

11.69% GRADE A VACANCY (2020)**1.95 msf** NET ABSORPTION (2020)**10.81 msf** UPCOMING SUPPLY (2021 - 2023)**MARKET INDICATORS
OVERALL Q4 2020**

	Q4 2019	Q4 2020	12-Mo. Forecast
Overall Vacancy	9.64%	11.69%	▲
Weighted Average Net Asking Rents (INR/sf/month)	58.81	57.47	▲
YTD Net Absorption (sf)	2,067,806	1,945,239	▲

Occupier demand in south west and suburban submarkets drive leasing activity

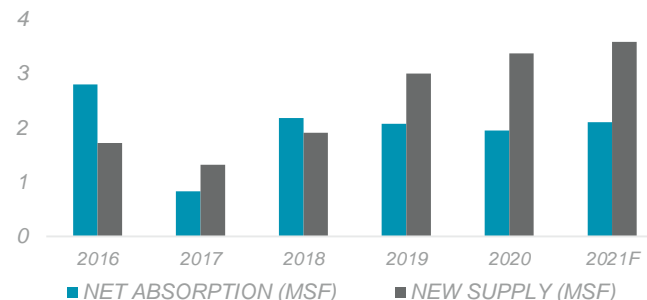
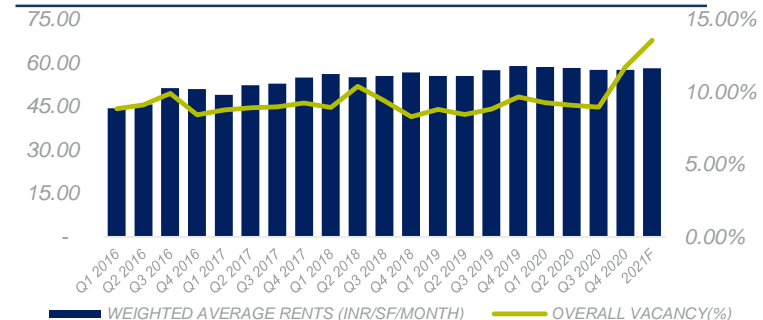
Despite the disruption in Chennai's commercial office market due to the COVID-19 pandemic outbreak and subsequent lockdown, the city performed fairly well with an overall gross leasing of 4.7 msf in 2020. Absorption of pre-committed spaces by Engineering & Manufacturing and Captive majors, led to a relatively healthy net absorption of 1.1 msf in Q4. However on a y-o-y basis, net absorption of 1.95 msf in 2020 was only marginally down by 6%. Overall gross leasing activity in 2020 was down by 23% on a y-o-y basis. Leasing activity in Q4 was mainly driven by the South west and Suburban South submarkets, which together accounted for 52% of the total leasing in Q4. Key occupiers contributing to the leasing activity included Smartworks, NPCI, FIS, etc. Leasing in Q4 was dominated by IT-BPM with a share of 38% followed by BFSI and Flexible workspace segments with shares of 27% and 8%, respectively. Unlike the last quarter, which was dominated by pre-commitments, in this quarter, developers strategically focused on retaining their existing clients by renewing their leases at the current market rentals. As a result, term renewals by key occupiers such as Athena Health, Caterpillar, CMA CGM, etc accounted for 63% of total leasing activity in Q4. Going forward, with office operations likely to return to near complete normalcy over the next couple of quarters and occupier budgets for next year to be in place during the same period, occupiers are expected to move forward with their portfolio strategies with greater vigour. We expect that market activity should gain more momentum over the course of the next 6 to 12 months period.

Higher vacancy amidst an upsurge in supply

Due to the lockdown earlier in the year, supply infusion was delayed over the middle part of 2020. With improved on-ground movement in the wake of the unlocking of economic activity, the city recorded completions of nearly 2.84 msf in Q4, taking the annual supply addition to 3.37 msf in 2020, an increase of 12% y-o-y. Nearly 40% of the supply in Q4 was pre-leased in the previous quarters. At a broader city level, increased supply, particularly in the south west and suburban south submarkets, and relatively lower demand levels resulted in vacancy rising by 275 bps on a q-o-q basis in Chennai. Off-CBD and North west continued to witness higher vacancies of 31% and 24%, respectively whereas the South west, Suburban south and Peripheral South-west submarkets recorded much lower vacancies in the range of 7-10%. Developers were strategic in retaining their occupier clients while focusing on project completions as well. This trend coupled with an anticipated revival in business sentiment translating in to increased levels of office demand, particularly from global firms for whom India's cost competitiveness will hold an added attraction in the 'new normal' environment, is expected to support market recovery in the medium term.

Stable rentals across submarkets

Overall Grade A rents at the city level remained largely stable. Occupiers adapted to the current scenario and explored different options, which included expansion and consolidation in the same space by surrendering few other spaces, diversifying to smaller spaces in different locations within the city similar to the hub and spoke model. Despite the significant upcoming supply, near-term sluggish demand, accommodating stance of developers and rental negotiations by occupiers, who are keen to get the best bargain amidst the current market conditions, the rentals are likely to remain stable over the next couple of quarters as well.

NET ABSORPTION & NEW SUPPLY**OVERALL VACANCY & WEIGHTED AVERAGE ASKING RENT**

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	VACANCY	YTD GROSS LEASING ACTIVITY# (SF)	PLANNED & UNDER CONSTRUCTION (SF)^	YTD CONSTRUCTION COMPLETIONS (SF)	YTD NET ABSORPTION (SF)	GRADE A WTD. AVG. RENT*		
							INR/SF/MO	US\$/SF/YR	EUR/SF/YR
CBD	2,685,809	12.15%	254,683	377,415	-	129,504	77.97	12.73	10.68
Off-CBD	544,110	31.24%	21,654	50,000	-	-11,252	75.00	12.24	10.27
South-west	12,948,937	10.97%	758,304	5420,052	1,573,197	387,570	75.44	12.32	10.33
North-west	3,232,000	23.58%	208,749	-	-	-147,623	41.26	6.74	5.65
Suburban South	18,250,412	6.62%	2,479,765	1,196,416	1,800,000	1,260,737	75.50	12.33	10.34
Peripheral South	11,882,105	16.66%	343,920	170,000	-	79,803	49.60	8.10	6.79
Peripheral South-west	4,292,000	9.91%	681,644	3,592,239	-	246,500	54.34	8.87	7.44
TOTALS	53,835,373	11.69%	4,748,719	10,806,122	3,373,197	1,945,239	₹ 57.47	\$ 9.38	€ 7.87

The report highlights Grade A details only. Certain indicators are historically corrected by addition / deletion of older / refurbished projects as per grade A classification and accounting for changes in built-up / leasable area besides adjusting tenant leases to reflect accurate market conditions.

Net absorption refers to the incremental new space take-up

#YTD gross leasing activity includes pre commitments and term renewals

*Includes planned & under construction projects until 2023

*Weighted average asking rental rates for vacant spaces that provide core facility, high-side air conditioning and 100% power back up

Key to submarkets:

CBD – Anna Salai, Nungambakkam, RK Salai; Off-CBD – T.Nagar, Alwarpet, Kilpauk, Egmore, Chetpet, Royapettah, Anna Nagar, Kotturpuram; Peripheral South- Sholinganallur, Thoraipakkam, Navalur, Siruseri, Padur; Suburban South – Perungudi, Taramani, Thiruvannamiyur, Velachery; South West – Guindy, Ashok Nagar, Vadapalani, Manapakkam, Ekkaduthangal; North West – Ambattur, Padi, Koyambedu, Arumbakkam; Peripheral South-west – Singaperumalkoil, Tambaram, Guduvanchery, Perungalathur, Pallavaram.

US\$ 1 = 73.5 INR € 1 = 87.6 INR

Numbers for the first quarter are based on market information collected until 15th December 2020

KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE
Prestige Polygon	CBD	Smart Works	45,000	Fresh Lease
Commerzone Tower B	South-west	NPCI	42,567	Fresh Lease

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION
Embassy Tech Zone Block 10	Peripheral South-west	Accenture	480,000	Q4 2021
Prestige Metropolitan Tower 1	CBD	NA	168,525	Q3 2022
ASV Husainy Tech Park	South-west	NA	1,000,000	Q2 2023

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