

## MONTHLY NEWS LETTER

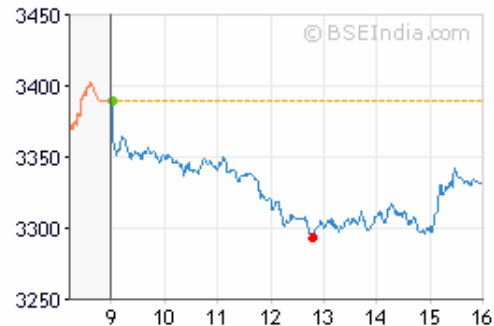
REAL ESTATE

August 31, 2010

## Market Cap for REALTY

As on 31 August 2010	Value (Rs. in Crores)	(%)
BSE Mkt. Cap	6,562,024.92	100
Index Full Mkt. Cap	120,824.57	1.84
Cap Adj. Market Cap	44,523.80	--

## Intraday Graph of REALTY



- [Global Commercial Real Estate to Touch \\$300-bn Mark](#)
- [Amidst Global Uncertainty JP Morgan Positive on India](#)
- [State Govt Prohibits Use of Petrol Pump Land for Real Estate Purpose in Mumbai](#)

## Global Commercial Real Estate to Touch \$300-bn Mark

Reflecting improved investor confidence, investment in commercial real estate globally is expected to witness a “healthy” growth of 40-50 per cent to \$300 billion in the current year, says a report. According to the report by global real estate services firm Jones Lang LaSalle, the first half of 2010 saw investment worth \$130 billion in the commercial real estate globally and is likely to touch \$300 billion in the full year, representing an increase of 40-50 per cent from 2009.

“The first half of the year showed that confidence has improved and momentum has increased. While markets across the globe are strengthening, the last few weeks have shown that regional markets are moving with different dynamics,” the report noted. In the commercial real estate market, the quickest recovery was seen in the Asia Pacific. Europe lagged behind, where the investors still seem more hesitant, due to sovereign debt and austerity packages concerns, followed by the US, which had a slow start to 2010, but investment markets are picking up with the stabilised market fundamentals.

While, the rental markets are still to catch up in Asia with the improved market sentiment, the rental growth is expected to make a comeback in few European markets over the second half of 2010 and 2011.

*Amidst Global Uncertainty JP Morgan Positive on India*

## QUICK UPDATES

RBI Proposes changes in Private

JP Morgan is positive on India despite the global environment being quite uncertain, JP Morgan Asset Management's Investment Manager and India Country Specialist, Rukhshad Shroff, told reporters here. JP Morgan Asset Management is a leading global asset management company providing world-class investment solutions to clients. "We are positive on emerging markets. We remain very positive on India and if you take a slightly medium-term view, there are ample reasons to be cheerful and optimistic on the Indian market," Shroff said.

India has achieved an eight per cent GDP growth despite the global economic uncertainty. The country also attracted FIIs inflow this calendar year of around \$11-12-billion till date, in an extreme risk-averse global environment, he said. In the short-term, there may be volatility and hiccups but, generally speaking, "we have got all the ingredients for a reasonable market in place," he said. Shroff pointed out that the BSE Sensex remained positive in 23 out of 31-years and gave 60 per cent returns in five-year period. It has given 30-60 per cent returns in 7- years and registered a 50 per cent decline in only one-year.

Indian corporates' fundamentals and earnings are good, though valuations may be slightly on the higher side of long- term averages but that was the case even six-months ago and the markets held up, which means the markets digesting these valuations allowing earnings to come through, he said. Accelerating investment in infrastructure, industrial and real estate sectors are expected to drive growth in FY 10 and the EPS could double in next 3-4-years period, Shroff said.

## Bank Provisions- Makes it Difficult for Banks with Insurance Ventures to Attract FDI

In an indication of continuing differences over the new foreign direct investment policy, the central bank has proposed changes in the provisions relating to private banks that will make it difficult for them to attract foreign investment if they have insurance ventures. Also, private banks that have sizeable foreign investment will find it difficult to float insurance ventures with foreign partners.

The Reserve Bank of India has proposed that foreign direct investment, or FDI, proposals of private banks that have an insurance joint venture or subsidiary should seek approval of the RBI and insurance regulator IRDA. The central bank has suggested these changes to ensure that 26% foreign investment limit in insurance sector is not breached even indirectly.

"The new rules will ensure that there is no violation of the current (sectoral limit) guidelines for future players," said an RBI official, adding that the central bank was not decided on the existing insurance ventures of banks that have sizeable foreign investment. This will also mean that private sector banks that have substantial foreign investment will need permission from the two regulators for

In fact, JP Morgan expects equities to provide better returns than other asset classes over the medium-term. “We expect equities to provide better returns than other asset classes over the medium-term, but are tactically cautious near-term, waiting for a better entry point,” JP Morgan’s Vice-President, Head of Investment Services, Geoff Lewis, said. The global stock markets retreated in May and June, but bounced back strongly in July. The emerging market economies have recovered quickly from the global recession, showing a surprising degree of resilience and economic decoupling, he said.

Commenting on the outlook, Lewis said, the US growth will moderate towards sub-par but positive levels, rather than dip back into recession. Disinflation not deflation in the US economy is the most likely outcome in 2011, he said. Global equities offer sizeable risk premia over Government bonds. Investors should be overweight with a strong bias towards emerging markets, Lewis said

### *State Govt Prohibits Use of Petrol Pump Land for Real Estate Purpose in Mumbai*

Fascinated by the lure of real estate, owners of fuel refilling centres in the city have long started dreaming of giving up their current business and jumping into the land development bandwagon. Some of them, in fact, have already got the civic body’s permission to change the usage of the land. However, the state government has recently issued a directive to Brihanmumbai Municipal Corporation (BMC) not to allow petrol pump owners to change the designated use of the land. Out of the 257 petrol pumps in

new insurance ventures.

“Some of these (private) banks have not yet made a foray in the insurance sector. In any case, entrants have to seek permission from their respective regulators,” said a finance ministry official, adding that the ministry supports the RBI move. As per the new FDI guidelines, all downstream investments by a majority Indian-owned and/or controlled by Indian company are considered as Indian investment.

In the case of banks, the policy allows 49% FDI through automatic route and a further 25% through approval of the foreign investment promotion board, taking the total to 74%. Currently, a majority Indian-owned-and-controlled bank can set up an insurance venture with 26% foreign stake. But it would be violating the sectoral limit as its foreign investors will also have a proportionate stake in the downstream insurance venture.

The RBI is keen to preclude such investment beyond the sectoral limit and the proposal underscores the conservative approach of the central bank. In its discussion paper on new banking licences, the central bank has suggested lowering the foreign investment limit in new private sector banks to below 50%. In its paper, the

the city, 40% are on lease land. “Although the civic body had earlier decided not to extend the lease, with this government order it would now extend the lease on the condition that the owner would not change the land’s usage,” said a civic official from the Building Proposals department. To cash in on the rising property prices petrol pump owners have been submitting development proposals to the BMC. But what is worrying is the huge disparity in the ratio between petrol pumps and number of vehicles in the city limits.

RBI had mentioned that since the objective is to create strong domestic banking entities and a diversified banking sector, the aggregate non-resident investment, including FDI, NRI and FII, could be capped at a suitable level below 50% and locked at that level for the initial 10 years. The suggestion goes against the spirit of the new foreign direct investment policy that has done away with the concept of indirect calculation of foreign investment.

Global Advisors Limited (‘GAL’) is a management consulting firm operating in the corporate finance, management advisory and research space in India and provides a range of custom research and business intelligence services, including research outsourcing solutions.

Pallavi Goyal / Piyush Mathur

Global Advisors Limited

[pallavigoyal@globaladvisors.in](mailto:pallavigoyal@globaladvisors.in) / [piyushmathur@globaladvisors.in](mailto:piyushmathur@globaladvisors.in)

If you do not want this mail, in future please click and respond to the mail [Unsubscribe](#)

*The information given in this document has been compiled from data, which is already available in publicly accessible media and is meant for information purposes only. Global Advisors Limited has not independently verified all the information given in this document. Accordingly, no representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information contained in this document.*