

The year 2007 has once again highlighted the real estate boom in India, with absorption and rentals reaching all time highs across many micromarkets in the country.

A whopping 39 million sq.ft. of new office supply was absorbed during the year, and the overall commercial office stock increased by approximately 53 million sq.ft taking the total Grade A (leased) stock to 190 million sq.ft.

The rental trend line has continuously risen this year, with significant rental escalations in markets like Gurgaon in NCR and Outer Ring Road in Bangalore. The Bandra – Kurla Complex micromarket in Mumbai saw the highest rentals in the country, with asking rates around Rs. 425/- per sq.ft. per month; this is a whopping 80% increase from the same period last year. The constrained supply pipeline in this market and the heavy interest from financial sector companies in Mumbai is being seen as the main reason for Mumbai joining the ranks of New York and Tokyo as the most expensive office markets in the world.

Encouraged by spiraling rents, and increasingly lured by private equity funds, the developers community ramped up massively to take the office space supply to new highs in 2007. Such was the frenzy to release supply to a "hot" market that some micromarkets like the IT Corridor in Chennai saw its new office supply in 2007 multiply six times from the new supply in 2006.

Commenting on Real Estate scenario of the last year, Mr. Anshuman Magazine, Chairman and Managing

Director, CB Richard Ellis South Asia said, "The year 2007 will be remembered for the increased interest in understanding the Tier II and Tier III markets of India. Occupiers have been looking closely at these non-metro markets that offer lower costs and possibly improved employee retention (compared to the mature markets)."

Developers too have caught on to this pulse and have been building land banks across smaller cities, taking positions for what looks to be an impending demand cycle," **he added.**

There has clearly been a lot of research, probing and analysis of pros vs. cons in Tier II / III locations but the question to ask is; Is this the year of the Tier II and III markets ?

Amidst all the hype in the Indian real estate market, there are concerns now being raised about the viability of cost amongst the MNC ranks, and all eyes are now intently looking at where rentals will move in 2008. In our estimate, the overheated markets of Mumbai and Gurgaon (NCR) are in for a marginal rationalization this year, with significant new supply expected close to the end of the year. Bangalore is likely to continue its tryst with IT sector growth and consolidations and rentals are likely to remain stable through the year. Pune and Hyderabad will continue to find favour with growing companies and those looking for campus – styled developments; and rentals in these markets are also expected to remain stable. The Chennai office market appears to be headed for a marginal correction in prices, but this will not take away the steady demand for space by tenants in the city.

DELHI

1. CENTRAL BUSINESS DISTRICT (CONNAUGHT PLACE)

Limited availability of quality supply and sustained demand for commercial office space in central Delhi has kept the rentals at a high level in the CBD. Faced with limited Grade A supply, clients are expanding into second tier buildings which are not maintained well and have limited building maintenance services. Respite for tenants may still be a while away, as no new supply is expected in the short run and rentals are expected to remain firm.

Some of the major transactions in this micromarket in Q4 were:

- BAE Systems - 5,000 sq.ft.
- Associated Press - 4,460 sq.ft.

2. SECONDARY BUSINESS DISTRICT

a. Nehru Place

With its proximity to central and south Delhi, this micromarket remains a favorite amongst IT/corporate clients. Two new Business Centres (serviced offices) have started operations in this market which is likely to ease short term demand as no new supply is expected in the next 12 months.

A major transaction in this micromarket in Q4 was:

- Virgin Atlantic: 8,000 sq.ft.

b. Saket/ Jasola

The two district centres are in different stages of completion and would be adding sizeable supply in the next few quarters. Though no new office supply is expected from Saket, apart from the upper floors of retail centres; Jasola will have a few buildings available for fit-outs. Expected commercial supply in Jasola, in its first phase of development is around 0.8 million square feet.

Some of the major transactions in this micromarket in Q4 were:

- Hitachi - 7,000 sq.ft.
- Haldore Topsoe - 10,000 sq.ft.

3. PERIPHERAL MARKETS

a. Gurgaon

Gurgaon continues to see a demand boom; with a pre commitment percentage of 30% – 35% of the supply hitting the market next year. Several new projects are planned in the sectors along the Golf Course Road and Sohna Road. IT SEZs were the new trend for the year for this market with the likes of Bank of America, E&Y, WNS and Genpact among others absorbing nearly 1.3 million square feet of space across 2 SEZs alone.

Some of the major transactions in this micromarket in Q4 were:

- Spheris - 7,870 sq.ft.
- Egon Zehender India - 11,000 sq.ft.
- Regus Business Centre - 30,000 sq.ft.

b. NOIDA

NOIDA continues to be the alternative destination for the IT/ITeS industry due to its lower cost. SEZ projects are also going to enter the market next

year and would compete with large industrial buildings – IT’s existing supply. With improving connectivity from Delhi and within NOIDA, this micromarket has established itself as a viable low cost option for corporates. Although the corporate office demand here has remained slow, demand for IT space has continued to show growth despite sizeable availability.

Some of the major transactions in this micromarket in Q4 were:

- IBM - 180,000 Sq.ft.
- Sapient Technology - 125,000 Sq.ft.

RENTAL VALUE INDICATORS : DELHI & NCR

Sub-market	Average Rent in Dec 07 (INR per Sq.ft. per month)	Average Rent in Sep 07 (INR per Sq.ft. per month)
CBD (Connaught Place) Grade A	325	320
CBD (Connaught Place) Grade B	240	220
Secondary market (Nehru Place) Grade A	280	250
Secondary market (Nehru Place) Grade B	200	180
Secondary market (Jasola / Saket) Grade A	190	170
Secondary market (Jasola / Saket) Grade B	175	160
Gurgaon Grade A	95	75
Gurgaon Industrial Grade	40	32
NOIDA Grade A	38	32
NOIDA Industrial Grade	21	18

4. OUTLOOK

The year ahead is expected to see continued demand for IT SEZ space with pre commitments, to avail tax sops. The Delhi-Gurgaon Highway is expected to open in the next quarter thus fully easing the traffic flow between the cities.

New supply in Jasola, Mayur Vihar and Dwarka would ease demand for office space within Delhi.

In the short to medium term, the rentals and capital values are expected to remain stable. The NCR market with its overall competitiveness including infrastructure and manpower continues to fuel its growth as a corporate

destination.

Under the new masterplan, large tracks of land would be added in Gurgaon apart from upcoming supply in Manesar. The old Gurgaon Highway and industrial Gurgaon have seen a revival with Unitech's IT SEZ, SP Infocity and upcoming IT projects from BPTP and SEWA group.

MUMBAI

1. CENTRAL BUSINESS DISTRICT (NARIMAN POINT)

The supply-demand dynamics in Nariman Point have remained constant throughout the course of 2007 with vacancy levels hovering around 1% and rentals touching new highs every quarter.

Despite the fact that corporates are exploring the Extended and Alternate Business Districts as well for their corporate office requirements due to better value proposition offered by the latter, Nariman Point still remains the preferred address for financial institutions. Also, limited options for small format offices in new developments in the emerging business districts have also attracted new organizations (looking to open their set-up in Mumbai) to this micromarket.

Some of the major transactions in this micromarket in Q4 were:

CIBIL – 5,000 Sq.ft.

Askar Capital – 2,100 Sq.ft.

2. EXTENDED BUSINESS DISTRICT (LOWER PAREL & WORLI)

The Extended Business District has emerged as the preferred location for financial institutions looking for large format offices while being as close to Nariman Point and South Mumbai as possible. While Worli saw the major chunk of transactions in 2006 and 2007, Lower Parel is likely to gain prominence over the next couple of years with approx. 5 million sq. ft. of office supply expected to hit the market in 2008-09. However, there are concerns on how the existing infrastructure will be able to cope up with the pressure of new commercial, retail and residential developments planned in this market.

Some of the major transactions in this micromarket during Q4 were:

Reliance Capital – 160,000 Sq.ft.

Ergo Insurance – 6,400 Sq.ft.

Sequira Capital – 1,700 Sq.ft.

3. ALTERNATE BUSINESS DISTRICT (BANDRA-KURLA COMPLEX)

The auction of MMRDA plots in Bandra Kurla Complex at record high rates reiterates the emergence of the Complex as the primary commercial hub of Mumbai over the last couple of years with prevailing rentals now higher than Nariman Point on a Net Occupancy Cost basis.

Due to the limited number of options available for immediate fit-outs, business centers/ serviced offices have witnessed a lot of activity with corporates renting space for 6-12 months while waiting for the expected supply to hit the market.

Some of the major transactions in this micromarket in Q4 were:

GE Capital – 11,400 sq.ft.

Royal Bank of Canada – 6,000 sq.ft.

4. SECONDARY BUSINESS DISTRICT (WESTERN SUBURBS & CENTRAL SUBURBS)

Due to limited availability of options for immediate fit outs, the Secondary Business District has recently seen a sharp spurt in rentals. With limited supply expected to come on line till 2009, the prevailing demand supply mismatch is likely to continue in the near future. Due to increasing rentals the focus is shifting away from IT/ ITeS projects to commercial offices for cost sensitive corporations.

Some of the major transactions in this micromarket were:

Bristol Myers Squibb – 15,000 Sq.ft.

Contract Advertising – 14,600 Sq.ft.

5. PERIPHERAL BUSINESS DISTRICT (WESTERN SUBURBS, CENTRAL SUBURBS, NAVI MUMBAI & THANE)

The IT / ITeS sector in Mumbai is currently facing a severe supply crunch. The limited supply coming into the market is being absorbed rapidly.

In addition to established locations like Goregaon, Malad and Powai, a large amount of supply is expected in areas like Kanjurmarg, Vikhroli, Navi Mumbai and Thane. These locations will see tremendous activity towards 2009-10 once this supply hits the market.

In addition to STPI parks, the Peripheral Business District is witnessing a lot of activity in terms of IT SEZ's. Kensington at Powai and iPalm at Goregaon are the first SEZs in Mumbai to be notified.

Some of the major transactions in this micromarket were:

Petrofac – 100,000 sq.ft.

Capgemini – 26,350 sq.ft.

Nokia – 35,000 sq.ft.

6. OUTLOOK

The highlight of 2008 will be some of the SEZ projects going operational within the city limits and on the outskirts towards Navi Mumbai. Till date, none of this supply is operational since they are all either under construction or else awaiting approvals by statutory bodies. This supply is attracting a lot of potential business which is till date concentrated within private IT parks and corporate office spaces.

For corporate office space, the prevailing trend of too much demand chasing limited supply is unlikely to witness any dramatic changes through the course of 2008. Since much of the supply has been pre committed, rentals are expected to continue heading northwards, although not at the rate witnessed during 2007.

With respect to IT space, there is a significant supply expected towards the end of 2008 in the Thane and Navi Mumbai micromarkets which will offer cost effective options.

RENTAL VALUE INDICATORS : MUMBAI

Sub-market	Average Rent in Dec 07 (INR per Sq.ft. per month)	Average Rent in Sep 07 (INR per Sq.ft. per month)
CBD (Nariman Point, Fort, Cuffe Parade) Grade A	450	400
CBD (Nariman Point, Fort, Cuffe Parade) Grade B	350	325
EBD (Worli, Lower Parel, Prabhadevi) Grade A	375	360
EBD (Worli, Lower Parel, Prabhadevi) Grade B	275	260
ABD (Bandra Kurla Complex, Kalina) Grade A	400	350
ABD (Bandra Kurla Complex, Kalina) Grade B	300	300
SBD (Andheri, Vile Parle, Jogeshwari) Grade A	220	200
SBD (Andheri, Vile Parle, Jogeshwari) Grade B	175	160
PBD (Malad, Powai) Grade A	90	80
PBD (Thane, New Mumbai) Grade A	45	45

BANGALORE

1. CENTRAL BUSINESS DISTRICT (MG ROAD, RICHMOND ROAD, RESIDENCY ROAD)

The Central Business District continues to maintain its preferred status for new companies / startups as their office search area for a primary office. This quarter there has been an infusion of grade 'A' space of around 250,000 sq.ft. in the CBD due to vacation of premises by a few large tenants.

Due to the construction of the metro along MG road, traffic on this road is seriously disrupted and this is causing concerns for companies looking for space here as well as the incumbents who are considering moving out into less congested areas either in the CBD or the EBD.

Some of the major transactions in this micromarket in Q4 were:

- Citrix - 80,000 sq.ft.
- Professional Access - 54,000 sq.ft
- Sungard - 27,000 sq.ft.
- CBRE – 8,500 sq.ft.
- Kingfisher - 25,000 sq.ft.
- Quintiles -25,500 sq. ft
- AMD – 54,000 sq. ft.
- Thought works -52,000 sq. ft

2. NON CBD (INDIRA NAGAR, KORAMANGALA)

The Non CBD market is considered by companies as a viable alternative to the CBD due to the development of quality office space and less traffic congestion as compared to the CBD. This micromarket has also been helped by the two major residential pockets of Indiranagar and Koramangala.

A recent trend observed is that of individual developers constructing quality office spaces in this zone which mostly range from 10,000 sq.ft. To 30,000 sq.ft. These are good options for companies looking for small spaces near the center of the city. A rider though, is that most of these buildings have retail spaces on the ground floor and may therefore seem unfit for occupation by some companies.

There are 2 major projects planned in the Non-CBD zone for 2008. The expected supply in this micromarket for next year is around 900,000 sq.ft. of STPI space and around 250,000 sq.ft. of SEZ space. The demand for office spaces in this micromarket has always been high and these projects are likely to be absorbed quickly. Rentals will show a marginal increase in the coming year in this zone.

Some of the major transactions in this micromarket in Q4 were:

- Ernst and Young - 36,270 sq.ft.
- Amway - approximately 20,000 sq.ft.
- BCD travel - 18,500 sq.ft.
- Mindtree – 18,000 sq. ft.
- Standard Chartered Bank -65,000 sq. ft.

3. OUTER RING ROAD

The Outer Ring Road still continues to be the preferred corporate destination in Bangalore. A majority of the transactions in this micro-location are pre commitments in projects under construction. Grade 'A' developments with large floor plates and a good parking ratio, makes this zone a hotspot for Software, Consulting and Outsourcing companies alike. A large amount of SEZ space has been leased / committed by corporates on outer ring road in Q4.

The demand for space in this zone has always stayed ahead of the supply and thus there is an increase in rental values in the last quarter.

As per under constructions and proposed projects as of now, 2008 will witness around 550,000 sq.ft. of STPI space supply and around 2.92 million sq.ft. of SEZ space supply on the outer ring road micromarket . However most of this SEZ space has been leased / pre committed by corporates.

Some of the major transactions in this micromarket in Q4 were:

- t-Systems - 90,000 sft.
- Telsima - 40,000 sq.ft.
- JPMC - 108,000 sq.ft.
- APC – 44,542 sq. ft.
- Avayya -16,250 sq. ft

4. SOUTH BANGALORE (BANNERGATTA ROAD, JP NAGAR)

The South Bangalore micromarket has been a good location for companies already present in this area that are looking for expansion. This area has also been helped by the residential pockets of Jayanagar and JP Nagar. However, there is currently very limited ready Grade 'A' space available in this area.

Some of the major transactions in this micromarket in Q4 were:

Tally - 60,000 sq.ft.
 ICICI - 90,000 sq.ft.

5. PERIPHERAL BUSINESS DISTRICT

North Bangalore area, with a distance of about 13-15 Kms from the CBD, continues to grow as a promising microlocation in the Bangalore real estate sector due to the international airport and other allied infrastructural developments happening in the area. Even though there is substantial demand for office space in this market, there are presently no ready spaces available for leasing. Currently there is only one office park with SEZ operational, and almost the entire under construction space here has been committed by various corporates. Some of the major developers are in the process of acquiring land for development in this zone. It will certainly be interesting watching the growth path of this micromarket in the next few years.

The most significant transaction in this micromarket has been Target Corporation leasing 330,000 sq.ft in the last quarter

The Whitefield micromarket continues to witness an over supply situation, however, with the upcoming residential and retail developments and the lower rentals, it is gaining favour among corporates looking for consolidation or expansion options. The rentals however are not likely to rise in the next few review periods.

Some of the major transactions in this micromarket in Q4 were:

ABB - 320,000 sq.ft.
 Deutsche Bank - 44,000 sq.ft.
 iFlex - 70,000 sq.ft.
 General Motors – 42,500 sq. ft.
 Nova Nordisk -50,000 sq. Ft.
 Sapient -107607

The Electronic City (E City) micromarket is not being looked at as a favorable option by corporates primarily due to the ongoing construction of the elevated highway and also because this area is far from zones where most of the new developments are happening e.g., North Bangalore.

The most significant transaction in this micromarket has been CGI leasing 200,000 sq.ft in the last quarter.

RENTAL VALUE INDICATORS : BANGALORE

Sub-market	Average Rent in Dec 07 (INR per Sq.ft. per month)	Average Rent in Sep 07 (INR per Sq.ft. per month)
CBD (MG Road, Residency Road) Grade A	74	72
CBD (MG Road, Residency Road) Grade B	55	50
EBD (Koramangala, Indiranagar) Grade A	56	55
EBD (Koramangala, Indiranagar) Grade B	40	38
Outer Ring Road Grade A	44	42
Outer Ring Road Grade B	35	32
Whitefield, Electronic City Grade A	25	25
South Bangalore Grade A	40	36
North Bangalore Grade A	44	44
Industrial Grade	27	25

6. OUTLOOK

The total space that has come into the market in the fourth quarter this year has been around 3.4 million sq.ft. This brings the total supply in 2007 to around 13.56 million sq.ft. The total absorption in this quarter has been around 2.6 million sq.ft. including SEZ and Non SEZ space and for the whole year it has been 12.84 million sq.ft. It is evident from the absorption data that the Bangalore market has retained its position as the preferred destination for corporates and the market slowdown witnessed by some other sectors has not left a mark on the Real Estate scenario.

Due to the steady supply and demand scenario in the city for most of the micro locations, there was a minimum increase in the rental rates on outer ring road and part of CBD. Otherwise the rentals and capital values have remained stable for other micro locations in the last quarter. The rentals have also seen a rationalization over the past few periods and are likely to remain at the present levels in the near future.

SEZ spaces in Bangalore are being increasingly looked at by corporates. A number of SEZ developments are in various stages of planning and they seem to have caught the eye of corporates that are evaluating larger office spaces. Presently there is no ready SEZ supply in the market. The earliest SEZ supply is due to come into the market only in 3rd Quarter, 2008.

The Non-CBD and ORR micromarkets hold a lot of promise for the next year, since there are major developments planned in this area and the demand for commercial spaces in these zones is likely to remain high.

With the opening of the International Airport, the North Bangalore market should witness a flurry of development activity and this is another micromarket to watch out for in the coming years.

The Whitefield and E City micromarkets should see an improvement in

demand due to the completion of the Marthahalli flyover (which will ease traffic flow towards Whitefield) and due to the elevated highway (completion of which will ease the traffic situation on Hosur Road). Rentals in these micromarkets, though, are likely to remain at the current levels or at most see a marginal improvement.

CHENNAI

1. CENTRAL BUSINESS DISTRICT (ANNA SALAI, T NAGAR, R K SALAI)

This micromarket continues to witness a demand supply imbalance. The vacancy level for Grade A office space is under 4%. In our estimate this phenomenon is set to continue over the next few quarters. There is minimal supply slated for the next quarter; hence the rental rates would continue to stand at a premium.

Some of the major transactions in this micromarket in Q4 were:

- RR Donnelley – 55,000 sq. ft.
- ABN AMRO – 40,000 sq. ft.
- CSS – 36,000 sq. ft.
- AIG – 7,000 sq. ft.

2. OFF / NON CENTRAL BUSINESS DISTRICT (MRC NAGAR, GUINDY, TARAMANI)

This market continues to be the preferred area for corporates owing to a supply shortfall in the CBD, and hence commands a premium on rentals. There has been a fair amount of leasing activity in this micro-market.

There is some amount of existing supply to cater to the demand for office space, owing to which the rental values would continue to stand at current levels.

Some of the major transactions in this micromarket in Q4 were:

- Cambridge BPO – 19,000 sq. ft.
- Value Source – 39,450 sq. ft.
- CMC – 19,000 sq. ft.

3. SUBURBAN & PERIPHERAL BUSINESS DISTRICTS (OLD MAHALIPURAM, GST ROAD, POONAMALLEE HIGH ROAD, MOUNT –POONAMALLEE ROAD)

Suburban and peripheral areas continue to top the absorption charts among the various micromarkets. However, with such increases in absorption levels, the infrastructure in these micromarkets requires to keep pace.

There is a fair amount of real estate stock in the various quadrants of this micromarket. The rentals here are estimated to remain stable in the short to medium term.

Some of the major transactions in this micromarket in Q4 were:

- Nissan Renault – 300,000 sq. ft.
- Sony Ericsson – 128,000 sq. ft.
- Hexaware – 100,000 sq. ft.

4. OUTLOOK

The city continues to attract large corporate clients wanting to either set up base or expand existing facilities within Chennai. Further, if the FSI norms are eased in the much awaited new Master Plan, it should lend some decorum to the aggressive rental growth trend. Apart from this, there has been a fair amount of space take up by clients in SEZ projects not only for IT/ITeS spaces but also for setting up manufacturing units as well.

In our estimate the absorption number would be around 6.5 - 7 million sq. ft. for the year ending December 2007; a marginal increase over the absorption for the year 2006.

The major growth areas of Chennai continue to be south, south west and west, owing to availability of land parcels in these markets. With the announcement of expansion of the existing airport and a new Greenfield airport on the NH4 (Chennai-Bangalore Highway), fresh investments are being seen around the Bangalore Highway, which till date has primarily been a manufacturing location. The GST Road belt has witnessed new project launches as well as spiraling growth in land prices.

By and large the city is still on the growth curve with increasing focus on infrastructure and varied development focus like retail, hotel and residential, instead of IT/ITeS alone.

RENTAL VALUE INDICATORS : CHENNAI

Sub-market	Average Rent in Dec 07 (INR per Sq.ft. per month)	Average Rent in Sep 07 (INR per Sq.ft. per month)
CBD (Anna Salai, Nungambakkam, RK Salai) Grade A	75	75
CBD (Anna Salai, Nungambakkam, R.K. Salai,T Nagar) Grade B	60	60
Off CBD (Alwarpet, Egmore, Guindy, Kiplauk, T Nagar, Adyar, Anna Nagar) Grade A	55	55
Suburban Business District (Velachery; Taramani; Perungudi) Grade A	45	45
Peripheral Business District (Perungalathur; Sholinganallur; Siruseri; Ambattur) Grade A	38	38

HYDERABAD

1. CENTRAL BUSINESS DISTRICT (BEGUMPET)

The Central Business District continues to be plagued with paucity of Grade A supply. The limited supply available is that of Grade B office space.

As prevalent in the previous three quarters, the rentals continue to move upwards in this micromarket due to lack of quality space. This demand supply mismatch is expected to continue as there is no new supply expected in this zone for the near future.

Some of the major transactions in this micromarket in Q4 were:

- iSpace - 44,000 sq.ft.
- Maytas - 20,000 sq.ft.

2. EXTENDED BUSINESS DISTRICT (PARTS OF BANJARA HILLS, JUBILEE HILLS)

This micromarket is emerging rapidly both in terms of commercial and retail activity. Due to the limited supply of commercial space in CBD, the non CBD areas are seeing rapid development. Most of the developments in this area consist of standalone independent buildings. Like the CBD, most of the buildings in this micromarket consist of Grade B space. Part of road No. 2, Banjara Hills & Road No. 36, Jubilee hills are emerging as preferred location in the Non CBD market due to the close proximity to both CBD & HITEC City. Plenty of retail activity is taking place in both these areas.

The rentals in these two areas are at par with CBD and continue to grow. The incoming supply in this micromarket is predominantly Grade B and is limited. This is due to lack of larger plots. Due to these limitations, the rents are expected to increase for the coming year.

A major transaction in this micromarket in Q4 was:

- PriceWaterHouse Coopers (PwC) – 24,000 sq.ft.

3. SUBURBAN AREAS (MADHAPUR, GACHIBOWLI, NANAKRAMGUDA)

This micromarket continues to be the most preferred location for all the IT/ITES companies and other major space takers due to availability of quality Grade A supply as well as SEZ developments coming up in this micromarket. As observed in the previous three quarters, this micromarket continues to experience healthy growth and demand in terms of leasing and built to suit facility.

It has also witnessed continued demand. However the rentals have been stable through all the four quarters of 2007 as the demand and the supply are in sync.

The supply in this micromarket is proposed to come from the 3rd quarter of 2008. A large percentage of this supply is from IT/ITES SEZ projects. Therefore the rentals in this market are expected to be stable.

Some of the major transactions in this micromarket in Q4 were:

- GE Energy - 44,500 sq.ft.
- Satyam - 200,000 sq.ft.
- Pramati Technologies - 8,900 sq.ft.
- Invensys - 33,000 sq.ft.

4. PERIPHERAL BUSINESS DISTRICT (POCHARAM, SHAMSHABAD)

The Peripheral Business District (PBD) has gained prominence because of allotment of land by the Government to IT/ITeS companies such as Infosys (Pocharam), development of the new International Airport (Shamshabad) and proposed Outer Ring Road (ORR). Most of the proposed supply in this micromarket will come only in quarter 2 and 3 of 2008.

RENTAL VALUE INDICATORS : HYDERABAD

Sub-market	Average Rent in Dec 07 (INR per Sq.ft. per month)	Average Rent in Sep 07 (INR per Sq.ft. per month)
CBD (Begumpet/ Rajbhavan Road, Banjara Hills) Grade A	55	50
CBD (Begumpet/ Rajbhavan Road, Banjara Hills) Grade B	50	47
Secondary market (Jubilee Hills, parts of Banjara Hills) Grade A	50	45
Secondary market (Jubilee Hills, parts of Banjara Hills) Grade B	47	43
Secondary market (Ameerpet, Himayatnagar, Sarojini Devi Road, Sardar Patel Road) Grade A	35	30
Secondary market (Ameerpet, Himayatnagar, Sarojini Devi Road, Sardar Patel Road) Grade B	30	25
IT Corridor (HITEC City, Madhapur, Kondapur, Gachibowli) Grade A	40	37
IT Corridor (HITEC City, Madhapur, Kondapur, Gachibowli) Grade B	35	33
Shamshabad, Pocharam Grade A	32	32

Most of the projects in these location are either proposed or under development. Low rentals in these markets are expected to attract companies looking for low cost operation.

There were no notable transactions for this micromarket.

5. OUTLOOK

The outlook for the market remains buoyant for the months to come. The rentals will continue to see an upward trend for the first two quarters of 2008 due to the lack of quality space being available and the demand that continues to move in the northward direction. We expect the absorption for the year to touch over 4 million sq. ft. by the end of 2007 with most of the commercial spaces being pre leased. The supply however will be limited. The supply scenario will ease in the year to come as close to 8.3 million sq.ft. of fresh supply is expected by Q3 of 2008.

The new international Airport is scheduled to commence operations by March 2008. The Government is continuing in their efforts to improve the infrastructure in all growth corridors. The proposed infrastructure projects like Outer Ring road, Flyovers and the express highway are developing full swing.

Madhapur, Gachibowli & the adjoining areas will still remain as most preferred destinations for large office space takers & new emerging markets like Pocharam, Shamshabad are expected to attract companies for long term growth or consolidation.

PUNE

1.CENTRAL BUSINESS DISTRICT

Office rental values in the CBD, which have been on a gradual upward trend from early this year, continue to rise. Market trends in the area take a turn for the predictable with the supply of Grade A Office Space continuing to fall short of the demand. Rental appreciation is in the tune of not more than 15%.

Acceptability of locations outside the CBD is on the rise and a number of companies have set up base in the burgeoning Eastern as well as Western corridors.

Since the demand for office space outstrips the supply in the CBD, rental values will show a steady increase for the next 3 quarters. The supply that is being introduced in this micro market will be available only by the 3rd quarter of 2008.

A major transaction in this micromarket in Q4 was:

Anright Infomedia – 52,000 sq.ft

2. OFF CENTRAL BUSINESS DISTRICT

Significant developments by reputed developers in the commercial space segment in the West of the city marks a continued preference by companies

for the Western regions of the city. However, going by rental appreciation, the Eastern Corridor has revealed the highest rise in the city with certain areas along Solapur Road showing an escalation of up to 40%. A handful of giant companies have turned the East into a niche address, and the last quarter has seen demand for Grade A Office Space far exceeding the supply. Rental Values for the office & IT parks are also witnessing a gradual increase due to the disequilibrium in demand and ready to move in supply dynamics.

The micromarket of Viman Nagar/Nagar road is seeing high levels of activity, with Mantri Developers coming up with an IT Park which shall have the distinction of having a larger floor plate of 90,000 Sq.ft.

A major transaction in this micromarket in Q4 was:

Satyam – 350,000 sq.ft.

3. PERIPHERAL BUSINESS DISTRICT

North West: 700 acres of the Rajiv Gandhi Info Tech Park at Hinjewadi wins the Western region the distinction of housing the single largest Software Technology Park and Biotech Park. The IT/ITeS sector constituted a majority of the absorption in sync with earlier trends.

Infrastructure upgradation in preparation for the Commonwealth Youth Games 2008 proves to be yet another draw for companies to the Western belt, besides the other obvious benefits like its strategic location and established developments by developers like DLF, Panchshil and Embassy.

RENTAL VALUE INDICATORS : PUNE

Sub-market	Average Rent in Dec 07 (INR per Sq.ft. per month)	Average Rent in Sep 07 (INR per Sq.ft. per month)
CBD (Shivaji Nagar, Bund Garden Road, Koregaon Park) Grade A	80	75
CBD (Shivaji Nagar, Bund Garden Road, Koregaon Park) Grade B	75	72
Off CBD (Kalyani Nagar, Shankarsheth Road, F.C. Road) Grade A	60	57
Off CBD (Kalyani Nagar, Viman Nagar, Nagar Road) Grade B	55	55
PBD (Hinjewadi, Kharadi, Hadapsar) Grade A	38	38
PBD (Hinjewadi, Kharadi, Hadapsar) Grade B	34	34

Paranjape Developers launched 'Blue Ridge' an integrated township in Hinjewadi, which has elicited an overwhelming response with Phase I being sold out within a week.

Some of the major transactions in this micromarket in Q4 were:

- IBM – 350,000 sq.ft.
- Cognizant – 250,000 sq.ft.

North East: A number of leading developers are today looking at setting up townships of 100 acres plus in the vicinity of Kharadi, Hadapsar and Lonikand. Amanora township is one such significant integrated development in the North East with proposed IT/ITeS, retail and residential. The demand for space from IT / ITeS companies continues to be high in this region resulting in higher absorption of space, keeping the vacancy rates of ready to move in supply in the range of 5% to 10%.

Residential construction is booming on the city's North Eastern fringes due to the growth in industrial development up to Ranjangaon and the spur of IT development.

Some of the major transactions in this micromarket in Q4 were:

- Mosum – 350,000 sq.ft.
- Avaya – 135,000 sq.ft.
- Suzlon – 550,000 sq.ft. BTS

4. OUTLOOK

The Pune Municipal Corporation has proposed the expansion of the city limits to promote planned growth along its fringe villages. This could see the city area increase from the current 243 sq.km. to around 400 sq.km.

The Urban Land Ceiling Act (ULCA) has been repealed, leading to speculation that there will be abundant land available in the market for development, thus leading to newer, better developments coming in supply. With the State Government relaxing the height restriction, the skyline of the city is set to change, with Amanora developers constructing the tallest building in the city.

The government has proposed the imposing of a 10% annual surcharge on holding of vacant residential land. It will be interesting to see how this proposal goes down with land owners.

2008 would witness a lot of speculative supply being introduced in the city. Though this would be spread over the year, most of the supply is expected in the 3rd & 4th quarter of 2008. However, with the projections of demand being high, the vacancy rates are expected to remain stable pegged at 8-10% of the projected quarter wise supply and absorption dynamics.

KOLKATA

1. CENTRAL BUSINESS DISTRICT

Areas in and along Park Street, Camac Street, Theatre Road, AJC Bose Road, Chowrangee Lane and Hugerford Street are considered as CBD.

The vacancy levels are extremely low with minimal supply. The area is a preferred destination because of its connectivity and proximity to residential and government offices.

Some of the major transactions in this micromarket in Q4 were:

- Lenovo - 3,100 sq.ft.
- Regus Business Centre - 14,000 sq.ft

2. SECONDARY MICRO MARKETS (AREAS ALONG EM BYPASS AND GARIAHAT)

Due to lack of quality space in CBD this road has become an important corridor for commercial and retail space absorption.

A major transaction in this micromarket in Q4 was:

- Red Hat - 2,000 sq.ft.

3. PERIPHERAL MARKETS (SALT LAKE AND RAJARHAT)

IT/ITeS companies continue to drive demand in this region with several new projects launched in the last quarter. With the growing thrust for IT SEZs, both the Unitech and DLF projects would be live in the next few quarters.

A major transaction in this micromarket in Q4 was:

- L&T - 40,000 sq.ft.

4. OUTLOOK

The state government initiatives of proactively attempting to secure foreign corporates in the IT/ ITeS sector is showing signs of gradual success. Improvements in physical infrastructure, by way of constructing new flyovers is expected to positively impact travel times between the city and the suburban location of Salt Lake/ Rajarhat.

RENTAL VALUE INDICATORS : KOLKATA

Sub-market	Average Rent in Dec 07 (INR per Sq.ft. per month)	Average Rent in Sep 07 (INR per Sq.ft. per month)
CBD (Park Street, Camac Street, Theatre Road) Grade A	90	85
Secondary Business District Grade A	65	55
Peripheral Business District (Salt Lake, Rajarhat) Grade A	45	45

About CB Richard Ellis

CB Richard Ellis Group, Inc. (NYSE:CBG), an S&P 500 company headquartered in Los Angeles, is the world's largest commercial real estate services firm (in terms of 2006 revenue). With over 24,000 employees, the Company serves real estate owners, investors and occupiers through more than 300 offices worldwide (excluding affiliate and partner offices). CB Richard Ellis offers strategic advice and execution for property sales and leasing; corporate services; property, facilities and project management; mortgage banking; appraisal and valuation; development services; investment management; and research and consulting. In 2007, CB Richard Ellis was named one of the 50 "best in class" companies by *BusinessWeek*, and one of the 100 fastest growing companies by *Fortune*.

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INDIA OFFICES

New Delhi

CB Richard Ellis,
Grounds Floor, PTI Building
4, Parliament Street,
New Delhi 110 001
T (91) 11 2335 7448 / 2335 7449
F (91) 11 2331 7670
newdelhi@cbrichardellis.com

Mumbai

CB Richard Ellis,
Unit No. 9A, 3rd Floor,
Laxmi Tower 'C', Plot No C-25, G-Block,
Bandra Kurla Complex,
Bandra, Mumbai - 400 051.
Tel - (91 22) 40690100
Fax - (91 22) 26527655
mumbai@cbrichardellis.com

Chennai

CB Richard Ellis,
2C&D, Gee Gee Emerald
151, Village Road,
Nungambakkam
Chennai 600 034
T (91) 44 821 4599 / 821 4571
F (91) 44 821 4607
chennai@cbrichardellis.com

Bangalore

CB Richard Ellis,
'Hulkul Brigade Centre'
Ground Floor, No. 82
Lavelle Road,
Bangalore 560 001
T (91 80) 411 21240 - 40740000
F (91 80) 411 21239
bangalore@cbrichardellis.com

Hyderabad

CB Richard Ellis,
Eden Garden
8-2-595/3/5, Road No. 10
Banjara Hills,
Hyderabad-500 034
T (91) 040 23358887
hyderabad@cbrichardellis.com

Notes

Rents for each centre are given in column 1, in the manner that they are usually quoted, i.e. on a super area basis.
In Pune - Zero point is taken to be the Pune Railway Station - CBD is within a radius of 5 km from zero point. - Off CBD is 5 – 10 kms from zero point - Periphery is 10 kms and beyond from zero point

Disclaimer

This report has been prepared solely for general informative purposes. The information maintained herein has been derived from sources which we believe to take reliable but we have not independently verified such information and we do not guarantee its accuracy or completeness. All opinions & estimates included in this report constitute our judgement as of this date. They are subject to change without notice.