

# Market Report

## Bangalore



### Market Overview

- Tech sectors are the driving forces for the increase in real estate values
- Most real estate developments are built-to-suit
- The city produces a US\$12 billion IT and software export market
- 35% of India's IT professionals are in Bangalore
- 38% of the global SEI-CMM companies are headquartered in Bangalore
- India's top software companies such as Infosys and Wipro are located in Bangalore
- Bangalore is also home to 40% of India's biotechnology companies
- The Bangalore Stock Market is the largest in South India

### Economic Indicators

- The city has a US\$47.2 billion economy
- Indian currency is the Rupee
- As of 4-13-06, 1 USD = 44.3 INR



International Tech Park

Office Rental Rates (US\$/Sq. ft/Month)			
Downtown Office	Low	High	Vacancy
Class A (Prime)	\$1.10	\$1.66	5%
Class B (Secondary)	\$0.55	\$1.10	5%
Suburban Office	Low	High	Vacancy
Class A (Prime)	\$0.88	\$1.10	25%
Class B (Secondary)	\$0.44	\$0.88	35%

### Office Market

- Suburban areas absorbed 1.4 million sq. ft of office space in the third quarter of 2005
- Off CBD locations witnessed 150,000 sq. ft. of absorption in the third quarter of 2005
- The commercial sector consist of CBD- Brigade Road, Richmond Road, Whitefield, Electronic City, Hosur Road, Airport Road and Bannerghatta Road and Outer Ring Road

## Retail Market

- It is estimated that Bangalore will receive 4 million sq. ft. of new retail stock by the beginning of 2008.
- One of the nation's largest malls will open on Sarjapur Road and introduce an area close to 2 million sq. ft. into the market; completion is expected in late 2006.
- Traditional retail areas of Bangalore such as Commercial Street, Brigade Road, and Richmond Road continue to have high demand.



Garuda Mall

Retail Rental Rates (US\$/Sq. ft/Month)			
Location	Low	High	Vacancy
Downtown	\$3.33	\$7.78	5%
Regional Malls	\$1.67	\$2.78	N/A



Mantri Altius Building

## Industrial

- Often called the Silicon Valley of India because of the large number of IT companies located in the city.
- IT firms in Bangalore employ 35% of India's 1 million IT professionals.
- Bangalore accounts for the highest IT-related exports in India.
- Three industrial parks for the IT sector are Software Technology Parks (STPI), International Technology Park Ltd (ITPL) and Electronics City.
- Biotechnology is also expanding rapidly in the city; currently, there are 97 biotech companies located in Bangalore.

Industrial Rental Rates (US\$/Sq. ft/Month)			
Type	Low	High	Vacancy
Bulk Warehouse	\$0.22	\$0.33	10%
Manufacturing	\$0.44	\$0.55	20%
High Tech/R&D	\$0.44	\$0.88	10%

## Logistics

- Hindustan Aeronautical Limited (HAL) Airport is India's fourth busiest airport
- By July 2008, a new international airport is expected to be completed
- The Rajdhani Express links Bangalore to Delhi
- Railways also connect Bangalore to Mumbai, Chennai, Kolkata and Hyderabad
- By 2008 a 32 station intra-city metro system called the Bangalore Metro is expected to be finished
- The Bangalore Metropolitan Transport Corporation operates over 3,000 buses servicing Bangalore commuters.



Bangalore International Airport

## Advantages and Incentives

- Bangalore is the capital of the Indian state of Karnataka, which has embarked on a massive infrastructure expansion program aimed at providing industry with world-class facilities at competitive prices. Some of the major projects on the fast-track of implementation are:
  - Bangalore International Airport at Devanahalli
  - Bangalore Mass Rapid Transit System
  - Up-grade of Minor Airports and development of Minor Seaports
  - Up-grade of existing roads and laying of new ones on BOT/BOOT basis
  - Five new Food Processing Industrial Parks
  - Export Promotion Industrial Part at Mangalore
  - Special Economic Zone at Hassan
  - Jewelry Park at Karwar
  - Garment Parks at Bangalore and Bellary
- Karnataka Government's Free Right of Way Policy allows private companies to lay fiber optic cables anywhere in the state, which could mean the city will shortly have more players offering hi-tech connectivity at competitive costs.
- There are many investment incentives available in Bangalore, one of which is the Entry Tax Exemption incentive that allows a company to have tax-free periods according to their location: developed areas- no exemption; developing areas- 3 years; and backward areas- 5 years

## Labor

- Home to the Indian Institute of Management Bangalore (IIM-B), National Law School of India University and Bangalore Medical College (BMC)
- IT companies recruit exclusively from Bangalore's engineering colleges
- The city has a literacy rate of 84%



Bangalore Institute of Technology

## Outlook 2006

- Based on the influx of new retail space, the rental rates are expected to remain stable
- Due to the high demand of office space and low vacancy rates, the rental rates are expected to remain high

Short Term Outlook	
Rental Rates	
Office	↑
Industrial	→
Retail	→

## Pros

- Large base of education
- Telecom connectivity
- Availability of good office space
- Good state policies
- High quality of living

## Cons

- Low vacancy in retail sector
- New metro and airport not scheduled to finish for 2 more years