Emerging investment hotspots

Mining opportunities from the Complex Real Estate Terrain of India
India has its own unique and integral complexities and business is no exception to it. Corporations strive for increased efficiency and productivity amidst these complexities. Real estate is an integral ingredient in the formation and growth of all businesses and steadily maturing into a big business itself. As such the performance of real estate sector depends largely on the performance of the economy and the businesses in specific. Decision makers have been in a state of indeterminacy given the fabric and structure of how the country keeps oscillating between promises & optimism and persistent challenges & policy inertia.

The recently approved Real Estate Regulatory Bill is an important initiative by the government to address the concerns of real estate sector. Land Acquisition and Rehabilitation and Resettlement Bill that is yet to be approved is also expected to be another step towards regulating the real estate sector. However, information asymmetries and laxity in disclosure norms need to be addressed for the real estate sector to achieve optimum potential in development and investments. While the real estate sector is moving ahead slowly and steadily, certain inaction is resulting in to stagnation from this dense and multifaceted much to be attained growth.

At a juncture like this, there is a need for a focused push in the right direction for the real estate industry to remain buoyant going forward. It is therefore essential for all stakeholders to equip themselves with a deeper understanding of not only the real estate sector but also the businesses they serve. The key for businesses to do well will be their ability to decipher this complexity and embrace it with a pragmatic approach, and the same applies to real estate sector.

Addressing the inherent need of the current state, CII in association with Jones Lang LaSalle aims at gaining well-rounded perspectives from the industry on factors that could turn India into a global real estate powerhouse faster than expected. Meanwhile the other side of these uncertainties are the opportunities created by them in the real estate sector. Investors are often in look out of such opportunities. However in such an environment of uncertainty, returns through capital appreciation and security of the invested capital are the prime concerns of investors. Therefore real estate investors face this pertinent question of where to invest. This report seeks to answer this question to a certain extent.

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Chairman and Country Head
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Real estate is an asset class that demands specialised skills and the complexity surrounding this sector increases in the Indian context. Compared to the mature real estate markets in the developed nations, buyers in India need a higher degree of diligence before entering into property agreements. Issues pertain to ownership rights of the property, understanding the difference between usable area and saleable area in absence of standardised definitions, completion of the project and receipt of the completion certificate and so on. Further, when evaluating multiple investment opportunities, the absence of industry standards in developer ratings, building structure comparison, price distinction across different projects and other factors create difficulties in arriving at a direct comparative approach. In brief, information asymmetries and laxity in disclosure norms need to be addressed for the sector to achieve optimum potential in development and investments.

Amidst these complexities, real estate sector in India has displayed volatility in the past decade. Prior to the Global Financial Crisis (GFC) in 2008, the macroeconomic scenario was extremely robust leading all indicators northwards; be it property prices or space absorption. However, the period coinciding with the GFC and post-GFC absorption levels and property prices showed a marked correction across all major real estate markets in India. The recovery led by the residential sector, was also startlingly quick, with property prices recovering lost ground. However, the demand levels have shown only a gradual recovery in the office sector. A combination of piling up unsold residential inventory due to decline in absorption rate in post-GFC and rising construction costs are causing difficulties for the developers. In such a scenario, returns through capital appreciation aside, security of the invested capital has become a big priority. Therefore the investors, end users and buyers face the pertinent question – Where to invest?

With this report, we seek to provide the answer to the above question to a certain extent. In this report, we highlight a few investment hotspots across India. At Jones Lang LaSalle, a location/submarket is categorised as a hotspot in a city when it is emerging as a self-sustained ecosystem with development at all levels. A location focussed on residential segment and low/no commercial and entertainment options is not likely to sustain for a long time. Similarly, a commercial hub with low/no residential development is likely to cause problems for the employees who may seek for alternate residential districts in the vicinity, which can reduce the commuting time to work and therefore is not sustainable. In addition to the overall real estate development, infrastructure also plays a pivotal role in developing a location. Poor infrastructure or delayed infrastructural developments can eventually reduce the investment potential of the location.

Though all-round development requires considerable time, it lends maturity to the real estate market in the location while ensuring that price growth is sustained over a longer time period. To put the above in context of individual Indian cities and specific locations, Powai in Mumbai, which has emerged as a well-developed suburb, has seen a steady increase in prices across all asset classes. As against this, there have been a few locations where speculative activity resulted in increased price volatility which was later marked down considerably when real activity on ground failed to take off. Kharghar, a suburban location near Mumbai witnessed such a trend in a relatively short time span. With the intent of developing it as a luxury residential hub, the local authorities announced various projects including a golf course and a Millennium Business Park. Infrastructure initiatives also attracted investment by developers and investors in this location which initially resulted in a sharp price uptick. Prices rose further when another round of rise in prices occurred when the international airport was announced near Ulwe, an area adjacent to Kharghar. However, with physical activity at a standstill and airport development slowing down, investor activity has seen a decline which in turn has led to a price correction.

Considering all aspects, we have identified eight submarkets as investment hotspots across the top seven cities in India. Notable absentees in our selection are the prime business districts as they have achieved near saturation levels in terms of development and hence are not expected to either support meaningful price increments or they do not provide a large selection of investable assets. We have intended to select destinations which are classified as either emerging or growing submarkets and are likely to be well-supported by excellent infrastructural development. According to our assessment, these locations offer a large bouquet of investable options in real estate with their relative lower price levels providing the incentives for future capital appreciation and healthy returns. The locations are:

- Noida & Greater Noida – National Capital Region (NCR)
- Thane – Mumbai Metropolitan Region (MMR)
- Navi Mumbai – Mumbai Metropolitan Region (MMR)
- Whitefield – Bangalore
- Southern Suburbs – Chennai
- Viman Nagar and Nagar Road – Pune
- Gachibowli – Hyderabad
- Rajarhat – Kolkata

While these submarkets offer good investment opportunities, property price appreciation is likely to vary depending upon endemic risks associated with the particular submarkets and their precincts. Further, within the submarkets, discounts on property prices vary depending on developer profile, asset class and current construction status of the project and we would advise buyers to consider every option based on their risk appetite.
OFFICE MARKET OUTLOOK 2017: RENT V/S VACANCY

The bubble size represents the relative depth of that particular sub-market in the year mentioned in terms of stock (million sq ft).

*The investment hot spots are part of the mentioned submarket.

Source: Real Estate Intelligence Service (JLL)
### RESIDENTIAL ACTIVE SUPPLY OUTLOOK

![Graph showing active supply outlook for various sub-markets](image)

Source: Real Estate Intelligence Services - Jones Lang LaSalle India

### CAPITAL VALUES INDICES

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Source: Real Estate Intelligence Services - Jones Lang LaSalle India
Noida and Greater Noida – National Capital Region (NCR)

Noida and Greater Noida are located in the state of Uttar Pradesh and are part of the National Capital Region. They emerged as key IT hubs of Delhi NCR region after Gurgaon in the last decade. Noida and Greater Noida were planned to offload some congestion pressure on Delhi. Noida, traditionally an industrial hub and a planned layout turned into an IT hub in mid-2000s. As an industrial hub Noida already experienced residential and retail developments within its planned layout. However, the surge of IT industry in this submarket changed the skyline of Noida as it experienced large scale infrastructure developments along with overall real estate developments. Noida and Greater Noida witnessed improved connectivity with Delhi with the extension of road network and metro railway. Noida and Greater Noida experienced the largest number of residential units launches in the country in last three years. Hosting of the Indian Grand Prix and opening of the Yamuna Expressway gave a fillip to the real estate development of these submarkets.

Noida and Greater Noida submarkets have emerged as cost effective office destination alternative to Gurgaon. After the initial IT developments experienced by Noida, it witnessed development of IT parks and SEZs. Key IT park developments in Noida are Logix Cyber Park, DLF IT Park, and Stellar IT Park etc. Key SEZ developments in Noida are Unitech Infospace SEZ and 3C Oxygen SEZ with a few more under development. Noida also has campus developments of IT firms such as – HCL, CSC, Havells, STMicroelectronics, Moser Baer, Wipro and NIIT. In addition to these other IT/ITeS companies such as Tech Mahindra, EXL, Fiserv and Patni also have their offices in Noida. The submarket has about 23% of the Grade A office stock in Delhi NCR. Noida witnessed stable absorption due to strong pre-commitments. However, it also witnessed tenants exiting out of this submarket as they consolidated their real estate portfolios. Noida and Greater Noida have an oversupply of office space and therefore the rents in this submarket are unable to appreciate in recent times. However, understanding this trend developers are limiting construction of office spaces to rationalise the supply conditions. This is expected to increase the office rents going forward. Good connectivity and availability of campus style office spaces at relatively lower rents than Gurgaon are expected to drive the demand in this submarket.
Noida had an established and well-planned residential development even before the IT related developments occurred in this submarket. Later, with the development of IT, developers started launching large number of projects in Noida. The improved connectivity with development of Noida Greater Noida Expressway extended the development towards Greater Noida as large tracts of land were opened up for development on the either side of the expressway. Major developers present in Noida and Greater Noida are Jaypee Group, Unitech Group, Parsavnath and Supertech etc. Noida and Greater Noida witnessed maximum number of residential project launches in India y-o-y since last three years. In 2012, the master plan – 2031 of the Greater Noida Industrial Development Authority (GNIDA) – received approval from the National Capital Region Planning Board (NCRPB), allowing developers and builders to resume construction activity on real estate projects in Greater Noida. Construction in this submarket was stalled for more than a year as farmers whose lands were acquired for construction were demanding compensation. After this approval by NCRPB the construction activity was resumed and Greater Noida witnessed increased project launches and sales.

Noida and Greater Noida have many mall developments to cater to the retail and entertainment requirements of the residents. The Great India Place mall was one of the iconic malls of Noida among one of the largest malls in the country. Spice World Mall, The Mall of India and Gardens Galleria are few other key malls in Noida. These malls house almost all the major international, national and local retailers present in the city.
Noida is well-connected to Delhi by road. The key road connecting Noida and Greater Noida to Delhi is DND Flyover which connects to The Noida–Greater Noida Expressway, which runs across Noida and Greater Noida and later connects to the Yamuna Expressway. In addition to this Noida is also well-connected by Delhi Metro Rail. However not directly connected by railroad. Noida and Greater Noida have well-established social infrastructure. Key hospitals here and Greater Noida include Apollo Hospitals, Max and Fortis. In addition to these, there are many other healthcare facilities. Noida and Greater Noida house major educational institutions as Indian Institute of Management Lucknow, Army Institute of Management and Technology, Gautam Buddha University and Noida International University. Many star hotels such as – Radisson, Fortune Inn, Mosaic Hotels and Park Plaza etc. – are present in this submarket.

OUTLOOK

Noida and Greater Noida are expected to witness an oversupply situation especially due to large supply of standalone commercial office projects in the coming years. These standalone projects are expected to witness limited interest from office occupiers. Meanwhile quality Grade A office spaces and SEZs will witness increased interest from office occupiers. As the oversupply situation is capping the appreciation of rents, many developers will slow down or resist construction activity to rationalise the supply. This is expected to increase the rents and capital values going forward. Residential launches will continue to remain strong in Noida and Greater Noida as this submarket offers houses at affordable prices and had good connectivity. Most of the projects are expected to get launched along the Noida–Greater Noida Expressway and beyond on the Yamuna Expressway as there will be large tracts of land opening up for development along these roads.
Thane – Mumbai Metropolitan Region (MMR)

Situated to the north-east of Mumbai, Thane was the host to India’s first ever train connectivity route. Thane has undergone a makeover from being an industrial town with affordable residential housing to a now-favoured IT and relatively upmarket residential destination. Various infrastructural initiatives by the government executed under the aegis of the nodal development authority, Thane Municipal Corporation (TMC), have greatly enhanced the connectivity of Thane to the prime business hubs of Mumbai and Navi Mumbai.

In 1990s, Thane was largely an industry-intensive zone. However, post mid-1990s; with conversion of Wagle Industrial Estate into an IT zone, it started witnessing IT related developments. Ghodbundar Road, currently a well-established office location, started developing post mid-2000s when focus on infrastructure building gained prominence in Thane. Currently, IT/ITeS companies constitute a major portion of the occupiers of commercial office spaces here. Grade A developments include G Corp Tech Park, Kalpataru Prime, Dosti Pinnacle and Neptune Element developed by G Corp Group, Kalpataru, Dosti Group and Neptune Group respectively, while a large portion of the commercial real estate is also in the form of Grade B buildings. With there being a limited number of large office occupiers, demand is seen in the form of full or partially occupied floors in the buildings. Thane has about 4.5 million sq ft of Grade A office space which constitutes about 5.3% of the total stock of the city. Good rail connectivity allowing ease of commuting of workforce and well established infrastructure drives the office space demand of this submarket. Ample supply has kept rents in this submarket stable, attracting occupiers to lease large volume of office space.
Thane is well-connected with other parts of Mumbai Metropolitan Region via rail and road. Majority of the residential properties in this location were low rises prior to 2000s. However, with a gradual improvement in infrastructure, a host of reputed developers took an active interest in developing projects here. Currently, developers like Sheth Developers, Dosti Group, Rustomjee, Hiranandani and Kalpataru are focusing on large-scale development with high-rise structures. Few of their prominent projects are Sheth Vasant Lawns, Dosti Vihar, Rustomjee Urbania, Hiranandani Estates and Kalpataru Siddhachal. These developments have resulted in reduction of price gap between Thane and Western Suburbs of Mumbai. Thane offers housing for high-income and middle-income groups. It is witnessing increased interest from investors due to its good infrastructure and connectivity. Ghodbunder Road in Thane witnesses high residential sales on the back of availability of land parcels and also as it is well-connected to the Eastern & Western Express Highway in Mumbai. In addition to this other precincts witnessing residential developments are Old Thane, Pokhran Road and Pune Highway.

Thane now offers good leisure and entertainment options with operational malls such as Korum Mall, Eternity Mall and R Mall. These malls house large national retailers like Star Bazaar, Westside, Shoppers Stop, Pantaloons, Reliance Trends and Globus along with various international brands. With the opening of Viva City Mall (by Sheth Developers), which will be the largest mall in Thane, residents will have a wider range of options for shopping and entertainment.
Thane is well connected with the Andheri and Bori via road and rail. The eastern express highway and LBS Marg connect it with eastern suburbs while the western express highway and Thane Belapur Road connect it to western suburbs and Navi Mumbai respectively. Two mono railway lines are also proposed which will connect Thane with Dahisar and Kalyan respectively. Currently work is in progress for seven flyovers connecting Thane with Dahisar, Ghodbunder and Bhiwandi. Internal transportation system is very good and with government initiative like SATIS (Station Area Traffic Improvement Scheme), commuting has improved. Social infrastructure is also in place with existence of hospitals, education institutes and hotels. While Jupiter Hospital, Bethany Hospital and Hiranandani Hospital are the prominent hospitals, Dr VN Bedekar Institute of Management Studies and KC College of Engineering are some of the reputed education institutions in Thane. The Fortune Park and United 21 are the star hotels located in Thane.

OUTLOOK
Thane has witnessed strong development in the past two decades. From an industrial zone, it has changed to a commercial zone with strong IT/ITeS presence. The government has taken many initiatives to improve the infrastructure in the region and that has attracted a host of developers to Thane. With the improved connectivity with western and eastern suburbs and Navi Mumbai, Thane is fast becoming a sought-after residential and commercial destination. Growing demand from cost conscious occupiers, Thane will eventually emerge as one of the prime business districts of Mumbai. In such a scenario, rental and capital values are expected to increase by almost 50% in next five years from the last trough in 2009. While the residential property prices have surged in past few years, we expect it to continue its northward movement on the back of healthy demand. Thane is expected to witness strong residential demand due to increasing workforce in the submarket.
Navi Mumbai

Navi Mumbai is one of the largest planned townships in the world. With a view to decongest Mumbai, development planning of Navi Mumbai started in 1971. The region started getting recognised as a destination for the middle class population who were unable to afford houses within prime Mumbai or were not keen to move towards in the extended western suburbs of Mumbai i.e Dahisar to Virar. In due course, on account of its good connectivity with Mumbai via road and rail, coupled with relatively affordable price points, it started attracting various classes of buyers. While, commercial office development is majorly restricted to the IT/ITeS industry, we believe that with the current focus on fast development of infrastructure projects, this submarket has the potential to become an even more preferred commercial destination going forward.

Navi Mumbai has well-planned layout along with ample supply of good quality buildings with large floor plates. Lower rents combined with good connectivity to Mumbai and Pune have attracted various IT/ITeS and BFSI companies to Navi Mumbai. Overall, Navi Mumbai can be categorised as a submarket with high focus on the IT/ITeS industry with Grade A properties like Kesar Solitaire, Mindspace (Airoli), Gigaplex (Airoli), Reliable Tech Park and Cyber One. Commercial office space development has also witnessed an interest from national players like K Raheja Corp along with local developers like Kesar Group, Reliable Group and Greenscape Developers. The total Grade A stock in Navi Mumbai is about 13 million sq ft which is about 15% of the total office stock in Mumbai. Rents in Navi Mumbai have remained stable due to ample supply in the submarket. With large parcels of land available and improved connectivity this submarket is expected to emerge as one of the key submarkets of Mumbai for large scale office spaces such as IT SEZs, IT Parks and IT Campuses.
Navi Mumbai is home to a population that sprawls across different income categories. While the mid- and upper mid-income class reside at well-established precincts like Vashi, Belapur and Nerul, the lower mid-income population opt for farther emerging locations like Ulwe, Turbhe and Kamothe. Investment activities are higher at these emerging locations compared with the established ones as they serve as affordable residential options. A striking difference in the quality of development can be witnessed between old standalone properties without major amenities and new large-scale and high rise developments like Akshar Valencia, Kesar Gardens, Bhoomiraj Hermitage, Hiranandani Complex, Hex Blox and Progressive’s Royal Castle that come equipped with all modern facilities, in Navi Mumbai.

Apart from few prime developers like Hiranandani and Wadhwa Group who are present in Navi Mumbai, other local developers with a good track record such as Akshar Group, Kesar Group, Swaraj Builders, Arihant Universal and Progressive Group are also developing their projects here. The precincts close to the upcoming international airport are witnessing active development of sales and new launches.

The traditional shopping plazas of Navi Mumbai co-exist with quality malls like Inorbit, Raghuleela and Centre One. In addition to anchor tenants like HyperCity, Shoppers Stop, Central, Food Bazaar and Globus, these malls are also host to various national and international brands. With ample car parking facilities and various shopping options, these malls offer good entertainment and shopping options.
Navi Mumbai is well-connected with Mumbai and Thane via road and rail network and with Pune via Mumbai Pune Expressway. While roads are broader compared to Mumbai, the internal commuting system still needs improvement. Alongside the Nerul-Uran rail line for which work is underway, various infrastructure projects such as the international Airport, Mumbai Trans Harbour link, Monorail, expansion of the Sion-Panvel highway and Mansarovar-Taloja & Panvel-Uran rail lines have been proposed, which are expected to greatly enhance the connectivity of this region. Social infrastructure is also well-placed with the presence of educational institutions, hospitals, playgrounds and parks. Currently Navi Mumbai houses reputed hospitals like Dr D Y Patil Hospital and Research Centre, Sterling Wockhardt Hospital and Dr. Mahajan’s Hospital along with star hotels like The Park, Fortune Select, Four Points and Royal Orchid.

**OUTLOOK**

Navi Mumbai offers options to all type of buyers across all asset classes. While end users can find properties that suit their budget, investors have ample emerging precincts to invest in. Availability of developable land and improving connectivity with the prime city is expected to drive the investment potential of Navi Mumbai. With its good connectivity and rentals, commercial office occupiers (especially IT/ITeS) find it a suitable location. The region is getting developed in a planned manner and with the completion of proposed infrastructural developments the problem of internal commuting is also likely to be addressed. Due to its strong connectivity with Mumbai, Pune and Thane, less congested living environment and availability of space at better price points, Navi Mumbai is fast developing as an all-round destination. As this submarket has large land parcels available, it is offering housing options for middle income groups at reasonable prices. This is expected to develop Navi Mumbai as an important residential destination in Mumbai along with being a key suburban business district. With inflow of residents and workforce in Navi Mumbai more retail malls are expected to come up. However, as Mumbai faces strong demand polarisation of retail space towards only good quality malls, the same trend is expected in Navi Mumbai as well, as such malls, which are good in quality in terms of design and operations and are located strategically, are expected to witness more occupancy.
Whitefield – Bangalore

Whitefield is the eastern suburban IT hub of Bangalore. It is the most preferred IT and residential suburb of Bangalore. Traditionally a residential suburb, Whitefield witnessed fast growth with the foray of IT sector in the submarket in mid-1990. The onset of India’s first information technology park, Export Promotion Industrial Park (EPIP), changed the skyline of Whitefield over last decade and a half. Good connectivity and availability of social infrastructure attracted overall development of Whitefield as IT companies looking for large volume of space opened their offices. In addition to this developers launched residential projects, hotels and malls in this submarket.

Although Whitefield witnessed IT developments as early as 1990s it witnessed immense development only from 2000s onwards. As occupiers were interested in larger sized office spaces they moved to this submarket. Initially, availability of Grade A buildings, good road connectivity, easy accessibility to the old airport and already setup social infrastructure were key demand drivers of Whitefield. Later as the airport was shifted, Whitefield continued to witness good demand due to the other demand drivers mentioned earlier. Whitefield houses IT park developments, such as International Tech Park Bangalore (ITPB), Prestige Shantiniketan, Brigade Tech Park, Sigma IT Park and Bhoruka Tech Park etc. Key occupiers such as TCS, Dell, HP, AOL and GE have their offices in Whitefield. Dell, IBM and HP etc have their campus developments in Whitefield. Whitefield has a total stock of 21.6 million sq ft which is about 32% of the total Grade A office stock of Bangalore City. Absorption of office space in Whitefield was strong due to availability of ready-to-occupy international standard office spaces. Rents and capital values are increasing in the submarket from 2010 onwards as a result of strong demand and improved investor sentiments.
Whitefield witnessed large scale residential developments from 2000s onwards as IT related developments surged into the submarket. Whitefield was well-connected and had ready to use social infrastructure which attracted home buyers particularly from the IT sector who were looking to stay close to their work spaces. Whitefield residential market is mostly dominated by end users. Many developers flocked into Whitefield to launch their projects catering to all segments from affordable, mid-segment to luxury. Prestige Group, Brigade Group, Puravankara Group and Sobha Developers etc. have launched their projects in Whitefield. New launches of residential projects in Whitefield are on rise due to availability of developable land parcels. Capital value are also increasing in Whitefield as it witnesses good demand for housing from employees working in the nearby IT hubs such as Old Madras Road and Outer Ring Road (ORR) etc.

Whitefield has witnessed strong demand for retail due to the rising mid-income and upper mid-income population in the submarket. Whitefield has four prominent malls: The Forum Value Mall, Inorbit Mall, The Park Square Mall and recently operational Phoenix Market City Mall. These malls have multiplex, departmental stores and presence of international, national and local retailers. Few retailers are Hypermart, Reliance Mart, Tommy Hilfiger, United Colors of Benetton, Neeru’s, Fame Cinemas etc. The rents are expected to increase even further with rise in demand from retailers.
Whitefield is well-connected to the prime city by two major roads – Whitefield Road and Old Airport Road. These roads have direct access to the Outer Ring Road (ORR) which connects this submarket to the international airport. Whitefield also has a railway station at Maitri Layout which connects to the centre of the city. Whitefield has a well-established social infrastructure with presence of healthcare facilities, schools, convention centre and hotels. Sri Sathya Sai General Hospital is a key hospital along with other healthcare facilities. It also houses educational institutions such as ICFAI and Shriram Institute for Industrial Research. Hotel brands such as – Vivanta by Taj, The Marriot, The Zuri and The Royal Orchids – are present in Whitefield.

OUTLOOK
Whitefield has land available for further development. Improved connectivity and other infrastructural benefits will keep demand stable for both office and residential in this submarket. This will drive retail demand. Consequently the submarket will see appreciation in commercial office rents and capital values. Residential launches are expected to increase catering to the increasing demand from the IT/ITeS employees with increase in office spaces in Whitefield.
Southern Suburbs – Chennai

The southern suburb of Chennai which covers the major corridors along the Great Southern Trunk (GST) Road, Old Mahabalipuram Road (OMR) and East Coast Road (ECR) has been witnessing fast development over the recent years. The growth in IT/ITeS sector has paved way for overall development of these precincts as it witnessed development of large scale residential townships from both national and local developers. The key precincts in the submarket are Pallikaranai, Medavakkam, Chrompet, Tambaram, Thoraipakkam and Sholinganallur.

The OMR is the IT corridor of Chennai while GST is the SEZ corridor. These two key roads drive the overall economic activity of the precinct. There are many IT establishments along the OMR. Although the parts of OMR close to Adyar such as Taramani are established IT precincts, new precincts are emerging along the road towards the south in locations such as Sholinganallur and Siruseri extending up to Kelambakkam and further. The Key IT Parks along OMR include Ascendas IT Park, SP Infocity, Prince Infocity, RMZ Millenia, the iconic Tidel Park etc. This corridor also hosts IT SEZs such as Chennai One BPO Park and Ramanujan IT City along with such campus developments as ELCOT SEZ and Siruseri SIPCOT Campus. On the other hand, GST Road predominantly hosts commercial spaces and SEZs. The Key SEZs along GST Road are Shriram The Gateway, Mahindra World City and MPEZ. All the IT Majors including TCS, Cognizant, Accenture, Infosys, Wipro and HCL have office in this submarket.
The Southern Suburbs submarket witnesses demand from the IT/ITeS employees as it comprises of the major roads such as the OMR, ECR and GST Road where most IT related developments are concentrated. Major national and local developers such as L&T, Hiranandani Group, Puravankara Projects, Mantri Developers, Olympia Group, PBEL, Jain Housing & Constructions and Vijay Shanthi Builders etc. are developing townships in the southern suburbs of Chennai. This submarket witnesses large-scale integrated townships as there are large tracts of land available for development along the OMR and GST. The key developments in this submarket include Hiranandani’s Upscale, Arun Excello’s Estancia, Embassy Residency, DLF Gardencity, Olympia Opaline etc.

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Organised retail developments are mostly seen in Velachery, while neighbouring locations such as Keelkattalai and Medavakkam are also seeing healthy retail activity along the high streets. The Phoenix Market City Mall recently commenced operations in Velachery is primarily catering to the needs of the residential catchments located in the southern suburbs of Chennai. Tamaram and Chrompet along the GST Road, always been traditional residential locations are increasingly seeing organised retail activity. OMR is in nascent stages when it comes to retail developments, however, with an upcoming mall project near Thoraipakkam and with increased residential settlements we foresee rapid retail development in this corridor.

This submarket is well-connected by OMR, GST and ECR to the core city. The International airport is also housed in this submarket, along with the existing infrastructure; monorail from Vandalur in GST Road to Velachery is expected to improve connectivity of locations along the GST Road. Metro rail, which is under construction, will also improve the connectivity of locations along the GST Road to the city.

OUTLOOK
Capital value growth of properties along the first half of the OMR will continue to see healthy growth on the back of improving social and physical infrastructure. Meanwhile, the second half of the OMR is expected to see relatively faster growth in capital values, given the government’s plan to extend the six-lane project from Siruseri to Mahabalipuram. Existing physical and social infrastructure along the GST Road coupled with ongoing and proposed infrastructure projects are likely to drive property values in GST Road. Located in between both these corridors precincts such as Keelkattalai, Pallikaranai, Medavakkam, Chitlapakkam, Selaiyur and their neighbouring locations are expected to see rapid capital appreciation in the coming years.
Viman Nagar and Nagar Road – Pune

Viman Nagar-Nagar Road lies in the eastern corridor of Pune and is in close proximity to the international airport. The location is predominantly residential focused with a few IT/ITeS office developments. This location has found increased favour on account of the IT related developments in surrounding submarkets such as Magarpatta, Hadapsar and Kharadi. With affordable property prices, good road connectivity, established social infrastructure and proximity to IT/ITeS office space, this location has attracted different classes of buyers.

Viman Nagar and Nagar Road submarket serves as an alternate location to the prime IT/ITeS destinations like Magarpatta and Hadapsar, and is witnessing increased demand. Few Grade A properties such as Eon Free Zone, Panchsheel Tech Park, Commerzone and Marvel Edge (under construction) have made their mark here. Commercial office space development has witnessed interest from national developers like K Raheja Corp and DLF along with regional developers like Panchsheel, Kumar Builders, Marvel Realtors etc. This submarket holds about 18.5% of the total stock of the city with about 6.5 million sq ft of operational Grade A office space.

The key occupiers in this submarket are Symantec, EDS, IBM, Tech Mahindra, BNY Mellon, Barclays, HCL etc. Rents and capital values here are comparable with Magarpatta and Hadapsar.
Nagar Road primarily houses mid- and upper mid-income population of Pune offering apartments in mostly high-rise buildings. In the past few years this location (especially Viman Nagar) has emerged as a residential hub catering to the residential requirements of the employees working in the surrounding IT/ITeS hubs. Good connectivity with central part of Pune city along with established social infrastructure has been the key drivers of residential demand in this submarket. Regional developers such as Marvel Realtors, Kolte Patil, Rohan Developers, Vascon Developers and Goel Ganga Group are more dominant in this sub market. These developers have healthy track record in Pune and have created strong goodwill amongst residents of Pune. Some of the prominent properties in this location are Rohan Mithila, Liviano, Darode Jog Properties, Tuscon Estate and Forest County. Good demand from both end users and investors has increased the capital values of this submarket.

Residents at Nagar Road have access to various food and entertainment options like Amanora Town Centre, Seasons Mall, Inorbit and Phoenix Market City. These are well-developed malls with food courts and multiplexes. In addition to anchor tenants like Central, Shoppers Stop, Spencer’s, Reliance Trends, Star Bazaar, Pantaloons, Westside and Max, various national and international brands are also present. With multiple leisure and entertainment options’ availability, this location enjoys good demand for residential properties.

<table>
<thead>
<tr>
<th>Pune- Viman Nagar and Nagar Road</th>
<th>2H13</th>
<th>1H14</th>
<th>2H14</th>
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<tbody>
<tr>
<td>Capital Value Change (1H09 = 100)</td>
<td>172</td>
<td>165</td>
<td>182</td>
</tr>
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SBD includes Viman Nagar and Nagar Road
Viman Nagar is connected to various parts of Pune via Nagar Road. While on the southern side, it is in close proximity to established residential areas like Kalyani Nagar and Koregaon Park; on the northern side it has the international airport. It is also well-connected with Solapur Road which connects Pune with Solapur, a city in south-western part of Maharashtra. Internal transportation system is well-established thus providing ease of commuting. Social infrastructure is also healthy with the presence of various quality education institutes, hospitality and healthcare facilities. Healthcare facilities like Jeevan Jyot Hospital and Apollo Clinics are located in Viman Nagar and Nagar Road alongside star hotels such as Fortune Park, Four Points and Hyatt Regency. A six-lane ring road along with 12 flyovers and 13 tunnels was proposed in 2007 to cover 161 km of length and connect various parts of Pune in four phases. On its completion, connectivity from Viman Nagar will improve considerably. However the work on these projects is moving at a slow pace.

**OUTLOOK**

Viman Nagar-Nagar Road area is a good case study of understanding how commercial and retail development aid in developing a residential hub. Post establishment of Magarpatta and Kharadi as quality IT/ITeS destinations, residential demand at Viman Nagar started picking up, leading to an increase in property prices which is expected to continue due to good demand. Opening of various malls have satisfied the leisure and entertainment requirements and attracted more people towards this location. With good road connectivity, established IT/ITeS destination in close proximity, education institutes and hospitals located nearby and various shopping and entertainment options, the recipe for this location’s success as a residential hub is already in place.
Gachibowli submarket includes Gachibowli, Nanakramguda, Manikonda, and Raidurg and surrounding locations. It is the next popular IT/ITeS destination of Hyderabad after Hitec City. Gachibowli is located at a distance of 6 km from Hitec City and mostly houses IT campus developments and IT SEZ developments. The IT related developments in Gachibowli began with CMC setting up its campus in late 90s and Microsoft opening its first campus in India in early 2000s. The IT related developments increased their footprint in this submarket further as the Andhra Pradesh Industrial Infrastructure Corporation (APIIC) allotted land to financial companies at the Financial District at Nanakramguda which was planned to attract banking and finance companies (BFSI) to Hyderabad. Companies such as ICICI, Franklin Templeton, UBS (now Cognizant), Institute of Chartered Accountants, Andhra Bank, Andhra Pradesh State Financial Corporation, APIDC Venture Capital etc are present in the Financial District. As connectivity of Gachibowli started improving the submarket witnessed IT campus developments, IT SEZ developments followed by residential and hotel development. Retail is currently restricted only to high streets as there are no malls operational in this sub-market currently.
Gachibowli houses major IT campus developments for companies such as Microsoft, CMC, Wipro, Infosys, Computer Associates, Polaris, Infotech etc. It also has most number of SEZ developments in the city which are DLF Cyber City, TSI WaveRock, Divyasree Orion, Lanco Hills, Navayuga Inspire etc. In addition to this there are multitenanted commercial buildings available for lease to occupiers such as Jayabheri Orange Towers, Technova, Ramky Selenium and Mantri Cosmos etc. Few of these buildings have witnessed pre-leasing by occupiers while many of them are expected to witness commitments in near to medium term. Gachibowli witnessed demand mostly from occupiers who opted for SEZ spaces. However the non-SEZ spaces haven’t seen as much demand in Gachibowli as on date. This is because occupiers opting for small- to medium- sized spaces in multitenanted buildings are not willing to come to Gachibowli due to unavailability of desired infrastructure such as eating joints for employees, bus stops, primary health care facilities such etc. Gachibowli has about 20% of the of the Grade A office stock of Hyderabad city which is about 5 million sq ft of Grade A office space is operational in this submarket. This submarket witnessed increase in rents in last two years. IT SEZ supply in this sub-market is limited while supply of commercial buildings is adequate. Therefore rents in SEZ buildings have increased which increased the average market rents in Gachibowli.

The IT developments in Gachibowli have attracted various national and local developers to develop their residential projects in this submarket. L&T, Mantri Developers, Emmar MGF, Ramky Group, Phoenix Group, NCC, Jayabheri Group and Trendset Builders have launched their residential projects in Gachibowli. In addition to this residential projects are launched within SEZs such as Lanco Hills and Divyasree Orion. While Hyderabad city was struggling to see any increase in residential sales due to political instability in 2010, few projects such as Mantri Celestia, Ramky Towers and NCC Residency in Gachibowli continued to witness decent sales due to the location and optimal pricing. Currently residential prices are on rise in this submarket and there are new projects being proposed at locations closer to Gachibowli such as Gopanpally, Tellapur and Nallagantla etc.
Retail in Gachibowli is currently restricted to high streets particularly the Old Mumbai Highway. There are no malls currently operational in Gachibowli. Retailers such as Reliance, Ratnadeep, Café Coffee Day, Subway, Pizza Corner etc. have opened their stores on the Old Mumbai Highway. However the Inorbit Mall at Hitec City is at a distance of 6 km from the submarket. This currently serves the retail requirements of the resident of Gachibowli. Lanco’s Mega Mall within the Lanco Hills SEZ is launched and it is expected to complete in next three years.

**Outlook**

Office rents are expected to increase further due to limited supply. As Hitec City is slowly getting saturated the next destination for occupiers will be Gachibowli as it has similar characteristics as Hitec City. Gachibowli has large land parcels available for development of real estate. Residential prices are expected to soar with increase in launches. Residential sales are also expected to remain strong due to demand from the employees working in surrounding IT/ITeS firms. For retail and entertainment options, Lanco Mega Mall is expected to be operational in next three years. Availability of land for real estate and infrastructure developments, improved connectivity along with relatively reasonable pricing of real estate than Hitec City submarket is expected to improve the investment potential of Gachibowli in coming years.
Rajarhat – Kolkata

Rajarhat is a satellite city, planned way back in 1990s. As per the master plan, it was supposed to be at least three times larger than Salt Lake City, a neighbouring well-established destination. During the period between 2003 and 2008, Rajarhat witnessed a lot of interest from various national and regional developers; however, post GFC, most of the plans either got stalled or pace of execution reduced considerably. In past two to three years, construction activity and rentals have started picking up once again, although at a slower pace.

Commercial office space demand at Rajarhat is largely driven by IT/ITeS. This submarket has large IT parks and IT SEZs along with standalone office buildings. The submarket mostly has Grade A office developments by reputed developers such as DLF IT Park, Unitech Infospace (SEZ), DLF SEZ, Ecospace and Synthesis Business Park. It also has developments by few regional developers like Bengal Ambuja, Mani Group and Shrachi Group along with the presence of national developers. Almost 40% of the total office stock of Kolkata is in Rajarhat which about 6.4 million sq ft is of Grade A office space. Key occupiers in Rajarhat are TCS, IBM, Capgemini, Ericsson, Accenture, Cognizant, Genpact and HCL etc. With improved connectivity with the core city of Kolkata, Rajarhat is the alternative destination to Salt Lake for IT/ITeS developments. Moreover Rajarhat offers space at relatively lower rents than Salt Lake which is the prime IT/ITeS destination of Kolkata. Therefore Rajarhat witnesses demand for office space from occupiers who need large spaces at relatively lower rents in Kolkata.
Rajarhat is divided into two regions – planned town and surrounding areas. Majority of the residential projects in the planned town are high rises developments. Meanwhile the surrounding areas have low rise residential projects. Most of the buyers are either end users or long-term investors with a view to earn rental income. While speculative investment activity in this region has been limited so far, with growth in surrounding areas, this is expected to grow. The submarket has witnessed interest from various national and international developers some of which are DLF, Unitech, Tata Housing, Shapoorji Pallonji Group, Keppel Magus etc for residential projects development. In addition, regional developers like Shrachi Group, Belani Group, Shrishti Group and Bengal DCL are also present here. Few prominent projects in this location include Uniworl City, DLF New Town Heights, Tata Eden Court, Rosedale NRI, Sankalpa and SP Shukhobrishti (mass housing). Quality development along with better amenities help residential properties in the planned town fetch better valuation compared to that of surrounding areas.

Rajarhat has few large scale retail malls with all sorts of food and entertainment options. The performance of two large malls here show contradictory results as City Centre 2 enjoys high occupancy while Axis mall has witnessed higher vacancy. Pantaloons, Lifestyle Max and Food Bazaar are the key anchor tenants for City Centre 2 while Reliance chain stores and Globus occupy large spaces at Axis mall. Apart from the anchor tenant, these malls have attracted various national and international brands. Home Town is another mall focused on interior and home decoration related goods.
Rajarhat has witnessed both the peak and trough of property prices in last few years of its development. While IT/ITES segment witnessed a lot of interest from quality developers prior to GFC, post-GFC many projects got stalled and pace of construction activities reduced considerably. Prices also corrected during that time. Since 2011, construction activities have started picking up; however they have not yet reached the previous peak. Currently rentals are rising, though at a slower pace with the improving leasing activity. Recently TCS has leased about 0.7 million sq ft at Ecospace in Rajarhat. Similar activity is expected to continue as occupiers are planning to expand further in the city. Availability of large parcels of land with good connectivity and planned layout is expected to drive the demand in all sectors in Rajarhat. Increase in residential demand is expected to appreciate the prices in Rajarhat.

The development in infrastructure in Rajarhat is expected to improve its investment potential even further eventually.
With the improving macro-economic conditions and transparency in real estate sector in India, scale of investments is expected to increase in the coming years. The availability of accurate time series data on market fundamentals, approval of Real Estate Regulation and Development Bill and the digitalisation of land records are few initiatives in this path. These are expected to address certain complexities of real estate market going forward.

We have categorised eight submarkets as the emerging hot spots on account of the economic activity, physical and social infrastructure growth. These positive factors have contributed towards a surge in real estate development in these sub markets. Amidst the current economic conditions and complexities surrounding the real estate industry in India, these sub markets, which may be deemed as the next alternative to the key markets, are likely to be relatively safer havens for investment. While availability of social facilities, such as schools, health care and hotels, have attracted home buyers; being alternate affordable locations, these sub markets have got higher preference by commercial occupiers as well. The commercial and residential developments in these locations are together acting as drivers towards the increasing retail demand as well.

Based on the existing and expected developments, we have developed a four staged matrix to identify investment potential of these sub markets. Most of these emerging locations - Noida in NCR, Thane & Navi Mumbai in Mumbai and White field at Bangalore are at growing stage. Meanwhile Viman Nagar and Nagar Road at Pune, Greater Noida in NCR, Rajarhat in Kolkata, Gachibowli at Hyderabad, and Southern Suburbs of Chennai are in emerging stages. We expect these sub markets to enjoy meaningful price appreciation in next few years. However, these eight sub-markets have their share of risks as well and prospective buyers are advised to consider their risk appetite before concluding any deal.
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