


11.42% GRADE A VACANCY (Q1 2021)

11.04 msf UPCOMING SUPPLY
(Q2 2021 - 2023)

76% SHARE OF IT-BPM IN GROSS
LEASING (Q1 2021)

**MARKET INDICATORS
OVERALL Q1 2021**

	Q1 2020	Q1 2021	12-Mo. Forecast
Overall Vacancy	9.25%	11.42%	▲
Weighted Average Net Asking Rents (INR/sf/month)	58.47	57.50	■
YTD Net Absorption (sf)	255,010	144,309	▲

Gradual recovery in leasing; renewals continue

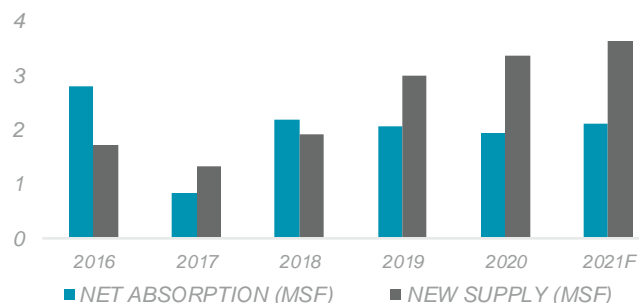
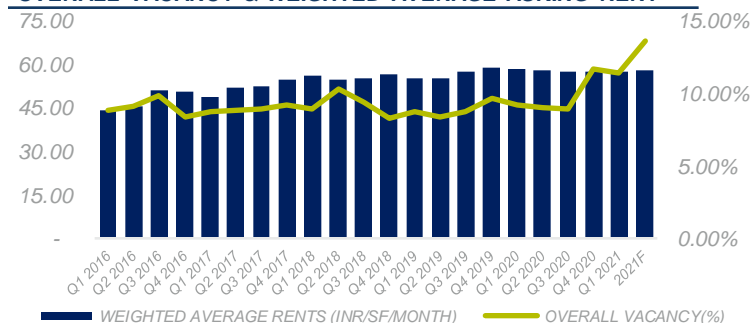
Gradual revival in Chennai's office market has continued in the first quarter and the city has managed to sustain the recovery in leasing activity witnessed towards the end of 2020. Gross leasing during Q1 was recorded at 1.57 msf, up by 2.5X q-o-q basis. The Peripheral South submarket accounted for 58% of the quarterly leasing followed by Suburban South and South west with shares of 21% and 19% respectively. IT-BPM emerged as the prominent occupier category with nearly 1.2msf (76%) of gross leasing in the quarter followed by Captive sector and Professional Service with 9% and 5% respectively. CohnReznick, FE Fund Info, Mastech Digital, ObjectFrontier Software, Orangescape, etc contributed to quarterly fresh leasing, which accounted to 28% of the gross leasing activity. Over the last few quarter, there has been a steady trend of large occupiers looking to leverage the current market conditions wherein the developers are flexible with rental negotiations in order to retain them. Several larger tenants from IT-BPM, Engineering & Manufacturing have renewed leases in this quarter, together accounting for nearly 1.1 msf.

No new supply in Q1, marginal decline in vacancy; healthy upcoming supply in the

Suburban South submarket, which holds a significant share (34%) of the city's Grade A inventory, continued to witness tight vacancy of 6.8% followed by South West and Peripheral South west submarkets with 10% vacancy levels. The supply infusion of 2.8msf during the last quarter has significantly impacted the vacancy levels in certain submarkets. City level Grade A vacancy stood at 11.42% by the end of the first quarter with a minor q-o-q dip of 27bps. Some occupiers have reduced their footprint as a part of consolidation and portfolio optimization strategies creating additional vacant space in the market. No new significant completions were recorded in this quarter. The city is set to witness a strong inflow of quality space of nearly 11.04msf over the next 3 years from prominent developers such as DLF, RMZ Corp, CapitalLand, L&T, etc., and this strong supply pipeline could result in greater pre-commitments in line with expected recovery over the next 12-18 months.

Stable rentals across submarkets; vacancy levels to increase in the short term

Grade A rentals have largely remained stable during the quarter. Developers were flexible to offer rental concessions and other incentives to attract / retain tenants. With a healthy supply pipeline going forward, city level vacancy is likely to fluctuate at 11-14% levels over the next 1-2 years. South west and Peripheral South-west submarkets together account for more than 80% of this supply. The extent of COVID-19 resurgence will determine market recovery over the next 6-12 months. We expect developers continue to remain accommodative in the meantime.

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	11.93%	6,000	377,415	-	6,000	77.27	12.74	10.60
Off-CBD	544,110	29.91%	7,281	50,000	-	7,281	74.48	12.28	10.21
South-west	12,948,937	10.16%	299,820	5,650,462	-	105,181	73.56	12.13	10.09
North-west	3,232,000	23.58%	16,687	-	-	-	39.78	6.56	5.46
Suburban South	18,250,412	6.84%	327,520	1,196,416	-	-39,828	76.86	12.67	10.54
Peripheral South	11,882,105	16.07%	910,799	170,000	-	69,675	49.70	8.19	6.82
Peripheral South-west	4,292,000	10.01%	-	3,592,239	-	-4,000	54.75	9.02	7.51
TOTALS	53,835,373	11.42%	1,568,107	11,036,532	-	144,309	₹ 57.50	\$ 9.48	€ 7.89

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 newspace 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 = 72.8 INR € 1 = 87.5 INR

Numbers for the first quarter are based on market information collected until 15th March 2021

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE
Olympia Tech Park	South-west	CohnReznick	56,356	Fresh Lease
Chennai One Opus	Peripheral South	ObjectFrontier Software	30,375	Fresh Lease

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION
Olympia Inspire	Peripheral South-west	NA	190,000	Q2 2021
Embassy Tech Zone Block 4	Peripheral South-west	NA	600,000	Q3 2022
Olympia Cyber space	South-west	NA	1,165,222	Q1 2023

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