



at Oragadam, Chennai

EXECUTIVE SUMMARY

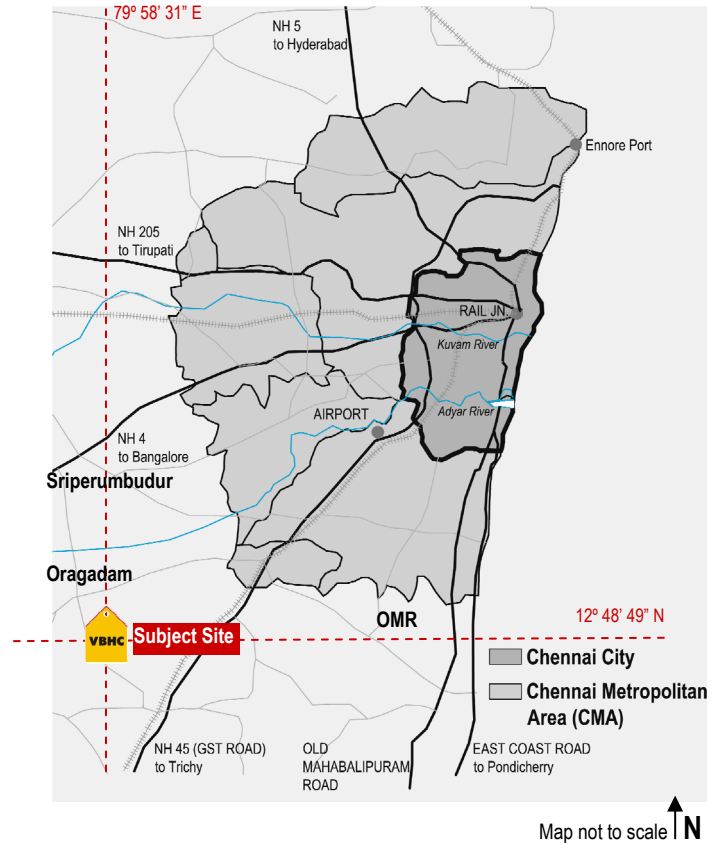
VBHC Chennai Value Homes Pvt. Ltd. is developing affordable residential apartment complex with a proposed built up area of 2.2 to 2.3 million sq.ft spread over 30.63 acres comprising approximately 3,255 dwelling units at Valayakaranai Village, Oragadam, Sriperumbudur Taluk, Kancheepuram District, India. The residential development typology is proposed to be S+4 with following mix of dwelling units:

Typology	Super built up area (sq.ft.)	No. of Units
1 BHK	487	609
2 BHK	679	1,344
2 BHK (Premium)	800	1,302

City Snapshot

The city is the gateway to South East Asia and home to many global corporate giants. It is one of the key economic hubs in South India along with Bangalore and Hyderabad. Also known as “Detroit of India”, Chennai accounts for 60% of India’s automotive exports. The city is India’s second largest exporter of software, information technology (IT) and information-technology-enabled services (ITES).

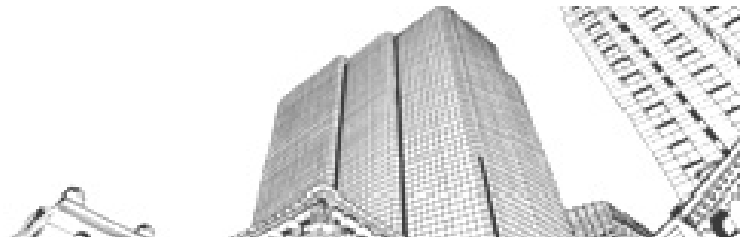
- Excellent connectivity through rail, road, air (domestic & international), and water;
- The administrative status as the capital city of the State of Tamil Nadu and a metropolitan city;
- Possess ancient historical significance demonstrating maturity of the city over a long period of time;
- Great potential for expanding its economic base, as it is one of the major industrial, trade and commerce hub of South India.
- Internationally renowned for excellent business opportunities in resource and knowledge based industry.
- Large talent pool; Tamil Nadu produces the highest number of engineering graduates in India (around 1,30,000) every year with 37 universities and 454 engineering colleges. High literacy rate of 80.14%; English speaking workforce



The state government facilitated the growth of IT industry by promoting **Old Mahabalipuram Road (OMR)** towards south of the city as the dedicated **IT corridor** resulting in rapid residential development in the surrounding areas

Another dedicated **industrial (manufacturing) corridor** at NH4 (Chennai-Bangalore highway), towards south-west of the city comprising **Sriperumbudur & Oragadam** has facilitated Chennai emerging as an Electronics and Automotive hub. The said corridor is also home to several institutional developments.

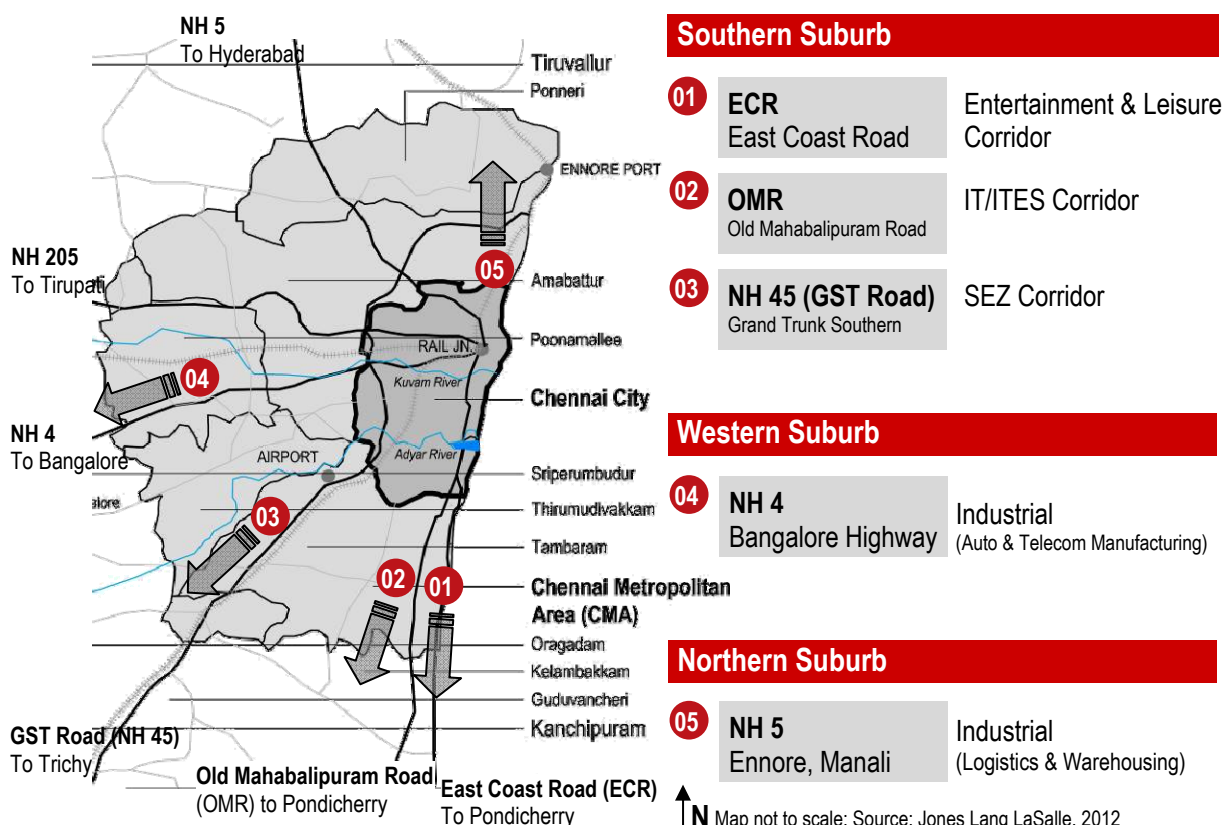




City Dynamics & Growth Corridor

There is an inexorable move towards suburbanization mainly along the road and rail transport corridors. Chennai has been growing predominantly on the south side. Old Mahabalipuram Road has attracted most of the real estate commercial activity in the last 3 years after being declared as the IT Corridor. Another growth

corridor of importance is the Industrial (manufacturing) SEZ s along Bangalore Highway (NH 4) towards west. The locale along NH 4 viz. Sriperumbudur, Poonamallee and Oragadam has seen heightened real estate activity in past three years



Demographics

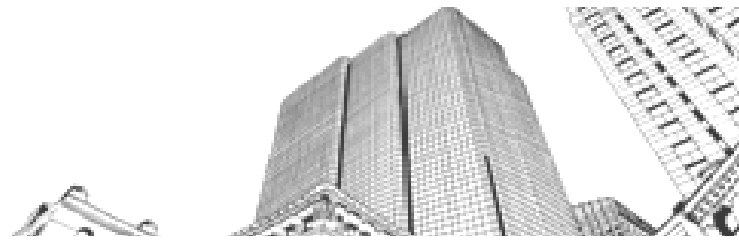
Demographic Indicators

Population	8.87 million (2011)
Decadal Growth	25.99 % (2001-2011)
Rate of Population	
Population Density	5,900 people/ Sq. Km (2001)
Literacy Level	82.20% (2011)
Sex Ratio	952 (2011)

Source: Directorate of Census Operation, Tamil Nadu; 2011

According to the CII, Chennai is estimated to grow to a \$100-billion economy, 2.5 times its present size, by the year 2025. Given its strong base for resources, infrastructure facilities, technical and non-technical work force, knowledge intensive industries will soon take a lead position in the State especially in Chennai. The city has so far this year (2010-11) created over 100,000 jobs which are more than any other Indian city outside of the much larger Delhi and Mumbai.

According to 'Location Ranking Survey' conducted by ECA International*, Chennai has ranked as the **most liveable city** in India (2008).



Residential Market Overview

The Chennai Metropolitan Development Authority (CMDA) has estimated the city's population to touch 12.5 million by 2026 and the housing demand at 15.46 lakh units necessitating a supply level of 58,700 units per year up to 2026. However, the current supply is around 30,000-32,000 units per year.

The city's three growth corridors have been clearly earmarked for different sectors.

- A. While the six-lane 20-km stretch of OMR (Old Mahabalipuram Road) from Madhya Kailash to Siruseri is already bristling with IT companies popularly known as IT corridor. An estimated 150,000 people are employed now and an additional 250,000 will be employed in the next two years, say market sources. Despite the rapid growth, social infrastructure is yet to gain momentum.
- B. The East Coast Road (ECR) will continue to remain as major entertainment corridor. Due to coastal zoning restrictions and rigid FSI norms, housing development has been restricted in the vicinity.
- C. The GST Road (NH45) houses some of the SEZs and is bristling with activities due to establishment of large industrial parks like Mahindra World City and Shriram Gateway.

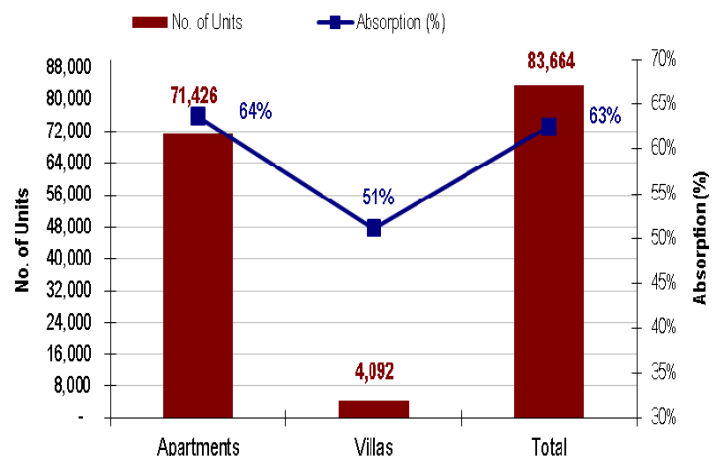
The Singaperumalkoil - Oragadam Road has already witnessed several industrial major auto units including the testing centre. An estimated 120,000 people are employed by various companies operating in Oragadam (30,000), Irugattkottai (40,000) and Sriperumbudur (50,000). The total employment potential is likely to touch 300,000 people within the next four years. As the housing supply level has not even touched 10 per cent of the workforce, employees are compelled to live in nearby towns like Kanchipuram and Sriperumbudur and commute to the work spot.

Market Status on Supply, Absorption & Pricing

Residential sector boom is predominantly towards the south and west of the Chennai city namely southern suburb and western suburb micro markets, primarily as a spin off from the IT related and Industrial development activity respectively.

Chennai's residential market has seen a rebound more quickly than was anticipated by many. With the economy springing back to action, the residential real estate market too has recovered strongly. Demand has returned, prices have increased or stabilized and a number of new projects have come onto the market since 1Q 2010

CHENNAI RESIDENTIAL: Pricing v/s Absorption

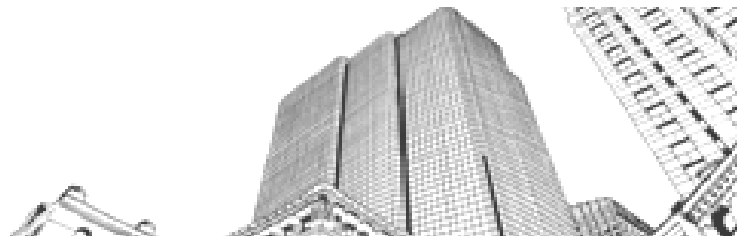


Supply

The cumulative supply in Chennai residential market is approx. 86,579,970 sq.ft with approx. 83,664 units for the period from 1Q 2009 to 4Q 2011. The above said supply is scheduled to be completed by 4Q 2014. The average per year supply for Chennai stands at 30,000 – 32,000 dwelling units.

The average capital value across all micro market is INR 3,374 per sq.ft with an average absorption of 63%.

89% of total supply is in the suburban area of Chennai with southern suburb which includes GST Road and OMR (Old Mahabalipuram Road) taking the largest share of 58%.

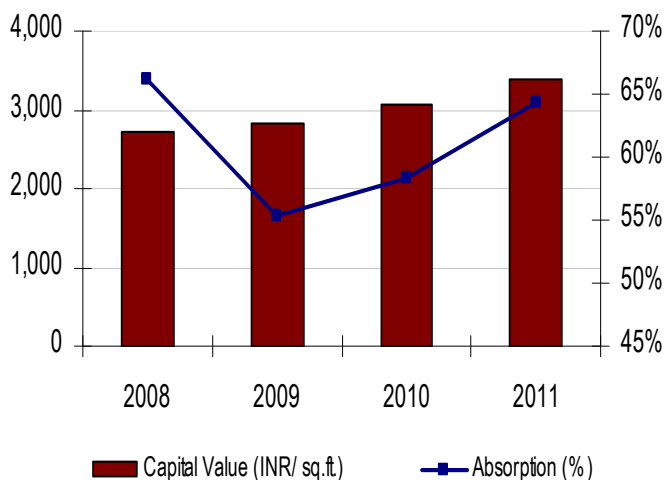


The Western suburb where the subject property is located and includes micro market of Oragadam, Sriperumbudur and Poonamallee accounts for 26% of total supply amounting to 21,854 dwelling units

Absorption & Pricing

The average absorption for Chennai in 2011 stands at 63% which is marginally below the pre-recession (2007-08) average absorption levels of 67%. The Capital Value increased by just 4% from 2008 to 2009, though with improved market sentiments in 2010 the capital value has seen increase of 10%-12% for past two subsequent years.

Oragadam where subject property is located witnessed absorption of 72% for a supply of 5,600 dwelling units, which is marginally above the Chennai city absorption trends. The average pricing for a dwelling unit is arrived at INR 3,050 per sq.ft for Oragadam which is marginally below the Chennai city average of INR 3,374 per sq.ft.



Affordable Housing in Chennai

The affordable housing concept has gained tremendous ground in Chennai in last one year (2009-2010) primarily because of new found focus of many local developers. Marg Properties, Shriram Properties, VGN, TVH, SARE, Provident Housing and Vijayshanti Group have launched one or more

projects with majority of units cost below INR 3.00 million. All of these projects are located in the suburban micro markets of Chennai and with improved connectivity and improving physical and social infrastructure many more similar projects are envisaged to enter the market in coming two years.

At present in Chennai, there are more than 20 projects which are marketed as affordable housing and there are more than 40 projects which have substantial number of units under INR 3.0 million.

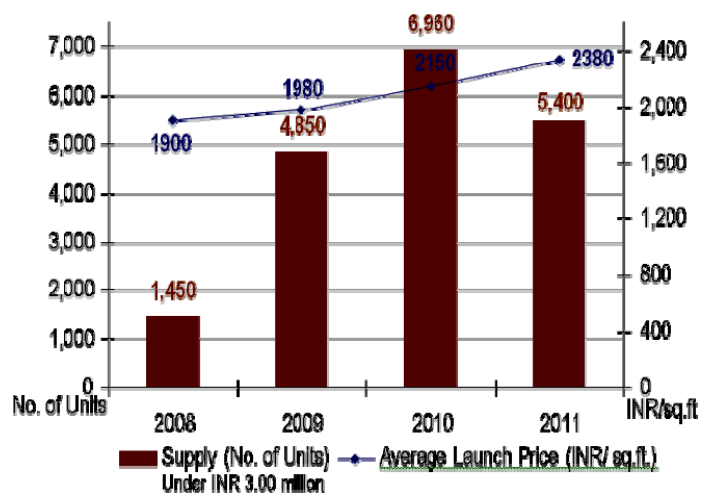
The total supply of dwelling units under INR 3.0 million per unit is around 17,500 which accounts for 23% of the total supply of 83,500 units in Chennai since 1Q 2009.

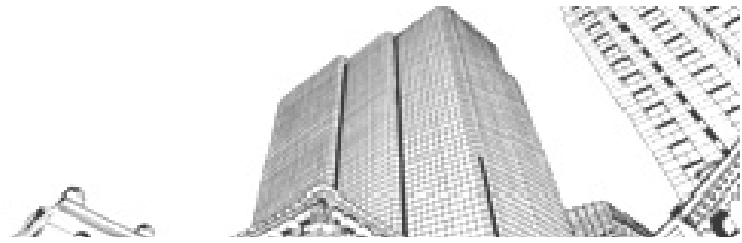
The cumulative supply at the end of the year 2011 is estimated to be around 19,000 – 20,000 dwelling units.

The average launch prices have seen steady increase since 2009 for the projects marked as affordable. The average launch price for the project with substantial dwelling under INR 3.0 million per unit is INR 2,380 in 2011

The Sriperumbudur micro market has the highest supply share at 57% of units under INR 3.0 million when compared to units with pricing above INR 3.0 million. The least supply share is in OMR corridor with only 13% affordable units of total supply.

The Oragadam micro market has 14% higher average absorption for units under INR 3.0 million.





Yield Rates

Typically yield rate of residential projects in Chennai range from 3-4%. Established micro-markets offer about 4% yield rate, which may go up to 5% in select micro-markets like Premium, off central and southern suburb (GST Road, OMR, and ECR).

Most of the suburban micro markets (including southern and northern) typically offer 3-4% yields. The subject property micro market of western suburb (Oragadam & Sriperumbudur) records average yield rate around 3.00%

SWOT Analysis for the Project Site

Strengths

- The subject site is located at Oragadam which is one the major established industrial destination in India.
- Easy access to two major transport corridor of Chennai Bangalore Highway/ NH4, GST Road/ NH45)
- The immediate neighborhood (3km radius) is quite with negligible industrial activity and absence of traffic congestion at present.
- Oragadam Junction located at a distance of 6 Km.

Weaknesses

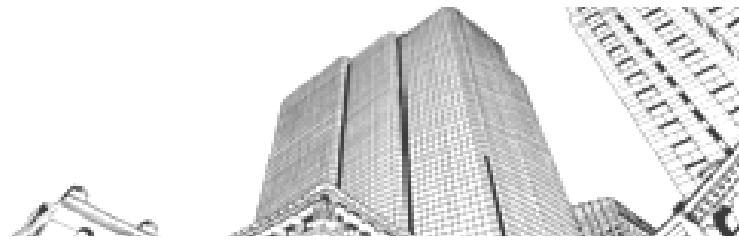
- Average connectivity to Airport, Railway Station & Bus Terminal, with travelling time in access of 60 mins.
- No social infrastructure (Retail, Library, School, Hospital) in close proximity.
- Distance to major retail, recreational nodes of the city is more than 45 Km with travelling time exceeding 60 mins.
- Absence of commercial daily needs market in the 6 Km radius.

Opportunities

- Proximity to large consumer base in the industrial region of Oragadam and Sriperumbudur.
- Huge potential in form of consumer looking to move out of the city limits second home buyers
- No retail or institutional development in the close proximity of subject site.
- The size of Project Site explores possible options for large-scale integrated real estate development.
- HIRCO, Tata & Arun Excello have already created a residential market in this region.

Threats

- Competition from established and proposed residential development in the region especially the projects targeting the affordable category consumer. Inno Geo city, Raga & Brindavan are well established projects and are aggressively promoting their product in the affordable category. Huge land banks of various private developers (like HIRCO, Vascon, IVRCL) leads us to envisage considerable number of projects in near future to be targeted in the affordable segment primarily because of the micro market dynamics and catchment profile.



Micro Market Analysis

The micro market is predominantly developing as an industrial corridor along with residential and institutional. The micro market has medium to low residential density and much of the residential development in the organized sector is apartments followed by row houses. In relation to the Subject property, the most relevant micro markets are the Oragadam and Sriperumbudur micro market.

Oragadam

The total supply of dwelling units in the 6 projects in the micro market is around 5,500 units .

The average absorption for the micro market stands at 72% with average capital value of INR 3,050 per sq.ft.

The high average capital value for the micro market is primarily due to the higher pricing of the HIRCO project at INR 3,700 per sq.ft. The average capital value in Oragadam has been on decline from INR 3,200 per sq.ft. in 2008 due to introduction of projects with a much lower capital value than HIRCO, targeting affordable segment.

The absorption has been encouraging especially coming out of 2009 as it improved from being below 40% to 72% at present

The 3BHK unit has seen maximum supply followed by 2 BHK and 1 BHK. The absorption is recorded to be highest in the 1 BHK and 2 BHK units at 85% and 83% respectively. The average dwelling unit size for 1 BHK is 597 sq.ft. and for 2 BHK is 995 sq.ft

Affordable Housing in the Micro Market of Subject Property

The affordable housing micro market analysis has been done by including projects in 15 km radius of subject site with per unit price below INR 3.0 million. In total 15 projects were selected from the micro markets of Sriperumbudur, Oragadam and GST Road which have units under the pricing of INR 3.0 million. Every one of the said micro markets had 5 projects each in the devised affordable category.

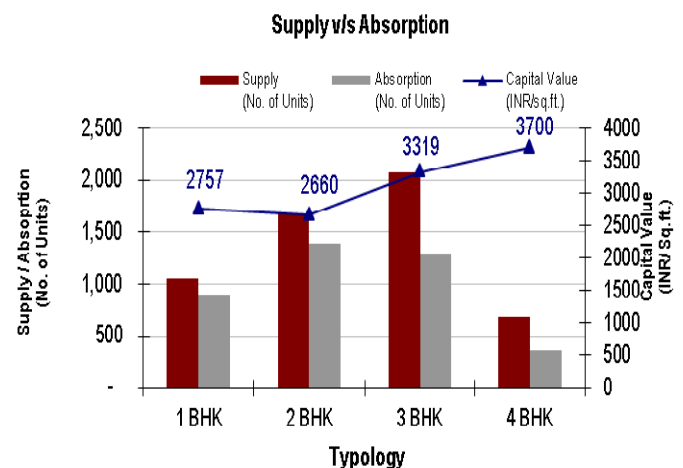
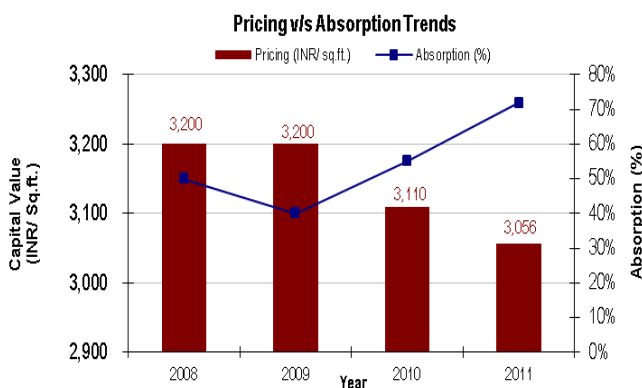
The total supply of dwelling units under INR 3.0 million per unit in 15 km radius is around 9,900 which accounts for 56% of the total supply of 17,500 units in Chennai under INR 3.0 million.

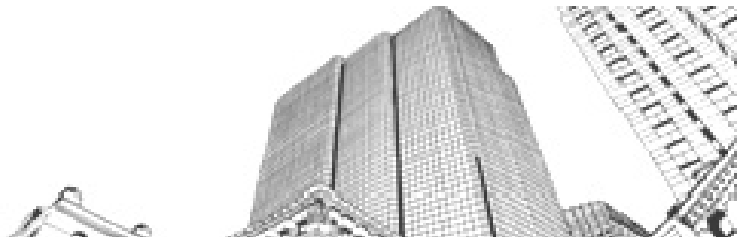
The average unit cost for 1BHK unit, 2 BHK unit, 3 BHK unit are INR 1.5 million, INR 1.85 million and INR 2.40 million respectively.

The average launch prices have seen steady increase since 2009 for the projects marked as affordable. The average launch price for the project with substantial dwelling under INR 3.0 million per unit is INR 2,400 in 2011.

The 2 BHK typology with an average area of 890 sq.ft per unit is the dominant category in terms of supply with more than 60% share compared to 1 & 3 BHK.

The average absorption is recorded to be highest in 3 BHK units at 83% for units under INR 3.0 million. The average base (entry level) area of 1 BHK, 2 BHK, and 3 BHK units are 555 sq.ft, 741sq.ft and 1,030 sq.ft respectively.





Conclusion and Recommendations

The residential micro market region though still in its nascent stages of development is growing at a CAGR (Compounded Annual growth Rate) of more than 10%. The absorption trends especially for the affordable segment are better than any other micro markets at more than 80%. The region has witnessed drastic supply increase in the last two years.

The yearly addition to supply has been 1,700 – 2,000 units in last two years and the trend is expected to follow for next two years as well with more than 2,000 units per year would be added to the supply in Oragadam micro market.

The average capital value for Oragadam Micro Market stands at INR 3,050 per sq.ft. and the average capital value for units under INR 3.0 million stands at INR 2,450 per sq.ft.

The pricing trends in terms of launch prices (affordable project) are predicted to be in the region of INR 2,400 – INR 2,600 and average capital value increase would be in the region of 10% -14% yearly.

Based on the competitive benchmarking, trends projected and price adjustments, Jones Lang LaSalle is of the opinion that the achievable pricing for the residential apartment on the Project Site is

INR 2,500 per sq. ft. ¹
(Applied over the saleable/super built-up area).

Projected Rentals for year 2012

2 BHK Unit (sq.ft.)*	Rental Value (INR/month)
487 (1 BHK)	3,500
679 (2 BHK)	4,800
800 (2 BHK Premium)	5,500

¹ Above achievable pricing is only the base price for the unit saleable area of the apartment on February, 2012. Other charges like parking, club membership, deposits payable to civic authorities, VAT, Service Tax etc. are chargeable over and above the base price.