of global PE funds such as Blackstone, Brookfield, GIC, Xander, Mapletree, etc & Pension funds such as CPPIB
 - Participation of global development firms such as Hines, Tishman Speyer, Emaar has also increased in recent years but restricted to Top metro cities



UNLIKE RESIDENTIAL SEGMENT, COMMERCIAL OFFICE MARKET HAS WITNESSED A STRONG GROWTH MOMENTUM OF 17% OVER LAST 3 YEARS.

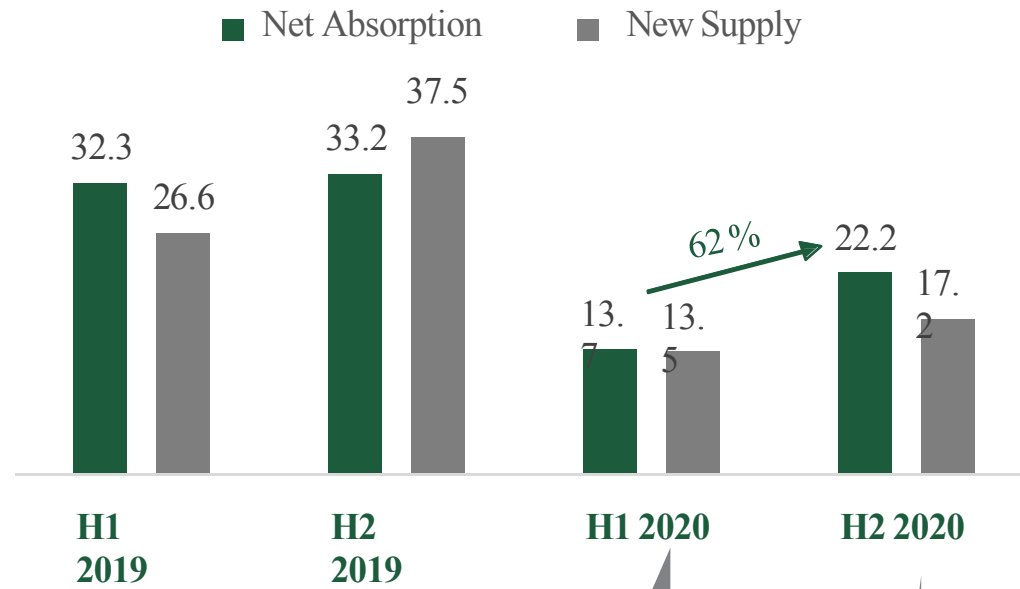
Commercial Office Market Performance Over The Years Across Top 7 Cities



Key Growth Drivers

- Ability of Indian markets to offer sub-dollar rental values for ITeS drove consistent growth in leasing Corporate
- Expansions leading to larger space commitments
- Rising demand from non-IT occupiers such as BFSI, Consultancy, Telecom, etc.

Post Covid-19, Demand for office spaces bounced back towards the end of 2020 with a tremendous increase of ~271% Q-o-Q in Q42020.



Immediate effect of covid-19 H1 2020 demand at ~ 42% of H1 2019

On path to recovery H2 2020 demand at ~ 67% of H2 2019

Disrupted business activities & halted construction in a weak economic environment immediately after covid-19 weighed in heavily on occupier demand for Grade A office space

- Ongoing transactions have been put on hold and cost optimization became the focus of most firms
- Top Occupier segments such as IT, BFSI, Consulting had relatively moderate impact with most firms resorting to Work-from-Home or rostered office attendance to ensure employee safety

Vacancy levels remained stable in most Grade A Offices

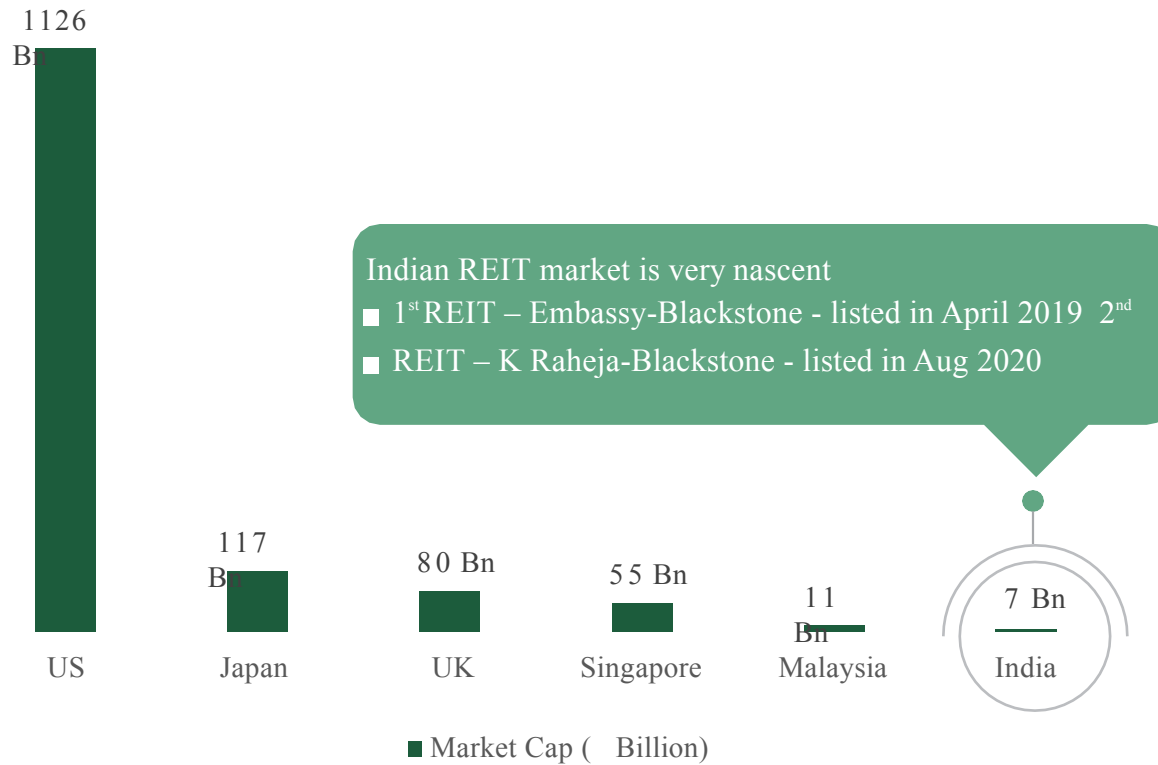
- Developers granted remedial measures such as rent waivers to severely impacted occupiers

With gradual resumption of economic activities, unlocking measures and improved sentiments with news of potential vaccines demand has risen towards the end of 2020

- Pre-commitments contributed significantly to the revival of demand – 24% of transactions in Q4 were due to pre-commitments to Built-to-suite spaces and under-construction projects
- Measures to improve safety & hygiene at workplaces & Flexible working models are expected to reshape the office requirements as occupiers resume their expansion plans in next year.

Note: Figures indicated above are for Top 8 cities

Indian Market currently has 2 publicly listed REITs with a total REIT portfolio of ~63 Mn sq. ft.



Indian REIT market is very nascent

- 1st REIT – Embassy-Blackstone - listed in April 2019
- 2nd REIT – K Raheja-Blackstone - listed in Aug 2020



Issue size : Rs 4,750 Cr
 Issue date : 1st April 2019
 Portfolio size : 33 Mn sq. ft.
 Issue Price : Rs 300 / share
 Current Price : Rs 354 / share

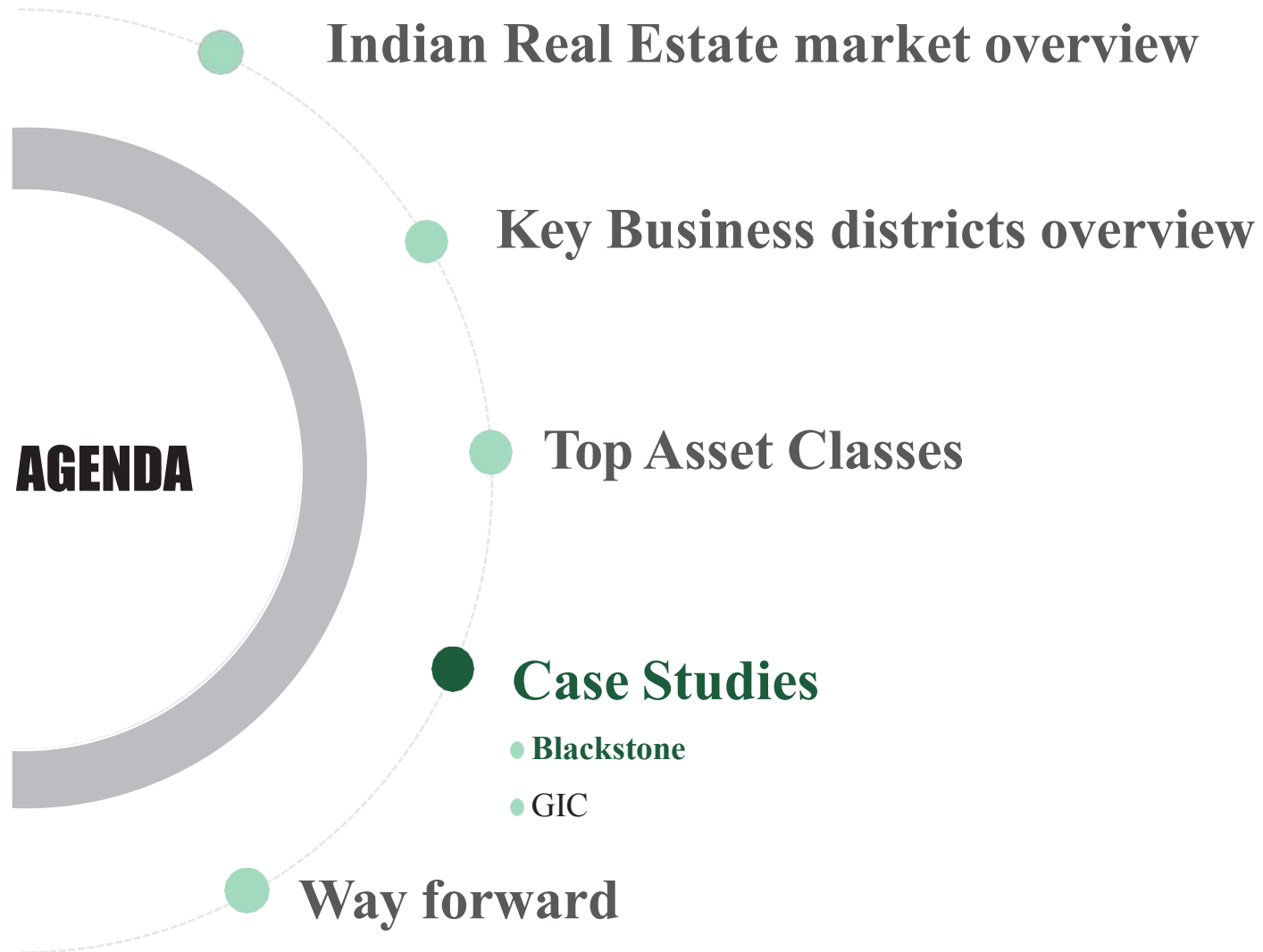


Issue size : Rs 4,500 Cr
 Issue date : 7th Aug 2020
 Portfolio size : 30 Mn sq. ft.
 Issue Price : Rs 275 / share
 Current Price : Rs 305 / share



Proposed Issue size : Rs 3,800 Cr
 Portfolio size : 14 Mn sq. ft.
 Applied for public listing

- Suitable regulatory amendments to REIT policy in 2018 have led to the popularity of REITs as exit option for Developers Investors
- With a large portfolio sizes of Commercial Office developers, more REITs are expected to come up in the next few years



This document provides brief understanding of key aspects of Indian Real Estate Market, its growth and participation of Foreign Institutional Investors over the years.

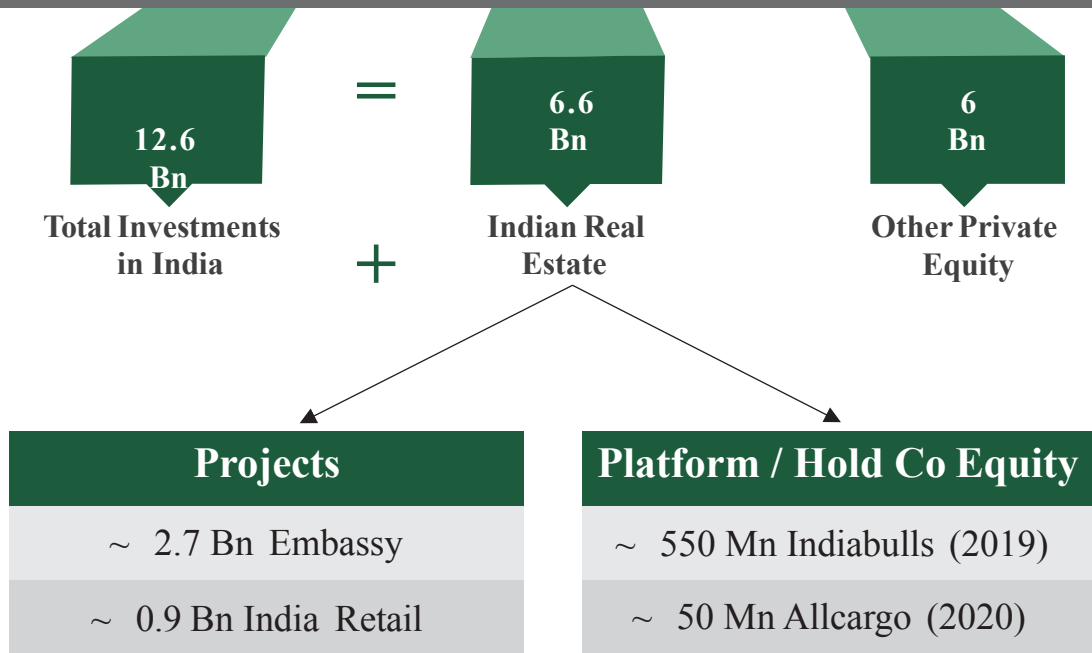
Over the last 10 years, Blackstone emerged as the largest RE portfolio owner in India (6.6 Bn) through focus on large-scale office & retail investments

Portfolio Size 70 Mn sq. ft.

Market Presence
 Tier 1 - Mumbai, Bengaluru, Pune
 Tier 2 – Ahmedabad, Indore, Amritsar

Developer Partners
 Embassy, Indiabulls, India Retail, Panchsil, Salarpuria

Most Investments by Blackstone were in Completed / Near-Completed projects



Acquisition of large-scale assets through JV / Platforms to have significant market control and Exit through REIT listings to unlock value

Initial Investment focus was acquisition of equity stake in Large Scale Grade A Completed Commercial Offices in Tier 1 cities

Investment focus expanded into Retail and Hospitality Asset Classes from 2015 onwards

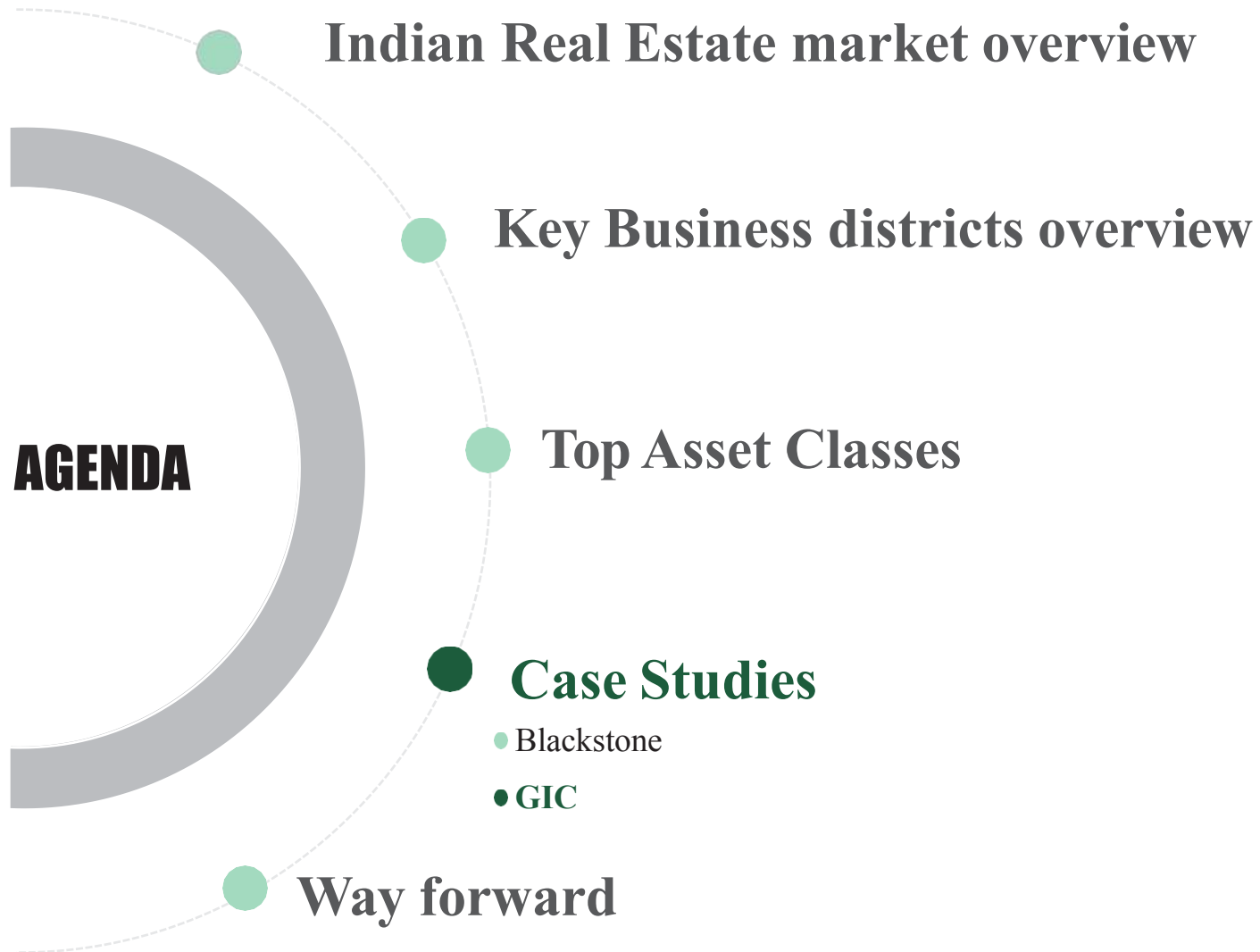
Retail Investments were in Tier 1 and also emerging Tier-2 cities with rapid urbanization trends

Large Deal focus - 4 out of 5 largest deals in 2015-18 were by Blackstone

In last 2 years, focus has shifted to attaining exits through REIT listings

- 2007 Blackstone’s Indian RE team flagged off
- 2011 First 2 acquisitions were large scale business parks in Bengaluru and Pune
- 2015 Acquired Retail malls in Tier-2 cities Amritsar and Ahmedabad
- 2016 Created Nexus Malls – Retail Assets Platform with ~ 6 Million sq. ft in Indore, Amritsar, Pune, Mumbai
- 2017 Surpassed DLF to become the largest commercial portfolio owner in India
- 2019 Pioneered India’s only 2 REIT listings with Embassy and K Raheja Corp

* Via private deals as well as public stock market



This document provides brief understanding of key aspects of Indian Real Estate Market, its growth and participation of Foreign Institutional Investors over the years.

GIC, 2nd largest investor in Indian Real Estate (4.5 Bn), has followed a diversified approach in terms of Asset class focus as well as mode of investment.

Market Presence

Mostly Tier 1 – Delhi NCR, Bengaluru, Mumbai, Hyderabad, Pune

Developer Partners

DLF, Brigade Group, Tishman Speyer, Runwal Group, Nirlon Ltd.

Varied mix of investments leading to sizeable direct and indirect ownership of assets

Expanded portfolio with strategic partnerships while diversifying across multiple asset classes through platform /JV and HoldCo Equity investments

4.5 Bn

Joint Venture Projects

297 Mn
DLF Homes

209 Mn
Brigade Group

70 Mn
Tishman Speyer

Platform / Holdco Equity*

1,400 Mn
DLF Rental Arm

202 Mn
Nirlon Ltd.

140 Mn
Provenance Land

Debt Funding

110 Mn
KKR
NDFC

30 Mn
Jain Housing

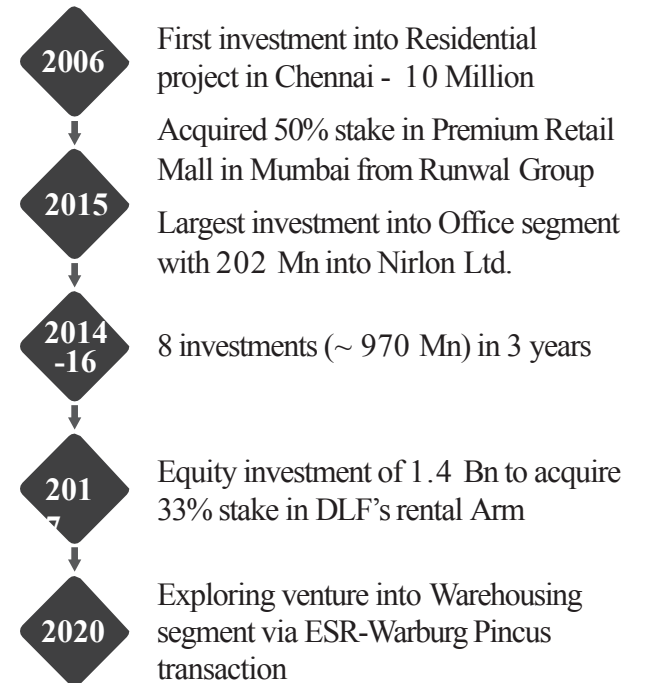
Initial investment across varied asset classes such as Residential & Retail

Increased exposure to Office segment with Platform level investment instead of project

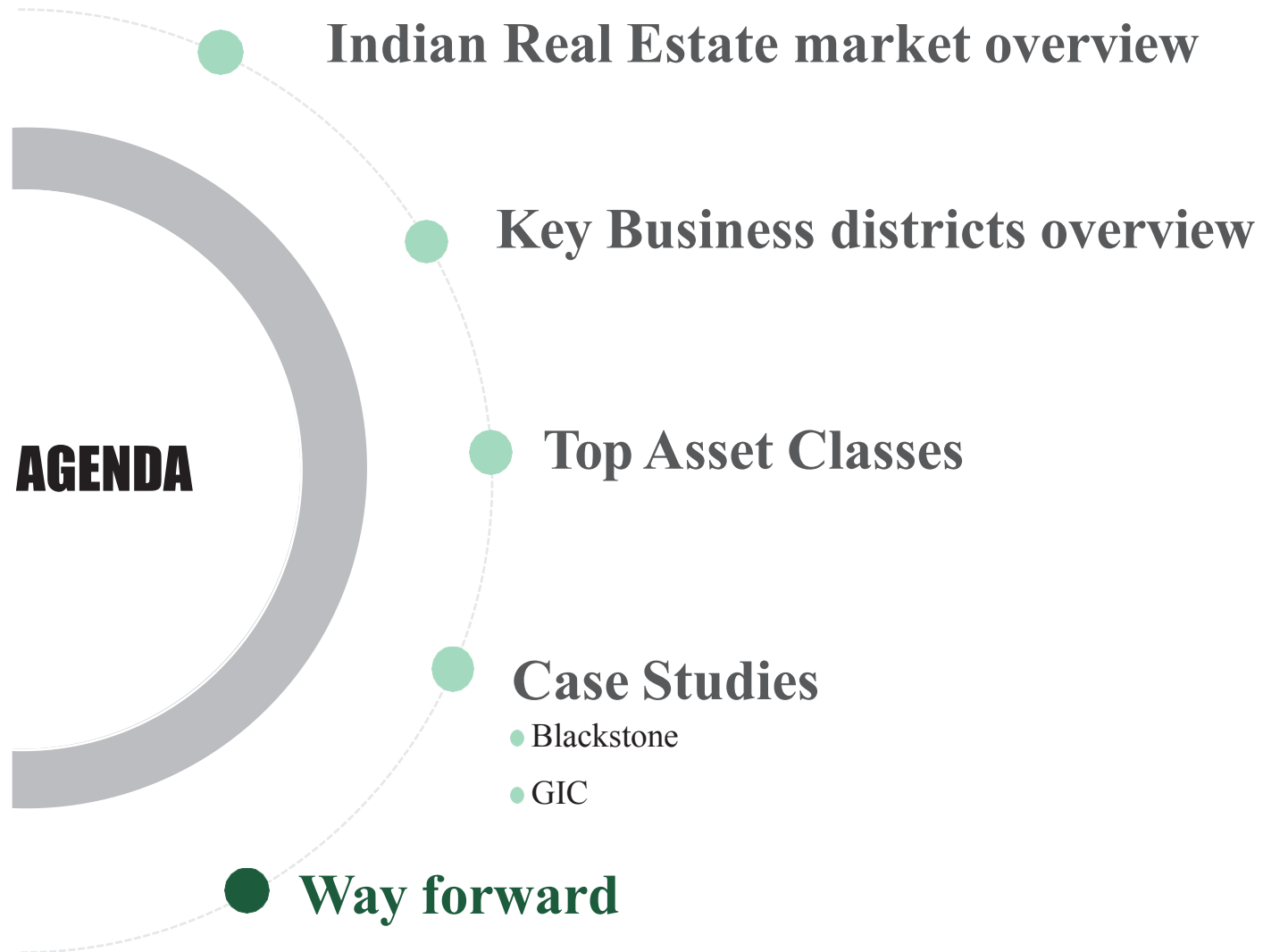
Expanded focus on rent yielding assets via DLF equity transaction

Hands off approach – preferred deals with minimal operation & management responsibilities

Continues to diversify into other assets such as hospitality & warehousing



* Via private deals as well as public stock market



This document provides brief understanding of key aspects of Indian Real Estate Market, its growth and participation of Foreign Institutional Investors over the years.

Indian Real Estate Market, backed by strong fundamental drivers presents a high growth opportunity as opposed to leading Real Estate markets such as US.

US Markets are currently facing cautionary investment approach due to elevated asset prices driven by record low levels of cap rates at ~4–5% premium over 10-year Treasury Yields.

Cap rates in US markets have been on a steady decline for the last 10 years and are expected to rebound in coming years resulting in erosion of asset values in medium term

Established Markets such as US are Overpriced

Indian Re Market Provides High Growth Opportunity

Varied Range Of Opportunities

Significant Contribution to the India's Growing GDP

Large Population Base With Increasing Urbanization

Policy Direction To Boost The Industry & Investments

Strong Service Sector Driven By It / BPO

Stable And Low-risk Investment Opportunity

Commercial office market continues to be a strong and offers stable growth

Residential segments such as Affordable Housing are lucrative due to high demand for homes for low / middle income population

Growth Focused Investment Opportunities

Transit-oriented development projects such as city metros , airports, etc. are on the rise in India backed by policies to promote sustainable urbanization

Warehousing segment is highly promising as India's e-commerce growth story continues with rising adoption in Tier 1 markets and increasing Tier-2 / 3 penetration

Covid19 has led to increased number of **distressed Assets & Firms with high intrinsic value** that require funds to continue

We can provide necessary support in understanding the Indian Real Estate market, identifying opportunities based on investment objectives and evaluate & increase access to the right opportunity in the Indian Market

AL Consulting in collaboration with Auctus Advisors have combined their expertise in Indian Real Estate Market to provide knowledge and investment support to Japanese investor community.

If you need any further information or clarification relating to information and data presented in this report or if you need an in-depth analysis or understanding, please feel free to contact:



Mr. Deni Shah

Lead - Business Advisory
AL Consulting, India

deni.shah@acuityconsulting.co.in



Mr. Yuto Hara

Lead - Japan Business Initiative
AL Consulting, Japan

y.hara@acuityconsulting.co.in

•The information contained in this report is not an advice or an opinion. The contents recorded in the report are for informational purposes only and not for commercial decision making. AL Consulting disclaims all liability to any person or persons for any loss or damage caused by errors or omissions, whether arising from negligence, or any other cause.

AL Consulting

AUCTUS
ADVISORS

Auctus Advisors is a management consulting firm with presence across India, South East Asia and the US, advising clients on business strategy & implementation, large transformation initiatives and M&As across diverse sectors including real estate, infrastructure, energy, urban transportation, technology, financial services, digital products & services and consumer sector – contact@auctusadvisors.com.



THANK YOU

📍 506, Marathon Icon, Off, Ganpat Rao Kadam
Marg, Lower Parel,
Mumbai 400013, India

📍 Sagami Building, 2nd Floor,
7-13-6, Ginza, Chuo-ku,
Tokyo 104-0061, Japan

✉ alc@acuityconsulting.co.in