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January 24, 2011

Industry View
In-Line

India Property

Ears On The Ground 21 – 4Q10 Data: Not Too Bad

Physical property market in consolidation: On an aggregate basis (for the top seven metros), 4Q10 residential data released by JLL REIS suggest stability in sales (in absolute terms) and rising inventory, even though the property prices have risen past 2007's peak. To be specific, excluding the Noida market, 28.2k units were sold in 4Q10 (down 5% qoq) versus the four-quarter average of 27.9k units. However, a faster pace of new launches during the quarter (44.7k units versus 32.6k average for the last four quarters) led to a rise in unsold inventory, resulting in a sequential drop in the absorption rate to 16% (18% in 3Q10). Exhibit 2.

A few metros paint a healthy picture: Bangalore, Pune, Chennai and Gurgaon appear to be doing good volumes – 4k, 5.8k, 5.2k and 5.2k units, respectively, implying 18%, 21%, 17% and 24% quarterly absorption rates (units sold divided by unsold inventory). Gurgaon data are an upside surprise, since our channel checks suggest slower sales for premium projects.

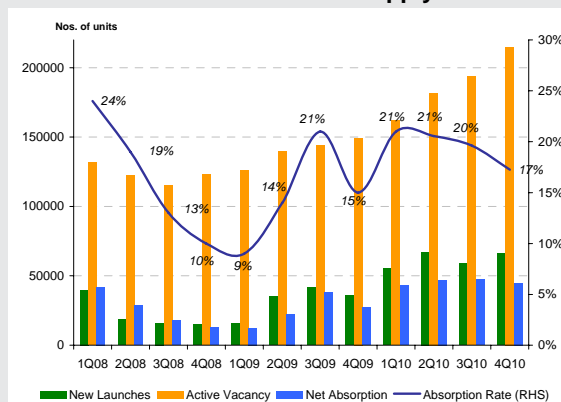
Others are not doing all that well: Continuing their poor sales trend, Hyderabad and Kolkata remain weak – 1.4k and 1.8k units sold and 7% and 15% absorption rates. Mumbai remains sluggish (2.6k units sold) with rising inventory (12% absorption rate). However, to our surprise, it showed a sequential improvement, possibly due to a few bulk sales (such as 20/80 scheme prevalent then) during the quarter. Noida remains a puzzle with the fourth straight quarter of super normal (though sequentially waning) sales – 16.6k units sold (vs. the four-quarter average of 17.5k units). Its unsold inventory is 64.3k units (30% of total inventory across seven metros).

Our view: Most developers are wrongly focusing on margins instead of asset turn. Here on, we expect prices to stabilize/drop (especially in Mumbai and Gurgaon) and new launches to moderate, which should help lower unsold inventory by 2H11. Given the inexpensive valuations, we are constructive on the group and maintain OW on OBER, SDL, IBREL and DLF.

Ears on the Ground – Issue Chronology

Issue Title	Date of Issue
1 Bad to Worse Market Conditions	20-Oct-08
2 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
10 Mumbai And NCR Update Plus Contours of Recovery	5-Aug-09
11 Volume in Metros – Customers Keep Everyone Guessing	27-Aug-09
12 Tier II/III Cities: New Launch Pickup but Modest Volumes	16-Sep-09
13 Mumbai - Good Recovery but Rentals at Divergence	28-Dec-09
14 Mumbai - New Launches Accelerate, Take Up Slows	29-Mar-10
15 Recovery Getting Entrenched	29-May-10
16 Gurgaon Pricing and Noida Volume Sizzling	21-Jun-10
17 2Q Data: Volumes Soak Price Increases	10-Jul-10
18 Commercial - Bad, But Not All All That Bad, and Improving	24-Aug-10
19 3Q10 Data = Mixed Bag	10-Oct-10
20 Mumbai Outside Mumbai	16-Dec-10
21 4Q10 Data : Not Too Bad	12-Jan-11

Pan-India Residential Demand-Supply Trend



Source: JLLM REIS 4Q10 data, Morgan Stanley Research

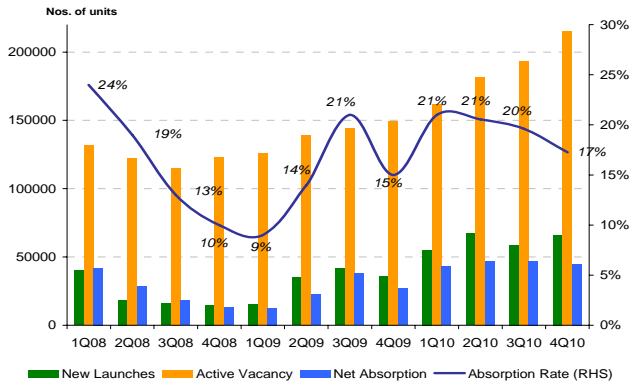
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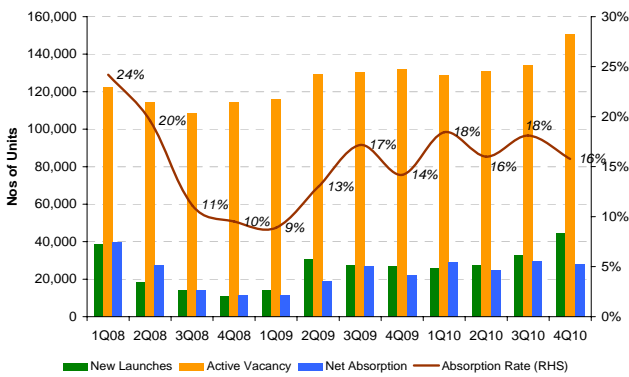
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Exhibit 1
Pan India Residential: Demand Supply Trend



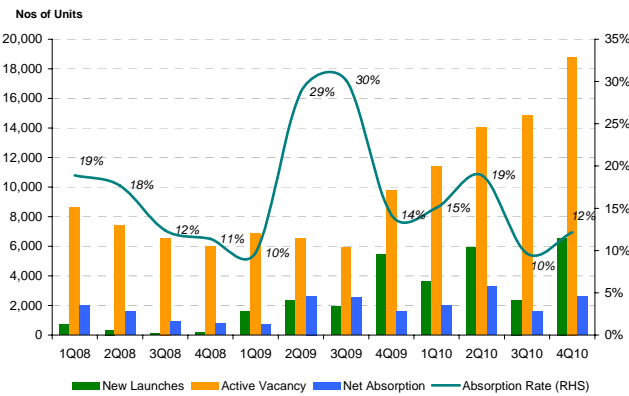
Source: JLLM REIS 4Q10 data, Morgan Stanley Research

Exhibit 2
Pan India (excl. Noida) Residential: Demand Supply Trend



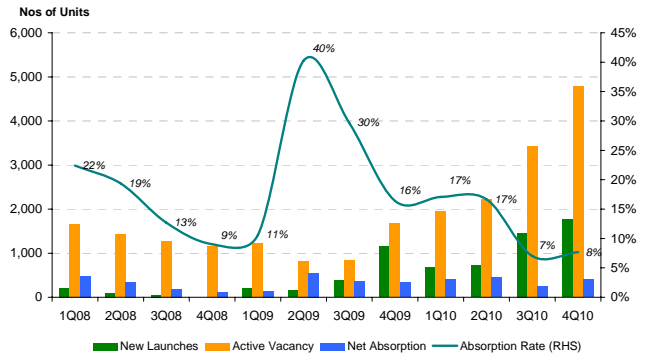
Source: JLLM REIS 4Q10 data, Morgan Stanley Research

Exhibit 3
Mumbai Residential: Demand Supply Trend



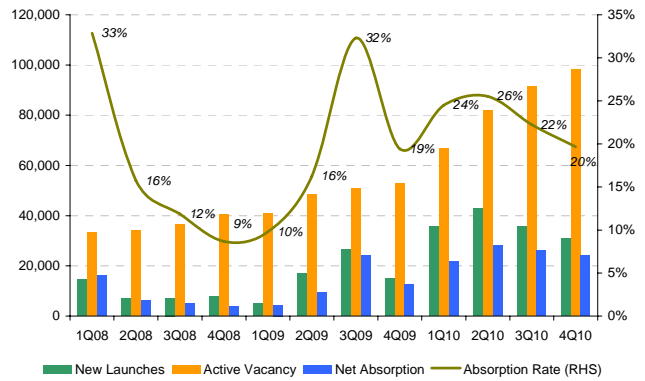
Source: JLLM REIS 4Q10 data, Morgan Stanley Research

Exhibit 4
South/South Central Mumbai Residential: Demand Supply Trend



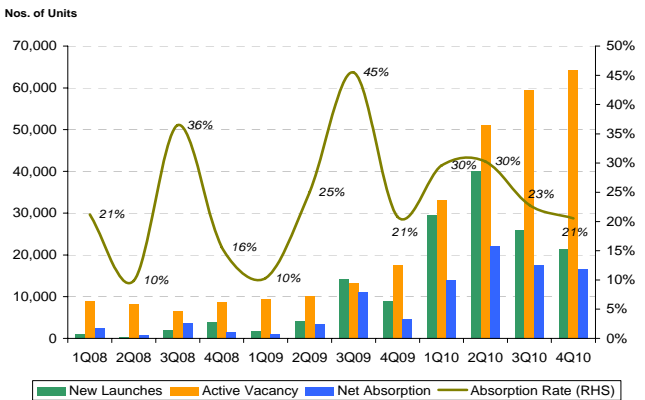
Source: JLLM REIS 4Q10 data, Morgan Stanley Research

Exhibit 5
NCR Residential: Demand Supply Trend



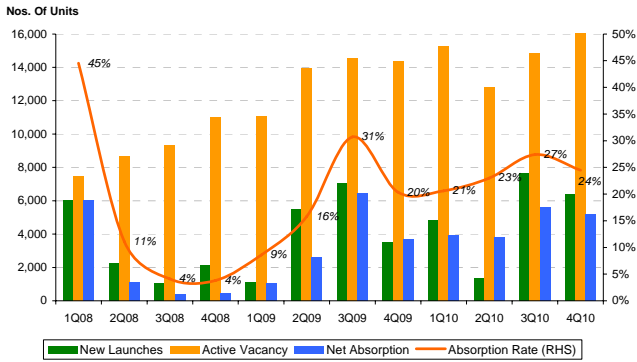
Source: JLLM REIS 4Q10 data, Morgan Stanley Research

Exhibit 6
Noida Residential: Demand Supply Trend



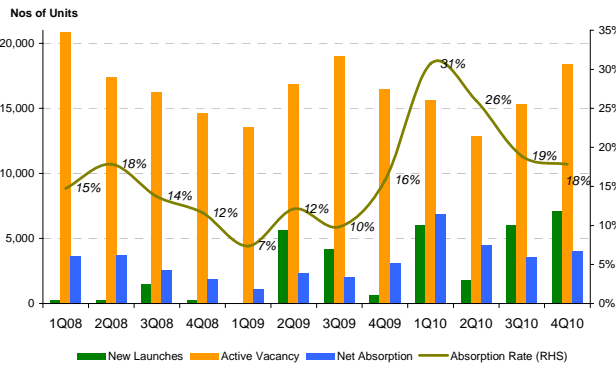
Source: JLLM REIS 4Q10 data, Morgan Stanley Research

Exhibit 7
Gurgaon Residential: Demand Supply Trend



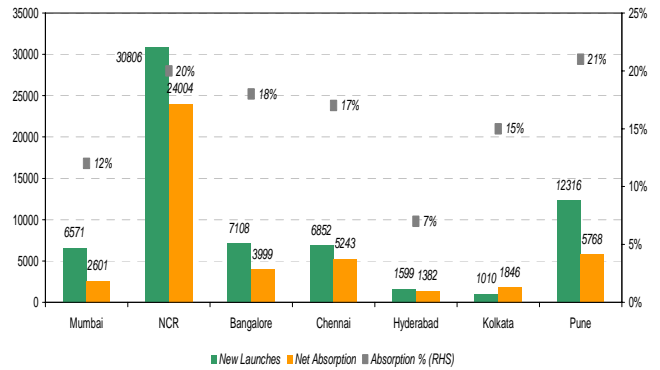
Source: JLLM REIS 4Q10 data, Morgan Stanley Research

Exhibit 8
Bangalore Residential: Demand Supply Trend



Source: JLLM REIS 4Q10 data, Morgan Stanley Research

Exhibit 9
New Launches and Net Absorption (in # housing units) across key cities in 4Q10



Source: JLLM REIS 4Q10 data, Morgan Stanley Research

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Exhibit 10

Real Estate Valuation Parameters: Indian Companies

Prices as of Jan 21, 2011	Price	M-Cap	EPS			P/E			P/BV			Fwd	%(Dis)/Prem
India Companies	(Rs)	(Rs. mn.)	F2010E	F2011E	F2012E	F2010E	F2011E	F2012E	F2010E	F2011E	F2012E	NAV/Share	NAV
DLF#	252	428,356	10.6	15.6	18.6	23.9	16.2	13.6	1.7	1.6	1.4	359	-29.7%
Unitech#	57	144,205											
Indiabulls Real Estate Ltd. #	128	51,469	(0.4)	2.7	7.9		48.3	16.2	0.5	0.5	0.5	250	-48.8%
Jaypee Infratech Ltd #	70	97,434	4.0	7.0	6.8	17.6	10.0	10.3	2.1	1.7	1.4	106	-33.8%
DB Realty Ltd.	165	40,162	11.8	16.7	38.9	14.0	9.9	4.2	0.2	1.2	0.9		
Sobha Developers Ltd.#	276	27,046	13.9	17.1	21.0	19.8	16.1	13.1	1.6	1.5	1.3	445	-38.0%
Oberoi Realty Ltd.#	247	80,909	15.9	15.5	17.3	15.5	15.9	14.2	3.9	2.4	2.1	337	-26.9%
HDIL	159	65,965	17.3	22.4	29.9	9.2	7.1	5.3	1.0	0.7	0.6		
Puravankara Projects Ltd.	106	22,516	6.8	7.1	9.4	15.5	14.8	11.2	1.6	1.3	1.3		
Mahindra Lifespace Developers	330	13,479	18.9	27.5		17.4	12.0		1.5	1.3			
Ansal Properties	46	5,652	5.5	7.3		8.4	6.3		0.5	0.4			
Godrej Properties Ltd.	589	41,159	19.5	18.0	31.3	30.2	32.8	18.8	11.9	4.4	2.5		
AIM Listed companies	(GBp)	(£mn)											
Unitech Corporate Parks*	28	101										^^	^^
Hirco PLC*	73	56											
Ishaan*	64	93											
Weighted Average						18.9	16.7	11.9	2.1	1.6	1.3		

Source: Company data, Morgan Stanley Research; *Prices in Pence as on Jan 13, 2011, Mkt cap in £mn,

; # = Morgan Stanley Research estimates; all others are FactSet Consensus; E= estimates,

** DLF, Sobha, IBREL, JIL and OBER NAV are for Mar '11;

^^ = Stock Rating, Price Target or Estimates are not available or have been removed due to applicable law and/or Morgan Stanley policy.

Exhibit 11

Real Estate Valuation Parameters: Regional Companies

1/21/2011	Share	Mkt Cap	P/E		P/B		RoE		Net D/E	Int. Cov	NAV/	Disc to	Fwd	Disc to
Company	Price	US\$M	2010E	2011E	2010E	2011E	2010E	2011E	2010	2010	share	NAV	NAV	NAV
China Property Stocks														
China Vanke	8.38	13,992	12.2	8.6	2.1	1.7	20%	24%	0.1	12.7	12.0	-30%	10.1	-17%
COLI.	15.24	16,005	13.5	11.3	2.4	2.1	21%	22%	0.2	31.1	-		NA	
Country Garden	3.01	6,327	13.4	11.4	1.8	1.6	15%	16%	0.5	5.7	4.3	-31%	3.9	-23%
Guangzhou R&F	12.44	5,151	8.1	7.5	1.6	1.5	22%	23%	0.9	8.2	23.6	-47%	18.4	-33%
China Resources Land	14.40	9,320	16.8	14.1	1.8	1.7	11%	13%	0.5	15.9	-		NA	
Agile Property	12.24	5,891	10.7	9.2	2.2	2.0	23%	25%	0.7	42.7	19.8	-38%	17.5	-30%
Shanghai Forte Land	3.35	1,089	5.1	7.0	0.7	0.9	18%	14%	1.1	23.1	7.0	-52%	5.1	-34%
China Aoyuan	1.50	531	14.3	9.8	0.6	0.6	4%	6%	0.4	14.9	4.7	-68%	4.2	-64%
Weighted Average			12.8	10.5	2.0	1.8								
HK Property Stocks														
SHK Properties	135.10	44,514	19.8	19.8	1.1	1.4	6%	7%	0.1	31.0	134.4	1%	141.74	-5%
Hang Lung Properties Ltd.	35.10	18,695	18.8	21.6	1.4	1.6	10%	8%	(0.2)	306.1	25.2	39%	26.2	34%
Sino Land	15.70	9,767	19.6	26.3	1.1	1.2	6%	4%	0.2	216.2	18.5	-15%	20.6	-24%
Great Eagle Holdings	26.05	2,001	14.0	14.5	0.6	0.7	5%	5%	(0.4)	6.3	33.0	-21%	34.7	-25%
Weighted Average			19.4	20.9	1.2	1.4								

Source: Company data, Morgan Stanley Research E = Morgan Stanley Research estimates

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(as of December 31, 2010)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	1145	40%	437	44%	38%
Equal-weight/Hold	1192	42%	422	42%	35%
Not-Rated/Hold	119	4%	25	3%	21%
Underweight/Sell	382	13%	109	11%	29%
Total	2,838		993		

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Analyst Stock Ratings

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Overweight (O or Over) - The stock's total return is expected to exceed the total return of the relevant country MSCI Index, on a risk-adjusted basis over the next 12-18 months.

Equal-weight (E or Equal) - The stock's total return is expected to be in line with the total return of the relevant country MSCI Index, on a risk-adjusted basis over the next 12-18 months.

Not-Rated (NR) - Currently the analyst does not have adequate conviction about the stock's total return relative to the relevant country MSCI Index on a risk-adjusted basis, over the next 12-18 months.

Underweight (U or Under) - The stock's total return is expected to be below the total return of the relevant country MSCI Index, on a risk-adjusted basis, over the next 12-18 months.

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Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

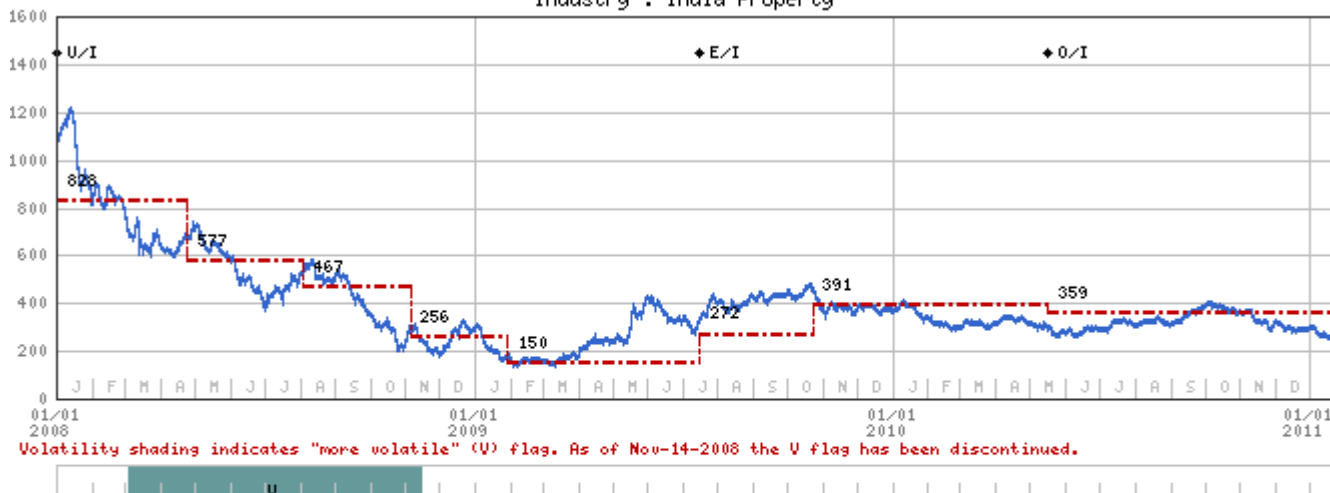
In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

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Stock Price, Price Target and Rating History (See Rating Definitions)

DLF Limited (DLF.BO) - As of 1/23/11 in INR
Industry : India Property



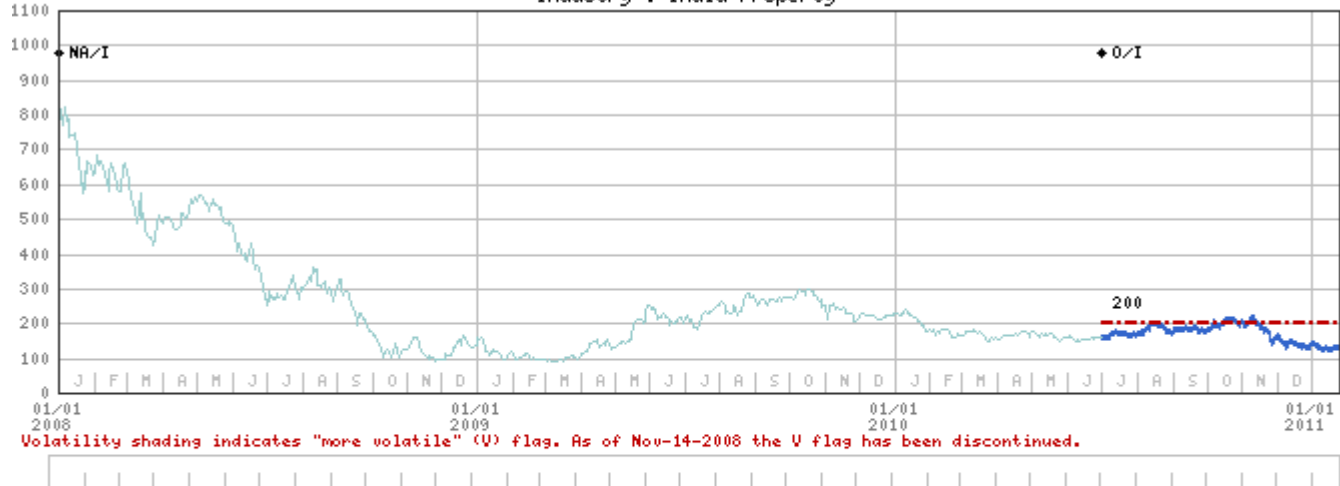
Stock Rating History: 1/1/08 : U/I; 7/16/09 : E/I; 5/17/10 : O/I

Price Target History: 10/17/07 : 828; 4/24/08 : 577; 8/3/08 : 467; 11/5/08 : 256; 1/29/09 : 150; 7/16/09 : 272; 10/23/09 : 391; 5/17/10 : 359

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)
 Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ■
 Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View
 Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) More Volatile (U) No Rating Available (NA)
 Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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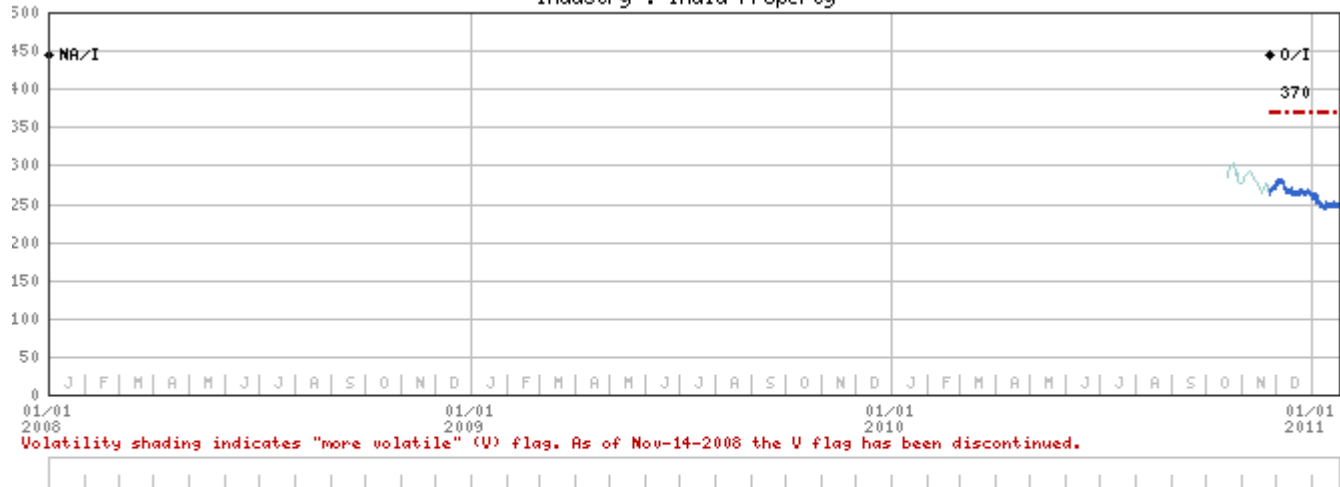
Indiabulls Real Estate Limited (INRL.BO) - As of 1/23/11 in INR
Industry : India Property



Stock Rating History: 1/1/08 : NA/I; 7/1/10 : 0/I
Price Target History: 7/1/10 : 200

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)
 Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ■
 Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View
 Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) More Volatile (V) No Rating Available (NA)
 Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Oberoi Realty Limited (OEBO.BO) - As of 1/23/11 in INR
Industry : India Property



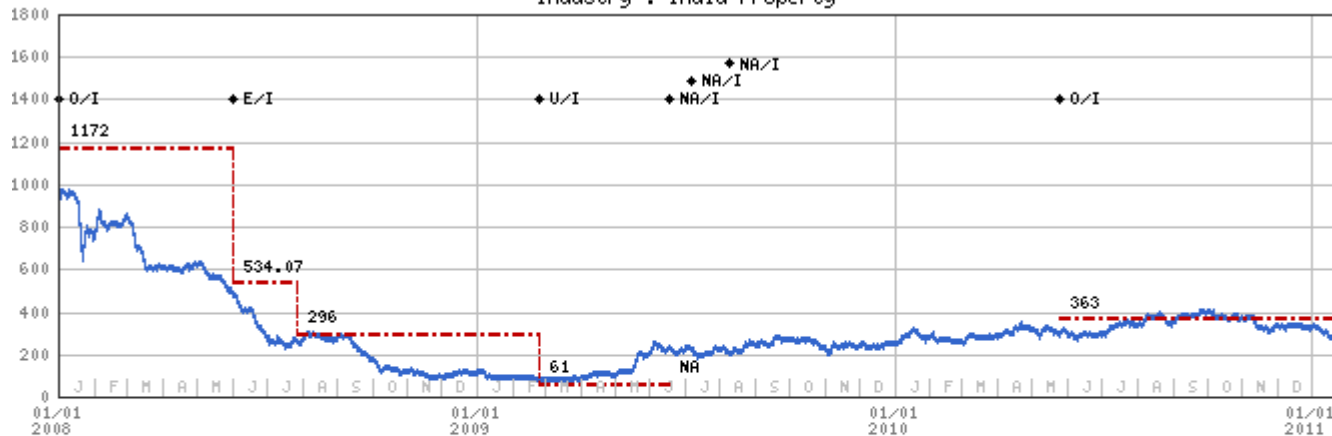
Stock Rating History: 1/1/08 : NA/I; 11/25/10 : 0/I
Price Target History: 11/25/10 : 370

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)
 Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ■
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Sobha Developers Ltd. (SOBH.BO) - As of 1/23/11 in INR
Industry : India Property



Volatility shading indicates "more volatile" (U) flag. As of Nov-14-2008 the U flag has been discontinued.

Stock Rating History: 1/1/08 : 0/I; 6/2/08 : E/I; 2/24/09 : U/I; 6/18/09 : NA/I; 7/7/09 : NA/I; 8/10/09 : NA/I; 5/25/10 : 0/I
Price Target History: 7/19/07 : 1172; 6/2/08 : 534.07; 7/27/08 : 296; 2/24/09 : 61; 6/18/09 : NA; 5/25/10 : 363

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Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Industry Coverage: India Property

Company (Ticker)	Rating (as of)	Price* (01/21/2011)
Sameer Baisiwala, CFA		
DLF Limited (DLF.BO)	O (05/17/2010)	Rs252.35
Indiabulls Real Estate Limited (INRL.BO)	O- (07/01/2010)	Rs128.1
Jaypee Infratech Limited (JYPE.BO)	E- (07/01/2010)	Rs70.15
Oberoi Realty Limited (OEBO.BO)	O- (11/25/2010)	Rs246.5
Sobha Developers Ltd. (SOBH.BO)	O (05/25/2010)	Rs275.8
Unitech Corporate Parks Plc (UCP.L)	++	28p
Unitech Limited (UNTE.BO)	++	Rs57.25

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* Historical prices are not split adjusted.