

11.38% GRADE A VACANCY (Q2 2021)**69%** SHARE OF SOUTH-WEST IN GROSS LEASING (Q2 2021)**11.04 msf** UPCOMING SUPPLY (H2 2021 - 2023)**MARKET INDICATORS
OVERALL Q2 2021**

	Q2 2020	Q2 2021	12-Mo. Forecast
Overall Vacancy	9.06%	11.38%	▲
Weighted Average Net Asking Rents (INR/sf/month)	58.11	57.50	■
YTD Net Absorption (sf)	779,941	166,929	▲

South-west dominated leasing activity in Q2; Pre-commitments drove office demand

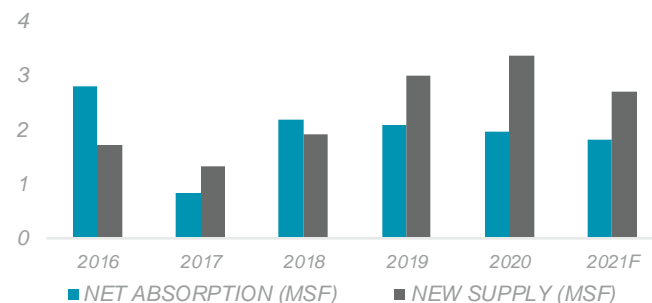
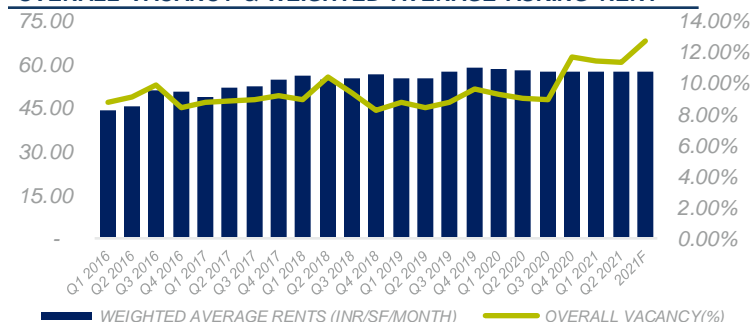
Chennai's gross leasing stood at 1.05 msf in Q2, recording a drop of 33% q-o-q largely due to the second wave and the subsequent lockdown-like restrictions in the city. A number of occupiers have renewed their existing leases at current market rentals and have pre-committed spaces in buildings that are up for supply over the next two years presumably when the market conditions normalize. South-west submarket was seen to be the most active, contributing nearly 69% of the quarterly leasing activity. Leasing activity was dominated by pre-commitments primarily from occupiers such as Maersk, VMWare and ABB in the south-west submarket. Suburban south and CBD submarkets followed with their respective shares of 16% and 13% of the gross leasing activity. IT-BPM was the largest demand driver with a 42% share in leasing followed by Engineering and Manufacturing sector with a share of 32%. Pre-leasing of 0.5 msf (48% share) was followed by term renewals with a share of 31% of the leasing activity. Meanwhile, the current market uncertainty was reflected in an 84% q-o-q drop in net absorption.

Stable rentals across submarkets

Rentals remained stable across all submarkets. With state-level lockdown remaining in force for nearly two months, no major deals were concluded in this quarter. Developers in general were flexible and were trying to retain existing tenants by offering favourable terms during renewals. However, institutionally owned properties and campuses with tight vacancies were an exemption. Overall, the competition among developers has intensified, especially for larger new requirements and pre-leases. Market conditions remained favourable to occupiers during the quarter, and we expect them to remain so for another 6-12 months as business sentiments gradually improve and demand bounces back.

Minor drop in city-level vacancy; Strong upcoming supply over the next three years

City level Grade A vacancy saw a minor q-o-q drop of 0.04 bps and stood at 11.38%. Suburban south remained the tightest submarket with a vacancy of 6.8% followed by South-west and Peripheral South-west with around 10% vacancy levels. The city is expected to witness an upcoming supply of 11.04 msf over the next three years. Suburban south, South-west and Peripheral South-west submarkets together account for approximately 95% of the accounted upcoming supply. Nearly 0.5msf of office space which was in the pipeline for this quarter has been deferred by another quarter due to the lockdown and delay in construction. Nearly 2.69msf of office space is expected to pump in as supply in H2 2021. We expect the market to gradually recover in H2 2021 and could bounce back much stronger in 2022 on the back of faster vaccinations and as companies rework their return to office strategies.

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	11.95%	141,690	377,415	-	5,500	77.27	12.52	10.49
Off-CBD	544,110	29.91%	7,281	50,000	-	7,281	74.48	12.07	10.11
South-west	12,948,937	9.98%	1,023,426	5,650,462	-	128,301	73.56	11.92	9.99
North-west	3,232,000	23.58%	16,687	-	-	-	39.78	6.44	5.40
Suburban South	18,250,412	6.84%	497,764	1,196,416	-	-39,828	76.86	12.45	10.44
Peripheral South	11,882,105	16.07%	916,799	170,000	-	69,675	49.70	8.05	6.75
Peripheral South-west	4,292,000	10.01%	17,887	3,592,239	-	-4,000	54.75	8.87	7.43
TOTALS	53,835,373	11.38%	2,621,534	11,036,532	-	166,929	57.50	9.32	7.81

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, Thorapakkam, Navalur, Siruseri, Padur; Suburban South – Perungudi, Taramani, Thiruvanniyur, 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 = 74.07 INR € 1 = 88.38 INR

Numbers for the second quarter are based on market information collected until 30th June 2021

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE
Olympia Tech Park	South-west	Logitech	35,356	Fresh Lease
RMZ One Paramount Block 30	South-west	Maersk	136,000	Pre-commitment

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION
Olympia Inspire	South-west	NA	190,000	Q3 2021
Embassy Tech Zone Block 10	Peripheral South-west	Accenture	480,000	Q2 2022
Olympia Cyber space	South-west	NA	1,165,222	Q1 2023

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