



PROPERTY ONE ASIA RESEARCH

BANGALORE COMMERCIAL REAL ESTATE MAY - 2009

ASIA COMMERCIAL

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CONTENTS

- Market Outlook
- Lease rental
- Capital Values
- Upcoming Projects
- Latest Deals

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AT A GLANCE

- Total supply of Grade A commercial buildings in Bangalore in last qtr. has been to an extent of 900000 sq. ft. however the demand was only 72% of the total supply.
- The total demand that came in was also because it was pre committed earlier.
- Nitesh Estates itself had approximately 600000 sq. ft. supply coming in the region of whitefield and M.G Road but is going slow in work.
- Peripheral locations such as Outer Ring Road, Whitefield accounted for the maximum absorption of supply approximately to an extent of 55%.
- Total supply including Grade A and Grade B commercial building for the year 2008 stood at 10 million sq. ft. and demand stood at 7 million sq. ft.
- Central Business District which includes areas like MG Road, Residency Road had been a preferred destination for corporate houses.
- Deveopements are taking place on Hosur Road also. Ozone Group is coming up with 575000 IT space called Manay Tech Park. The expected lease rate for this project is Rs. 30-35 per sq. ft. it is 70% occupied and has major clients such as Siemens, Blue Star.
- Total supply coming in Whitefield is to an extent of 2 million sq. ft. whereas the demand is 20-30%.
- Approx. 0.15 million office space has been vacated in the CBD areas due to high rentals.
- Major projects being completed this quarter are Prestige Shantiniketan, a 3.5 million sq. ft. project at Whitefield.



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- Prestige Group is coming up with 10 immediate openings in different locations which add upto almost 4 million sq.ft.
- Prestige Exora at Marathalli Road 20 lakhs sq. ft. will be complete in 1st qtr. 2010 and has been completely leased out.
- Commercial offices are coming in the region of Whitefield, Marathalli, Outer Ring Road (ORR) and few in the CBD region also.
- Prestige Group has already completed 20 million sq. ft. of projects that they had launched and 13 million sq. ft. is currently under development.

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- Lease rental prevailing in these specific locations is as follows:
 - Whitefield- Rs. 25-30 per sq. ft.
 - Marathalli- Rs. 30-33 per sq. ft.
 - Hosur Road- Rs. 15-22 per sq. ft.
 - OMR- Rs. 30-33 per sq. ft.
 - Outer Ring Road (ORR) - Rs. 38-43 per sq. ft.

- Capital value prevailing in these locations is as follows:
 - Whitefield- Rs. 2200-2800 per sq. ft.
 - Marathalli- Rs. 2500-3000 per sq. ft.
 - Hosur Road- Rs 3500 per sq. ft.
 - OMR- Rs. 1700 per sq. ft.
 - Outer Ring Road (ORR) – 3800-4400 per sq. ft.

- In Whitefield 85000 sq. ft. has been leased out to an IT solution provider company and 160000 sq. ft. to a supply chain software solutions provider company.

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Rental Market Indicators:

Sub Market	Average Lease Rate in April (per sq. ft./per month)	Average Lease Rate in March (per sq. ft./per month)
CBD- MG Road, Residency Road Grade A	55	65
CBD- MG Road, Residency Road Grade B	50	50
EBD-Kormangala, Indiranagar Grade A	50	60
EBD- Kormangala, Indiranagar Grade B	45	48
ORR Grade A	38	43
Whitefield, Electronic City Grade A	28	30
South Bangalore Grade A	38	40



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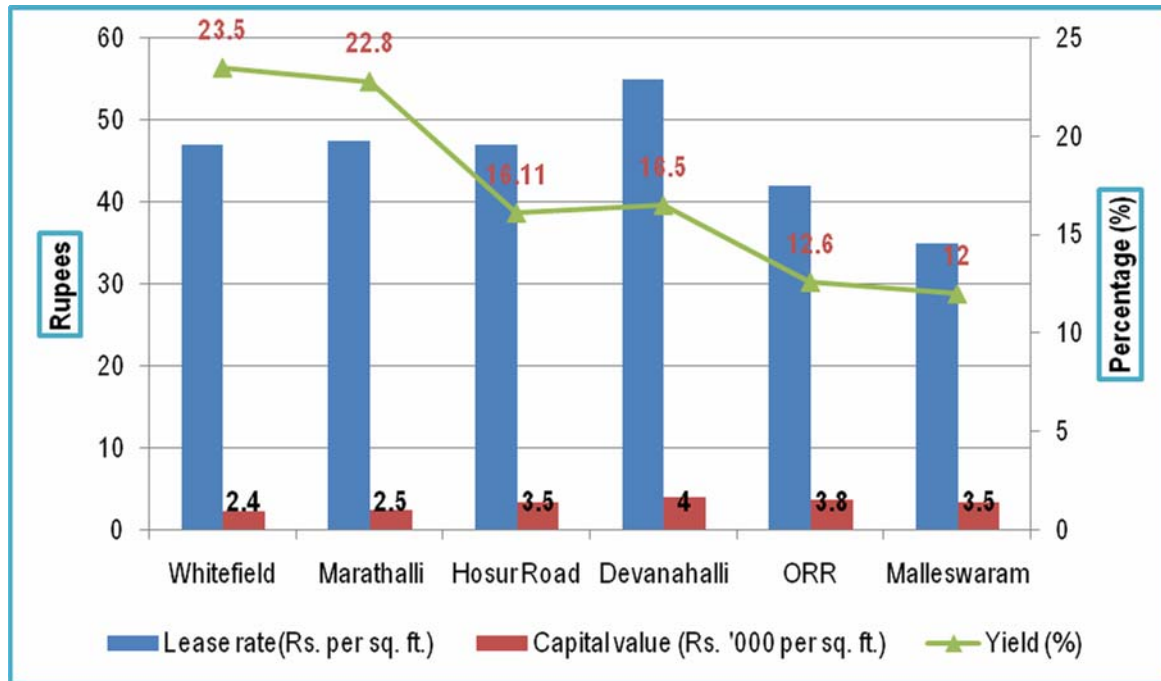
North Bangalore	45	46
Grade A		

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Comparison of Lease Rental, Capital value and Yield (April '09)



Capital value and lease rental value for office space in CBD area saw stagnation in last month.

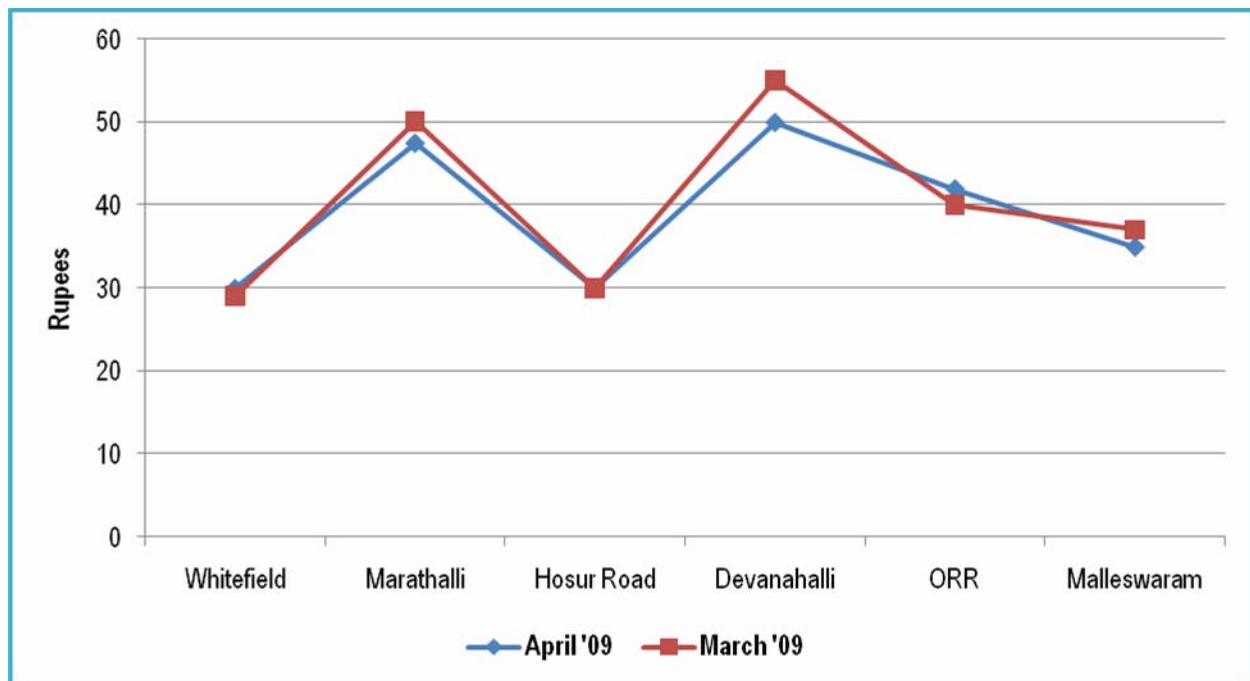
Non CBD areas like Kormangala, Indiranagar saw a marginal decline in lease rental to an extent of 15%. The peripheral business district (Whitefield, ORR) saw a decline of 6-7% in lease rentals.

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Comparison of Lease Rental (April '09 and March '09)



Despite low leasing and no fresh absorption taking place the peripheral markets such as ORR, Whitefield witnessed an appreciation of approx. 4% due to more offices shifting towards this region. There is limited availability of new Grade A building as well as secondary buildings have few vacancies.

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CAPITAL VALUE

Capital values at some of the major locations in Bangalore are as follows:

Location	Capital value (Rs. '000 per sq. ft.)
Whitefield	2.2-2.8
Hosur Road	3-3.5
Marathalli	2.5-3
OMR	1.7
ORR	3.8-4.4
Malleswaram	8
CBD	8-10

Capital values in the central business district (CBD) area ranges between Rs 8000 and Rs 12,000 per sq ft; in the suburban business district (SBD) it is between Rs 4,000 and Rs 6,000 per sq feet and in peripheral business district (PBD) Rs 2,250 and Rs 3,000 per sq ft.

Commercial rates, which had been rising in value by as much 37 per cent has come down to 12 per cent. Developers and brokers are of the opinion that office space has been lying vacant in some areas for more than 5 to 6 months.

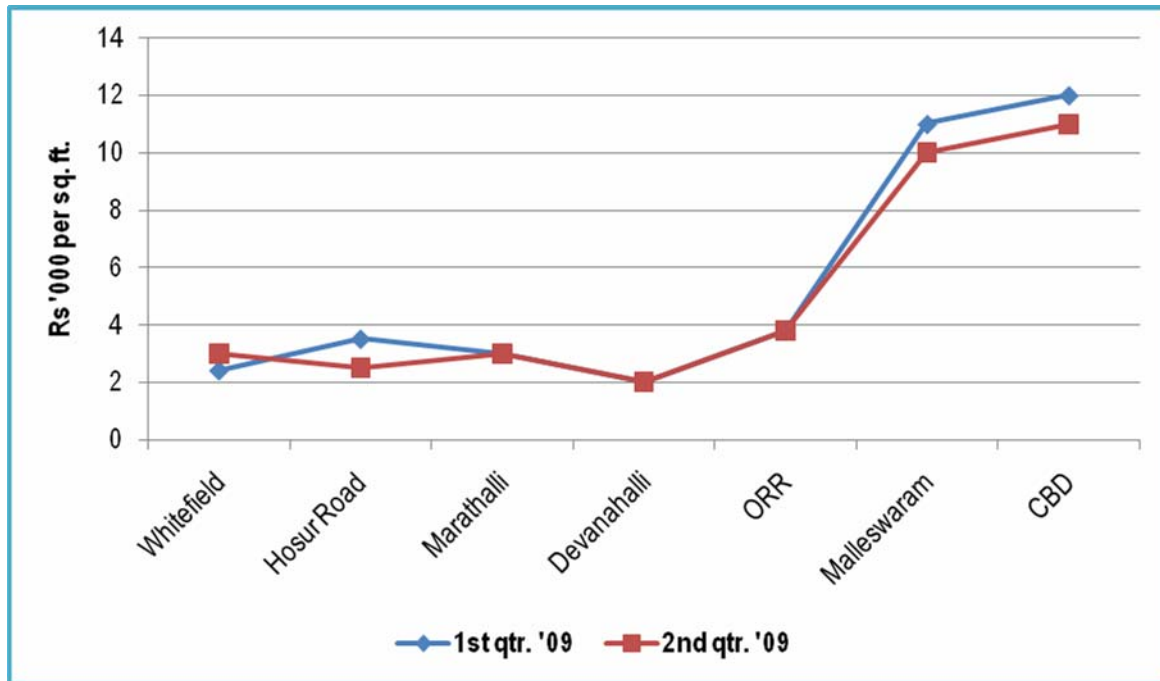
A very renowned developer in Bangalore has approximately 4 million sq. ft. of area lying vacant.

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Comparison of Capital value (1st qtr. '09 and 2nd qtr. '09)



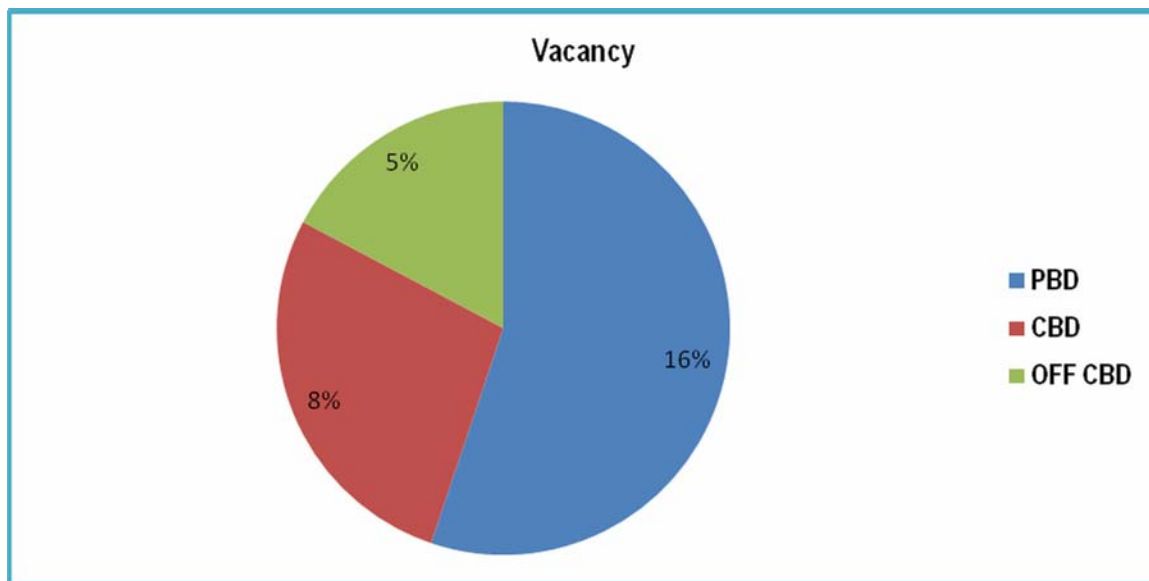
Locations such as Marathalli, Devanahalli and ORR have stabilized capital value this month. There is no change. Capital values of places such as Whitefield, Hosur Road Malleswaram have experienced a fall in capital value to an extent of 20%.

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VACANCY RATES:



Average vacancy in Bangalore has increased to an extent of approximately 18%. In peripheral markets such as ORR, there has been a steep increase in vacancy of 25%. CBD and OFF CBD locations witnessed a vacancy of 8% and 5% respectively.

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UPCOMING PROJECTS

Project/Developer	Location	Area (sq. ft.)	Status
Akash IT Park	ORR	200000	2009
Nitesh Timesquare	MG Road	120000	2009
Nitesh Madison Square	CBD	500000	2009
Brigade Tech Park	Airport Road	440000	Complete
Brigade North Star	Malleswaram	1000000	June '09
Summit (Brigade)	Mahadevapura	800000	-
Mantri Cornerstone	Indiranagar	525000	-
Prestige Shantiniketan	Whitefield	3.5 million	2 nd qtr. '09
Prestige Exora	Marathalli	2040000	1 st . qtr. '10
Renaissance 1 st Phase Technology	Whitefield	150000	Complete

Prestige Exora at Marathalli Road which is projected to be complete in 1st qtr. 2010 is a completely leased out property.

1st Phase Technology in Whitefield has a lease rate of approx. Rs. 25-30 per sq. ft.



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There is 63000 sq. ft. vacancy in Prestige Libra at Lalbagh Road in Bangalore. 100% occupancy is not seen in many buildings in Bangalore.

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LATEST DEALS

However leasing activities in whole Bangalore has slowed down in this period due to limited supply coming up and lack of availability of Grade A office space.

There have been approximately 3-4 leasing transactions of approx. 300000 sq.ft. in the last quarter. Whitefield has considerable amount of ready Grade A space and this has kept the rental values under pressure. This quarter is witnessing very few transactions.

- 28000 sq. ft. has been leased out to IT Company in Whitefield.
- 160000 sq. ft. has been leased to supply chain software solutions provider.
- 85000 sq. ft. has been leased out to IT solution provider company.
- 56000 sq. ft. has been leased out to a Video Solutions Company.



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