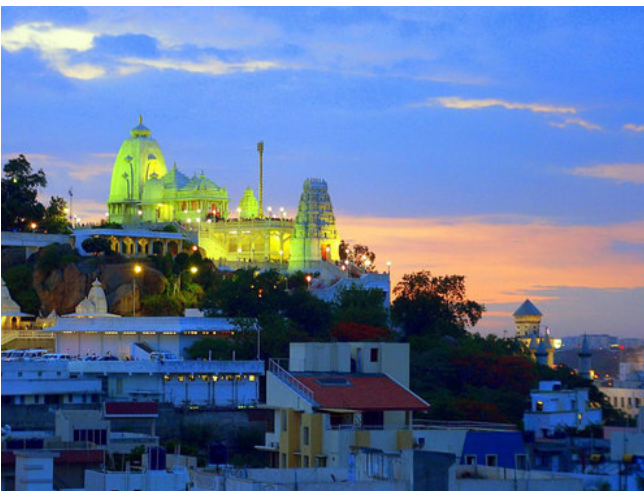




Hyderabad Overview

- Hyderabad, the capital city of the Indian state of Andhra Pradesh, has a population of 6.7 million.
- It is the second biggest city in India after New Delhi and it serves as the gateway of southern India.
- Interior migration to this capital city has also created a population boom in the area, leading people to invest more in real estate.
- The city is called India's Second Silicon Valley due to the large presence of IT and software companies. Hyderabad is known for IT and IT services, pharmaceutical, biotechnology, and entertainment industries. Hyderabad's "Tollywood" is India's second largest film producer behind Bangalore's "Bollywood."



History

- The city, which occupies an area of 241 square miles, was established in the early 16th century and was governed by the British Empire until it gained independence 1948.
- The former territories of the Hyderabad state included the Indian states of Andhra Pradesh, Bombay, and Karnataka.
- Today, the city is administered by the Greater Hyderabad Municipal Corporation, headed by the city's Mayor who is in charge of civil services, and the Municipal Commissioner, is in charge of exercising executive power.
- It has emerged as India's fastest growing city with strong industrial, commercial and technological centers.

Climate & Geography

- Hyderabad is located in the south Indian state of Andhra Pradesh, which lies on the Deccan Plateau 1776 ft. above sea level.
- Hyderabad has a tropical wet and dry climate system. In the summer the average temperature ranges from 77 °F to 104 °F
- In the winter, temperature ranges from 55 °F - 82 °F
- Average annual precipitation is about 31 inches.

Labor Force & Education

- Most people who live in India speak both Hindi and English, which is the most important language for national, political, and commercial communication.
- Hyderabad has a highly-skilled workforce. The current unemployment rate in the city is about 7.8 percent.
- Service industry is the major contributor, with urban workforce constituting 90% of the total workforce.
- Hyderabad is the leading center on higher education, scientific research and IT industry. It has three central universities, two Deemed Universities and six State Universities.
- Some of the prestigious universities in Hyderabad include Jawaharlal Nehru Technological University, for technical education; Osmania Medical College and Gandhi Medical College, for medical education; and Indian School of Business and the National Academy of Legal Studies & Research (NALSAR) University of Law, for business and Law education.
- Hyderabad’s literacy rate of those aged 15 and over is 59.5%.

Economy & Incentives

- As one of the most developed cities in the country, Hyderabad is the largest contributor to the country’s GDP, making it financial and economic capital of the country.
- An available skilled labor force, a proactive local government, and improved infrastructure are just some of the factors that are driving the demand for commercial real estate from many multinational companies who want to set up businesses in Hyderabad.
- Hyderabad experienced a high influx of IT and IT-service call centers during the 1990s, which made the city one of the major call centers in India.
- Proactive governmental support has lead to increased interest from multinational companies to set up operations in Hyderabad.
- One of the most important incentives investors have when investing in Hyderabad is that construction costs are relatively low compared to other cities in the nation.



Hyderabad School of Business

Logistics & Transportation

- Infrastructure facilities are among the best in India, the city is known for its excellent educational institute’s research facilities and state of the art medical facilities.
- Hyderabad has the third largest bus station facility in Asia with 72 platforms. There are more than 4000 bus routes running around the city.
- A local airport provides domestic and international travel; a new state of the art airport is underway in the outskirts of the city.
- The MultiModal Transport System is a light rail transportation system that connects most of the nearby cities.
- The highway network linking Hyderabad to various parts of the country is also of good quality.

Some Multinationals in Hyderabad

- Dell, Inc.
- IBM
- Microsoft
- Oracle
- HSBC
- Amazon.com
- Verizon Wireless
- Deloitte Consulting
- Nike
- McDonald’s

India’s Economic Indicators

	2006
GDP	\$4.042 trillion
Real GDP Growth	8.5%
Labor Force	509.3 million
Unemployment Rate	7.8%
Literacy Rate	61%
Inflation Rate	5.3%

Real Estate Market Overview

- Like many Indian cities, Hyderabad has witnessed a remarkable growth in the commercial real estate business, thanks to a predominantly information technology-driven boom in the 1990s and the retail industry growth over the last few years which have spurred hectic commercial activity. A number of mega malls have come up or are being built in the city
- The market shows strong demand for multi-tenant and built-to-suit development from IT and biotechnology companies. IT exports from the city exceed \$ 2.5 billion per year.
- Rental office values remain stable but capital values are showing a gradual increasing trend. The city has 14 special economic zones and city officials are setting up a 119 acre new special economic zones within the area.

Office Market

- There has been steady growth in foreign corporate interest in the real estate office market as a result of the city's booming IT and biotechnological industries.
- Development projects of class A office space in several world-class building have started in the Gachibowli and Madhapur districts with the entry of multinational companies like Microsoft, Oracle, and Info systems.
- Hyderabad saw an absorption of 3 million square feet of office space during Q4 2006, which a 50% increase from last year.
- Madhapur has the largest cluster of class A office real estate in Hyderabad, which contains 65% of the total office stock. Development projects in this areas are predicted to increase total office supply to 14.5 million square feet by early 2008
- The suburban areas of Banjara and Jubilee Hills gained demand momentum for campus style corporate facilities form multinational firms and development projects in the area will make available 11.6 million square feet of class A office space by the end of 2008.
- Hyderabad is set to see 14.5 million square feet in the office space market by 2008 and an additional 1.2 million square feet of prime office space will be available by early 2008.
- The Gachibowli, which is the city's main financial district, has an approximately 400,000 square feet of office space available for many international companies, especially those engaged in banking and insurance.
- The city has emerged as the preferred back-office base by many multinational firms such as GE capital, HSBC, Capmark, and Dell.



Buddha Monolith

Office Rental Rates (US\$/SF/MONTH)

District	Low - High	Vacancy
CBD		
New	\$1.20 - \$1.52	10.0%
Grade A	\$0.85 - \$1.27	15.0%
Begum pet	\$0.66 - \$1.00	5.0%
Madhapur	\$0.80 - \$1.00	5.0%
Grade B	\$0.65 - \$1.10	30.0%
Non-CBD		
New	\$0.95 - \$1.29	20.0%
Grade A	\$0.65 - \$1.00	50.0%
Grade B	\$0.54 - \$1.00	50.0%

Major Office Districts

- Jubilee Hills
- Banjara Hills
- Raj Bhawan
- Madhapur
- Himayatnagar

Industrial Market

- Mega Industrial Park, also known as the Pashamylaram Industrial Park, is located 18.6 miles from Hyderabad. This industrial park, encompassing an area of 6,524,000 square feet, provides well-developed prime industrial land. It has its own independent water supply, power supply, telecommunications and data linkages, and transportation. Moreover, it provides good social and civic infrastructure coupled with a large accessible skilled work force.
- Hardware Park is the most favored destination for the information technology industry. It is spread over 2, 178,000 square feet of land, located only 8 miles from Hyderabad and is adjacent to the proposed Hyderabad international airport. This industrial park has well-developed world class infrastructure ideal for hardware, software, telecom, financial, insurance, and logistic services. Recently, Korean-based Intellect Inc, a semiconductor chip fabrication company, set up a plant in this industrial park with an estimated investment of roughly \$ 1.6 billion.
- Export Promotion Industrial Park, also located in Pashamylaram, is well connected to rail, road, and air transportation services. It provides 6,696,000 square meters of land ideal for export oriented facilities such as hardware, gems and jewelry, telecom, leather made products, garments, etc.
- Apparel Export Park is located 11 miles from Hyderabad and provides many apparel export businesses with well developed 7,666,560 square feet of land. This industrial park also has its own water, power, internal roads, avenue plantation, and effluent treatment infrastructure facilities.



Cyber Towers IT Park

IT Industry

- IT exports are expected to exceed \$2.5 billion in the 2005-06 fiscal years.
- With \$3 Billion investment in a silicon chip manufacturing facility by the AMD-SenIndia consortium, the city became India’s first Fab City.
- Extensive investment in digital infrastructure has prompted several IT and ITES companies to setup operations in HITEC city.
- The state government is developing the Indian Institute Technology in association with several multinationals.

Biotech Industry

- *Genome Valley* is a biotech cluster that provides first-class facilities to over one hundred biotech companies.
- ICICI Knowledge Park (IKP) nestles in a 200-acre pollution free zone in Genome Valley, Hyderabad.
- Approximately 30 acres of land have been developed with utilities for customized R&D centers.
- ICICI Knowledge Park leases ready-to-use labs for renewable short period. At present, there are 16 companies as tenants; companies are encouraged to “graduate” from the Park to their own corporate laboratory facility.
- Vaccines, contract research, agriculture and human health sectors comprise as much as two thirds of the total market.
- It is further estimated that health care products would dominate roughly 40% of the total market by the year 2010.

Industrial Rental Rates
(US\$/SF/MONTH)

Location	Low	High
Begumpet	\$1.05	\$2.15
Somajiguda	\$1.20	\$2.95
Panjagutta	\$1.80	\$3.80
Banjara Hills	\$1.65	\$3.70
Jubilee Hills	\$1.05	\$2.45
Ameerpet	\$1.47	\$3.20
Abids-Namapally	\$1.35	\$2.95
Himayath Nagar	\$1.20	\$2.70
Madhapur	\$1.30	\$2.05
Kukatpalli	\$0.90	\$1.65



Hyderabad has old fruits bazaars and modern shopping centers

Retail Rental Rates
(US\$/SF/MONTH)

Retail	Low	High	Vacancy
Downtown	\$2.25	\$4.50	10%
Neighborhood Service Center	\$0.85	\$1.25	N/A
Regional Malls	\$1.80	\$2.84	10%

Forecast

Office:

- Multinational companies, specifically IT corporations, entering the city are predicted to occupy 80-85% of newly constructed commercial office stock
- The southern part of Hyderabad is predicted to become the city’s new economic center in the next 3-5 years with the development of an international airport and a hardware park in Shamshabad.
- Hyderabad is expected to further attract large-scale real estate developments in residential, office, commercial, and hotel projects.
- Growth in the number of special economical zones will attribute to an increase in grade A office stock in the future, specifically 1300 acres in Shamshabad and 1500 in FAB city.

Retail Market

- The retail market is growing at 35% annually.
- About 1.66 million square feet of retail space are available in CBD areas including Begumpet (with an available retail space of 26% out of the total) and non-CBD areas such as Panjagutta (50%), Banjara Hills (5%) and Namapalli (19%).
- Retail space in Begumpet and Somajiguda is becoming saturated; majority of the retail activity is presently centred in the non-CBD locations of Banjara Hills and Jubilee Hills due to the availability of good quality parking space and spacious stores.
- The retail triangle (Somajiguda-Raj Bhavan Road, Panjagutta and Banjara Hills Road No.1) has gained prominence as a prime retail destination with over 12 retail complexes that came up over the past 2-3 years.
- Some new malls developments such as Ashoka Metropolitan Mall (200,000 sq.ft.), City Centre (270,000 sq.ft.) and Lumbini Mall (130,000 sq.ft.) are coming up in this micro-market.
- In 4Q06, the vacancy rate reached 9%, brought by many shopping malls completing interior renovation.
- International Fashion retailers such Kenzo, Givenchy and fair Whale looked for more outlets due to their upcoming expansion plans.

Retail Zones

- Begumpet
- Somajiguda
- Panjagutta
- Banjara Hills
- Jubilee Hills
- Ameerpet
- Abids-Namapally
- Himayath Nagar
- Madhapur
- Kukatpalli



Proposed Airport for Hyderabad

Forecast

Industrial:

- The Hyderabad Urban Development Authority is introducing an 5,183,640 square feet SEZ by the end of 2007 and an 1,306,800 square feet SEZ is being set up for hardware industries within the city.
- The biotechnology industry is predicted to increase its global market share to more than 1.5% by early 2008, which would make it a prominent player in the international biotech market.
- IT and logistics service industries are estimated to increase by 9% annually to reach over \$125 billion in 2010.
- Demand from foreign developers and international corporations in the technology, bio-technology and industrial sectors will continue to drive the acceleration and development of the city's economy.
- The increasing infusion of talented and skilled labour force from other cities into Hyderabad will continue to strengthen the confidence of MNCs to invest in the IT and manufacturing industries.




Forecast

Retail:

- Close to 8 million square feet of organised format retail space will enter the Hyderabad market by end-2008. Most of it will be concentrated in suburban and peripheral locations of Banjara Hills/Jubilee Hills (20%) and Madhupur/Gachibowli (71%).
- Around 1.6 million square feet of retail space will be added to the prime retail locations of Banjara Hills and Jubilee Hills by end-2008. Banjara Hills will have as much cumulative supply as would the off-CBD locations of Panjagutta and Somajiguda.
- Post 2010-11, it is estimated that the prime retail locations and high streets of Banjara Hills and other suburban retail markets will begin to get saturated. The retail focus is then expected to shift to the outskirts and new peripheral locations.

Short Term Outlook

Rental Rates

Office	
Industrial	
Retail	

ASIAPAC INTERNATIONAL

2540 N. First St. Suite 102 – San Jose, CA 95131 – Tel: (408) 232-9700 – Fax: (408) 232-9705 – www.AsiaPacIntl.com

COPYRIGHT © ASIAPAC INTERNATIONAL 2007 – This report was created by AsiaPac International with the collaboration of its worldwide offices. This report is based on information that we believe to be reliable; however, we do not warranty that it contains no factual errors because we have not verified its accuracy. We would like to be informed if the report contains any error so we can correct it. The information presented in this report has the possibility of changing without notice.