

October 17, 2023

Sumitomo Realty & Development Co., Ltd.

Site Acquisition for a Super High-Rise Mixed-Use Urban Development with Gross Floor Area Exceeding One Million Square Meters in Mumbai, India's Largest Economic City

Securing a Foothold in an Overseas Growing Market Comparable to Tokyo, with a Total Project Cost Exceeding ¥500.0 Billion

In addition to expanding investments in the Tokyo market, which has maintained stable growth even amidst the COVID-19 pandemic, we are actively investing in India, a country with significant future growth potential and remarkable development, specifically in Mumbai, its economic hub.

Sumitomo Realty & Development Co., Ltd. (Headquarters: Shinjuku, Tokyo, President: Kojun Nishima) is pleased to announce that on October 16, 2023 (Monday), through our local subsidiary in India, **we have independently acquired a development site of approximately 80,000 square meters (about 24,000 tsubo *1 tsubo ≈ 3.3m²) in the heart of Mumbai, India's largest economic city, from Bombay Dyeing, a company under the Wadia Group, for ¥79.5 billion (¥1.7/rupee).**

The site is located in the heart of Worli, the city center of Mumbai, where work, living, and leisure are in close proximity. It is in an area surrounded by five-star hotels such as the Ritz-Carlton, St. Regis, and Four Seasons, luxury high-rise condominiums, office buildings housing top-tier foreign companies, and high-end shopping malls. Moving forward, **we will advance a "super high-rise mixed-use urban development project," which will be the largest urban redevelopment by a Japanese company in India with a total project cost of over ¥500.0 billion and gross floor area of over one million square meters, aiming for the full opening of the facilities in the 2030s.**

We will aim to develop a landmark in the rapidly developing India, bringing together the expertise in urban redevelopment in Tokyo that we have cultivated so far.



Worli



Area around the acquired site

We are aiming to surpass ¥300.0 billion in ordinary profit in the next Medium-term Management Plan. In Japan, as part of investment for further growth beyond that, we are promoting redevelopment plans with a total gross floor area of over 700,000 tsubo (over 2.3 million square meters) in central Tokyo, such as Yaesu (the eastside of Tokyo station), Roppongi, and Tsukiji (Ginza East). Overseas, we have successively acquired two of the largest office building sites in BKC, the new city center of Mumbai, since July 2019, and are advancing the office building development plans with a total gross floor area of approximately 260,000 square meters and an investment scale of nearly ¥200.0 billion.

With the addition of the super high-rise mixed-use urban development project on the site we have recently acquired, the total development scale will exceed gross floor area of 1.2 million square meters. As we establish a foothold in the rapidly growing Indian market, which reminds us of Japan's high-growth period, we are looking ahead to expanding into businesses such as hotels, retail facilities and residential development in addition to long-term office leasing business. By reinvesting the revenue from the development back into India, we aim to build a major base second only to Tokyo.

1. Advantages of the Acquired Property

■ Key Areas within Mumbai City

Maharashtra state, which includes Mumbai where we have acquired the development site, boasts the largest economic scale in all of India's states, along with a population of approximately 126 million, roughly the same as Japan. The city of Mumbai, the capital of the state, with a population of about 18.4 million people, has flourished as a port town since ancient times and is known as one of Asia's leading financial centers, with the central bank, National Stock Exchange (NSE), Securities and Exchange Board, headquarters of various banks, and chambers of commerce of various countries.

Furthermore, Mumbai has the highest GDP per capita in all of India's states, with headquarters of many conglomerates such as Tata and Reliance, along with many employees of large corporations residing there.

The key office areas within Mumbai city are: "Nariman Point", the former city center at the southernmost tip of the peninsula, where office development has been progressing the longest in the city and where the Maharashtra state government and other administrative functions are concentrated; "Worli", the new city center which once flourished with textile mills and has developed through the continuous redevelopment of former mills; and "BKC", the new city center where the state is leading development to meet the vigorous urban demand beyond the development of the former two areas.



Source: Google Maps

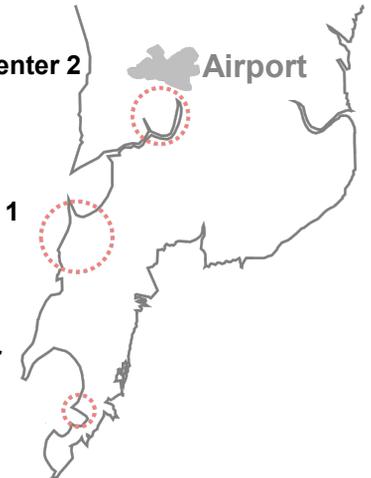


New city center 2
BKC



New city center 1
Worli

Former city center
Nariman Point

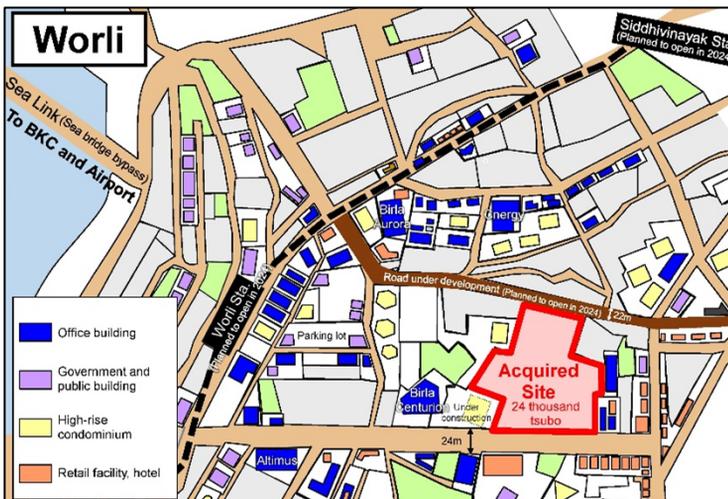


Key office areas within Mumbai city

■ Large-Scale "Freehold" Land in Downtown Mumbai

The acquired site is a "freehold" land with no restrictions on development use, located in the heart of the new city center "Worli". It has a site area of approximately 80,000 square meters (about 24,000 tsubo), which is over six times the size of the first and second projects in BKC that we have already acquired.

In India, where land registration lacks credibility and it is difficult to eliminate the risk of litigation and other development risks, it has been indisputably owned for about 150 years as the property of a textile company owned by a conglomerate or family business.



The site is located in the heart of the city center, where work, living, and leisure are in close proximity, surrounded by five-star hotels such as the Ritz-Carlton, St. Regis, and Four Seasons, luxury high-rise condominiums, office buildings housing top-tier foreign companies, and high-end shopping malls.

■ Mumbai: Achieving Further Development with Enhanced Infrastructure

Efforts are underway in various parts of Mumbai to enhance infrastructure, including the “Indian Shinkansen”, a high-speed railway being built using Japanese Shinkansen technology through Japan-India cooperation, that will cover the approximately 500km distance between Mumbai and Ahmedabad in about 2 hours, the “Mumbai Trans Harbour Link”, a total extension of about 22 km that will connect the new airport under construction in Navi Mumbai on the opposite shore to the east with the center of Mumbai, the “Sea Link”, a sea bridge bypass where extension work is progressing on the western coast of the peninsula to avoid traffic congestion in the city, and the “Metro Line 3” (scheduled to open in 2024) that will connect major business areas from the current airport area to Nariman Point via BKC and Worli.

With the development of the transportation network shortening travel times, it is expected to support the commutes of an increasing number of office workers in the future, and the city's development is expected to further progress as access to various parts of the world and within India becomes easier.



Source: Google Maps

■ Transportation Hub

Located in “Worli”, which is in the center of the peninsula extending from north to south, this site will benefit the most from the ongoing transportation infrastructure development. Using the “Sea Link” or the “Mumbai Trans Harbour Link” from this site, it allows smooth travel to the new airport and major business areas while avoiding traffic congestion.

Furthermore, within walking distance from the site, new stations “Worli” and “Siddhivinayak” are scheduled to open on Metro Line 3 in 2024, making the site accessible from 4 stations on 3 lines, including the national railway. With these enhancements, many people will be able to visit the site not only by car, but also using public transportation.



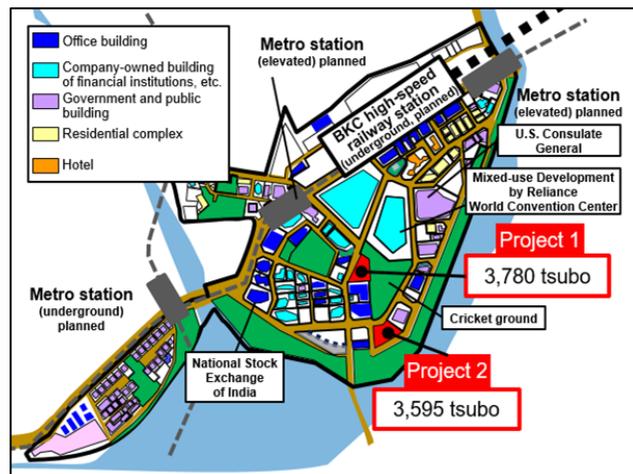
2. Sumitomo Realty's Business in India

■ Office Building Development in BKC is Progressing Steadily

In addition to expanding the earnings base centered on the leasing business in central Tokyo, we started the overseas expansion in India in 2019, with our “Tokyo office building leasing business” model of acquiring the development site independently, developing, leasing, managing and owning buildings by ourselves for the long term.

After acquiring one of the largest office building sites in BKC, the new city center of Mumbai, in July 2019, we acquired an additional site of the same scale in November 2022, and are advancing the office building development plans with a total gross floor area of approximately 260,000 square meters and an investment scale of nearly ¥200.0 billion for the two properties combined.

The first office building project in BKC, which is the foothold of our business in India, is currently under construction, and the second project is also proceeding with permit procedures for starting underground construction after the land handover in August this year. Both projects are progressing smoothly towards sequential completion after 2026.



BKC site map



Panoramic view of BKC



Project 1 in BKC
(underground excavation is underway)

■ High Profitability Significantly Exceeding the Expected Return on Investment in Tokyo

BKC is being developed as a financial center, with government-affiliated companies, the National Stock Exchange, major Indian conglomerates, and foreign IT companies moving in. In the future, the Indian Shinkansen, which will introduce Japanese technology, and new stations for new metro lines are scheduled to open, and further development as a business district is expected.

As positioned in the upper ranks in the JLL Premium Office Rent Tracker (as of the end of the third quarter of 2022), the rent for prime office buildings in BKC of Mumbai is at the same level as central Tokyo. The investment efficiency is expected to yield a return more than three times that of investment properties generally traded in Tokyo. We can expect sufficiently high profitability even when considering risk premiums such as interest rates and exchange rates.

We believe that the development site in Worli that we acquired this time can expect even higher profitability due to factors such as (i) we can reduce the land cost per floor area to almost half of the BKC properties through the acquisition of additional FAR (Floor Area Ratio), and (ii) it is a freehold land where large-scale mixed development without usage restrictions is possible.

Ranking of Office Rent in Major World Cities

Rank	City	Occupancy cost (US\$/sq/year on NLA basis)
1	Hong Kong, Central	\$259
2	New York, Midtown	\$220
3	London, West End	\$182
10	San Francisco	\$114
11	Singapore	\$110
17	Tokyo, Marunouchi	\$103
20	Delhi, Connaught Place	\$99
21	Mumbai, SBD BKC	\$97
27	Tokyo, Shibuya	\$87
32	Paris, City	\$80
34	Tokyo, Shinjuku	\$78
37	Los Angeles	\$76
86	Bengaluru	\$47
92	Delhi NCR, Gurugram	\$42
129	Chennai	\$19
131	Hyderabad	\$18

Source: Compiled by Sumitomo Realty, based on JLL Global Premium Office Rent Tracker (Q3 2022)

■ Aiming to Establish a Major Base Second to Tokyo

Starting with this mixed development project, we are looking ahead to expanding into other businesses such as hotels, retail facilities and residential development in addition to our long-term office leasing business. We will continue to further expand our business base in India, bringing together the expertise in redevelopment and various businesses that we have cultivated so far as a comprehensive real estate company, to build a major base second to Tokyo.

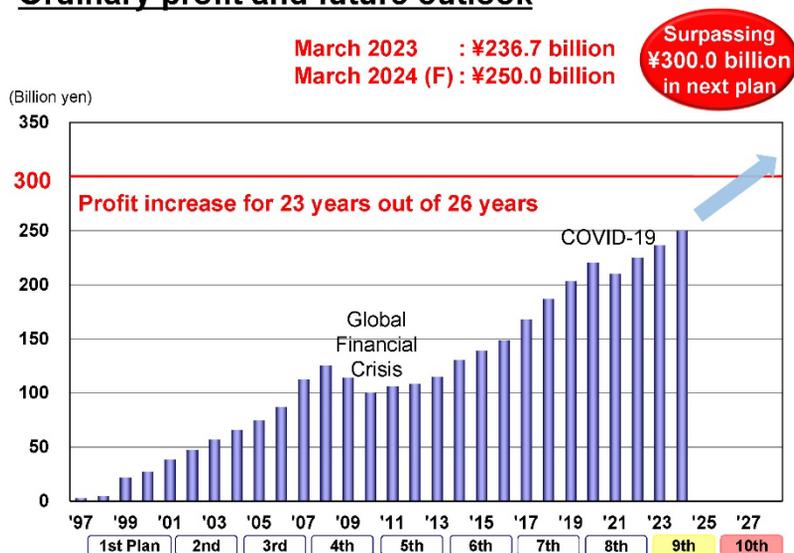
3. Moving to a New Growth Stage: Further Growth of Leasing Business in Japan (Tokyo) and Expansion of Business Base in India

In response to the end of the COVID-19 pandemic, we announced in May this year to aim to surpass ¥300.0 billion in ordinary profit in the next medium-term management plan (from the fiscal year ending March 2026 to the fiscal year ending March 2028), earlier than the long-term outlook forecast originally set out. (Please refer to the “Basic Management Strategy and Medium- to Long-term Outlook for Sustainable Growth” announced on May 11, 2023.)

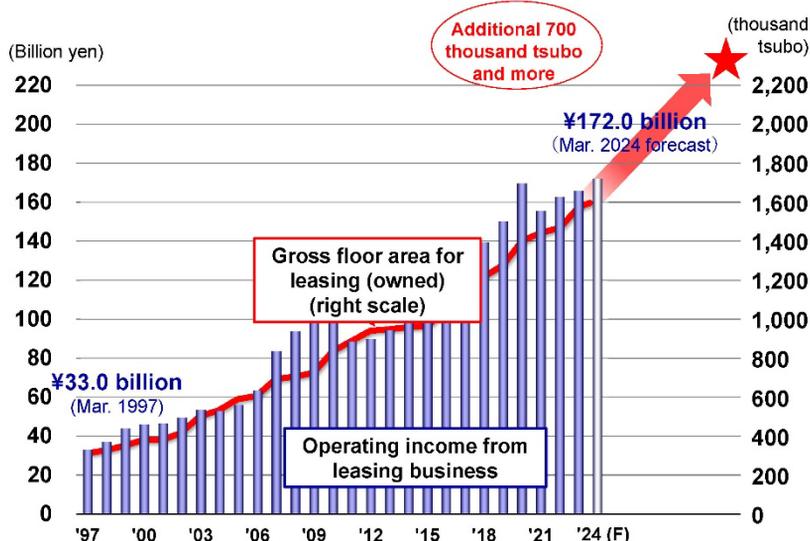
Domestically, aiming for further growth beyond that, we have declared a policy of continuing investment in leasing office assets in central Tokyo, which has underpinned sustainable growth to date, and has been promoting development plans with gross floor area of over 700,000 tsubo (approximately 2.3 million square meters), mainly in redevelopment projects in central Tokyo, such as Yaesu (the eastside of Tokyo station), Roppongi, and Tsukiji (Ginza East).

We will aim to surpass ¥300.0 billion in ordinary profit in the next medium-term management plan and sustainable growth beyond that, with domestic businesses centered on office building leasing in Tokyo, which has maintained stable growth even in the midst of the COVID-19 pandemic. At the same time, we will expand our business base in India, which is experiencing remarkable development, by demonstrating our distinctive strengths unique to our company, and aim to enhance our long-term and sustainable growth. We will strive for business expansion in India, which will solidify our growth potential and realize further enhancement of corporate value with the collective efforts of the Sumitomo Realty Group.

Ordinary profit and future outlook



Operating income from leasing business and gross floor area for leasing



Acquisition List

	This acquisition October 2023	Project 1 in BKC July 2019	Project 2 in BKC November 2022
Location	Worli, Mumbai	Bandra East, Mumbai, Maharashtra State	
Acquisition value	46.7 billion INR	22.38 billion INR	20.67 billion INR
Yen equivalent (1 INR = 1.7 JPY)	79.5 billion JPY	38.0 billion JPY	35.1 billion JPY
Type of ownership	Freehold	Leasehold for 80 years	Leasehold for 80 years
Site area	80,903 sqm Approx. 24,473 tsubo	12,486 sqm Approx. 3,780 tsubo	11,885 sqm Approx. 3,595 tsubo
Building Scale (Gross floor area)	Over 1 million sqm Over 300 thousand tsubo	Over 130 thousand sqm Over 40 thousand tsubo	Over 130 thousand sqm Over 40 thousand tsubo
Use	Super high-rise mixed-use development project	Office building for lease	Office building for lease

<Reference>

India's Economy and Future Prospects

According to the International Monetary Fund (IMF), India's GDP (Gross Domestic Product) became the 5th largest in the world in 2021, surpassing the UK, and is predicted to become the 3rd largest economy in the world by 2027, surpassing Japan and Germany, following the United States and China. Many companies are intensifying their expansion into India, seeing its huge market of over 1.4 billion people and steady economic growth as business opportunities.

India, which quickly recovered from the economic stagnation caused by the COVID-19 pandemic and has since continued to grow steadily. According to the "World Economic Outlook Projections" (October 2023), India's annual percent change in real GDP is expected to maintain high growth, with +6.3% in 2023 and +6.3% in 2024. In addition, the Indian authorities announced that India's GDP for the April-June quarter was +7.8% year on year, reaching a high level for the first time in a year.

(Real GDP growth, annual percent change)	Outlook		
	2022	2023	2024
World Output	3.5	3.0	2.9
United States	2.1	2.1	1.5
Euro Area	3.3	0.7	1.2
Japan	1.0	2.0	1.0
China	3.0	5.0	4.2
India	7.2	6.3	6.3

Source: Compiled by Sumitomo Realty, based on IMF "World Economic Outlook Projections" (October 2023)