

Trammell CrowMeghraj

February 2006



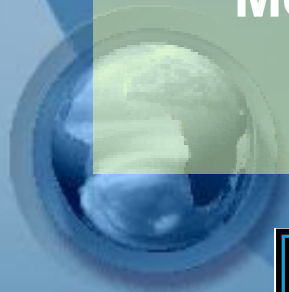
FDI In Real Estate

A Property Consultants perspective

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CONTENTS

- Indian Real Estate sector
- FDI in Indian Real Estate sector
- About Trammell Crow Meghraj





Indian Real Estate sector



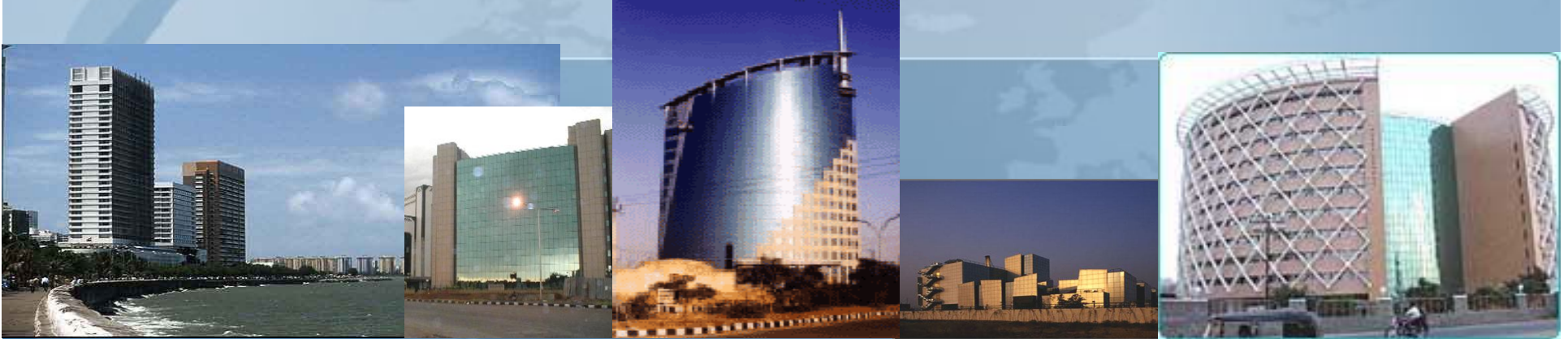
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Indian Real Estate Sector

- Indian Real Estate sector accounts for USD 12 billion of India's USD 600 billion economy (2%) way less when compared to mature economies
- Growth in the Indian real estate sector – this year it is estimated at 30% per annum , owing to FDI norms and related growth drivers
- Real estate sector has the potential to touch USD 90 billion in 10 years
- By 2010, real estate sector estimated to be between USD 45-50 billion (Source: DSP Merrill Lynch, May 30,2005)



Indian Real Estate Sector



- Mega cities such as Mumbai, New Delhi and Bangalore were a product of Urbanization of the new India.
- Rapid growth of population in these cities fuelled the real estate industry.
- Lack of an adequate infrastructure, deteriorating quality of living combined with exorbitantly high real estate prices drove developers and companies to cities like Kolkata, Hyderabad, Chennai and Pune.
- Now this horizon is being captured by the new stars such as Chandigarh, Kochi, Ahmedabad, Mysore, Indore, Nagpur etc.

Real Estate Opportunities

- **Retail (Shopping)** : Organized retail, which accounts for just 2 % of the US\$ 200 billion sector, expect to grow from US\$ 4 billion to US\$ 15 billion by 2010.
- **Hospitality (Hotels)** : Domestic and International operators are planning to invest in 3-4 star category hotels. India requires another 75,000 to 1,00,000 rooms in the next 5 Years.
- **Commercial (Office space)**: IT space leasing continues to boom with 12 million sqft leasing in Bangalore, 6 million sqft in Mumbai and 7.7 million sqft in NCR in this year till date.
- **Residential (Housing)**: The cost of mortgage rates came down from 18% to 8% in the last 5 years

Key Demand Drivers

Retail

- Entry of global brands
- Organized retailing only 2% of total retail industry
- India ranked as second most attractive retail destination by AT Kearney

Hotels

- Increased business travel – both domestic & foreign due to buoyant economic growth & growing FDI
- 2004 saw record tourist arrivals of 3 mn. By 2020, India is expected to be a leading tourist destination in South Asia with more than 8 mn tourist arrivals

Office Space

- India accepted as most attractive destination for IT & BPO services and now getting into a knowledge based industry

Residential

- Increase in urbanization & working population
- High disposable incomes & aspiration levels
- Easier access to finance
- Fiscal incentives on house loans





Foreign Direct Investment In Indian Real Estate Sector



FDI in Real Estate and impediments

- FDI in real estate until 2003 was restricted to development of industrial parks, hotels, integrated townships and SEZ's
- On March 3, 2005, Government of India replaced the integrated township policy to permit FDI up to 100% in townships, housing, built-up infrastructure & construction - development projects, under automatic route
- Inability to own existing assets prevents the foreign capital from being an additional exit alternative for developers
- Onerous stamp duties and taxes create disincentives for long term leases, which are very standard (and saleable) in developed and other developing countries
- Burdensome, lengthy and costly lease/contract enforcement impairs ability to underwrite a transaction and its cash flow

FDI in Real Estate and impediments

- Numerous competitive funding options
 - Internal accruals
 - Self – financing projects (pre-sales)
 - Numerous domestic equity VCFs and
 - Aggressive bank debt
- Cumbersome, uncertain land acquisition, entitlement process

Minimum area to be developed was 100 acres, with a minimum of 2000 dwelling units to be constructed – **a major bottleneck for development.**

FDI norms were modified in January 2005 -10% to 15% of the total FDI inflow may head into property development and investment.

The liberalization of FDI in RE

FDI in real estate is further liberalized than earlier norms by

- Lowering of the criteria bracket
- Lowering land requirement from 40 Ha to 10 Ha
- FDI becoming a state subject now.

The liberalization is more realistic because:

- Unavailability of larger parcels of land within the city – Urban Land Ceiling Regulation Act still in force in certain states
- Larger parcels are mostly held by reputed local developers – were earlier not proactive to form JV with Foreign investor,
- Larger parcels involved long process of acquisition owing to Government holdings or multiple ownerships

FDI in Real Estate

Through Foreign Investment Promotion Board and through Automatic Route (as per 2005 notification)

100% FDI in construction allowed under automatic route for

- Integrated township or housing projects
- Commercial or retail projects
- Infrastructure projects

Automatic route is by the country's 'Central Bank', the Reserve Bank of India (RBI)

Entry of FDI is allowed by post-entry notification and no prior approval is necessary



FDI in Real Estate

Entry Norms of Foreign Investor

- Fully owned subsidiary in India,
- Joint venture (JV) with Indian partner (s),
- Registered under Indian Company Act (ICA), 1956
- Record of successful execution of related projects



FDI in Real Estate

Real estate FDI guidelines as per 2005 notification

- Land area – 10 Ha (25 acres) of minimum area (for serviced housing plots), and 5 Ha (12.5 acres) for development under a Joint Venture (JV),
- Built-up area – minimum 50,000 sq m, and 25,000 sq m for projects under JV,
- Minimum capital norms of USD 10 million for wholly owned subsidiaries, and USD 5 million for JV with Indian partners,
- 50% of integrated project – to be complete within 5 years from the date of possession of land



FDI in Real Estate

Implications

- Attractive for foreign investors,
- Shorter processing period through the automatic route – no interference of the centre and opportunity in dealings with smaller parcels of land,
- Healthy competition – local developers and the foreign investors have equal opportunities,
- Original investment cannot be repatriated before a period of three years ,
- Smaller and more real projects to deal with – easy to forecast and plan.



Foreign Developers already in India

- Dubai-based **Emaar Group** invested USD100 million in a township project in Hyderabad which includes a hotel and a golf course
- Jakarta-based Salim Group is to invest over USD 100 million in 309 acre township project in Kolkata- JV between **Salim Group** and **Kolkata Municipal Development Authority**.
- Canada-based **Royal Indian Raj International Corporation** (RIRIC) is coming up with the USD 791million worth Royal Garden City near Bangalore
- Malaysian based developer IJM is developing a township on an area of 35 acres of land in Hyderabad near Hi-tech City-JV between **Andhra Pradesh Housing Board** (APHB) and **IJM (India) Infrastructure Ltd**

Foreign Developers already in India

- **Keppel Land Asia** joined hands with **Purvankara Projects**, Bangalore, investing INR 40 million, for developing an integrated township.
- **Ascendas** developed ITPL / Tidel Park / Hi Tech City
- **Lee Kim Tah Holdings** invested USD 115 million in township, Chennai
- **Ho-Hup Construction** company Berhad to develop 125 acres, Hyderabad
- **Tishman Speyer** from US has concluded a joint venture with **ICICI Ventures**.
- **Runwal Group** and **Capital Land**, Singapore entered into a JV in Feb 2006 to develop a 20-acre residential project in Mumbai.

FDI in Real Estate

Some Foreign Funds showing interest in India

1. GE
2. Farallon Capital
3. J. P. Morgan
4. Carlyle
5. Black Stone
6. Morgan Stanley
7. Actis
8. GIC
9. Portman
10. Himes
11. Brack Capital

FDI in Real Estate

Future Outlook

- Entry of international competitors into the Indian real estate market
- International investors would rely on expertise of local developers for project execution
- Boost in construction and construction-related activities
- Development of large-scale township projects in and around cities
- Completion of projects within a shorter duration
- Supply of quality space accelerated throughout the country



We can look forward to tremendous growth in the Indian real estate sector in the future via FDI if the challenges are overcome...



FDI in Real Estate

Challenges

- Entry of international competitors in the Indian real estate market is putting national players on their toes for standards, transparency and delivery
- Absence of large listed firms in the real estate segment- restriction in quantum of fund flow in the sector
- Foreigners cannot buy and sell undeveloped land- many prefer long leases due to legal uncertainty surrounding land titles –prone to disputes
- Up gradation of existing infrastructure setup required to support large scale real estate development –responsibility with Government agencies





About TRAMMELL CROW MEGHRAJ



Trammell CrowMeghraj

About Trammell Crow Meghraj (TCM)

- Trammell Crow Meghraj is an equity partnership between **TRAMMELL CROW COMPANY**, one the largest diversified commercial real estate services companies in the world listed on New York Stock Exchange and **MEGHRAJ GROUP**, a private financial services company (UK), with diverse business interests.
- Set up in 1995 as Chesterton Meghraj, with equal equity participation between Chesterton International, UK and Meghraj Properties Ltd., UK
- Trammell Crow Company purchased a 30% equity interest in Chesterton Meghraj Property Consultants Pvt. Ltd. (CMPC) in October '05 to re-brand the name to Trammell Crow Meghraj

Our Mission and Values

Focused on Service

- Identify client expectations and requirements
- Provide solutions that meet business needs
- Apply and adhere to the highest standards of service
- Deliver our commitments on time, every time

Driven by Integrity

- Demonstrate highest levels of professionalism and integrity
- Consistently apply recognized best practices
- Comply with all requirements of regulatory and professional bodies



Full Service Offering Throughout India

Building Management Services

- Repairs & Maintenance
- Building Operations
- Janitorial Services
- Landscaping
- Security
- Health & Safety
- Energy Management
- Waste Management
- Parking Management
- Asset Plans
- Inventory Management
- Pest & Rodent control
- Fire Prevention, Detection and Fighting systems
- Key Management
- Mail Management

Transaction Services

- Site Selection
- Tenant Representation
- Acquisitions
- Dispositions
- Project Leasing/Subleasing
- Lease Termination
- Sale-Leasebacks
- Market Research
- Investment Sales
- Portfolio Analysis

Project Management Services

- Appointment of Architects and Consultants
- Procurement Management
- Commercial Management
- Value Engineering Risk
- Appointment of Contractors
- Co-ordination with Design Team
- Construction Management
- Site & Logistic Management
- Quality Control
- Health & Safety
- Moves, Adds and Changes
- Telecommunications Systems
- Signage and Artwork
- Co-ordination with client's Operating Team
- As-Built Drawings
- Project Closure - Technical
- Final Cost Report

Consulting Services

- Valuation and Appraisal
- Location Consulting
- Feasibility and Best option studies
- Planning and Economics
- Marketing Repositioning Strategy
- Portfolio Re-Structuring
- Advisory to State and Central Government on real estate matters
- Private Public Partnership and JV Structuring
- Advisory on the master plan/ Development plan

We manage over 18 million sq ft

7+ million sq ft space leased in 2004 - 2005

10+ million sq ft of construction with 2+ million sq ft in progress

1000+ assignments for Multinational Investors and Corporate Users

Full Market Coverage

Over 475 real estate professionals employed in 8 offices



- Mumbai
- New Delhi
- Kolkata
- Bangalore
- Hyderabad
- Chennai
- Pune
- Chandigarh

TCM maintains a comprehensive data base on economic, demographic and real estate market conditions across all asset types (including land) for all these cities. Market reports by city and asset type are available on request.

Competitive Advantage




- | | |
|---|--|
| Powerful Brand Equity | <ul style="list-style-type: none">• 10+ years of service in India and over 60 years of combined global real estate experience |
| Scale | <ul style="list-style-type: none">• 27 million sq. ft. managed or leased in India• 475 professionals across 7 full-service offices in India |
| Established Client Relationships | <ul style="list-style-type: none">• 600 Investor/owner clients from public and private sectors on an Indian and global scale |
| Comprehensive Service Offerings | <ul style="list-style-type: none">• Integrated solutions• First property consultancy in India to receive ISO 9001:2000 certification |
| Superior Delivery System | <ul style="list-style-type: none">• Global operational excellence platform supported by industry-leading technology and integrated into strategic alliances with leading international providers Trammell Crow (US and South Americas), Savills plc (Europe and Asia) and JJ Barnicke (Canada) |

Selected Customer Relationships



Trammell Crow Meghraj

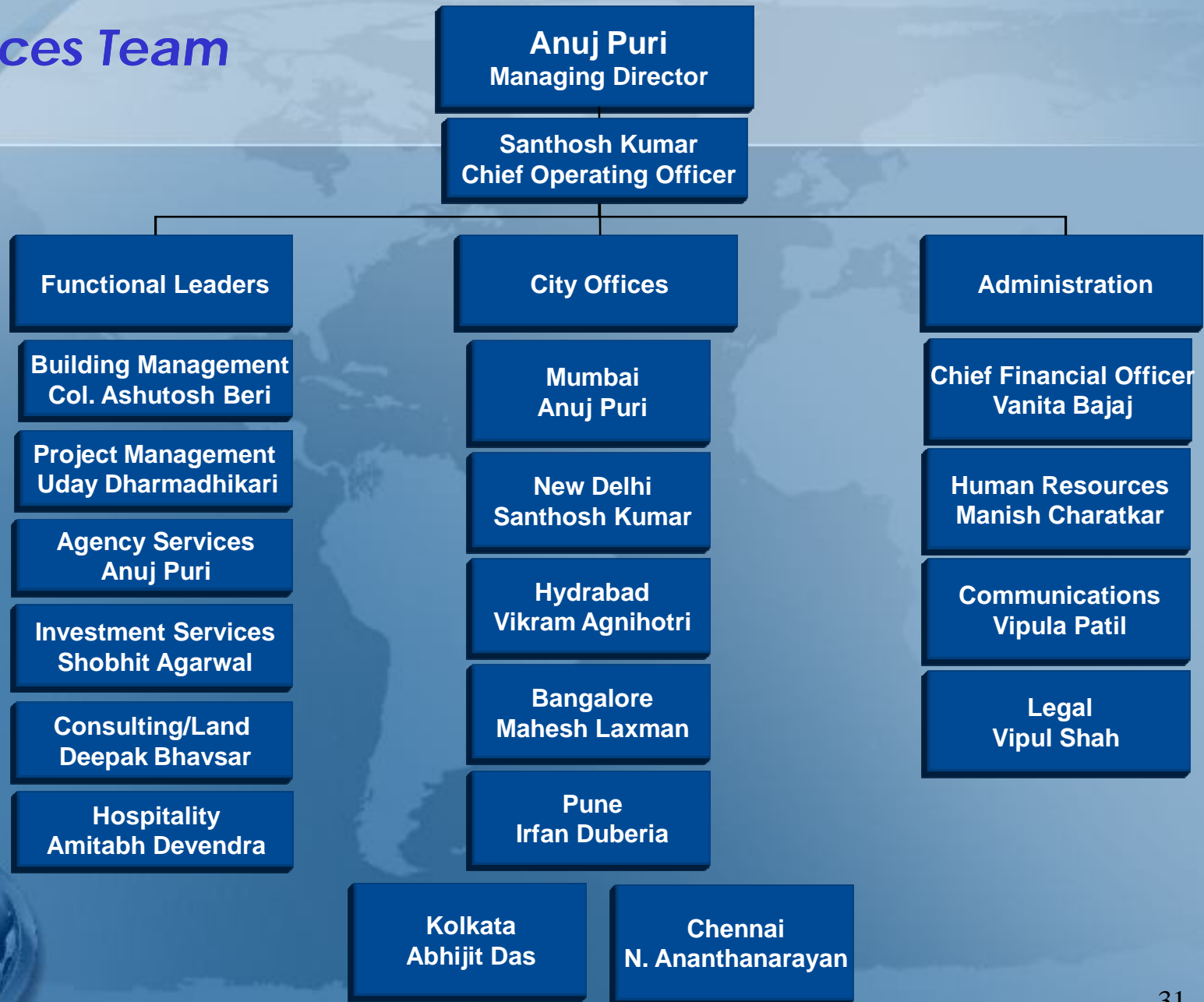
Selected Customer Assignments

Client	Project
	Trammell Crow Meghraj conducted a national site location analysis for a John Deere IT Application Centre in India. Pune was recommended as the most suitable city after a comprehensive analysis of all possible alternatives. Once Pune was identified, the Commercial Agency Group mapped the entire city for suitable office supply, short listed and recommended appropriate developments. The agency team successfully assisted John Deere lease a built-to-suit office development of 176,000 sq ft in Pune within 4 months of commencing the assignment.
	Trammell Crow Meghraj is engaged in providing project management services to Tesco's 200,000 sq ft (Phase-II) software campus in Bangalore. The mandate includes Construction and Interior Fit-out Management: preparing and monitoring of bidding processes, providing project schedules and updates, contract negotiations and administration, as well as monitoring construction and fit out activities. Project cost: USD 7.2 million.
	Trammell Crow Meghraj provides Facility Management services for five facilities of IBM across India. This working relationship with IBM commenced in 2001 and currently extends to over 300,000 sq ft of building space.
	Trammell Crow Meghraj was appointed in partnership with Ernst and Young by CIDCO, a government undertaking, to prepare a conceptual development plan, a 10-year business plan and a capitalization strategy for a 4677 hectares Special Economic Zone. Trammell Crow Meghraj successfully completed this assignment and thereafter has successfully undertaken two more assignments for Special Economic Zones in India.

India Real Estate Market Overview

Type Of Ownership	Freehold, Leasehold and cooperative society ownership
Representation	Agents appointed by the vendor/landlord or purchaser/tenant
Method Of Measurement:	Super built up area, built up area or carpet area
Unit Of Measurement:	Rupees per square foot per month
Typical Lease Term	Usually 3 years (or multiples thereof) with options of renew up to a maximum of 9-12 years
Rent Reviews:	3-yearly fixed escalation
Sub-letting And Assignment	Generally not permitted
Leasing Fees	1 months rental payable each party
Lease Renewal Fees	15 days rent payable by instructing party
Acquisition Fees	2% of sale price
Consulting Fees	Fixed fee according to scope of services
Project Management Fees	2.5% of project cost (excluding the land cost) depending on the size of the project
Facilities Management Fees	Per sf ft per annum

Services Team



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Thank You



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