

Bangalore, India

Tenant's Guide ■ International Markets ■ Third Quarter 2009

Overview

Bangalore is known as Silicon Valley of India. The city houses IT operations of most of the Fortune 500 companies mostly because of the talent pool available. City infrastructure is likely to improve with a new airport, outer ring road, flyovers, and Metro train network.

Market Trends

- The average vacancy rate continued to remain at approximately 15%. Peripheral micro markets showed a high vacancy of 28%, contributed largely by Whitefield and Electronic cities longstanding over-supply situation.
- The increasing trend of office space sub-leasing, together with second generation buildings becoming available in the CBD/ Off CBD micro market has made rentals attractive and led vacancy to nearly 15%. In suburban locations, however, limited fresh supply kept vacancy levels at about 7%.
- Slowing demand from IT firms and corporations finally began to push down rentals in some micro markets. Declining demand and quality SEZ supply becoming available for lease has largely led to the declining rentals in the ORR (Outer Ring road) (Hebbal- Sarjapur) stretch. Developers are also going out of their way to woo clients by offering lower occupancy costs.
- IT/ITS firms traditionally accounted for nearly 90% of office space in Bangalore. Developers will need to focus on non-IT companies with smaller space demands at more affordable pricing.
- Other upcoming trends could include increased small to medium sized transactions and more need-based options for multiple tenants as opposed to large built-to-suit and single tenant facilities or discounted future rentals for steady cash flows in these uncertain times.
- With the availability of good quality stock at competitive prices, the next few months might be a good time for investors to focus on commercial properties in select locations. Many developers are denoting the SEZ space into STPI as demand for SEZ space is still low.

Tenant's Perspective

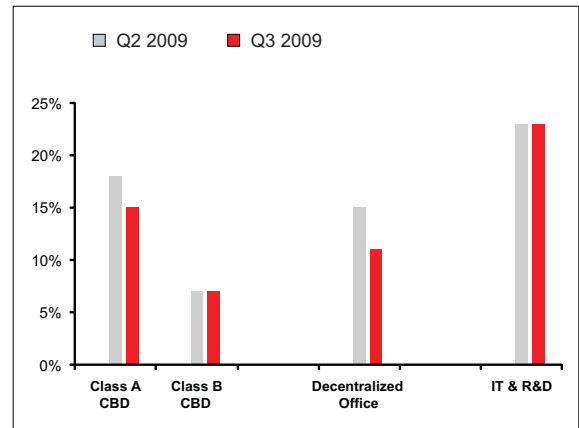
The vacancy rate will continue to stabilize or decline marginally in future. Demand is likely to remain soft in the short- to medium-term. Corporations continue shifting/relocating to micro and peripheral markets.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Capita	33,000	Office	Lease
Keane	57,000	Office	Lease
Mu Sigma	60,000	Office	Lease

* Size is represented in square feet

Vacancy Rate



Average Rental Rates

CBD	Q2 2009	Q3 2009
Grade A Office	INR 55-57	INR 55-75
Grade B Office	INR 35-50	INR 35-50

Micro/Peripheral Market	Q2 2009	Q3 2009
Decentralized Office	INR 30-45	INR 30-45
R&D & IT	INR 22-28	INR 22-28

* 1US\$=.49INR

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

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