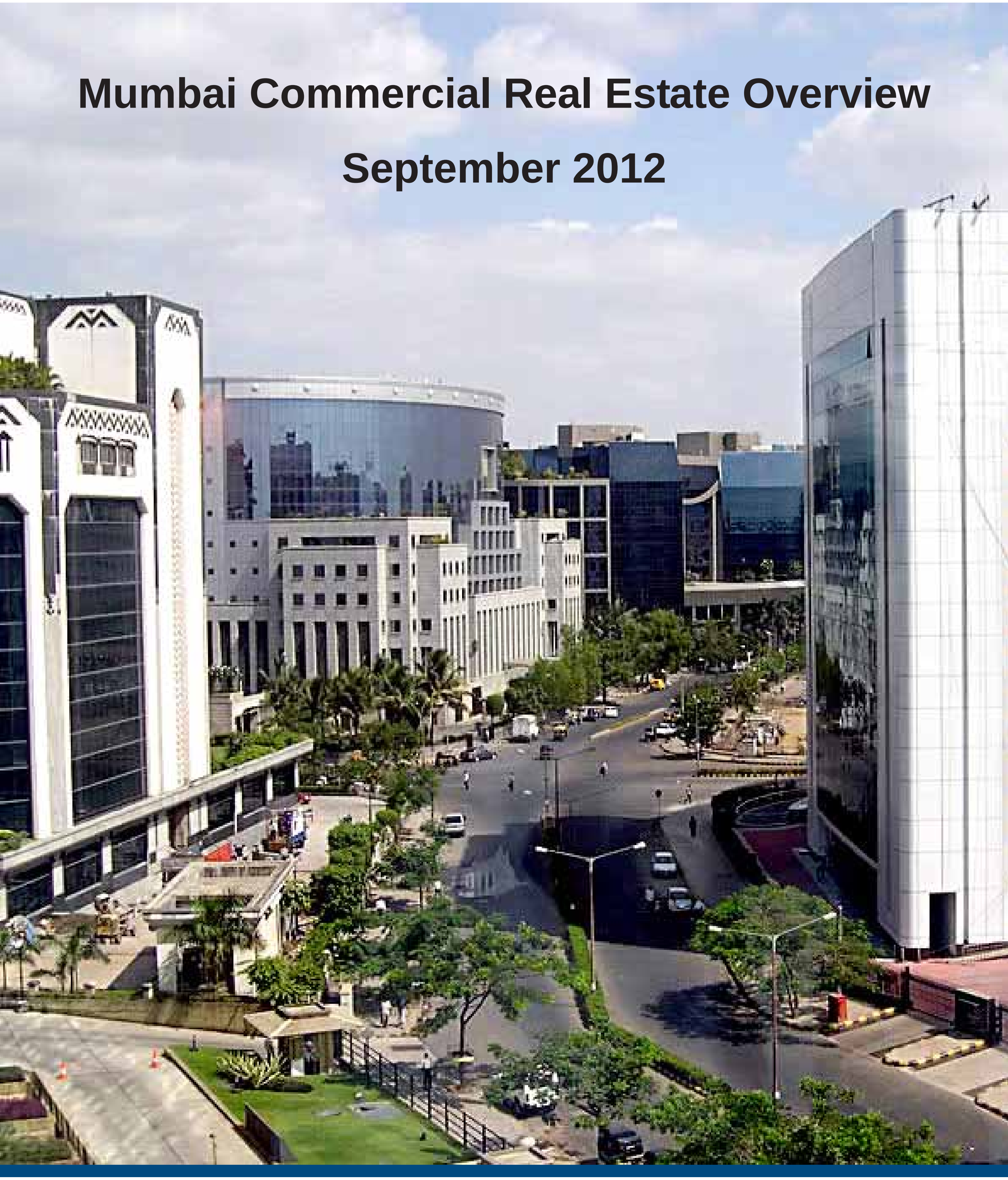
ICICI Property Services

(A division of ICICI Home Finance Company Limited)

Mumbai Commercial Real Estate Overview

September 2012



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The Mumbai Commercial Real Estate Overview, August 2012 provides an overview of the key trends in the commercial real estate markets in Mumbai. It is a compilation of the findings of an extensive survey covering various micro-markets in the Central Business District (CBD), Extended CBD, Emerging CBD, Secondary Business District (SBD) and the Peripheral Business District (PBD).

Some of the highlights of the report are:

- The macro-economic slowdown has impacted space absorption for commercial markets and there continues to be an oversupply. However, transactions of quality commercial spaces at strategic locations are continuing to take place.
- Despite the current slowdown, we maintain an optimistic outlook for the long term (50-60 months) on account of the expected pick-up in corporate activity and the inherent resilience of the Mumbai commercial markets.
- A yield of 8-10% p.a. seems to be a realistic expectation for a commercial real estate investor in today's market scenario. A certain category of investors are looking for a 12-13% p.a. yield, resulting in a slowdown in closures.
- Developers agreed unanimously that smaller the floor plates, faster is the absorption. With this trend, many developers are launching the concept of small office spaces (built up of 2,000-3,000 sq.ft).
- The shift from the brick buildings of Nariman Point to the glass facade buildings of Bandra Kurla Complex continues. BKC offers buildings with larger floor plates, ample parking and a 24-hour IT support.
- The profile of users of space in the Mumbai commercial markets saw a change with the dominance of IT/ITes and BFSI giving way to companies in media, telecom, consulting and logistics.
- Despite healthy absorption and a pick up in inquiries, rentals have remained stable across all the micro-markets due to availability of ample options across all the micro-markets.

Commercial buildings in Mumbai

The macro-economic outlook has been weak on account of decelerated GDP growth, viscosity in inflation and the rupee's downward spiral.

Headline Wholesale Price Index (WPI) inflation increased from 7.5% in April to 7.6% in May before moderating to 6.87% in July 2012. The stickiness in inflation, despite the significant growth slowdown, was largely on account of high primary food inflation, which was in double-digits during Q1 of FY 2012-13 due to an unusual spike in vegetable prices and sustained high inflation in protein items.

Gross Domestic Product (GDP) growth decelerated over four successive quarters from 9.2% in Q4 of FY 2010-11 to 5.3% in Q4 of FY 2011-12 and remaining flat at 5.5% in Q1 FY 2012-13. Significant slowdown in industrial growth as well as deceleration in services sector activity pulled down the overall GDP growth to 6.5 per cent for 2011-12, below the Reserve Bank's baseline projection of 7%. Moreover, exports fell 4.2% in May 2012 from an year ago, highlighting slowdown fears, after industrial growth came even in April 2012.

The EUR/USD pair was trading in the range of 1.26 and 1.21 in August 2012. Between August 1, 2012 and August 31, 2012, the currency pair gained 1.22%. The USD/INR pair traded at 55.41 at the end of August 2012, moving from 55.74 at the beginning of the month. In the past month the pair reached a low of 56.21 on August 2, 2012. The currency strengthened the most to 54.95 against the USD on August 7, 2012. Over the past few weeks the USD/INR pair remained range-bound avoiding the lows it touched in June 2012. However, since there is not much happening on the policy front in the domestic economy, the currency pair would look for fresh cues in the global economy. The currency gained on the global equity markets' rally as the ECB announced bond buying measures. Fundamental factors like the combination of fiscal deficit and current account deficit is exerting downward pressure on the rupee. However, the swiftness and intensity of the recent volatility indicates that in the recent months the INR had depreciated more because of global risk sentiments. The fundamental factors alone would have played out more gradually on the currency. In India, the high demand by oil importers who have to exchange rupees for dollars when they purchase crude also puts downward pressures on the currency. India imports around four-fifths of its crude oil needs to fuel its economy, so the high volume of energy imports is expected to maintain a downward pressure on the currency. However, with a moderation in oil prices the pressure on the currency from the external accounts might further reduce.

The RBI has cut the prime lending rates by 50bps in its annual monetary policy (announced on April 17), after a gap of nearly three years to prop up the economic growth. The RBI has, at the same time, warned of limited scope to reduce the rates further citing "upside risks" to inflation. Keeping in mind the heightened risks to inflation, the central bank decided to keep the key policy rates unchanged in the Mid-Quarter Review (MQR) of June 2012 and in the July 31 review, even in the face of slowing growth.

The overall slowdown in growth has definitely impacted absorption of commercial real estate in the Mumbai markets. However, our survey indicates that there is still a fair demand for good quality commercial spaces at strategic locations if the price points fit the lessee's budget.

A recent study by Team Lease Services in its latest employment outlook report for the July-September 2012 quarter, revealed that from a sector perspective, IT/ ITeS is looking down; while some of the traditional sectors like manufacturing, infrastructure and healthcare/pharma have scored over the previous quarter; probably due to a steady domestic demand.

Yield: 8-10% p.a.

Long Term	50-60 months	Cautiously Optimistic with respect to commercial real estate prices

According to Bloomberg data, companies in the BSE India Sensex 30 Index, profit margins increased from 17.56% in Q4 FY2008-09 to 49.41% in Q4 FY 2011-12 after remaining sluggish in Q4 FY 2009-10 (18.43%) and Q4 FY 2010-11 (19.1%). Moreover, the sales per employee after dipping from INR 48.2 million in Q4 FY 2008-09 to INR 27.2 million in Q4 FY 2010-11 has recorded an increase to INR 30.9 million in Q4 FY 2011-12.

According to Bloomberg data, companies in the Nifty Index, profit margins registered a dip from 69.27% in Q4 FY 2008-09 to 21.66% in Q4 FY 2010-11. However, they have recovered to 49.78% in Q4 2011-12. Moreover, sales per employee after dipping from INR 45.6 million in Q4 FY 2008-09 to INR 26.8 million in Q4 FY 2010-11 has registered an increase to INR 29.3 million in Q4 FY 2011-12.

Hence, tracking the recovering profit margin and sales per employee figures, we maintain an optimistic outlook over the longer run, with a yield expectation of 8-10% p.a. However, we maintain caution owing to the looming weak global economic scenario.

- **What are the commercial real estate market demand and supply dynamics?**

  Commercial real estate markets in Mumbai are moving at a very sluggish pace. Rentals have corrected by 30-40% over a five-year period across most business districts in Mumbai. In the current market scenario there is a distinct difference between the quoted rental price and the rentals at which the deal closes. This is predominantly owing to the current economic slowdown. However, there is confusion in the market over whether the sector has bottomed out or is to see a further dip. While Indian companies are seeing the low capital values as an opportunity to create a long term real estate asset base and provide location stability MNCs are still opting for entering into lease agreements.

  There is an oversupply scenario across business districts in the `readily-available' office supply category. Absorption is estimated at approximately 50 lack sq.ft. per annum.

- **Is there an investor expectation mismatch with market fundamentals?**

  A yield of 8-10% p.a. seems to be a realistic expectation for a commercial real estate investor in today's market scenario. However, during our survey it emerged, that numerous transactions are falling through as the investors are looking for a 12-13% p.a. yield.

  However, there is also a category of investors who are happy to settle for a yield of 8-8.5% p.a. They fear that if their yield return is too high, the tenant may opt out of the contract post the lock-in period. Stability of the tenant and assured rentals are the top-most priority for this category of investors.

  During the survey, we witnessed that there is a higher demand in the pre-leased category as compared to the bare shell property segment, as the investor does not wish to take the risk of continued vacancies and loss of rentals.

  High Net Worth individuals (HNIs) investing in commercial properties range from the salaried class looking at an investment corpus of INR 2-5 crore, to the business class ranging from INR 8-10 crore. Most of the investors are looking at pre-leased properties.

- **Small Office Spaces Witnessing Absorption**

  During the survey, developers unanimously agreed that smaller the floor plates, faster is the absorption. Tracking this development, many developers are launching the concept of small office spaces as the demand is relatively high in this floor plate segment. In fact, even within larger floor plates, developers are earmarking areas for smaller office spaces where small architecture firms, designers or chartered accountants are leasing/buying spaces.

- **User Profile Witnessing Change**

  A year ago, IT/ITes and BFSI were the key users of space in the Mumbai Commercial markets. We have witnessed that there has been a substantial shift towards Insurance, Pharma, Telecom, Media and Manufacturing as users of space.

- **The shift from the brick buildings of Nariman Point to the glass facade buildings of Bandra Kurla Complex continues**

  We witnessed the continuing trend of corporates relocating to office spaces in Bandra Kurla Complex as it is much closer to residential catchment areas. The Bandra Kurla Complex is connected to the Bandra railway station on the western railway line and Kurla railway station on the central railway line, which reduces the train travel time by 25-30 minutes v/s the commute to Churchgate station on the western railway line and Chatrapati Shivaji Terminus on the central railway line. Moreover, Mumbai domestic and international airports are located much closer to the Bandra Kurla Complex region (10-13 kms) compared with Nariman Point (25-30 kms from the airport).

  Bandra Kurla Complex offers buildings with much larger floor plates with modern international amenities including ample parking, spacious lounge area and round-the-clock IT support to name a few.

  The supply in Bandra Kurla Complex is highly regulated by the MMRDA and builders unanimously agreed that the area still has enough room for office space supply. It is estimated that it will take another 12-15 years for BKC to reach peak occupancy. The commercial development in the Bandra Kurla Complex is marked by the presence of private and government offices (state and central), banks, wholesale establishments, etc. The MMRDA has developed 19 hectares of marshy land in the `E'-block where a number of office buildings have been constructed and the latest addition is the `G'-block where the new international, finance and business centers are being developed.

  Nariman Point, on the other hand, is located on a strip of land reclaimed from the sea, on the extreme southern tip of Marine Drive in South Mumbai. It is considered to be the `Manhattan' of Mumbai and is the main financial district, housing most of the financial services and brokerage companies of both Indian and international origin. Apart from this, it is home to the key government offices and is in close proximity to the Reserve Bank of India.

- **Re-working of old lease agreements amid growth slowdown**

  In an attempt to retain their tenants some developers stated that they are willing to re-look at old rental agreements and re-settle the terms of the contract, in the wake of the economic slowdown which is impacting the profitability of corporates.

  Developers also stated that corporates are looking at a lump sum amount they would like to invest for their real estate requirements. This lump sum amount is usually no longer negotiable as they are not willing to stretch their budget on their real estate expenses. This amount (called 'All In' rentals in real estate parlance), should include all the parking expenses and maintenance charges apart from the gross rentals.

The Key Business Districts and their Distinct Trends

We have divided Mumbai into the Central Business Districts (CBDs), the Extended CBDs, the Emerging CBDs, the Secondary Business Districts (SBDs) and the Peripheral Business Districts (PBDs).

Given below are the key features of these business districts and their salient trends.

Key Locations - Nariman Point, Cuffe Parade, Fort, Churchgate

- The CBD of Nariman Point, Cuffe Parade and Churchgate, are ironically located in the southern most parts of the city and house the offices of most of the big corporates in India. A number of government institutions including the Vidhan Bhavan (Mantralaya), the power centre of Maharashtra, are also present here.
- The CBD was the first to develop and hence most of the companies, whether private or government set up their base here for better trade activities. The construction in this part of the city reflects old architectural designs and it has the distinction of being one of the most expensive office spaces in the world. The CBD of Mumbai is Nariman Point and its nearby areas Cuffe Parade, Churchgate and Fort can also be seen as part of CBD. Some of the best hotels of the city, like the Taj Hotel and the Oberoi Hotel are located nearby.

Some of the salient features are:

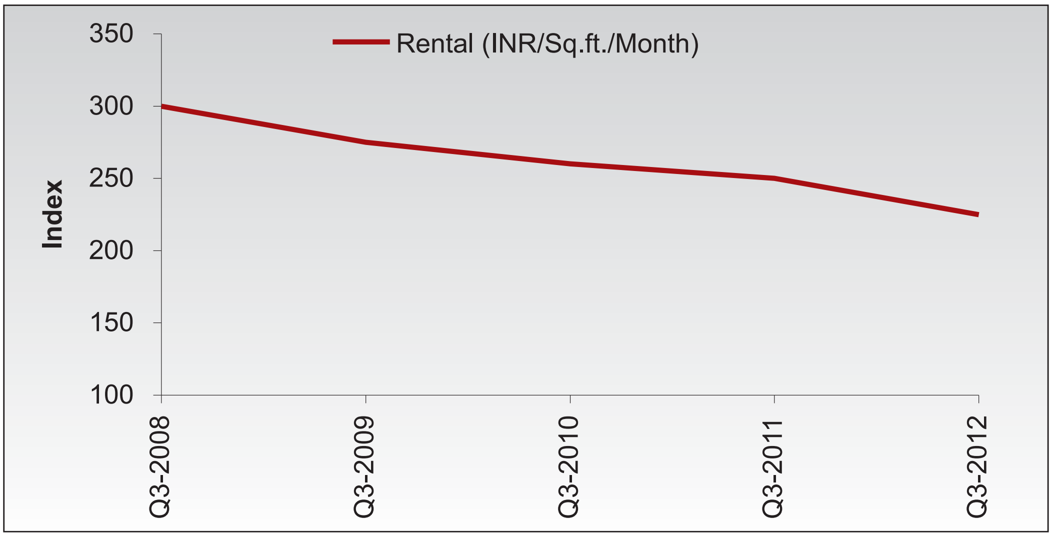
- **Accessibility:** Being the CBD, Nariman Point has the distinct advantage of proximity to the Western Line, Central Line and the Harbour Line Terminus Stations i.e. Churchgate and Victoria Terminus.

  However, the overload of passenger traffic in the Mumbai local trains, (the railway network is estimated to carry 4,700 passengers per 9-car train during peak hours, as against the rated carrying capacity of 1,700, which has resulted In a passenger density of 14-16 standing passengers per square meter of floor space) is increasingly being seen as a disadvantage of working in 'town' as the Mumbaikars call South Mumbai.
- **Infrastructure:** The basic infrastructure requirements for any commercial real estate districts are power, hotels, parking and telecommunication facilities. Parking issues are increasingly haunting the CBD of Mumbai. In addition, the buildings are old and worn out compared to the upcoming new structures in Lower Parel and BKC.
- **High End Residential Developments:** The development of commercial real estate in the CBD leads to the demand of high-end residential real estate in the nearby locations. As a result some of the best residential developments in any city would be in the locations surrounding the CBD. The areas surrounding the CBD of Nariman Point viz. Cuffe Parade and Colaba are privy to some of the most prime residential real estate in the city. At the early stages of development of the CBD, land was taken up by many government institutions for their own staff apartments. Thus many government institutions like the Indian Railways, the RBI and the Navy have their staff apartments in the vicinity of the CBD.
- **High Vacancy Levels:** The CBD is now witnessing an increase in vacancy levels due to the continued migration of corporates towards the extended and emerging CBDs.
- **Key Commercial Developers:** Some of the key developers present in the CBD are the Raheja Group, the Mittals and the Maker group.

Some of the distinct trends observed are:

- The CBD of Mumbai has historically enjoyed the highest rentals compared with the other business districts. Currently rentals at Ballard Estate and Fort are at INR 150-200/sq.ft. per month while Nariman Point/Cuffe Parade rentals stand at INR 150-300/sq.ft. per month.
- Within the various CBD locations, Nariman Point and Cuffe Parade demand a premium due to their offering better quality commercial spaces compared to Fort and Ballard Estate.
- After the economic slowdown and the existing tenants shifting to other locations for better rentals and quality office spaces a fall in rentals began with Q3 2010 witnessing rentals of INR 260/sq.ft. vis-a-vis Q3, 2009 at INR 275/sq.ft. In Q3, 2012, the average quoted rental is at INR 225/sq.ft.
- In the near future, the rentals are expected to remain stable due to limited supply and the continued migration of existing tenants. Capital values have witnessed a steady decline of approximately 3.5% from Q1 2011-Q1 2012.
- Capital values in the CBD are at INR 25-30,000/sq.ft. for Fort and Ballard Estate and at INR 30-40,000/sq.ft. for Nariman Point and Cuffe Parade. Small volume transactions have been taking place in the CBD, mostly by end-users.

Price Trends in CBD*



Source: PropEquity, ICICI PSG

**Note: The graph represents the weighted average price for Nariman Point, Cuffe Parade, Fort, Churchgate*

Commercial building in Ballard Estate

Key Locations - Lower Parel, Mahalaxmi, Prabhadevi, Worli

- The extended central business districts of Mumbai essentially comprises of Worli, Prabhadevi and Lower Parel. Most of this belt consists of manufacturing and textile units. With the passage of time, running these units became expensive due to increased labour and power costs. Thus, many of these units became sick.
- With the approval of the government, the mill owners after settling various dues of the mill workers and other statutory liabilities have entered into joint development with builders. This area has seen a lot of transformation in the quality of real estate. From being largely old world mill areas, these micro markets are fast transforming into quality office and retail spaces.

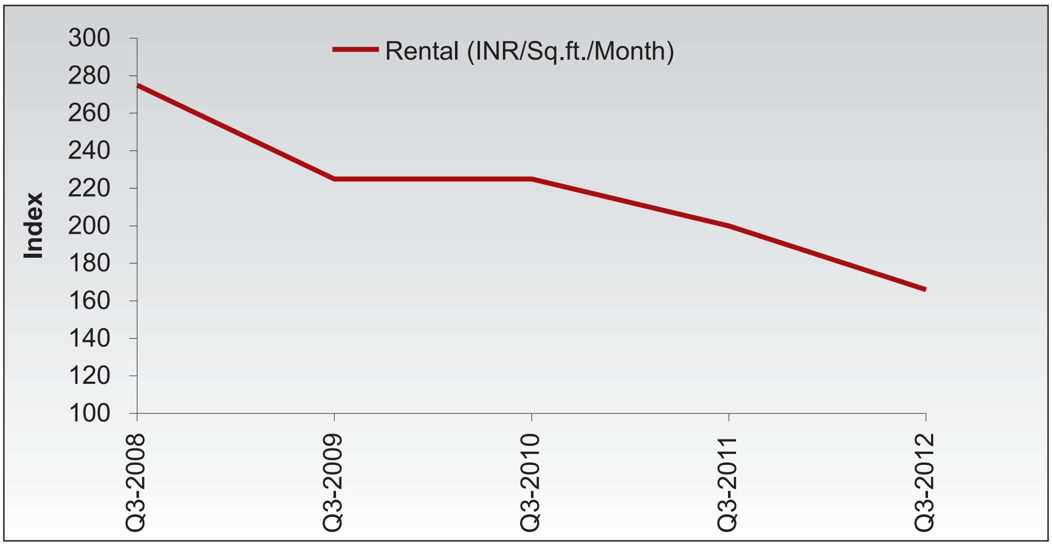
Some of the salient features are:

- **Transforming landscape:** The National Textile Corporation has huge chunks of mill land, which it is slowly disposing. In 2010, it disposed prime property at Worli to Indiabulls in deal sizes over INR 1,000 crores. Some of these mill lands are in the most prime locations like Lower Parel and Mahalakshmi and it is estimated that sale of land, (approximately 200 acres) to private developers, will release a lot of fresh supply into the market. The whole micro-market is slowly getting transformed from a mill area to high end commercial, residential and retail landscape.
- **Accessibility:** The Lower Parel region is closer to residential catchments compared with the CBD of Nariman Point. Its accessibility however, is lower than the accessibility of the CBD as the surrounding infrastructure does not support the commercial presence. Often there are water logging issues in these areas during the monsoons.
- **Maximum supply in Lower Parel:** While maximum commercial supply is available at Lower Parel, there are few new options for corporates at Mahalakshmi, Worli and Prabhadevi.
- **High End Residential Supply:** Mahalakshmi Race Course and Lower Parel are witnessing the growth of high end residential complexes.
- **Key Commercial Developers:** Some of the key commercial developers present here are the Peninsula group, Lodha, Marathon, Urmik, Kamala and Indiabulls.

Some of the distinct trends observed are:

- Lower Parel is a key hub for IT buildings. Proximity to high end residential apartments, retail malls also led to the growth in demand in Lower Parel. Current rentals range between INR 120-160/sq.ft.
- While the extended CBD provides a cheaper alternative to the CBD, infrastructure issues in Lower Parel like narrow approach roads and resulting traffic bottlenecks are plaguing tenants.
- The demand in Lower Parel continues to be from the manufacturing sector, BFSI, textile and media companies. Rentals have been on the downtrend and current vacancy levels at Lower Parel are at 30-40 per cent.
- Prabhadevi and Worli are witnessing rentals between INR 110-250/sq.ft. Capital values at Lower Parel/ Mahalakshmi range between INR 16,000-22,000/sq.ft. and at Prabhadevi/ Worli between INR 25,000-35,000/sq.ft.

Price Trends in Extended Central Business District*



Source: PropEquity, ICICI PSG

**Note: The graph represents the weighted average price for Lower Parel, Mahalaxmi, Prabhadevi, Worli*

Commercial building in Extended Central Business District

Key Locations: Bandra Kurla Complex, Kalina

- The growth of business with passage of time in any city leads to more and more corporate houses expanding in it. This growth could be due to various extraneous factors like government policies or could be an outcome of general economic growth. This demand-supply gap in commercial real estate, leads to newer concepts in town planning. These locations in any city, which have evolved due to such kind of paucity of space, are termed as emerging CBDs.

- The Bandra Kurla Complex in Mumbai is one such emerging CBD. As Mumbai is a linear city, BKC lies closer to the heart of the city geographically, compared to the older CBD of Nariman Point which lies at the southern most tip of the city.

- Bandra Kurla Complex is the first in a series of new growth centers that are planned in Greater Mumbai to help arrest further concentration of offices and commercial activities in South Mumbai. It provides an alternative location where future growth of offices and commercial activity can be absorbed and where some of the existing activities from South Mumbai can be relocated.

- In 1977, the MMRDA was appointed as the Special Planning Authority for planning and development of this complex. It stretches over 370 hectares of once marshy land on either side of the Mahim Creek. The area had poor surface drainage and was severely affected by the pollution in the Mahim Creek. The channelization of the creek to improve drainage and reduce pollution was one of the most important tasks undertaken by the government. Mithi River for about 6 km of its length from Mahim Causeway to C.S.T. Road Bridge and its tributary Vakola Nalla, for 2.5 km of its length, have been channelized for an average 60 meters and 40 meters bed widths, respectively, thereby improving the hydraulic features of these two important water courses in the BKC area.

Some of the salient features characterizing BKC are:

- **Better Management:** Being a more structured development the emerging CBD is more organised in terms of town planning. Important facilities like abundant parking, broad roads, abundant power supply to name a few, has been sufficiently taken care of at BKC.

- **Accessibility:** Better and well-planned roads have added to the easier accessibility of BKC. The Bandra-Worli Sea Link has eased the traffic flow from North to South Mumbai and reduced travel time between Bandra and Worli from 60 mins to 7 mins. The first to be completed and opened to public in 2008 is the Bandra-Kurla skywalk viz. 1.3 kms long connecting the suburban regions of Bandra and Kurla.

  The upcoming Santa Cruz-Chembur Link Road will enhance connectivity between the Western and Central suburbs.

- **Profile of Tenants:** BKC is characterized by a select group of corporate clientele which is more inclined towards taking up large spaces in order to consolidate their operations. A significant chunk of this clientele are new age companies mainly belonging to the ICE segment (Information Technology, Communications and Entertainment) segment. Banking and Financial institutions are also an important contributor to the tenant mix here. The banking companies are mainly multinationals or are new age private sector banks.

- **Architectural and Aesthetic Designs:** The passage of time has seen the emergence of new age architecture gracing the skylines of the emerging CBD. Earlier when the South Mumbai CBD was evolving, not much emphasis was paid to the exteriors of the building. But over the recent years, the outlook of corporate clients has changed. More and more corporates are realising the importance of taking up space in buildings which are aesthetically designed. Most of these corporates boast of an international clientele and a well-designed building makes the client feel at home.

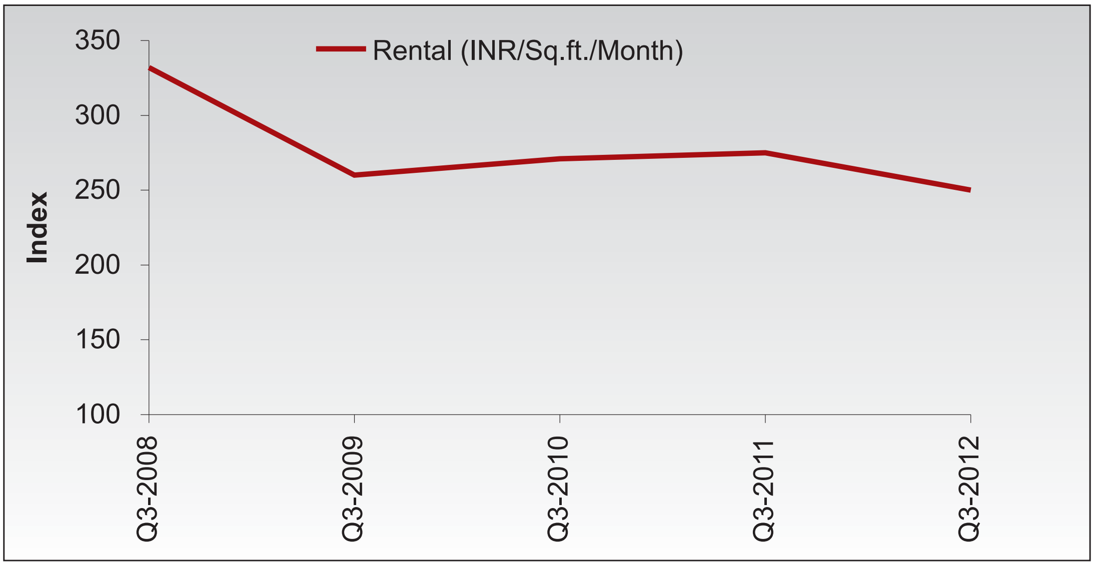
- **Key Commercial Developers:** The key commercial developers present here are the Maker group, Wadhwa, Rahejas, Parinee, Maker, TCG and the Naman group.

Some of the distinct trends observed are:

In terms of preference most corporates would like to be part of the main Bandra Kurla Complex, but with price points being highest here, they may have to settle for the adjoining locations of Bandra (E) and Kalina.

- While Kalina lies in close proximity there is not too much of upcoming commercial supply in this market. Kalina also faces certain infrastructure issues.
- Proximity to emerging high end residential development recently at BKC, has added to the up-market value of this micro-market.
- The tenant profile at BKC consists of mostly BFSI and Corporate Occupiers of space.
- Capital Values at BKC range between INR 30,000-35,000/sq.ft. while the same fall to INR 20,000-23,000/sq.ft. in Kalina. The rentals in BKC range between INR 200-300/sq.ft., while at Kalina they are at between INR 140-160/ sq.ft. Rentals witnessed a marginal appreciation between 2009 and 2010 because there was an increase in good quality supply in BKC.

Price Trends in Emerging Central Business District*



Source: PropEquity, ICICI PSG

**Note: The graph represents the weighted average price for Bandra Kurla Complex, Kalina*

Key Locations- Andheri, Kurla, Powai, Vikhroli, Kanjur Marg, Vidyavihar, Malad, Borivali

- Due to supply constraints and high price points in the CBD and Extended CBD, the secondary business districts of Andheri-Kurla have seen good transactions volumes in the commercial markets. The SBD micro-markets provide good connectivity from the Central/Harbour and Western suburbs.

Some of the Salient Features are:

- **Tenant Profile:** The Andheri Kurla stretch has been a hub of manufacturing and professional services and logistics due to its central location and proximity to the airport. High demand from companies like Consultancies, Airlines, Non-BFSI professional services are the growth drivers for this micro-market. The Santacruz Electronic Export Processing Zone (SEEPZ) offers excellent facilities to IT firms. The major driver at SEEPZ is the accessibility to both central and western line. In fact, the stretch is a mix of clients from various profiles.

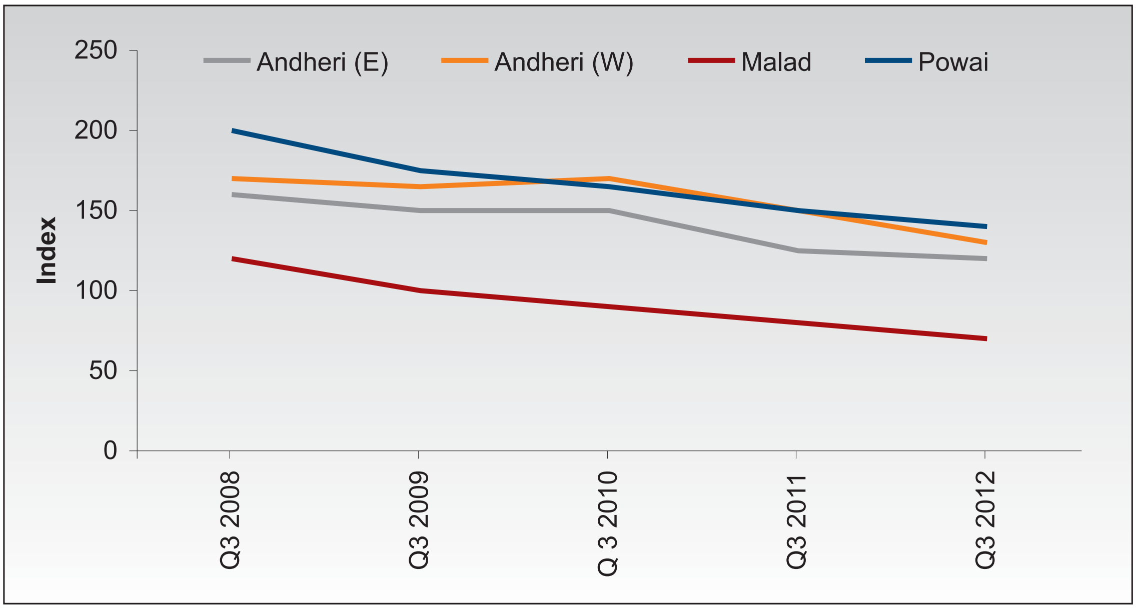
  The Malad-Goregaon stretch has been synonymous with the IT/ITES growth in Mumbai and due to its close proximity to residential areas has mushroomed as a BPO destination for Mumbai. Powai too has emerged as an IT/ITES destination.

- **Upcoming Infrastructure:** The upcoming Metro Rail between Versova-Ghatkopar will improve connectivity between the Western and Eastern suburbs.
- **Small Office Spaces Present:** A number of small office spaces are available in these micro markets which are being taken up by SMEs, Consultants, Chartered Accountants and Advocates.
- **Key Commercial Developers:** Some of the key commercial developers present here are the Rahejas, Kanakias, Peninsula, Phoenix, Neelkanth, Rustomjee, Godrej, HCG, Kohinoor, Nepture, Hiranandani and Kalpataru.

Some of the distinct trends observed are:

- Most of the micro markets witnessed a decrease in rentals due to oversupply in the commercial sector. Rentals at Powai and Kurla remained stable due to limited supply.
- The entire secondary business district can be divided into three zones in terms of rental trends. Areas along the Western Express Highway command a premium in rentals, compared with areas along the Andheri-Kurla road which are second in terms of preference. The areas beyond Chandivali, comprise the third segment where rentals are the lowest as they are furthest from the Western Express Highway.
- However, the maximum supply in commercial office spaces is available in the Andheri-Kurla belt and there is hardly any upcoming supply along the Western Express Highway.
- Andheri East commands rentals in the range of INR 90-140/sq.ft., while Andheri West starts at a slightly higher base of INR 100/sq.ft. Powai is currently commanding rentals between INR 100-120/sq.ft. while Vikhroli, Kanjur Marg and Vidyavihar are at INR 60-70/sq.ft.
- While capital value transactions along the Andheri-Kurla road have been few and far between,capital values at Andheri East have been at INR 9,000-14,000/sq.ft. and at Andheri West the range is between INR 15,000-23,000/ sq.ft.

Price Trends in Secondary Business Districts



Source: PropEquity, ICICI PSG

Commercial buildings in Andheri (E)

Key Locations - Airoli, Thane- Belapur, Ghansoli, Thane, Vashi

- Thane, Airoli,Vashi and Ghansoli form the Peripheral Business Districts. These areas have some good quality IT/ ITes supply, though it is scattered. Besides this, Navi Mumbai also has CIDCO as an organisation to promote setups in Navi Mumbai by offering various incentives (Capital subsidies, Interest subsidies etc.)

Some of the salient features are:

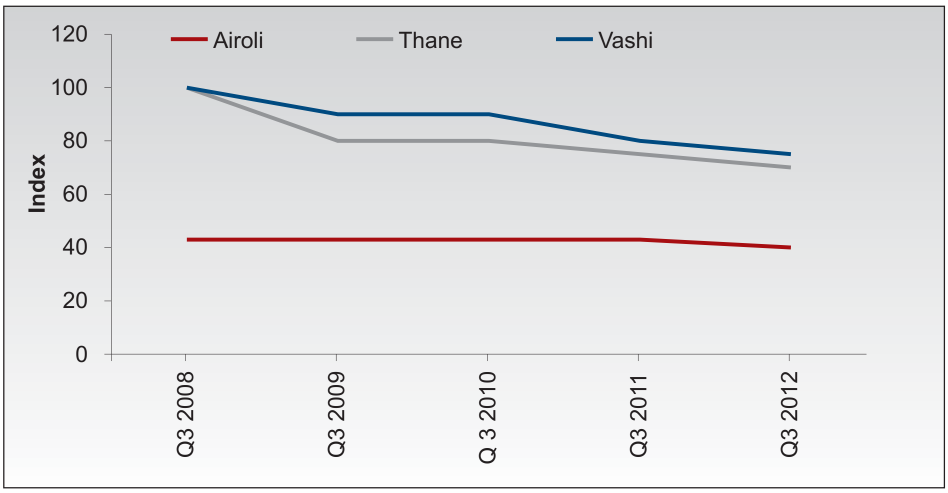
With over-congestion prevailing within the city and the suburbs, the Peripheral Business District has emerged as an answer to good quality spaces with large floor plates.

- **Accessibility:** Well planned and connected wide roads are one of major growth stimulators for these peripheral locations.
- **Profile of Tenants:** Thane and Navi Mumbai are prominent destinations for IT/ITES sector. Some of the prominent IT companies are Patni Computers stretching across Airoli-Vashi-Belapur, Reliance Knowledge park across Ghansoli and the Millennium Business Park in MHAPE.
- **High Retail and Commercial Development:** As the peripheral business district Thane witnessed good retail and commercial developments with commercial offices in the outskirts of city areas like Wagle Estate, Pokhran road No. 1, 2 and Ghodbunder Road. Manufacturing and industrial units have now given way to significant retail, residential and commercial developments.
- **Large Floor Plates:** The floor plates available for commercial office spaces are much larger than those available in the Western and Southern parts of Mumbai.
- **Key Commercial Developers:** Some of the key developers present here are Wadhwa, Lodha, Nitco, Dosti, Kesar and the Raheja group.

Some of the distinct trends observed are:

- Currently there is a lot of oversupply in the Vashi/Navi Mumbai belt in the Commercial markets.
- Maximum transaction activity was witnessed in Thane and Thane Belapur Road. because of the availability of large floorplates enabling corporates to use maximum office area efficiently.
- BPOs like Mindspace, Sigma etc. have shifted base from Malad to Thane Belapur Road due to low rentals and good amenities provided by the developers.
- Rentals in the Airoli markets are ranging between INR 35-45/sq.ft., in Thane between INR 65-75/sq.ft. and in Vashi the range is between INR 60-90/sq.ft.
- Capital values hover at approximately INR 4000-5500/sq.ft. at Airoli and INR 8,000-10,000/sq.ft. at Vashi.

Price Trends in Secondary Business Districts



Source: PropEquity, ICICI PSG

Location Attractiveness Index

	Nariman Point/ Fort	Lower Parel	Bandra Kurla Complex	Malad /Goregaon	Andheri Kurla Road	Thane	Vashi/Airoli/ Ghansoli
Proximity to Manpower (Employable Workforce)	Below Average	Below Average	Above Average	Good	Good	Good	Average
Accessibility(Proximity to railway stations, bus stops)	Above Average	Average	Good	Average	Average	Below Average	Below Average
Infrastructure(Condition of roads, parking amenities, power, in that micro market)	Above Average	Average	Above Average	Average	Average	Above Average	Above Average
Vacancy Levels	High (Lack of Demand)	High (Oversupply)	High (Oversupply)	Average (Demand matches Supply)	High (Oversupply)	High (Oversupply)	High (Oversupply)
Rentals/Capital Values (Average rentals for Mumbai micro markets taken at INR 100 psf)	High	Above Average	High	Below Average	Average	Below Average	Below Average
Architectural and Aesthetic designs	Below Average	Good	Good	Below Average	Average	Average	Average

Good / Low cost
Above Average
Average / Medium Cost
Below Average
Bad / High Cost

Note: The LAI is from the tenant's perspective.

Vacancy Levels: Vacancy levels have been bad viz. high for certain regions on account of lack of demand and for certain other regions on account of oversupply of commercial spaces. The reasons have been specified for the reader.

Source: ICICI Property Services Group

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