

MARKET RESEARCH AND ASSESSMENT OF CAPITAL VALUES AND RENTAL VALUES FOR PROPOSED DEVELOPMENT OFF MYSORE ROAD, BANGALORE, KARNATAKA, INDIA

EXECUTIVE SUMMARY

SUBMITTED TO

**VALUE AND BUDGET HOUSING CORPORATION LIMITED
(VBHC)**

Submitted by



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ABBREVIATIONS

BBMP	Bruhat Bangalore Mahanagara Palike
BDA	Bangalore Development Authority
BHK	Bed Room-Hall-Kitchen
BIAL	Bangalore International Airport Limited
BMIC	Bangalore Mysore Infrastructure Corridor
BMRCL	Bangalore Metro Rail Corporation Limited
BMRDA	Bangalore Metropolitan Regional Development Authority
BMTC	Bangalore Metropolitan Transport Corporation
BPO	Business Process Outsourcing
BT	Biotechnology
BTS	Build-to-Suit
BUA	Built-Up Area
CAGR	Compounded Annual Growth Rate
CBD	Central Business District
CDP	Comprehensive Development Plan
DCR	Development Controls & Regulations
FAR	Floor Area Ratio
FMCG	Fast Moving Consumer Goods
GDP	Gross Domestic Product
GoI	Government of India
GoK	Government of Karnataka
INR	Indian National Rupees
IRR	Intermediate Ring Road
IT	Information Technology
ITES	IT enabled Services
JLL	Jones Lang LaSalle
KIADB	Karnataka Industrial Area Development Board
LIG	Lower Income Group
MIG	Middle Income Group
NH	National Highway
ORR	Outer Ring Road
PBD	Peripheral Business District
SBD	Secondary Business District
SEC	Socio-Economic Classification
SEZs	Special Economic Zones
sq. ft.	square feet
sq. m	square metre
STPI	Software Technology Parks of India
SWOT	Strength-Weakness-Opportunity-Threat
USP	Unique Selling Proposition
VBHC	Value and Budget Housing Corporation Limited
Y-o-Y	Year-on-Year

CONVERSION OF UNITS

1 hectare	2.4711 acres
1 acre	43560 sq. ft.
1 acre	4046.9 sq. m
1 sq. km	247.11 acres
1 sq. m	1.196 sq. yards
1 sq. m	10.764 sq. ft.
1 meter	1.0936 yards
1 meter	3.28 ft
1 cent	435.6 sq. ft
1 acre	40 guntas

EXECUTIVE SUMMARY

BACKGROUND

Value and Budget Housing Corporation Limited (hereinafter referred to as 'VBHC') is developing its second project on a plot measuring an area of about 18.36 acres located near Kengeri, Bangalore, Karnataka, India (hereinafter referred to as the 'Project').

The proposed development will have mix of Apartment and Plots. Of the 18.36 acres, 4.72 acres (206,000 sq.ft) of land parcel is intended to develop nearly 208 units of 2 BHK apartments with a Super Built-up Area of about 750 sq.ft each.

In this regard, VBHC has commissioned Jones Lang LaSalle Property Consultants India Private Limited¹ (hereinafter referred to as 'Jones Lang LaSalle') to provide an independent, expert assessment of the marketability of the Project being developed by VBHC.

The objective of the market research and assessment is to provide potential buyers of apartment with supplementary information, which may be of assistance in making the investment decision. Notwithstanding the foregoing, this Report should be treated as additional information only and shall not constitute formal advice rendered directly to the prospective purchaser. The readers of this Report are encouraged to carefully read the 'Disclaimer Statement' below to understand the purpose and objective of this Report to the prospective buyers.

BANGALORE - MOST HAPPENING CITY IN SOUTH INDIA

Bangalore, the capital city and the largest city of the Karnataka State is now popularly known as the 'Silicon Valley of India' and has become one of Asia's fastest growing cities since emergence of IT (Information Technology) and IT enabled services (ITES) industry. Karnataka State itself is globally known for its vibrant economy and investment potential.

Bangalore was popularly known as a 'Pensioners' Paradise', and Garden city for its delicate blossoms and greenery that imparts a unique beauty to it. The growth of IT-ITES in the city, which is the largest contributor to India's software exports, has led to Bangalore to be recognized as the 'Silicon Valley of India'. It is now regarded as a high-tech city with office or development centers of a number of mega software companies having wholly owned subsidiaries or joint ventures in Bangalore, including IBM, Hewlett-Packard, Texas Instruments, Oracle, Novell, Fujitsu, and Digital Equipment. Bangalore is also headquarters to a large number of Indian software companies. Bangalore produces more than 31% of all software that India currently exports. In a short time, Bangalore has experienced rapid growth and international recognition in the field of software development. This has resulted in placing the city at a promising position in the international market for software.

After establishing itself as an IT and Business Process Outsourcing (BPO) hub, Bangalore has successfully attracted the Biotech industry. Bangalore currently houses approximately 49.4% of the total biotechnology companies in India (158 out of 320). The city also attracts people from all over the world for its excellent schools and universities, such as the Indian Institute of Science, National Institute of Mental Health and Neuro-Physics, the Indian Space Research Organization, Indian Institute of Management and Indian Institute of Aero-physics. Bangalore is even gaining the

¹ Jones Lang LaSalle, the Indian operations of Jones Lang LaSalle (NYSE: JLL), is the only real estate money management and services firm named to FORTUNE magazine's "100 Best Companies to Work For" and Forbes magazine's "400 Best Big Companies". It is the premiere and largest real estate Services Company in India, with an extensive geographic footprint across ten cities (Delhi, Mumbai, Bangalore, Pune, Chennai, Hyderabad, Kolkata, Kochi, Chandigarh and Coimbatore) and staff strength of over 4,000. The company provides investors, developers, local corporates and multinational companies with a comprehensive range of services including research, consultancy, transactions, project and development services, integrated facility management, property management, capital markets, residential, hotels and retail advisory. For further information, please visit www.joneslanglallsale.co.in. Brief profile of the team members who authored this Report is given at the end of this report.

status of the 'Floriculture Capital' due to the present boost of the flower export from the city. Due to the rich stone resources Bangalore is also known the 'Stone City', especially for its granite deposits.

DEMOGRAPHIC & SOCIO-ECONOMIC CHARACTERISTICS

Bangalore developed into a preferred location for high technology industries such as electronics, IT, telecommunications and emerged as a globally integrated center of high technology research and production during 1990s. This has resulted in sudden population increase of Bangalore Urban Agglomeration with decadal growth touching the figure of 49.47% with a population of 8.49 million as per Census 2011 (Provisional). Bangalore has the second highest literacy rate (89.56%) for an Indian metropolis, after Mumbai.

The per-capita income of population of the city at present is 1, 29,147 per annum. Bangalore has about 33% of SEC (Socio-Economic Classification) A and B population in city, which is second highest in comparison to other major cities in India, next only to Mumbai. Bangalore is India's fourth largest Fast Moving Consumer Goods (FMCG) and clothing and footwear market. The city is the third-largest hub for high net worth individuals (HNWI/ HNIs), after Mumbai and Delhi. IT population forms about 10% of the total population of Urban Bangalore (845,000 IT Professionals - 1/3rd of total IT professionals in the Country which is nearly 2.3 million as per NASSCOM reports).

Overall the socio-economic profile of the city provides information about the fact that the market is lucrative for the development of organized retail sector. Bangalore has very high 'Youthfulness Index' (20% population: 18-24 years, 14%: 25-35 years). More than half of the employees in IT/ITES sector are below the age of 28. Bangalore stands No. 6 in Economy Index and No. 27 in Reside-In Index out of 112 cities surveyed is good (Top City: 1). "Economy" Index reflects the economic conditions in a particular city, opportunities to start a new business, investment etc while "Reside-In" Index reflect a city's suitability for residing based on the sub-heads, health, education, environment, safety, public facilities, entertainment and housing.

According to the Mercers Worldwide Quality of Living Survey 2011 for 221 cities globally, Bangalore is the best placed at 141st rank this year, and tops all the other cities ranked in India.

Continued influx of working population to Bangalore City and lack of adequate response of the Government to meet the growing housing needs have gradually widened the demand-supply-gap resulting in exponential increase in capital values of residential units making 'less affordable' to buy a home for large segment of the population. This has resulted in increasing demand for rented accommodation both in terms of volume and price. At present, due to the rapid pace of urbanization, rental housing has provided much needed 'room for maneuver' for individuals and households and also responsive to changes in individual and household life-cycles and is an asset for tenants as well as landlords. An assessment of housing ownership and rental housing status in Bangalore during the year 2000-01 indicated about 39% of households had house ownership while 56% of the households were found to be in rented accommodation. However, considering the incremental increase in number of households during the period from 2000-01 and 2008-09, about 23% of this incremental households could attain house ownership while significant two-third of the incremental households resorted to rental accommodation during the same period. The above findings clearly demonstrates increasing demand for the rental housing in the city and reduced affordability of the population to have house ownership due to high capital values. Consequence of above imbalance is expected to increase both volume and pricing of rented housing in the city.

During the 1990s, Bangalore developed into a preferred location for hi-tech industries such as electronics, information technology and telecommunications and emerged as a globally integrated centre of technology research and production. This has resulted in significant in-migration of intellectual / knowledge population from various parts of the country contributing to the decadal growth of 49.47%.

Karnataka is among the top five industrialized states in the country and is the science capital of India with more than 100 R&D centres and majority of them are in Bangalore. Bangalore has been contributing almost 31-33% of national software export revenues over the last decade and thus is rightfully tagged as the IT Capital of India. The physical growth in Bangalore is fuelled by the IT-ITES and the Bio-Tech sector. There are nearly 2,100+ Software Technology Parks of India (STPI) registered companies in the city. These companies are contributing INR 824,500 million, which is nearly 31.5% of the national revenues for software exports. Some of the major industrial estates and IT & ITES hubs in Bangalore is shown in the map below.

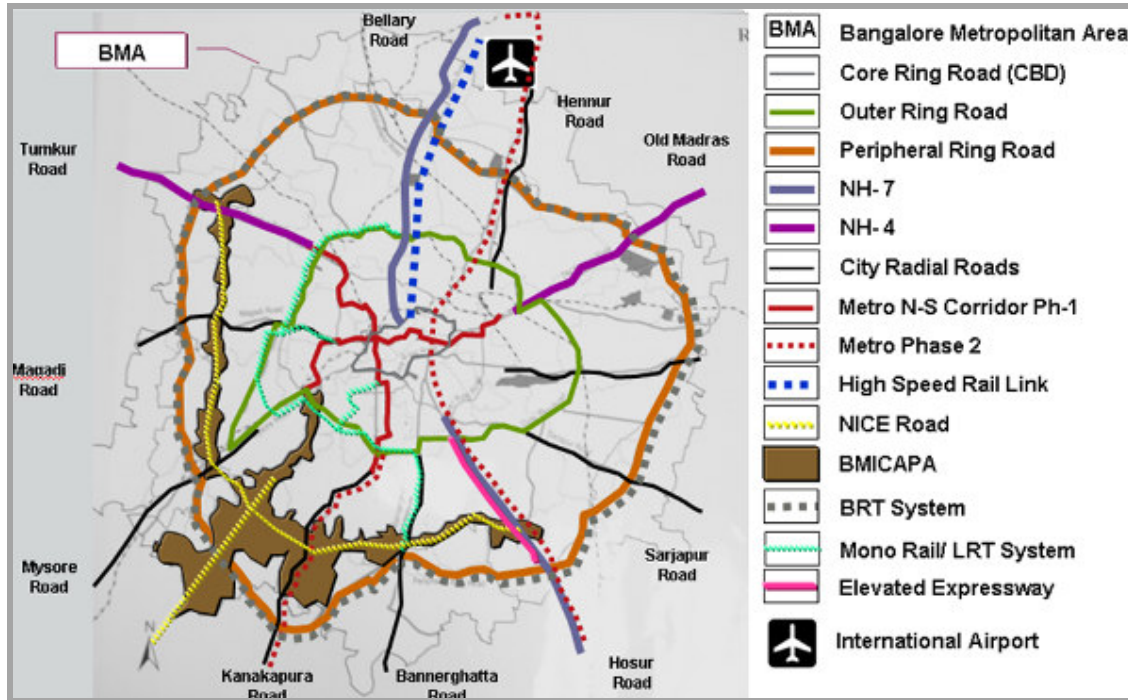


Source: Real Estate Market Research and Analysis; Jones Lang LaSalle; April 2013

After establishing itself as an IT and BPO hub, Bangalore has successfully attracted the Biotech industry. Bangalore currently houses approximately 49.4% of the total biotechnology companies in India. The Karnataka government's various initiatives such as a biotech policy, fiscal incentives and proposed biotech park in Bangalore are likely to aid the process. Karnataka is one of the few states to come out with a clear-cut biotechnology policy called 'The Millennium Biotech Policy', while the Centre is still dithering to formulate such a policy at the national level. Karnataka's policy promises to establish a biotech corridor and the state has also set up a 'Vision Group on Biotechnology' to provide an impetus to the growth of the sector through other initiatives.

INFRASTRUCTURE INITIATIVES

There are various proactive measures taken up by the Government of Karnataka in augmenting & expanding the city physical infrastructure and developing major infrastructure projects to encourage overall economic development. The map below presents some of the key existing and proposed road network of the Bangalore City, which have been the factors fueling the physical growth of the city. Also existing and proposed infrastructure projects have been highlighted.



Source: Real Estate Market Research & Analysis; Jones Lang LaSalle; April 2013

GENERAL REAL ESTATE MARKET TRENDS

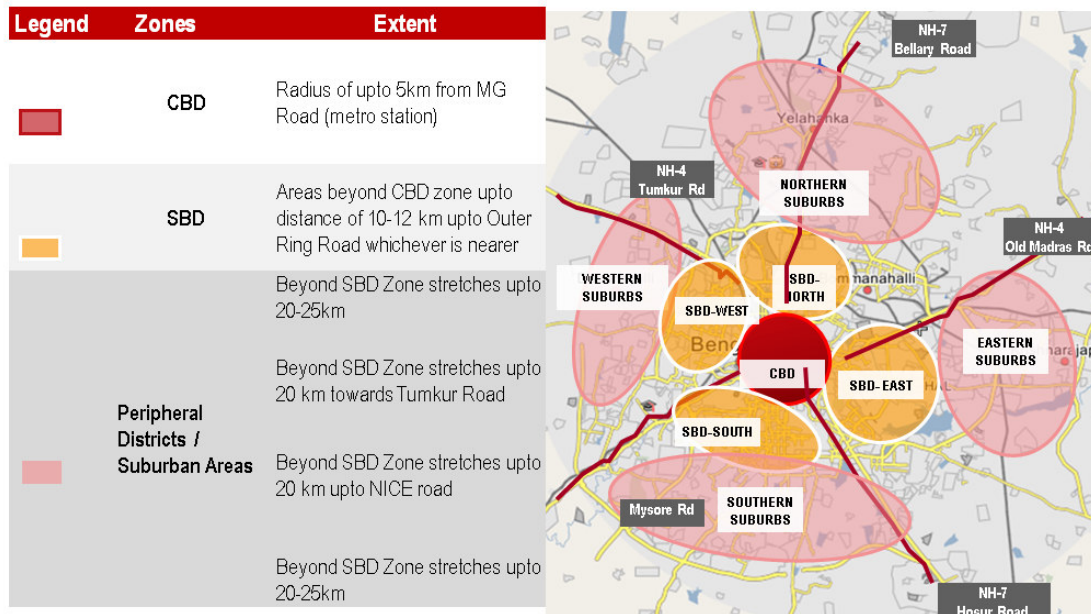
In the last decade, Bangalore has gained a special significance in the real estate market. With IT-boom supporting the overall city development, the city planners now feel that it will be one of the international metropolitan cities in the next 5-7 years. Other than IT and ITES, other sectors like bio-tech, aerospace, automobile, garments, finance and real estate also have shown phenomenal growth in the past 5 years. The growth in commercial sector has led to growth in residential, hospitality and retail sector too. The spur of activities led to increase in spread of city catchment.

Following are the prime areas witnessing prominent real estate activities

- **High-end corporate offices and retail developments** - CBD Area (MG Road, Brigade Road, Commercial Street, Residency Road, Langford Town, Cunningham Road, Richmond Road, etc.).
- **IT/ ITES Offices and SEZs** - towards Eastern and Southern suburban areas: Electronic City, Whitefield, ORR, Sarjapur Road, Hebbal, etc.
- **Corporate / Office** - CBD and Secondary Business District (SBD) areas like Koramangala, Indiranagar, Jayanagar, Bannerghatta Road, etc.
- **Residential** - Hebbal, Sahakarnagar, Yelahanka, Jalahalli, Kengeri, Rajajinagar, JP Nagar, Banashankari, Jayanagar, Koramangala, Indiranagar, HSR Layout, Brookefield, Whitefield, Sarjapur Road, Hosur Road, Bannerghatta Road, Kanakapura Road, etc.
- **Industrial** - Peenya, Yeshwantpur, Rajajinagar Industrial Suburb, Jigini, Bommasandra, Bidadi etc.

The map below presents the micro-markets across city to assess the real estate sector trends.

Structure of the City



Growth Zones and City expansion trends

Northern Suburb

Bellary Road,
Doddaballapur Road

Airport & Residential

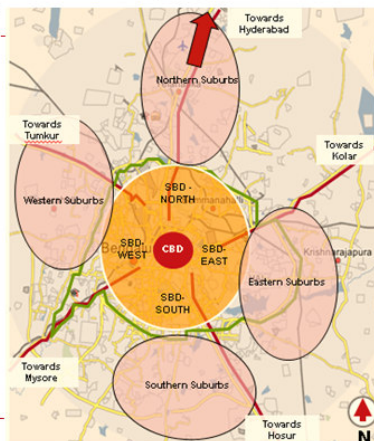
New International airport has triggered interest in the area. Many new apartment and residential developments around Yelahanka and on Doddaballapur road but at large distances.

Western Suburb

Tumkur Road

Residential & Industrial

The Western Suburb has witnessed more of residential growth than commercial or retail. More of industry type employment. Large Residential activity is witnessed due to comparatively lower land costs.



Eastern Suburb

Has slowly emerged as high IT-ITES related developments with STPI and SEZ commercial office space.

Many townships, large residential projects, retail and hospitality. Developing as a self sustained suburban location.

Whitefield &
Marthahalli

IT/ITES,
Residential, Retail,
Hospitality

Luxury residences, Villas – preferred area by expats

Sarjapur Road

Residential

Many new apartment and residential developments with mix of upper, mid and low income category residents

Southern Suburb

Bannerghatta Road,
Kanakpura road, Hosur road

IT/ITES, Residential,
Retail, Hospitality

The areas covered are JP Nagar, BTM Layout, developments around the above three main roads. Electronics City was the main driver which has many campus developments of IT & ITES Companies. To support this various residential, retail & hotel have come up and many proposed in the area. Most preferred residential zone

Source: Real Estate Market Research and Analysis; Jones Lang LaSalle; April 2013

PROJECT SITE

The Project site measuring 18.36 acres (799,755 Sq.ft) is located near Kengeri, towards the south western quadrant of city and is under jurisdiction of Bangalore Development Authority (BDA). The Project site is situated in Venkatapura near Doddabele (V), 1.5 km off Mysore Road, behind Raja Rajeshwari Medical College, 3.0 km from NICE Junction and 7.0 km from Global Village Tech Park.

The Project Site is accessible through 12M wide access road and has got approx. 1,700 feet of frontage on the access road. Also it is fairly regular in shape and flat terrain. In terms of physical infrastructure, power lines, water supply, drainage and sewerage facilities are available in immediate surroundings. Some of the salient features of the Project Site are summarized in the table below:

City Map showing location of Project Site



Source: Real Estate Market Research and Analysis; Jones Lang LaSalle; April 2013

Some of the salient features of the Project Site are summarized in the table below:

Area	18.36 acres (i.e. 799,755 sq. ft. approximately)
Access	12 M wide access road
Shape	Fairly regular in shape
Visibility	Good
Contiguity	Contiguous in nature
Topography	Flat terrain
Frontage	Approx. 1,700 feet
Land use	Residential Use (As informed by VBHC)

Google map below shows the location of the Project Site and its surroundings.



Source: Real Estate Market Research and Analysis; Jones Lang LaSalle; April 2013

SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis has been done for the Project Site based on location, infrastructure, linkages, frontage and potential usage and is presented below:

Strengths	Weaknesses
<ul style="list-style-type: none"> Site is contiguous with excellent frontage and visibility Proximity to many social infrastructures like Schools, Colleges, University and Hospitals etc. 	<ul style="list-style-type: none"> Project Site is located very far from the Bangalore International Airport Project Site is located far away from the major IT-ITES hubs of the city

Opportunities	Threats
<ul style="list-style-type: none"> ▪ The size of Project Site explores possible options for large-scale integrated real estate development. ▪ Completion of the proposed Bangalore-Mysore Infrastructure Corridor (located at a distance of approx. 5 km from the Project Site) is expected to have a positive impact on the property values in the micro market of the Project Site ▪ Development of proposed Bidadi and Ramanagara Townships will improve the real estate market in the micro-market of the Project Site ▪ Operation of metro rail on Mysore Road would improve the connectivity to the Project Site 	<ul style="list-style-type: none"> ▪ No evident threat perceived at this point for the Project Site

Source: Real Estate Market Research and Analysis; Jones Lang LaSalle; April 2013

FUTURE OUTLOOK FOR THE MICRO-MARKET

The micro-market of the Project Site has predominantly residential and Industrial developments with mainly the residential developments in and around Kengeri Satellite Town. Global Village Tech Park was set up along Mysore Road during 2004 and prominent companies like Mindtree, Mphasis, Sonata, Merritor, Textron and Accenture have their operations in the campus developments within Global Village Tech Park. Thus, it generated substantial demand for residential sub-sector in the micro-market, which eventually led to construction of various apartment projects.

In recent times, the stretch along Mysore Road (SH 17) has seen increased real estate activity, however some of the upcoming infrastructure projects/development proposals as outlined below, are slated to have an impact on the property market in the site surroundings.

- The Government of Karnataka, with the objective of decongesting Bangalore, has proposed the construction of Bangalore-Mysore Infrastructure Corridor which is partly operational. This has improved connectivity of site to Bangalore West and East via the feeder routes for NICE corridor.
- Both the Government of Karnataka and Bangalore Metropolitan Transport Corporation have developed Traffic Transit Management Center at Kengeri on 4 acres of land on the Mysore Road. The project comprises of BMTC Bus Station, Bus Depot, Office Space, Commercial Complex and other allied developments.
- Innovative Film City, Bidadi comprises of leisure/entertainment (21-screen multiplex, Golf Course, amphitheater), residential (villas and apartments), retail (shopping mall/food court) and commercial (IT Park/Film Studios/Film Institute) component.

The upcoming Metro route along Mysore road up to Kengeri would improve the connectivity of the areas around the Project Site to the other parts of the city and would also impact the real estate values in this micro market

Although the micro-market had a slow start compared to other micro-markets across the city it is slowing witnessing dense development by many local developers. Grade A projects also have started to develop in these areas indicating the growing demand. The micro-market has price advantage over most areas across the city which attracts many middle class and lower middle class buyer profile.

The increased commercial activity in GVT Park has also increased the demand for good housing the surrounding areas. The micro-market has good access to social infrastructure like schools, medical and some retail developments.

Being in proximity to the city, major urban roads such as ORR, Mysore road and NICE road etc. will offer high potential for development. The proposed infrastructure initiatives such as Bangalore Mysore Infrastructure Corridor (BMIC), Peripheral Ring Road, planning recommendations by the nodal agency, promotion of industrial belts, proposed transport Interchange hub, improved connectivity, revitalization of the KIADB areas are expected to improve the attractiveness of this stretch in the coming future and these changes are expected to boost the sales in the coming months. Also the immediate micro-market has good physical infrastructure facilities which are prime decision making factors for investing in a residential project.

Considering the growth of commercial activities towards Mysore road as witnessed by increased leasing activity in Global Tech Village and industrial areas near Kumbalagodu will further augment economic drivers of this micro-market, which is expected to have positive impact in terms of demand growth and price appreciation for the real estate products over next 3-4 years.

RECOMMENDED CAPITAL VALUE FOR THE PROPOSED APARTMENT DEVELOPMENT

Proposed residential apartment units on the Project Site have been evaluated with respect to the detailed market assessment carried out within the micro-market pertaining to similar developments. The conventional as well as affordable housing segments have been considered for comparison of the achievable price in the micro-market.

The micro-market average of all projects, which have unit capital value of less or equal to INR 3.0 million, are considered for determining the '**average benchmark price**'. The Projects which are above the unit cost value of INR 3.0 million were not considered for the purpose of achieving the Unit Capital Value for the Project Site development. There are about 9 Projects in the micro-market, which are targeting the buyers of INR 3.0 million per unit and below. Average present price of these select projects is in range between INR 2,500 to 3,100 per sq. ft. The **weighted average of the price is INR 2,950 per sq. ft.** Accordingly, INR 2,950 per sq. ft. is considered as the '**average benchmark price**', for determining the achievable capital value for the residential apartment on the Project Site.

Branding, Building specifications and amenities play a vital role in marketing residential products in Bangalore. The decision making of the end-users largely depend on superior building specifications, comparable to the buildings of Grade A developers in the city and level of civic amenities provided within the residential development. Typically, buyers attribute price premium for differentiators has been given to the proposed project because of the facilities and amenities that are proposed in the project when compared to the amenities existing in the competing projects within the micro-market. Also, micro-market lacks such type of Grade A development with facilities & amenities etc. Thus premium of 5% is factored over the 'average benchmark price' of INR 2,950 per sq.ft on account of branding / Grade A development.

Accordingly, Jones Lang LaSalle recommends pricing of **INR 3,100 per sq. ft.** (applied over the saleable/super built-up area) for the proposed residential development on the Project Site. This recommended pricing is for a residential apartment product which is under development on the Project Site. It may be noted that the above recommended pricing is as on the date of assessment (April 2013) and the indicated price is only the base price for the unit saleable area of the apartment. Other charges like parking, club membership, deposits payable to civic authorities, etc. are chargeable over and above the base price.

In the case of year wise price increase, Mysore Road micro market has an average CAGR of 9% per annum in residential apartment projects whereas, Bangalore City has CAGR of 14%. Considering the factors like city average appreciation, Mysore Road micro market average price appreciation, improved / proposed urban infrastructure projects towards the micro-market and future outlook, a CAGR of 10% is considered for future projection. The details pertaining to the same are mentioned in the table below:

Projected Base Price for the Proposed Apartments on the Project Site

Year	Projected Capital Value (INR per sq. ft.)	Suggested Annual Increase	Price Increase over Previous Year (INR per sq. ft.)
2013	3,100	--	--
2014	3,410	10%	310
2015	3,751	10%	341
2016	4,126	10%	375
2017	4,539	10%	413

Note: It is noted that the above recommended pricing is only the base price for the unit saleable area of the apartment; other charges like parking, club membership, deposits payable to civic authorities, etc. are chargeable over & above the base price.

ACHIEVABLE RENTALS FOR THE PROPOSED APARTMENT DEVELOPMENT

Yield Rate (ratio of annual rental value to capital value expressed in percentage) method is used to determine achievable rentals for the apartments in the Project Site. In this method, different comparable projects are taken and their respective rental yields are calculated considering the quoted rental and capital value for each of the instances. The table below summarizes prevailing rentals within the micro-market of the Project Site for a typical 2-BHK unit.

Sl.	Location	Rental Range (INR per month)	Unit Size (sq. ft.)
1.	Mylasandra	12,000 – 15,000	800 to 1,000
2.	Uttarahalli Main Road	10,000 - 12,000	1,000 to 1,200
3.	Kengeri	8,000 – 10,000	800 to 1,000
4.	Kengeri Satellite Town	10,000 – 12,000	800 to 1,000

Source: Real Estate Market Research and Analysis; Jones Lang LaSalle; April 2013

The table below summarizes the yield rates of different comparable projects taken within the micro-market of the Project Site for a typical 2-BHK unit.

Instances	Capital Value (INR)	Rent (INR per Month)	Yield Rate
Comparable 1	30,00,000	10,000	4.00%
Comparable 2	28,50,000	9,000	3.79%
Comparable 3	30,40,000	9,000	3.55%
Comparable 4	21,00,000	7,000	4.00%
Average Yield for Micro-Market			3.84%

Note: In addition to above rentals, the tenant is expected to pay for Maintenance Charges as determined by the Resident Welfare Association of the Project Site.

Based on the above, Jones Lang LaSalle is of opinion that the average yield rate of the micro market is around **3.84%**. Based on the average yield rate, achievable rental for the residential apartment for a **2-BHK** on the Project Site having super built up area of about **750 sq. ft.** considering recommended capital value of INR **3,100 per sq. ft.**, the achievable rental value will be around **INR 7,400 per month**. In addition, the tenant is expected to pay for Maintenance Charges as determined by the Resident Welfare Association of the Project Site.

Considering the fact that the market typically maintains the capital value & rental value gap, average annual increase of 10% (same as capital values) is considered for projecting the rentals for future. The table below presents project rental values for the proposed apartment development

for all typologies on the Project Site.

Projected Rentals for the Proposed Apartment on the Project Site

Year	Projected Rental Value (INR per Unit per Month)	Suggested Annual Increase
2013	7,400	--
2014	8,140	10%
2015	8,954	10%
2016	9,849	10%
2017	10,834	10%

Note: In addition to above rentals, the tenant is expected to pay for Maintenance Charges as determined by the Resident Welfare Association of the Project Site.

Considering the recommended capital value of INR 3,100 per sq. ft., rental value at average yield of 3.84% per annum and capital appreciation of about 10% year-on-year, the gross yield over 5 years will be in the range of 10-12%. Any further increase in price over the present estimate, due to various growth potentials of the micro-market highlighted above, will have significant upside in the returns to a purchaser.

RECOMMENDED CAPITAL VALUE FOR THE PROPOSED PLOTTED DEVELOPMENT

Proposed residential plots on the Project Site have been evaluated with respect to the detailed market assessment carried out within the micro-market pertaining to similar developments to arrive at achievable price for the proposed plots.

There are nearly 11 identified projects within the micro-market of which 2 projects are completely sold out. The remaining projects have vacancy and are being sold at present market values. The weighted average of the unsold stock with the current sale price is considered for these projects to arrive at a weighted average price for the proposed plotted development.

Average present price of these projects is in range between INR 1,200-3,000 per sq. ft depending on the location. These are developed by some local developers who have limited visibility in the market. The **weighted average of the price is INR 2,350 per sq. ft.** Accordingly, INR 2,350 per sq. ft. is considered as the '**average benchmark price**', for determining the achievable capital value for the residential plot on the Project Site.

Facilities and amenities play a vital role in marketing residential products in Bangalore. The decision making of the end-users largely depends on the brand of developer associated and level of civic amenities provided within the residential development. Typically, buyers attribute price premium for differentiators. Since the proposed residential development on the Project Site will be part of integrated development with basic facilities and amenities and the developer has brand recognition across city and India, a nominal premium of 5% is factored on the 'average benchmark price' of INR 2,350 per sq. ft. to arrive at a value of INR 2,468 per sq.ft (rounded to INR 2500 per sq.ft).

Accordingly, Jones Lang LaSalle recommends pricing of **INR 2,500 per sq. ft.** for the plot area in the proposed plotted development on the Project Site. This recommended pricing is for a residential plot which is planned to be developed on the Project Site. It may be noted that the above recommended pricing is as on the date of assessment (April 2013) and the indicated price is only the base price for the plot. Other charges like club membership, deposits payable to civic authorities, etc. are chargeable over and above the base price.

In the case of year wise price appreciation, Mysore Road micro market has an average CAGR of 10% per annum in residential plotted projects whereas, Bangalore City has CAGR of 14%. Considering the factors like city average appreciation, Mysore Road micro market average price appreciation in the last 3 years, the improved along with proposed urban infrastructure projects

towards the micro-market and future outlook, a CAGR of 12% is considered for future projection. The details pertaining to the same are mentioned in the table below:

Projected Base Price for the Proposed Plotted Development on the Project Site

Year	Projected Capital Value (INR per sq. ft.)	Suggested Annual Increase	Price Increase over Previous Year (INR per sq. ft.)
2013	2,500	12%	
2014	2,798	12%	298
2015	3,131	12%	333
2016	3,504	12%	373
2017	3,922	12%	417

Note: Please note that the above projected pricing is for a residential plotted development. It may be noted that the above recommended pricing is only the base price for the plot. Other charges like club membership, deposits payable to civic authorities, etc. are chargeable over & above the base price.

DISCLAIMER

This Report has been authored by Jones Lang LaSalle acting on the instructions of VBHC. Jones Lang LaSalle was instructed by VBHC to provide an independent, expert assessment of the marketability of the Project being developed by VBHC as 'Vaibhava' situated near Electronics City, Bangalore. This Report has been formulated by Jones Lang LaSalle independent of any inputs (other than information specifically sought for) from VBHC and VBHC has not in any manner influenced the findings of this Report. The prospective purchaser may however note that VBHC has paid JLL professional fees for the formulation of this Report. Notwithstanding the foregoing, this Report should be treated as additional information and not be taken as a substitute for comprehensive due diligence to be exercised by a prospective purchaser including visiting the project site and evaluating the suitability of the Project to their specific needs, their ability to meet the financial commitment either through purchase or through loan servicing and the availability of third party financing. It is specifically noted that while the Report contains certain views regarding the possible marketability of the Project in the future, prospective purchasers are encouraged to evaluate the Project based on their personal requirements rather than from the perspective of future real estate price appreciation. This Report does not constitute any commitment whatsoever from VBHC and shall not give rise to any claims whatsoever from any prospective purchaser regarding the veracity or otherwise of this Report. This Report is provided for information only. This Report shall not constitute formal advice rendered directly to the prospective purchaser.