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**Overview**

- The Reserve Bank of India kept key policy rates unchanged in its December Monetary Policy review. Though inflation slowed in December to 7.24% YoY from 7.45% in the previous month, partly due to the easing in the rate of food price rises. However, manufactured products inflation edged up from November and the consumer price inflation (CPI) remained high at 9.9% YoY.
- While the RBI kept the key rates and CRR rate unchanged it clearly stated that given the expectations of inflation moderating, the policy will shift its focus towards growth.
- Concerns over the rupee remained, with the rupee depreciating to 54 levels at the year end from 51 levels in October. Despite healthy FII inflows in 2012, weakness in the rupee continues to persist due to risks emanating from high deficits on the external and fiscal account.

**Residential Overview**

- The residential markets witnessed a slowdown in transaction activity in NCR as well as Mumbai markets compared with the previous month. The slowdown could be attributed to the New Year holidays and the unabated rise in prices.
- The NCR markets witnessed a migration of interest towards New Gurgaon from the Dwarka Expressway belt which has been witnessing an escalation in prices beyond the affordable range.
- Pune witnessed marginal increase in prices while in Bangalore the markets remained steady in terms of prices and transaction volumes. The markets witnessed an increased interest in the affordable category in Bangalore.

**Commercial Overview**

- The commercial markets remained slow paced with stagnancy in rentals across most cities. The Central Business District (CBD) of Nariman Point witnessed substantial decline in rentals. A marginal spurt in demand from the SME segment was witnessed while pharmaceutical companies, BFSI companies and Infrastructure companies continued to be the key space occupiers in Mumbai.
- In Gurgaon markets, Sohna Road witnessed marginal increase in transaction activity on account of lower price points
- Bangalore parks witnessed a movement of companies out of Electronic City towards ORR. In Pune, the CBD of MG Road, Koregaon Park, Bund Garden, Kalyani Nagar, Dhole Patil, FC Road and JM Road observed an increase in transaction activity as compared to the previous quarter.

**Residential Roundup**

| City             | TOP 7 CITIES : RESIDENTIAL KEY TRENDS  |
|------------------|--|
| <b>Mumbai</b>    | <p>The Mumbai markets witnessed a marginal slowdown in transaction activity compared with the festive season of the previous months. Launches have been slow and builders have resorted to innovative schemes like the 20:80 scheme and IPO like allotments for pushing sales. Lack of certainty prevailed in the developer's minds on whether to quote the rate on the carpet area or the super built up areas. The increase in the ready reckoner rates may see a marginal hike in home prices.</p> <p>Some projects were launched by Jaycee Developers at Dahisar (INR 6750 psf) and Mira Road (INR 5,000-6,000 psf). Omkar Developers project Alta Monte saw healthy transaction activity. The project, spread over 17 acres, will have a slum rehabilitation portion of 25 lakh square feet and a saleable portion of another 25 lakh sqft.</p> <p>MCHI – CREDAI's Navi Mumbai – Raigad expo witnessed an overwhelming response with over 1,00,000 footfalls. Navi Mumbai was the most preferred destination for home buyers. With around 150 stalls, 100 developers and 10 housing finance companies and banks participating, the walk-in customers in the expo found an array of properties displayed. Lodha group is planning to sell its upcoming premium residential project in Worli (Code name – Blue Moon) and will be distributing applications along with prospectus from the first week of Jan 2013, in a first of its kind IPO like allotment.</p> <p>Inordinate delays in land acquisition and clearances for the second airport in Mumbai may lead to the project seeing completion only in 2017.</p> |
| <b>Delhi NCR</b> | <p>Gurgaon</p> <p>Gurgaon markets witnessed a few new launches in the Dwarka Expressway and New Gurgaon micro-markets. DLF launched Sky Court in sector 86, New Gurgaon at a price point of INR 6,550/sft. Paras Group launched its project Paras Quartier in Gwal Pahari at 10,000/sft. Project launches/pre launches in Dwarka Expressway by Puri Developers and M3M Group were also witnessed in the month of December 2012. The overall market remained moderate in terms of volume of transactions, primarily because of prevailing high price points. The initially affordable Dwarka Expressway belt has also appreciated to slightly higher levels. Maximum transactions were witnessed in the New Gurgaon belt of the city, which offers products at moderate prices vis-à-vis the other prominent locations of Gurgaon. Golf Course Road and Golf Course Extn. Road locations did not see significant traction during the month. While the capital values have remained stable in most of the micro-markets, Dwarka Expressway witnessed an appreciation of approximately 10-15% in certain projects.</p> <p>Noida</p> <p>No new significant launches were witnessed in the Noida, Greater Noida markets in the month of December 2012. The maximum transactions happened in the Noida Extension, existing projects of Noida Expressway and Yamuna Expressway micro-markets. Capital/ rental values have remained stable across the city.</p>  |
| <b>Bangalore</b> | <p>Bangalore markets remained steady in terms of prices and transaction volumes. The markets witnessed an increased interest in the affordable category. Prudent Housing of the Purvankara group announced the launch of homes in the INR 25 lakh category on Mysore Road. Tatas are set to launch homes in the INR 30 lakh category on Tumkur road while Pashmina Developers are launching homes in the INR 15 lakh category near the Old Madras Road. This was a change in trends from the previous few quarters where most of the launches were witnessed in the premium category. In December some of the projects launched include Ashed Properties' Hennur Road project (INR 5750 psf) and Godrej E City Phase II at Electronic City (INR 3500 psf).</p>   |
| <b>Chennai</b>   | <p>The region along OMR is witnessing a traction in sales with new launches witnessed in the affordable and mid-segment category. The micro-market of Porur remained attractive with property prices of reputed builders consolidating at INR 5500 psf. The peripheral regions of OMR and GST are witnessing the development of affordable villas in the price range of INR 35-60 lakh. The upcoming festive season of Pongal is expected to boost sales.</p>  |
| <b>Hyderabad</b> | <p>The Hyderabad markets reflected a trend towards a gradual phase of recovery. Gachibowli witnessed development of products in the price-band of INR 3,000 psf-INR 4,000 psf, depending on the location, builder and specifications. Recent launches in this region received the desired response. The micromarket of Kavadiiguda, in Marredpalli East Hyderabad, is witnessing the infusion of fresh supply in the higher mid-segment. The products are in the price-band of INR 4,000 psf-INR 4,700 psf depending on the location, builder and specifications.</p>  |
| <b>Pune</b>      | <p>Capital values in Baner, Hinjewadi, Wakad, Kothrud, Bavdhan and Warje have experienced a marginal increase of 1-2% from previous quarter. Parallel areas such as Magarpatta, Hadapsar, NIBM, Undri, Pimpri-Chinchwad and Chakan have contributed with a marginal increase between 6-9% quarter on quarter. This change is attributed mainly to steady demand and fast developing areas particularly within North and South. Capital values remained stable in all other micro markets in Pune.</p> <p>There has also been an increase in the demand from both domestic and international investors. In 2013, residential catchments in proximity to commercial hubs are likely to witness capital appreciation owing to demand for these locations. Locations such as Kharadi and Wagholi are likely to see capital appreciation, especially in mid-end segment, due to its closer proximity to the city, whereas, locations such as Baner, Wakad, Mahalunge and Balewadi are likely to witness capital appreciation on account of rapid infrastructure development by PCMC.</p>  |
| <b>Kolkata</b>   | <p>Few new launches were witnessed in the city. Surekha Group launched 'Sunrise Heights' at Sealdah in central Kolkata at approximately INR 6,800/sft. Mayfair Group launched its projects at Narendrapur, south Kolkata, offering units in the range of INR 2550 – 2900/sft. Launches were also seen by the Alcove Realty at Jessore Road in north Kolkata. The overall transaction activity remained subdued in the city, from mid-December onwards due to prevailing inauspicious time as per the Bengali calendar. The activity shall likely pick-up from mid-January onwards. The capital/ rental values remained stable across.</p>  |

Source : ICICI PSGs Channel Sources

**KEY RESIDENTIAL PROJECT LAUNCHES**

|           | PROJECTS               | DEVELOPER            | LOCATION             | CAPITAL VALUE (INR / SQ.FT.) |
|-----------|------------------------|----------------------|----------------------|------------------------------|
| Bangalore | La Majada              | Ashed Developers     | Hennur Raod          | 5,750                        |
|           | Godrej E City Phase II | Godrej               | Electronic City      | 3,500                        |
| Delhi NCR | Paras Quartier         | Paras Group          | Gwal Pahari, Gurgaon | 10,000                       |
|           | Sky Court              | DLF                  | Sector 86, Gurgaon   | 6,550                        |
|           | Emerald Bay            | Puri Constructions   | Sector 104, Gurgaon  | 7,000                        |
|           | M3M Woodshire          | M3M                  | Sector 107, Gurgaon  | 5,450                        |
| Chennai   | Navins Starwood        | Navins               | Vengaivasal          | 4,250                        |
| Mumbai    | Signature              | Chaubey Realities    | Dahisar              | 10,000                       |
|           | Sumukh Hills           | Yogsiddhi Developers | Kandivali E          | 9,000                        |
| Hyderabad | Necklace Pride         | Salarpuria           | Kavadiiguda          | 4,590                        |
|           | N A                    | Mahindral lifespaces | Kukatpally           | 3,500                        |
| Pune      | Ayana                  | Dreams group         | Talegaon             | 2,400                        |
|           | Grandeur               | Pride Group          | Balewadi             | 7,500                        |
|           | Eira                   | Siddhashila          | Punawale             | 4,500                        |
|           | Souvenir               | Saarathi             | Baner                | 5,000                        |
|           | Eco City               | Namrata Group        | Talegaon             | 2,600                        |
| Kolkata   | 33 Keshavkunj          | Crystal properties   | Mundhwa              | 4,125                        |
|           | Sunrise Height         | Surekha Group        | Sealdah              | 6,800                        |
|           | Greenwoods             | Mayfair Group        | Narendrapur          | 2,900                        |
|           | Whitefield             | Mayfair Group        | Narendrapur          | 2,550                        |
|           | Regency                | Alcove Realty        | Topsia               | 9,500                        |

Source : ICICI PSGs Channel Sources

**KEY MARKET TRENDS**

| City             | TOP 7 CITIES : COMMERCIAL AND RETAIL KEY TRENDS  |
|------------------|--|
| <b>Mumbai</b>    | <p>Mumbai commercial markets witnessed stable rentals and yields continued to hover at 8-10% pa. Rental values of the commercial property are expected to remain stable under construction supply in the pipeline is expected to enter the market in the near future. There was a spurt in demand from the SME segment while Pharmaceutical companies, BFSI and Infrastructure companies continued to be key occupiers of space. 20:80 schemes were launched by Lodha for its 'Supremus' project and the innovative 30:70 scheme was launched by the Wadhwa Developers for their project 'Capital' at BKC.</p> <p>Rentals in the CBD markets saw a slowdown with continued movement towards the SBDs.</p> <p>The micro-markets of Worli and Prabhadevi witnessed limited transaction activity; with absorption recorded at a meager 15,000 sq ft. Rental values were stable in Lower Parel, Worli &amp; Prabhadevi. Existing vacancy pressures contributed to a stagnation in rental movement, with developers willing to lease spaces at existing levels.</p> <p>The demand for prime retail space continued to remain strong in high street markets such as Linking Road, Colaba Causeway and Breach Candy. International automobile majors such as Mini Cooper, Lamborghini and Volkswagen continued to be key occupiers of retail space with these brands opening their independent showrooms spread over an area of 2,500 – 12,000 sq ft.</p> <p>Mini Cooper opened its flagship showroom at Santacruz (W) and Lamborghini and Volkswagen took space at Prabhadevi and Hughes Road respectively. Steady demand levels and limited supply led to a marginal rental increment of 3-6% in leading high street locations of Linking Road, Colaba Causeway. In the organized retail mall segment, rental values in Western Suburbs witnessed stabilization due to limited supply and churn of Grade A space in these projects. Upcoming malls such as Phase-II of R-City at Ghatkopar, Magnet Mall at Bhandup and Market City at Kurla, all in the Eastern Suburbs of Mumbai, have observed increased occupancy levels with brands launching their maiden stores in these malls.</p> |
| <b>Delhi NCR</b> | <p>Ocus Group launched a commercial/retail project in sector 99, Dwarka Expressway at INR 6,950 – 12,900/sft. Moreover, various projects are in the pipeline to be launched in the upcoming quarter. The markets have remained subdued in terms of sales/leasing activity. Sohna Road followed by the Golf Course extension Road saw a few leasing transactions during the quarter. The vacancy levels remained low in the GCR and MG Road region, however, a slight decrease in the high vacancy levels of Sohna Road was seen. The heightened leasing was primarily because of lower price points at the Sohna Road.</p> <p>No significant new commercial launches were witnessed in the Noida markets. A Capital project 'Mist Avenue', by Bhasin Infrastructure was launched along the Noida Expressway belt. Capital/ rental values remained stable across and no major takers of commercial spaces were noticed during the quarter.</p> <p>From the retail perspective, the markets remained subdued. Moreover, the rentals have also been stable during the quarter. Leasing activities were witnessed in the under-construction Nitech's Garden Galleria mall at Noida. Of late, 'Zara' has pre-leased a large space in the mall.</p>  |
| <b>Bangalore</b> | <p>The Bangalore commercial markets witnessed the continued flow of office space occupiers out of the CBD towards the suburbs. The phenomenon was also seen in Electronic City from where companies moved towards ORR (Manyata or Sharjapur locations). Some technology companies were seen scouting for land near the airport for building their own campuses.</p> <p>The retail markets saw property consultants in search of spaces for the large retail players like Walmart who are expected to come in soon. Retailers including those in warehousing are looking for spaces in Sharjapur and Whitefield areas. While the second phase of Phoenix market city, Whitefield, is yet to get completed the first phase continued to do well. Inorbit at Whitefield is yet to see full occupancy. A few malls in K R Puram and Sharjapur have been put up for sale. Blackstone, a private equity fund, was reported to be in parlay advanced talks to buy one of the largest IT park developments, Bangalore-based Vrindavan Tech Village, paying up roughly between INR 800-900 crore (\$160 million).</p>   |
| <b>Chennai</b>   | <p>The malls located in the CBD region witnessed an appreciation in rental values during the last quarter, primarily driven by a lack of quality supply. The region along the Velachery-Bypass has seen rentals firming up. The Phoenix Market City Mall at Velachery is expected to become operational shortly. In the commercial markets, the markets of Taramani, GST Road and the IT/ITES belt of OMR witnessed absorption of existing supply.</p> <p>There remains an inherent demand for spaces within SEZs which are heading towards completion. The market is expected to remain fairly stable, with a possible correction in rentals along the peripheral regions due to availability of ready-to-move facilities.</p>  |
| <b>Hyderabad</b> | <p>In the commercial markets, transactions were witnessed in the IT/ITES belt of Madhapur. The Hyderabad markets witnessed infusion of Grade-B properties in the micromarkets of Begumpet, Somajiguda and surrounding areas. The rentals and capital values remained fairly stable during the last quarter. The retail markets in Hyderabad remained fairly stable during the last quarter, along most high-streets and malls. Locations like Habsiguda, A.S.Rao Nagar and Dilshuknagar are attracting retailers due to the presence of an existing catchment and attractive rentals along these regions.</p>  |
| <b>Pune</b>      | <p>The areas of JM Road, MG Road and Aundh observed an increase in demand for retail space and witnessed retailers such as Puma, Helios, Reliance Digital, Amarsons, Paver's England, Louis Phillipe, Van Heusen and Stanley Leathers taking up space during this review period. Other retailers which opened stores include Central (opened up its third outlet in Erandawane), Brand Factory (in Mukund Nagar) and Reliance Mart (opened its biggest format in Aundh). The Central Business District (CBD) of MG Road, Koregaon Park, Bund Garden, Kalyani Nagar, Dhole Patil, FC Road and JM Road observed an increase in transaction activity as compared to the previous quarter.</p> <p>However, rental values in Koregaon Park remained stagnant due to increasing congestion, enhanced traffic flow, insufficient parking space and lack of food license for few leading F&amp;B operators in the location. Rental values in the organized mall segment remained stable due to large supply across the Eastern Corridor.</p>   |
| <b>Kolkata</b>   | <p>The Kolkata commercial markets witnessed very moderate activity. The rental/capital values remained stagnant during the quarter, while vacancy levels remained high. Demand for offices remained subdued on account of high rental points in the city. Few commercial/retail launches were witnessed by some category B/C developers.</p>   |

Source : ICICI PSGs Channel Sources

**KEY COMMERCIAL AND RETAIL MARKET TRANSACTIONS**

|           | TENANT                       | BUILDING NAME             | LOCATION                        | OUTRIGHT / LEASING | AREA (SQ.FT.) |
|-----------|------------------------------|---------------------------|---------------------------------|--------------------|---------------|
| Bangalore | No Major Transactions        |                           |                                 |                    |               |
| Delhi NCR | Zara                         | Unitech Gardens Galleria  | Noida                           | Leasing            | 40,000        |
|           | Starbucks                    | Unitech Gardens Galleria  | Noida                           | Leasing            | 5,000         |
|           | Food Hall                    | Unitech Gardens Galleria  | Noida                           | Leasing            | 45,000        |
|           | A2Z                          | Vatika Professional Point | Golf Course Extn. Road, Gurgaon | Leasing            | 3,500         |
|           | Striker                      | Vatika Business Park      | Sohna Road, Gurgaon             | Leasing            | 15,000        |
| Chennai   | Arcent Technologies          | ASV Chandililya           | Thoraipakkam                    | Leasing            | 2,00,000      |
|           | CSS Corp                     | Shriram Gateway           | Perungalathur                   | Leasing            | 1,00,000      |
|           | Ajuba Solutions              | AKDR Techpark             | Thoraipakkam                    | Leasing            | 68,000        |
| Mumbai    | ING Vysya                    | Inizio                    | Andheri                         | Leasing            | 7,420         |
|           | Apollo Munich                | Inizio                    | Andheri                         | Leasing            | 10,000        |
|           | Axis Securities              | LBS 15                    | Kurla                           | Leasing            | 33,000        |
|           | Carrier                      | LBS 15                    | Kurla                           | Leasing            | 11,000        |
|           | Reliance Digital             | Times Square              | Andheri                         | Leasing            | 33,000        |
|           | Finatisis                    | LBS 15                    | Kurla                           | Leasing            | 5,000         |
|           | VMC Refulatory Sols Pvt Ltd. | Free Press House          | Nariman Point                   | Sale               | 29,915        |
| Hyderabad | AMD                          | KRC Mindspace             | Madhapur                        | Leasing            | 1,68,000      |
|           | Kantar Operation             | THEV (Orion)              | Madhapur                        | Leasing            | 33,000        |
| Pune      | Mc Donalds                   | Standalone                | Thergaon PCMC                   | Leasing            | 7,000         |
|           | Mc Donalds                   | Standalone                | Pimple Saudagar PCMC            | Leasing            | 4,500         |
|           | Reliance Digital             | Standalone                | Satara Road                     | Leasing            | 10,000        |
|           | Reliance Digital             | Standalone                | Hinjewadi                       | Leasing            | 10,000        |
| Kolkata   | No Major Transactions        |                           |                                 |                    |               |

Source : ICICI PSGs Channel Sources

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