

**Strictly Confidential  
For Addressee Only**

**Independent Property  
Consultant Report on the  
Valuation Methodology of  
Mindspace Business Parks  
REIT**

**Report for**

**K Raheja Corp Investment  
Managers LLP**

**Report Date**

**03 November 2020**





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**To:** K Raheja Corp Investment Managers LLP

**Property:** Mindspace Business Parks REIT

**Report Date:** 03 November 2020

## **A REPORT**

### **1 Instructions - Appointment**

Cushman & Wakefield India Pvt. Ltd. (C&WI) as an independent international property consultant has been instructed by K Raheja Corp Investment Managers LLP (the ‘Client’, the ‘Instructing Party’) in its capacity as manager of Mindspace Business Parks REIT (“Mindspace REIT”) to perform an independent review (the “Engagement”), of the Stated Procedure ( as defined below), used for the valuation of the properties (the “Properties”) owned by SPVs (as defined below), which in turn will be owned by Mindspace Business Parks REIT and provide an independent report (“Report”). This agreement sets out the scope and other understanding between the parties (“Agreement”).

The Properties considered as part of this study are detailed in Part B of this report. The exercise has been carried out in accordance with the instructions (Caveats & Limitations) detailed in Annexure 1 of this report. The extent of professional liability towards the Client is also outlined within these instructions.

### **2 Professional Competency of C&WI Valuation & Advisory Services India**

C&WI Valuation & Advisory Services India is an integral part of C&WI Global Valuation & Advisory Services team. The Global Valuation & Advisory team comprises of over 1,970+ professionals across approximately 150+ offices globally and India VAS team comprises of more than 50 professionals.

C&WI Valuation & Advisory Services India have completed over 9,997 valuation and advisory assignments across varied asset classes/ properties worth USD 446 billion.

We provide quality valuation, risk advisory and consulting services across a range of property types including residential, hospitality, retail, commercial, institutional, Special Economic Zone (SEZ), industrial, etc. We derive global best practices while maintaining the complexities of Indian real estate markets and are ideally positioned to help solve any valuation related real estate challenge, ranging from single asset valuations to valuation of multi-market and multi-property portfolios.

In India, we have our presence since 1997. Our dedicated and experienced professionals provide quality services from 7 offices across India (Mumbai, Bengaluru, Chennai, Kolkata, Gurgaon, Hyderabad and Pune). We have a strong team of experienced and qualified professionals dedicated to offer Valuation & Advisory services in various locations across the country. C&WI India recognizes that no uniform norms and standards for real estate valuation currently exist in India. With this context and background, C&WI utilizes internationally accepted valuation techniques customized to Indian context based on best practices in the Industry.



Our professionals have diverse backgrounds such as RICS, CAs, CFAs, MBAs, Architects, Planners, Engineer's etc. We are preferred valuers for global and domestic banks, financial institutions, Asset Reconstruction Companies (ARC's), Private Equity Funds, Non-Banking Financial Company (NBFC) etc.

### **3 Disclosures**

C&WI has not been involved with the acquisition or disposal, within the last twelve months, of any of the properties being considered for the Engagement. C&WI has no present or planned future interest in the Client, Trustee, Mindspace REIT, the Sponsors and Sponsor Group to Mindspace REIT or the Special Purpose Vehicles (SPVs) and the fee for this Report is not contingent upon the review contained herein. C&WI has also prepared the Industry Report which covers the overview of the commercial real estate markets, the drivers and trends in the relevant cities/micro-markets. Our review should not be construed as investment advice; specifically, we do not express /any opinion on the suitability or otherwise of entering into any financial or other transaction with the Client or the SPVs.

C&WI shall keep all the information provided by Client confidential.

### **4 Purpose**

The purpose of the Engagement is to review the assumptions and methodologies as set out in Annexure 2 ("Stated Procedure") which have been used for disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange. It is hereby clarified that we are not undertaking a valuation under the SEBI REIT Regulations or any other enactment and the scope of work is expressly limited to what is stated herein.

With respect to the aforementioned disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, this independent report is intended to be filed with the Securities and Exchange Board of India ("SEBI"), stock exchanges, trustee or any other relevant regulator within or outside India, and in any other documents to be issued or filed in relation to Mindspace Business Parks REIT.

### **5 Scope of Work**

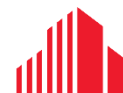
C&WI has given its views in relation to the Stated Procedure and this Engagement should not be considered as an audit of a valuation or an independent valuation of a Property. C&WI has not developed its own opinion of value but has reviewed the Stated Procedure in light of the framework contained in the RICS Valuation Global Standards 2019 ("Red Book") which is compliant with the IVSC International Valuation Standards issued on 31 July 2019, effective from 31 January 2020.

C&WI review is limited, by reference to the date of this report and to the facts and circumstances relevant to the Properties at the time, to review and assess, under the Red Book standards:

- whether the key assumptions as set out in the Stated Procedure are reasonable; and
- whether the methodology followed as set out in the Stated Procedure is appropriate;

### **6 Approach & Methodology**

C&WI has prepared the Industry report including overview of the commercial office scenario for each of the markets/ sub-markets where Properties are present., C&WI has visited the Properties during the study.



C&WI has been provided with the information such as rent rolls, sample agreement copies, approval plans and other information such as valuation Methodology and key assumptions including achievable rental for the property, rental growth rate, construction timelines, Capitalisation rates, Discount rates etc. An extract of the Methodology and Key assumptions is provided in Annexure 2

## **7 Authority (in accordance with this Agreement)**

The Manager acknowledges and agrees that C&WI's services hereunder (including, without limitation, the Deliverables itself and the contents thereof) are being provided by C&WI solely to the Manager in relation to Mindspace Business Parks REIT. If the Manager desires to use the Deliverables or C&WI's name in any other offering other than as contemplated under this Agreement, then the Manager shall obtain C&WI's prior written approval for such usage. The Manager shall indemnify C&WI for any losses suffered by C&WI due to such usage other than as prescribed under this Agreement. Additionally, the Manager herewith consents to provide or cause to be provided, an indemnification agreement in C&WI's favor, reasonably satisfactory to C&WI to indemnify C&WI for any use of the Report other than for the purpose permitted under this Agreement. It is however clarified that the indemnity shall not cover any losses resulting from the use of the Report for statutory /other reporting for sharing with REIT investors/unitholders for Mindspace Business Parks REIT.

## **8 Third Party Claim Indemnity (in accordance with this Agreement)**

The Report issued shall be used by the Manager in relation to the purpose stated previously. In the event the Manager (i) uses the Report not (i) in accordance with the terms of this Agreement / as per purpose permitted under this Agreement or (ii) permits reliance thereon by, any person or entity as not authorized by C&WI in writing to use or rely thereon, the Manager hereby agrees to indemnify and hold C&WI, its affiliates and their respective shareholders, directors, officers and employees (collectively the "Representatives"), harmless from and against all damages, expenses, claims and costs, including reasonable attorneys' fees, incurred in investigating and defending any claim, arising from or in any way connected to the use of , or reliance upon, the Report. Notwithstanding the forgoing, the Manager shall not be liable under this clause if such damages, expenses, claims and costs incurred as a result of C&WI's or any of its affiliates' or any of their respective Representatives' gross negligence, fraud, wilful misconduct, or breach of their confidentiality obligations under this Agreement.

C&W disclaims any and all liability to any party other than the Manager.

## **9 Limitation of Liability (in accordance with this Agreement)**

C&WI endeavors to provide services to the best of its ability and professional standards and in bonafide good faith. Subject to the terms and conditions in this Agreement, C&WI's total aggregate liability to the Manager arising in connection with the performance or contemplated performance of the services herein, regardless of cause and/or theory of recovery, shall not exceed the professional indemnity insurance limited to Indian Rupees INR 50 million

In the event that C&WI is subject to any claims in connection with, arising out of or attributable to in any legal proceedings In all such cases, the Manager agrees to reimburse/ refund to C&WI, the actual cost (which shall include legal fees and external counsel's fee) incurred by C&WI while becoming a necessary party/respondent.



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## **10 Disclaimer**

C&WI will neither be responsible for any legal due diligence, title search, zoning check, development permissions and physical measurements nor undertake any verification/ validation of the zoning regulations/ development controls etc.

## **11 Disclosure and Publications**

You must not disclose the contents of this report to a third party in any way, except as allowed under the Securities Exchange Board of India (Real Estate Investment Trust) Regulations, 2014 along with SEBI (Real Estate Investment Trusts) (Amendment) Regulations 2016 and subsequent amendments and circulars. As per the terms and regulation 2(1) of the Securities Exchange Board of India (Real Estate Investment Trust) Regulations, 2014 along with SEBI (Real Estate Investment Trusts) (Amendment) Regulations 2016 and subsequent amendments and circulars.



## B REVIEW FINDINGS

Our exercise has been to review the Stated Procedure, which has been used, for conducting valuation of Properties in connection with the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange, in accordance with IVS 104 of the IVSC International Valuation Standards issued on 31 July 2019, effective from 31 January 2020.

The approach adopted by C&WI would be to review the Stated Procedure, which would have a significant impact on the value of Properties, such as:

- Achievable rental for the property
- Rental Growth rate
- Construction timelines
- Capitalisation rate
- Discount rate

C&WI has:

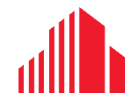
- Independently reviewed the key assumptions as set out in the Stated Procedure and is of the opinion that they are reasonable;
- Independently reviewed the approach and methodology followed and analysis as set out in the Stated Procedure, to determine that it is in line with the guidelines followed by RICS and hence is appropriate;

C&WI finds the assumptions, departures, disclosures, limiting conditions as set out in the Stated Procedure, relevant and broadly on lines similar to RICS guidelines. No other extraordinary assumptions are required for this review.

Novel Coronavirus disease (Covid-19) has been declared as a pandemic by the World Health Organization (WHO) in March 2020. Owing to this, India has faced lockdown of various degrees in the past few months. Due to the pandemic, the real estate sector has also faced challenges and hence have been impacted. With the construction activity being temporarily suspended and the limited availability of construction works, raw materials etc. We understand that there would be a delay in the delivery timeline of planned future supply.

For commercial sector there has been mandatory office closures in the month of April and May. People and organizations have been forced to test the remote working landscape. Post lock down there will be focus on recovery readiness and making workspace new normal-ready. We believe that whilst there will be re-assessment of portfolios to de-densify the workspace to focus on hygiene and safety norms, there will be a delay in decision making for expansion.

Consolidation strategies may be put on hold to reevaluate the recent landscape and renewals are expected to continue as capital expenditure decisions are put on hold. However, relocation decisions maybe reviewed in the context of cost control driving demand to peripheral office locations.



Though the magnitude of the pandemic on commercial real estate is difficult to predict, we anticipate that the delay in decision making for expansion along with delay in construction activities would have a short term impact on the demand, delay in supply and consequent impact on the rental growth rate in the markets. The stimulus packages by Government of India and gradual reopening of offices and manufacturing plants are likely to support economic activity. We observe that the assumptions noted in Annexure 2, reflect these factors.

Below is the summary of the portfolio of the properties as of September 30, 2020 which is spread across Hyderabad, Mumbai, Pune and Chennai that has been reviewed:

Sr No	Location	Project	Area	
			Completed (In msf)	Under Construction / Future Development (In msf)
1	Hyderabad	Intime, Mindspace Madhapur, Hyderabad	1.7	-
2	Hyderabad	KRIT, Mindspace Madhapur, Hyderabad	2.7	0.5
3	Hyderabad	Sundew, Mindspace Madhapur, Hyderabad	5.6	0.1
<b>Total Mindspace Madhapur, Hyderabad</b>			<b>10.0</b>	<b>0.6</b>
4	Mumbai	Mindspace Airoli East	4.7	2.1 <sup>1</sup>
5	Mumbai	Mindspace Airoli West	3.5	1.0
6	Mumbai	Mindspace Malad, Mumbai	0.7	-
7	Mumbai	The Square, Bandra Kurla Complex	0.1	-
8	Pune	Commerzone, Yerwada, Pune	1.7	-
9	Pune	Gera Commerzone, Kharadi, Pune	1.3	1.3
10	Pune	The Square, Nagar Road, Pune	0.7	-
11	Chennai	Commerzone Porur, Chennai	0.8	-
12	Hyderabad	Mindspace Pocharam, Hyderabad (including land area for future development)	0.4	0.6
<b>Total</b>			<b>23.9</b>	<b>5.7<sup>2</sup></b>

(1) While the park has aggregate development potential of 2.1 msf, Mindspace REIT has currently formulated development plans for 0.9 msf (including High Street), and, accordingly, only 0.9 msf of the future development area has been considered for the purpose of valuation.

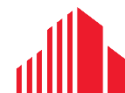
(2) Total Under-Construction / Future Development areas rounded to a single decimal point





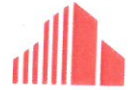
Below is the Property wise analysis:

- **Mindspace, Madhapur (Intime):** C&WI view of the market rent for the asset would be in the range of INR 65-70 per sft per month. This is keeping in mind the latest transactions within the park and competing office parks in the vicinity. C&WI considers the discount rate appropriate and cap rate in line with the market.
- **Mindspace, Madhapur (KRIT):** C&WI view of the market rent for the asset would be in the range of INR 65-70 per sft per month. This is keeping in mind the latest transactions within the park and competing office parks in the vicinity. C&WI considers the discount rate appropriate and cap rate in line with the market. It also includes land area planned to be utilized for future development of around 0.50 msf.
- **Mindspace, Madhapur (Sundew):** C&WI view of the market rent for the asset would be in the range of INR 65-70 per sft per month. This is keeping in mind the latest transactions within the park and competing office parks in the vicinity. C&WI considers the discount rate appropriate and cap rate in line with the market.
- **Mindspace Airoli East:** C&WI view of the market rent for the asset would be in the range of INR 55-60 per sft per month. This is keeping in mind the latest transactions within the park and competing office parks in the vicinity. C&WI considers the discount rate appropriate and cap rate in line with the market. It also includes land area for future development (which may be considered for sale) admeasuring approximately 1.76 acres.
- **Gigaplex Airoli West:** C&WI view of the market rent for the asset would be in the range of INR 53-55 per sft per month. This is keeping in mind the latest transactions within the park and competing office parks in the vicinity. C&WI considers the discount rate appropriate and cap rate in line with the market. It also includes land area for future development (which may be considered for sale) admeasuring approximately 16.4 acres.
- **Mindspace Malad, Mumbai:** C&WI view of the market rent for the asset would be in the range of INR 85-90 per sft per month. This is keeping in mind the latest transactions within the park and competing office parks in the vicinity. C&WI considers the discount rate appropriate and cap rate in line with the market.
- **The Square, BKC:** The Property was acquired in August 2019. Considering the prime location on the main arterial road of BKC with good frontage, enhanced signage opportunity and also that the size of ~ 1.2 lakh sft makes the relevant for tenants who are looking for a flagship single occupancy building in the leading business district of the city, C&WI view of the market rent for the asset would be in the range of INR 250-275 per sft per month. C&WI considers the discount rate appropriate and cap rate in line with the market.


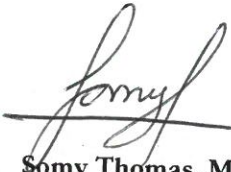


- **Commerzone, Yerwada:** C&WI view of the market rent for the asset would be in the range of INR 75-80 per sft per month. This is keeping in mind the latest transactions within the park and competing office parks in the vicinity. C&WI considers the discount rate appropriate and cap rate in line with the market.
- **Commerzone, Kharadi:** C&WI view of the market rent for the asset would be in the range of INR 75-80 per sft per month. This is keeping in mind the latest transactions within the park and competing office parks in the vicinity. C&WI considers the discount rate appropriate and cap rate in line with the market.
- **The Square – Nagar Road:** C&WI view of the market rent for the asset would be in the range of INR 75-80 per sft per month. This is keeping in mind the latest transactions within the park and competing office parks in the vicinity. C&WI considers the discount rate appropriate and cap rate in line with the market.
- **Commerzone Porur:** C&WI view of the market rent for the asset would be in the range of INR 60-65 per sft per month. This is keeping in mind the latest transactions within the competing office parks in the vicinity. C&WI considers the discount rate appropriate and cap rate in line with the market.
- **Mindspace, Pocharam:** C&WI view of the market rent for the asset would be in the range of INR 22-25 per sft per month. This is keeping in mind the latest transactions within the park and competing office parks in the vicinity. C&WI considers the discount rate appropriate and cap rate in line with the market. It also includes land area for future development admeasuring approximately 59.0 acres (approximately 40.0 acres out of which may be considered for sale).

Considering the above-mentioned points, C&WI considers the market assumptions and the approach to valuation for the above Properties to be reasonable and in line with international standards (RICS).



Signed for and on Behalf of Cushman & Wakefield India Pvt. Ltd




**Somy Thomas, MRICS**  
Managing Director,  
Valuation and Advisory Services



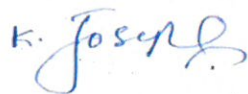
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Assistant Vice President,  
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**Joseph Ajith, MRICS**  
Assistant Vice President,  
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**Ankur Gupta, CFA**  
Manager,  
Valuation and Advisory Services



## Annexure 1: Instructions (Caveats & Limitations)

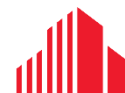
1. The Independent Property Consultant Report is not based on comprehensive market research of the overall market for all possible situations. Cushman & Wakefield India (hereafter referred to as "C&WI") has covered specific markets and situations, which are highlighted in the Report.

The scope comprises of reviewing the assumptions and methodology in the Stated Procedure, for valuation of the Properties. C&WI did not carry out comprehensive field research-based analysis of the market and the industry given the limited nature of the scope of the assignment. In this connection, C&WI has relied on the information supplied to C&WI by the Client

2. In conducting this assignment, C&WI has carried out analysis and assessments of the level of interest envisaged for the Property(ies) under consideration and the demand-supply for the commercial sector in general. The opinions expressed in the Report will be subject to the limitations expressed below.
  - a. C&WI has endeavoured to develop forecasts on demand, supply and pricing on assumptions that would be considered relevant and reasonable at that point of time. All of these forecasts are in the nature of likely or possible events/occurrences and the Report will not constitute a recommendation to Mindspace REIT or (Client or its affiliates and subsidiaries or its customers or any other party to adopt a particular course of action. The use of the Report at a later date may invalidate the assumptions and basis on which forecasts have been generated and is not recommended as an input to a financial decision.
  - b. Changes in socio-economic and political conditions could result in a substantially different situation than those presented at the stated effective date. C&WI assumes no responsibility for changes in such external conditions.
  - c. In the absence of a detailed field survey of the market and industry (as and where applicable), C&WI has relied upon secondary sources of information for a macro-level analysis. Hence, no direct link is to be established between the macro-level understandings on the market with the assumptions estimated for the analysis.
  - d. The services provided is limited to review of assumptions and valuation approach and other specific opinions given by C&WI in this Report and does not constitute an audit, a due diligence, tax related services or an independent validation of the projections. Accordingly, C&WI does not express any opinion on the financial information of the business of any party, including the Client and its affiliates and subsidiaries. The Report is prepared solely for the purpose stated and should not be used for any other purpose.
  - e. While the information included in the Report is believed to be accurate and reliable, no representations or warranties, expressed or implied, as to the accuracy or completeness of such information is being made. C&WI will not undertake any obligation to update, correct or supplement any information contained in the Report.
  - f. In the preparation of the Report, C&WI has relied on the following information:
    - i. Information provided to C&WI by the Client and subsidiaries and third parties,;
    - ii. Recent data on the industry segments and market projections;
    - iii. Other relevant information provided to C&WI by the Client and subsidiaries at C&WI's request;



- 
- iv. Other relevant information available to C&WI; and
    - v. Other publicly available information and reports.
  3. The Report will reflect matters as they currently exist. Changes may materially affect the information contained in the Report.
  4. In the course of the analysis, C&WI has relied on information or opinions, both written and verbal, as currently obtained from the Clients as well as from third parties provided with, including limited information on the market, financial and operating data, which would be accepted as accurate in bona-fide belief. No responsibility is assumed for technical information furnished by the third-party organizations and this is bona-fidely believed to be reliable.
  5. No investigation of the title of the assets has been made and owners' claims to the assets is assumed to be valid. No consideration will be given to liens or encumbrances, which may be against the assets. Therefore, no responsibility is assumed for matters of a legal nature.



## Annexure 2: Extract of Methodology & Key Assumptions for the Valuation of Properties

### Valuation Approach and Methodology

- **PURPOSE OF VALUATION**

The purpose of the valuation exercise is to estimate the value of the Subject Properties as part of the portfolio of Mindspace REIT for an initial public offering under the SEBI (Real Estate Investment Trust) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder.

- **BASIS OF VALUATION**

Given the purpose of valuation as mentioned above, the valuation exercise has been carried out to estimate the “Market Value” of the Subject Properties in accordance with the IVSC International Valuation Standards issued on 31 July 2019, effective from 31 January 2020.

Market Value is defined as ‘The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.’

- **VALUATION APPROACH**

The basis of valuation for the Subject Property being Market Value, the same may be derived by any of the following approaches:

- **Market Approach**

In ‘Market Approach’, the Subject Property is compared to similar properties that have actually been sold in an arms-length transaction or are offered for sale (after deducting for value of built-up structure located thereon). The comparable evidence gathered during research is adjusted for premiums and discounts based on property specific attributes to reflect the underlying value of the property.

- **Income Approach**

The income approach is based on the premise that value of an income - producing asset is a function of future benefits and income derived from that asset. There are two commonly used methods of the income approach in real estate valuation namely, direct capitalization and discounted cash flow (DCF).

- *Income Approach - Direct Capitalization Method*

Direct capitalization involves capitalizing a ‘normalized’ single - year net income estimated by an appropriate yield. This approach is best utilized with stable revenue producing assets, whereby there is little volatility in the net annual income.

- *Income Approach - Discounted Cash Flow Method*

Using the valuation method, future cash flows from the property are forecasted using precisely stated assumptions. This method allows for the explicit modelling of income associated with the property. These future financial benefits are then discounted to a



present-day value (valuation date) at an appropriate discount rate. A variation of the Discounted Cash Flow Method is mentioned below.

- *Income Approach - Discounted Cash Flow Method using Rental Reversion*

The market practice in most commercial/ IT developments involves contracting tenants in the form of pre-commitments at sub-market rentals to increase attractiveness of the property to prospective tenants. Such benefits are typically extended to anchor tenants. Additionally, there are instances of tenants paying above-market rentals for certain properties as well (primarily owing to market conditions at the time of contracting the lease). In order to arrive at a unit value for these tenancies, we have considered the impact of such sub/above market leases on the valuation of the Subject Property.

For the purpose of the valuation of Subject Properties (other than the portions of future development area part or whole of which may be considered for sale), Income Approach - Discounted Cash Flow Method using Rental Reversion has been adopted.

- **VALUATION METHODOLOGY**

In case of Subject Properties there are instances where the contracted rents are significantly different from prevailing rents in the concerned micro-market where the specific Subject Property is located, either because the rents prevailing at the time of executing the leases have been significantly different or discounts were given to large/anchor tenants.

Since the real estate industry is dynamic and is influenced by various factors (such as existing supply, demand for spaces, quality of spaces available in the market, overall health of the economy, existing rentals, future growth plans, etc.) at a particular point in time, negotiated rents may tend to move away from the prevalent market rents over a period of time.

It has also been witnessed that the market rents for some properties or micro-markets increase or decrease at a rate significantly different from those agreed to in initial leases. These factors reinforce the need to review each of these leases in isolation to assess the intrinsic value of the property under review.

Given the purpose and the nature of Subject Properties involved, the valuation of the commercial office assets has been undertaken using the Discounted Cash Flows method using Rental Reversion, for Facilities Management as well as Power Distribution, Discounted Cash Flow method has been adopted and for portions of future development area part of or whole of which may be considered for sale, Market Approach has been adopted. Further the following steps have been adopted as part of the valuation exercise, which have been elaborated in the detailed full valuation report ("Valuation Report").

- Asset-specific Review:

1. As the first step to the valuation of the asset, the rent rolls (and the corresponding lease deeds on a sample basis) were reviewed to identify tenancy characteristics for the asset. As part of the rent roll review, major tenancy agreements belonging to tenants with pre-committed area were reviewed on a sample basis.
2. For anchor/large tenants, adjustments on marginal rent or additional lease-up timeframe have been adopted upon lease reversion.



3. Title certificates, architect certificates and other related documents as mentioned in earlier sections of the report were reviewed for validation of area details, ownership interests of the Subject Property.
4. Physical site inspections were undertaken to assess the current status of the Subject Properties.

○ Micro-market Review:

The review was carried out in the following manner:

1. An assessment of the site and surroundings has been undertaken with respect to the prevailing activities, market dynamics impacting the values and the current use of the respective properties vis-à-vis its locational context, etc. of commercial office assets. Analysis of the micro-market was undertaken primarily based on the findings of the industry/market report prepared by Cushman & Wakefield and readily available information in public domain to ascertain the transaction activity of commercial/IT office space. The analysis entailed review of comparable assets in terms of potential competition (both completed and under-construction/future developments), comparable recent lease transactions witnessed in the micro-market along with the historical leasing and re-leasing history within the asset over the last 2-3 years, if available. This was undertaken to assess the market rent (applicable rental for the micro-market where the asset is located) and achievable market rent (view on achievable rent for the Subject Properties for leasing vacant spaces as well as upon re-leasing).
2. The historical leasing to be analysed within the asset for anchor tenants to identify the discount that is extended to such tenants at the time of fresh leasing or lease renewals. Rent roll and sample of lease deeds of large anchor-tenants were analysed and applicable adjustments to marginal rent was estimated for individual leases. For other tenants occupying relatively large space within the Subject Properties, it is assumed that the leases shall revert to marginal rents (duly adjusted from the date of valuation) following the expiry of the lease, factoring appropriate re-leasing time.

○ Cash Flow Projections:

1. The cash flows for the operational and under-construction/future development area have been projected separately to arrive at their respective value estimates.
2. Net operating income (NOI) has primarily been used to arrive at the value of the commercial office assets. The following steps were undertaken to arrive at the value for operational and under-construction/ future development areas respectively.

The projected future cash flows from the property are based on existing lease terms for the operational area till the expiry of the leases or re-negotiation, whichever is earlier, following which, the lease terms have been aligned with market rents achievable by the Subject Properties. For vacant area and under-construction/ future development area, the achievable market rent-led cash flows are projected factoring appropriate lease-up time frame for vacant/under-construction/future development area. These cash flows have





been projected for 10-year duration from the date of valuation and for 11th year (for assessment of terminal value based on NOI). These future cash flows are then discounted to present-day value (valuation date) at an appropriate discount rate.

For each lease, principally, the following steps have been undertaken to assess the rent over a 10-year time horizon:

**Step 1:** Projecting the rental income for identified tenancies up to the period of lease expiry, lock-in expiry, escalation milestones, etc. whichever is applicable. In the event of unleased spaces, market-led rent is adopted with suitable lease-up time.

**Step 2:** Generating a market led rental income stream for identified tenancies for the time period similar to the cash flows drawn in the aforementioned step.

**Step 3:** In the event the escalated contracted rent is higher than the achievable market rent by 15%, the contracted terms are ignored, and the terms are reverted to market. In the event the escalated contracted rent is below 115% of the achievable rent, the contracted terms are adopted going forward until the next lease review/ renewal. Intent of this step is to project the rental income for respective leases until lease expiry as well as post expiry.

**Step 4:** Computing the monthly rental income projected as part of Step 3 and translating the same to a quarterly income (for the next 10 years and NOI of the 11th year – considered for calculation of terminal value).

3. Recurring operational expenses, fit-out income (if any – the same has not been included in the NOI for the purpose of arriving at the terminal value by capitalisation) and vacancy provision have been adopted in-line with prevalent market dynamics. In addition, appropriate rent-free periods have been adopted during lease roll-overs to consider potential rent-free terms as well as outflows towards brokerage. For all commercial office assets, operational revenues and expenses of the respective assets are reviewed to understand the recurring, non-recurring, recoverable and non-recoverable expenses and accordingly estimate the margins on the common area maintenance income which accrues as cash inflows to the Subject Properties.
4. The net income on quarterly basis have been projected over the next 10 years and the one year forward NOI (for 11th year) as of end of year 10 has been capitalized to assess the terminal value of the development. The quarterly net cash flows over the next 10 years along with the terminal value estimated at the end of year 10 have been discounted at a suitable discount rate to arrive at the net present value of the cash flows accruing to the commercial office assets through this approach.



## Key Assumptions

### 1. Intime, Mindspace Madhapur, Hyderabad

Particulars	Units of measure	Details
<b>Property details</b>		
Type of property		Completed
Leasable area	sq. ft.	17,29,877
Area leased	sq. ft.	15,17,080
Vacancy	%	12.3%
Vacant area	sq. ft.	2,12,797
<b>Key Assumptions</b>		
Achievable Rental per month	INR per sq. ft.	68
Rental Growth Rate per annum	%	5.0%
Normal Market lease tenure	years	9
Construction start date	date	n.a.
Construction end date	date	n.a.
Capitalisation Rate	%	8.0%
Discount Rate	%	11.75%

*n.a. - not applicable*

### 2. KRIT, Mindspace Madhapur, Hyderabad

Particulars	Units of measure	Details
<b>Property details</b>		
Type of property		Completed
Leasable area	sq. ft.	26,64,822
Area leased	sq. ft.	25,84,282
Vacancy	%	3.0%
Vacant area	sq. ft.	80,540
<b>Key Assumptions</b>		
Achievable Rental per month	INR per sq. ft.	68
Rental Growth Rate per annum	%	5.0%
Normal Market lease tenure	years	9
Construction start date	date	n.a.
Construction end date	date	n.a.
Capitalisation Rate	%	8.0%
Discount Rate	%	11.75%

*n.a. - not applicable*

*Has additional land area planned to be utilized for future development of around 0.50 msf.*



### 3. Sundew, Mindspace Madhapur, Hyderabad

Particulars	Units of measure	Details	
<b>Property details</b>			
Type of property		Completed	Under Construction
Leasable area	sq. ft.	55,84,764	1,27,398
Area leased	sq. ft.	53,61,196	1,27,398
Vacancy	%	4.0%	0.0%
Vacant area	sq. ft.	2,23,568	-
<b>Key Assumptions</b>			
Achievable Rental per month	INR per sq. ft.	68	68
Rental Growth Rate per annum	%	5.0%	5.0%
Normal Market lease tenure	years	9	9
Construction start date	date	n.a.	01-Apr-18
Construction end date	date	n.a.	31-Mar-21
Capitalisation Rate	%	8.0%	8.0%
Discount Rate	%	11.75%	13.10%

*n.a. - not applicable*

### 4. Mindspace Airoli East

Particulars	Units of measure	Details		
<b>Property details</b>				
Type of property		Completed	Future Development	Future Development
Leasable area	sq. ft.	47,06,123	50,000	8,00,000
Area leased	sq. ft.	45,40,726	-	-
Vacancy	%	3.5%	100.0%	100.0%
Vacant area	sq. ft.	1,65,397	50,000	8,00,000
<b>Key Assumptions</b>				
Achievable Rental per month	INR per sq. ft.	58	63	58
Rental Growth Rate per annum	%	5.0%	5.0%	5.0%
Normal Market lease tenure	years	9	9	9
Construction start date	date	n.a.	01-Apr-21	01-Oct-21
Construction end date	date	n.a.	31-Mar-22	31-Mar-24
Capitalisation Rate	%	8.0%	8.0%	8.0%
Discount Rate	%	11.75%	13.10%	13.10%

*n.a. - not applicable*

1) While the park has aggregate development potential of 2.1 msf, Mindspace REIT has currently formulated development plans for 0.9 msf (including High Street), and, accordingly, only 0.9 msf of the future development area has been considered for the purpose of valuation.

2) It has additional land area for future development (which may be considered for sale) admeasuring approximately 1.76 acres.



## 5. Mindspace Airoli West

Particulars	Units of measure	Details	
<b>Property details</b>			
Type of property		Completed	Under-construction
Leasable area	sq. ft.	34,64,026	10,33,590
Area leased	sq. ft.	25,03,048	45,847
Vacancy	%	27.7%	95.3%
Vacant area	sq. ft.	9,60,978	9,39,966
<b>Key Assumptions</b>			
Achievable Rental per month	INR per sq. ft.	54	54
Rental Growth Rate per annum	%	5.0%	5.0%
Normal Market lease tenure	years	9	9
Construction start date	date	n.a.	01-Oct-17
Construction end date	date	n.a.	30-Jun-21
Capitalisation Rate	%	8.0%	8.0%
Discount Rate	%	11.75%	13.10%

*n.a. - not applicable*

*It has additional land area for future development (which may be considered for sale) admeasuring approximately 16.4 acres.*

## 6. Mindspace Malad, Mumbai

Particulars	Units of measure	Details
<b>Property details</b>		
Type of property		Completed
Leasable area	sq. ft.	7,01,023
Area leased	sq. ft.	6,56,992
Vacancy	%	6.3%
Vacant area	sq. ft.	44,031
<b>Key Assumptions</b>		
Achievable Rental per month	INR per sq. ft.	86
Rental Growth Rate per annum	%	5.0%
Normal Market lease tenure	years	9
Construction start date	date	n.a.
Construction end date	date	n.a.
Capitalisation Rate	%	8.0%
Discount Rate	%	11.75%

*n.a. - not applicable*



## 7. The Square, Bandra Kurla Complex

Particulars	Units of measure	Details
<b>Property details</b>		
Type of property		Completed
Leasable area	sq. ft.	1,15,000
Area leased	sq. ft.	-
Vacancy	%	100.0%
Vacant area	sq. ft.	1,15,000
<b>Key Assumptions</b>		
Achievable Rental per month	INR per sq. ft.	260
Rental Growth Rate per annum	%	5.0%
Normal Market lease tenure	years	9
Construction start date	date	n.a.
Construction end date	date	n.a.
Capitalisation Rate	%	7.75%
Discount Rate	%	11.75%

*n.a. - not applicable*

## 8. Commerzone, Yerwada, Pune

Particulars	Units of measure	Details
<b>Property details</b>		
Type of property		Completed
Leasable area	sq. ft.	16,76,080
Area leased	sq. ft.	16,74,912
Vacancy	%	0.1%
Vacant area	sq. ft.	1,168
<b>Key Assumptions</b>		
Achievable Rental per month	INR per sq. ft.	78
Rental Growth Rate per annum	%	5.0%
Normal Market lease tenure	years	9
Construction start date	date	n.a.
Construction end date	date	n.a.
Capitalisation Rate	%	8.0%
Discount Rate	%	11.75%

*n.a. - not applicable*



## 9. Gera Commerzone, Kharadi, Pune

Particulars	Units of measure	Details		
<b>Property details</b>				
Type of property		Completed	Under-Construction	Future Development
Leasable area	sq. ft.	12,84,467	6,75,617	6,05,500
Area leased	sq. ft.	11,95,418	-	-
Vacancy	%	6.9%	100.0%	100.0%
Vacant area	sq. ft.	89,049	6,75,617	6,05,500
<b>Key Assumptions</b>				
Achievable Rental per month	INR per sq. ft.	78	78	78
Rental Growth Rate per annum	%	5.0%	5.0%	5.0%
Normal Market lease tenure	years	9	9	9
Construction start date	date	n.a.	01-Apr-19	01-Oct-21
Construction end date	date	n.a.	31-Dec-21	31-Dec-23
Capitalisation Rate	%	8.0%	8.0%	8.0%
Discount Rate	%	11.75%	13.10%	13.10%

*n.a. - not applicable*

## 10. The Square, Nagar Road, Pune

Particulars	Units of measure	Details
<b>Property details</b>		
Type of property		Completed
Leasable area	sq. ft.	7,42,822
Area leased	sq. ft.	6,70,041
Vacancy	%	9.8%
Vacant area	sq. ft.	32,781
<b>Key Assumptions</b>		
Achievable Rental per month	INR per sq. ft.	78
Rental Growth Rate per annum	%	5.0%
Normal Market lease tenure	years	9
Construction start date	date	n.a.
Construction end date	date	n.a.
Capitalisation Rate	%	8.0%
Discount Rate	%	11.75%

*n.a. - not applicable*



## 11. Commerzone Porur, Chennai

Particulars	Units of measure	Details
<b>Property details</b>		
Type of property		Completed
Leasable area	sq. ft.	8,09,794
Area leased	sq. ft.	42,567
Vacancy	%	95.9%
Vacant area	sq. ft.	7,67,227
<b>Key Assumptions</b>		
Achievable Rental per month	INR per sq. ft.	63
Rental Growth Rate per annum	%	5.0%
Normal Market lease tenure	years	9
Construction start date	date	01-Jun-17
Construction end date	date	30-Jun-20
Capitalisation Rate	%	8.0%
Discount Rate	%	11.75%

*n.a. - not applicable*

## 12. Mindspace Pocharam, Hyderabad (including land area for future development)

Particulars	Units of measure	Details	
<b>Property details</b>			
Type of property		Completed	OC Not Obtained (UC Building 9)
Leasable area	sq. ft.	3,77,202	1,92,681
Area leased	sq. ft.	3,48,902	-
Vacancy	%	7.6%	100.0%
Vacant area	sq. ft.	28,520	1,92,681
<b>Key Assumptions</b>			
Achievable Rental per month	INR per sq. ft.	22	22
Rental Growth Rate per annum	%	5.0%	5.0%
Normal Market lease tenure	years	9	9
Construction start date	date	n.a.	01-Apr-18
Construction end date	date	n.a.	30-Sep-23
Capitalisation Rate	%	8.5%	8.5%
Discount Rate	%	12.25%	13.60%

*n.a. - not applicable*

*It has additional land area for future development admeasuring approximately 59.0 acres (approximately 40.0 acres out of which may be considered for sale).*