

Mumbai, India

Tenant's Guide ■ International Markets ■ Third Quarter 2009

Overview

The global slowdown continues to impact the demand for office space across all business districts and is showing no signs of recovery. This is leading to the softening of lease rentals and capital values across all segments which is likely to continue for some time.

Mumbai witnessed an overall vacancy of about 14% in 2009. Average vacancy rates in the CBD remained stable to 8% while Andheri recorded vacancy of about 19% and Thane saw the maximum drop of 25%. Increase in vacancy rates can be attributed to a growing trend among tenants who are opting to move out of these more expensive markets after expiry of their lease terms to look for more cost effective options.

Rental values continue to be under downward pressure. Persistent slowdown in occupier demand over the last quarter is still increasing vacancy rates and has resulted in further correction in rental values across most micro markets, due to several tenants either cancelling or renegotiating rentals on earlier pre-committed space. The global economic slowdown has impacted demand for quality office space from multinationals resulting in a correction coupled with over supply.

Rental values in Lower Parel and Andheri are expected to witness further softening in the short-term due to large upcoming supply. Relocation, subleasing pressure, and high vacancy rates have also contributed to the slowdown in demand and limited access to finance. Many developers are compelled to reschedule construction plans leading to a lower than anticipated supply in 2009.

Market Trends

- Mumbai still ranks as one of the top ten expensive cities in world in office rentals.
- The CBD, Nariman point has witnessed a marginal decline in rental in the last quarter.
- Vacancy levels are likely to increase in the short/medium-term.
- Corporations continue relocating to micro and peripheral markets for lower rentals.
- Bandra Kurla complex is an alternate CBD because of its central location.

Tenant's Perspective

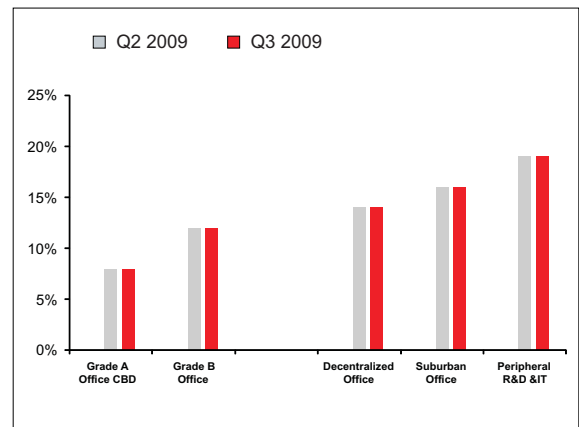
Some tenants are subletting their space or renegotiating lease rental downwards. This is a good opportunity for tenants to commit to long-term space as the market is at bottom.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Kellogg	15,000	Lease	Office
Morgan Stanley	5,000	Lease	Office
JP Morgan Chase	160,000	Lease	Office
Wyeth Pharma	40,000	Lease	Office
LRN Technology	25,000	Lease	Office

* Size is represented in square feet

Vacancy Rate



Average Rental Rates

Category	Q2 2009
CBD	
Grade A Office	INR 250-350/sf/month
Grade B Office	INR 190-275/sf/month
Off CBD	
Decentralized Office	INR 100-120 /sf/month
Secondary	
Suburban Office	INR 70-90/sf/month
Peripheral	
New Mumbai	INR30-65/sf/month
R&D & IT	INR 40-60/sf/month

* 1US\$=.49INR

* All rates are quoted on warm shell s/ft/month space which include power back up and high side air conditioning.

Prepared By CresaPartners
S-202, Nimbus Centre
Oberoi Complex, Andheri-W
Mumbai 400 053, India