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Industry View  
In-Line

## India Property

### Ears On The Ground 9 – Commercial/Retail Demand Remains Subdued

#### What are we seeing in Investment Property market:

1) Commercial/retail demand continues to be frugal, 2) rentals continue to be re-negotiated (and roll down), however, 3) commercial complex sales (strata based sales to end users) demand is good (small city centre project). Investment Project Tracker introduced inside.

**Retail projects first** – Whereas construction starts for the new projects have been postponed by several developers (such as DLF, UT etc), 'specialist companies' with rental models (Phoenix, Ishaan, Anantraj) continue execution for their ongoing projects, albeit with extended timelines. Pre-leasing volumes have stagnated for the last 6 months – Inorbit Pune (27% locked in), Inorbit Hyderabad (65%), Pune Market City (25%), Kurla Market City etc – though enquiries from retailers are picking up now.

**Rentals continue to correct** – Importantly, several old pre-leases have been negotiated down – 15-20% - and mgmt teams are guiding to 20-30% lower rental expectation (Lower Parel – Rs225 psf, Kurla – Rs80-85, Bangalore/Pune/Chennai/Hyderabad – Rs50-70 psf) for the un-leased portion (versus Jan'09). In addition, retailers want mall developers to share the business risks, and, therefore, revenue sharing (4-20%) is getting increasingly common (in lieu/in addition to minimum fixed rental). Interestingly, while on the renegotiating table for old pre-leases, most mall developers chose to lower rentals rather than forfeiting deposits (6-12 month rental) paid by the retailers, highlighting demand scarcity.

**Commercial projects** – SEZ pre-leasing remain scarce (or even cancellations of earlier contracts), as indicated by Ishaan, UCP, Anantraj, etc, although there appears to be good (strata sale) demand for small block (100 to 300ksf) well located office complexes (UT's Chambers in Mumbai, Signature Tower II in Gurgaon etc) by end users (professionals such as CA, lawyers etc).

#### Ears on the Ground – Issue chronology

	Issue Title	Date of Issue
1	Bad to Worse Market Conditions	20-Oct-08
2	Sobha Blinks - First Official Price Cut in the Sector	23-Nov-08
3	Price Softening Becomes More Widespread	7-Dec-08
4	Price Cuts Accelerating, Land Bank Contraction Begins	19-Feb-09
5	Price Cut Party Getting Bigger; New Launch Pickup	6-Mar-09
6	Lo-Behold, Oversupply Coming In Mumbai, Gurgaon	8-Apr-09
7	Price Correction Sets In Central Mumbai, Volumes Modest	10-May-09
8	Vol Trends In New Launch Surge	15-Jun-09
9	Commercial/Retail Demand Remains Subdued	2-Jul-09

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Exhibit 1

## India Property: Ongoing Commercial / Retail projects

Developer	Project	Type	Project Size (Million sq.ft.)
Unitech Corporate Parks	InfoSpace, Dundahera, Gurgaon (G2-IST)	IT SEZ	3.65
	InfoSpace, Kolkata (K1)	IT SEZ	4.35
	InfoSpace, Sector 135, Noida (N2)	IT SEZ	3.17
	InfoSpace, Sector 62, Noida (N1)	IT Park	2.06
Phoenix Mills	HSP Ph-III (Palladium), Mumbai	Retail	0.33
	Market City, Chennai	Retail	1.43
	Market City, Bangalore	Retail	1.40
	Market City, Pune	Retail	1.60
	Market City, Kurla, Mumbai	Retail	2.03
	Market City, Indore	Retail	1.35
	Market City, Udaipur	Retail	0.95
	Market City, Raipur	Retail	1.50
Ishaan	Mindspace, Navi Mumbai	IT SEZ	3.91
	Mindspace, Pocharam, Hyderabad	IT SEZ	3.80
	Mindspace, Madhapur, Hyderabad (SEZ)	IT SEZ	4.65
	Mindspace, Madhapur, Hyderabad (non-SEZ)	IT Park	1.65
	Inorbit Mall, Hyderabad	Retail	0.76
	Inorbit Mall, Pune	Retail	0.49
	Commerzone, Bangalore	Retail	0.27
Anant Raj	Rai, Haryana	IT SEZ	3.50
	Anant Raj Technology Park, Manesar, Haryana	IT Park	1.20
	IT Park - Panchkula, Haryana	IT Park	1.80
	IT Park - Greater Noida	IT Park	3.60
	IT Park - Jaipur	IT Park	1.80
	Mall, Kirti Nagar, New Delhi	Retail	0.75

Source: Company data, Morgan Stanley Research

July 2, 2009

India Property

Exhibit 2

## India Property: New Launch Tracker

Developer	Project	Location	BSP * (Price / Sq.ft)
DLF	The Summit	Hyderabad, Gachibowli	2,100
DLF	New Town	Bangalore, BTM Ext.	1,850 - 2,000
DLF	Capital Greens	New Delhi, Shivaji Marg	5,500 - 6,500 **
DLF	New Town Heights	Gurgaon, Sector 86, 90, 91	2,150
DLF	Express Greens	Gurgaon, Sector M-1, Manesar	2,250
DLF	New Town Heights	Kochi, Kakkanad	2,600 **
DLF	Garden City	Chennai, OMR	2,750
Unitech	Uniworld Garden II	Gurgaon, Sector 47	3,245 **
Unitech	Uniworld Resorts - The Residences	Gurgaon, Sector 33	3,545 **
Unitech	The Willows - Grande (Plots)	Noida	5,667
Unitech	Woodside	Mumbai, Dadar	10,500
Unitech	Ascot	Mumbai, Dadar	14,000
Unitech	The Residences	Mumbai, Chembur	5,225
Unitech	Uniworld City - Vistas	Kolkata, Rajarhat	2,945 **
Unitech	Uniworld City - Singleton Floors	Mohali, Sector 107	1,975
Unitech	Ananda - North Town	Chennai, Perambur	3,100
Unitech	Brahma - North Town	Chennai, Perambur	3,100
Unitech	Unihomes	Noida, Sector 117	3,145
HDIL	Premier Residences	Mumbai, Kurla (W)	5,451
HDIL	Metropolis	Mumbai, 4 Bungalows	7,951
HDIL	Galaxy	Mumbai, Kurla (E)	4,251
Indiabulls	Castlewood	Delhi	12,750
Indiabulls	Indiabulls Greens	Chennai, OMR	2,700
Indiabulls	Indiabulls Centrum Park	Gurgaon, Sector 103	2,100 **
Indiabulls	Indiabulls Central Park	Indore	2,000
Indiabulls	Indiabulls Central Park	Ahmedabad	1400 - 1580
Indiabulls	Indiabulls Central Park	Vadodara	2,150
Indiabulls	Indiabulls City (Plots)	Sonepat	911
Indiabulls	Riverside	Ahmedabad	1,750
Indiabulls	Indiabulls Central Park	Hyderabad	3,200
Sobha	Sunscape	Bangalore, Off Kanakpura Rd	1,978 - 2,128
Sobha	Sunbeam I & II	Bangalore, Off Kanakpura Rd	2,254
Ozone Group	The Metrozone	Chennai, Anna Nagar	5,300
Nirmal Lifestyle	Zircon	Mumbai, Mulund	5,400
Kumar Builders	45 Nirvana Hills	Pune, Karve Road	4,500
Jaypee Group	Jaypee Greens Aman	Noida, Sector 50	2,250 **
BPTP	Park Elite Floors	Faridabad, Sector 85	1,200-1,550 #
BPTP	Park Elite Premium	Faridabad, Sector 84	1,985 - 2,040
Emaar MGF	Emerald Floors	Gurgaon, Sector 65	2,300 - 2,850 #

Source: Company data, Morgan Stanley Research

\* Base Selling Price indicates quoted price / sq.ft. without any additional charges like PLC, Floor rise, Car Parking, Registration, Club charges, etc.

\*\* These prices have been subject to inaugural / periodic discounts;

# The BSP price arrived at includes lawn / terrace area

July 2, 2009  
India Property

Exhibit 3

## Real Estate Valuation Parameters: Indian Companies

Prices as of Jul 02, 2009 India Companies	Price (Rs)	Mkt Cap (Rs. mn.)	EPS			P/E			P/B		NAV/Share	% (Dis)/Prem NAV
			F2008	F2009E	F2010E	F2008	F2009E	F2010E	F2009E	F2010E		
DLF#	336	569,835	45.8	29.0	13.1	14.1	11.6	25.7	2.5	2.3	247	35.9%
Ansal Properties	56	6,356	15.3	2.8	6.2	3.7	19.7	9.1	0.5	0.8		
Unitech#	82	168,269	10.2	7.9	3.6	27.0	10.5	22.7	2.8	1.9	113	-27.1%
Mahindra Lifespace Developers	271	11,061	16.3	26.3	40.4	16.7	10.3	6.7	0.4	1.1		
Peninsula Land	68	18,958	4.7	7.6	7.7	14.4	9.0	8.8	1.5	1.3		
Sobha Developers Ltd.#	224	16,297	31.3	17.7	15.2	19.0	12.6	14.7	1.5	1.4	254	-11.8%
Puravankara Projects Ltd.	87	18,493	11.2	4.9	5.0	7.7	17.6	17.2	1.3	1.2		
Housing Development & Infrastructure Ltd.	234	64,328	65.8	19.2	21.9	3.5	12.2	10.6	1.6	1.5		
Indiabulls Real Estate Ltd.	213	85,477	17.2	3.9	7.9	12.4	54.8	27.1	1.0	1.0		
<b>AIM Listed companies</b>	<b>(GBp)</b>	<b>(£mn)</b>										
Unitech Corporate Parks*	17	61									83	-79.6%
Hirco PLC*	95	73										
Ishaan*	41	59										
<b>Weighted Average</b>						<b>15.3</b>	<b>15.4</b>	<b>23.1</b>	<b>2.2</b>	<b>1.9</b>		

Source: Company data, Morgan Stanley Research

\*Prices in Pence as on Jul 02, 2009, Mkt cap in £mn, # = Morgan Stanley Research estimates; all others are FactSet Consensus; E= estimates,

\*\* DLF NAV is for Mar '10 & Unitech NAV is for Jun '10

Exhibit 4

## Real Estate Valuation Parameters: Regional Companies

7/02/2009 Company	Share Price	Mkt Cap US\$M	P/E		P/B		RoE		Net D/E	Int. Cov	NAV/ share	Disc to NAV	Fwd NAV	Disc to fwd NAV
			2008E	2009E	2008E	2009E	2008E	2009E	2008	2008				
<b>China Property Stocks</b>														
China Vanke	13.35	19,354	17.6	26.8	2.2	4.0	13.8%	17.2% e	0.4	7.2	8.0	66%	9.7	37%
COLI.	17.50	17,929	21.3	24.3	2.6	3.6	15.2%	17.7% e	0.5	15.7	-		NA	
Country Garden	3.60	7,600	10.4	14.9	1.4	2.4	13.7%	18.2% e	0.5	4.6	3.9	-8%	4.5	-20%
Guangzhou R&F	17.72	7,368	12.0	15.8	1.6	3.0	16.0%	21.4% e	1.2	10.3	19.5	-9%	21.1	-16%
China Resources Land	17.16	10,483	22.7	24.8	1.3	2.0	8.3%	9.6% e	0.5	18.2	-		NA	
Shimao Property	15.54	6,635	14.1	15.2	0.8	1.9	6.0%	16.7% e	0.7	5.6	14.5	7%	16.1	-3%
Agile Property	11.10	5,365	10.0	18.9	1.0	2.5	14.7%	14.5% e	0.5	11.6	11.8	-6%	13.6	-19%
Shanghai Forte Land	2.46	803	7.9	10.2	0.5	1.0	6.9%	10.1% e	1.4	16.4	4.7	-47%	5.5	-56%
China Aoyuan	1.88	581	NM	26.4	0.4	0.8	2.6%	3.1% e	0.0	(28.5)	4.1	-55%	4.4	-57%
<b>Weighted Average</b>			<b>16.8</b>	<b>21.8</b>	<b>1.8</b>	<b>3.0</b>								
<b>HK Property Stocks</b>														
SHK Properties	95.80	31,689	22.0	22.1	1.2	1.1	6.6%	5.1% e	0.1	20.3	127.2	-25%	113.62	-16%
Hang Lung Properties Ltd.	24.50	13,104	20.2	41.8	1.6	1.6	9.4%	3.8% e	(0.1)	58.5	23.6	4%	22.7	8%
Sino Land	12.86	8,073	22.0	17.5	1.3	1.0	7.1%	6.1% e	0.2	94.7	16.7	-23%	15.2	-15%
Hysan Development	18.28	2,451	10.8	18.2	0.4	0.6	3.8%	3.3% e	0.1	9.6	34.4	-47%	29.7	-38%
Great Eagle Holdings	16.04	1,237	5.1	11.1	0.3	0.5	4.1%	4.9% e	(0.3)	8.5	28.7	-44%	23.5	-32%

Source: Company data, Morgan Stanley Research; E = Morgan Stanley Estimates

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July 2, 2009  
India Property

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July 2, 2009

India Property

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## Industry Coverage:India Property

Company (Ticker)	Rating (as of)	Price (07/02/2009)
<b>Sameer Baisiwala, CFA</b>		
DLF Limited (DLF.BO)	U (10/17/2007)	Rs335.75
Parsvnath Developers Limited (PARV.BO)	U (06/09/2008)	Rs85.3
Sobha Developers Ltd. (SOBH.BO)	++	Rs223.55
Unitech Corporate Parks Plc (UCP.L)	O (02/02/2007)	17p
Unitech Limited (UNTE.BO)	O (06/29/2009)	Rs82.4

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