

12.1% GRADE A VACANCY (Q3 2021)

52% SHARE OF SUBURBAN SOUTH
IN GROSS LEASING (Q3 2021)

10.9 msf UPCOMING SUPPLY
(Q4 2021 - 2023)

**MARKET INDICATORS
OVERALL Q3 2021**

	Q3 2020	Q3 2021	12-Mo. Forecast
Overall Vacancy	8.94%	12.10%	▲
Weighted Average Net Asking Rents (INR/sf/month)	57.47	57.48	■
YTD Net Absorption (sf)	841,917	437,640	▲

Office demand shows signs of recovery, Suburban South continues to dominate leasing

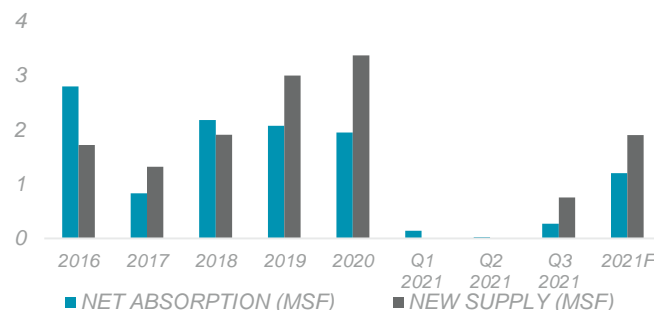
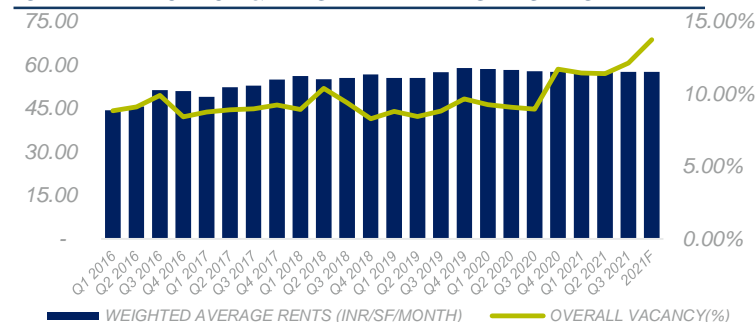
Chennai's grade A office sector recorded a gross lease volume of 1.82 msf during the quarter, up by 73% on a q-o-q basis indicating signs of revival in the market. YTD Gross Leasing (4.44 msf) too witnessed a 6% rise when compared to the same period last year, depicting a better pace of recovery post the 2nd wave. Suburban South accounted for 52% share in total quarterly leasing followed by South-west and Peripheral South with 33% and 14% shares, respectively. IT occupiers provided major demand boost, with prominent occupiers like L&T Infotech, Trimble, Qualcomm, Wolters Kluwer among others taking up space during the quarter. Term renewals accounted for a major share (60%) of the quarterly lease volume. This may be attributed to developer's objective to retain occupiers and the latter's intention to enter a long-term lease at lower rentals than current market rates. However, during Q3 a low pre-lease volume of 0.06 msf got recorded in the Suburban South submarket since occupiers showed interest for ready office space. YTD Net absorption of 0.44 msf stood 48% lower than same period last year.

Increase in vacancy due to supply infusion; healthy upcoming supply anticipated

City level Grade A office vacancy saw a rise of ~70 bps (from 11.38% in Q2 to 12.1% in Q3) during the quarter. In addition to few tenant exits across submarkets, this vacancy rise can be also attributed to supply infusion of 0.75 msf in South west and Peripheral South-west submarkets, of which only 0.25 msf was pre-leased. In terms of supply, developers are currently focusing on completion of projects which were delayed due to slowdown in construction activity during the previous quarter. For projects with pre-committed space, construction activity is seen to happen on a full swing post relaxation of lockdown restrictions. For e.g. DLF IT Park - Block 12 which got completed in Q3 was pre-committed to Citibank. At the city level, nearly 10.9 msf of upcoming supply is expected by 2023 of which 50% is located in the South-west, 34% in Peripheral South-west and 12% in Suburban South submarkets, once again indicating dominance of South markets in Chennai.

Rentals unlikely to record any movement in the near term

City level rentals remained unchanged when compared to last couple of quarters. The consolidation and relocation strategies of occupiers seemed to have had a negligible impact on rentals. However, as developers are keen on retaining existing tenants, they would have been flexible in modifying some of the lease terms with new leases or renewals. Furthermore, despite a healthy upcoming supply in select submarkets, the rentals are unlikely to witness any change, largely supported by sustained occupier interest and positive transaction momentum in the city's office market over the short to medium term.

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	13.60%	151,190	377,415	-	-39,000	77.50	12.53	10.79
Off-CBD	544,110	29.91%	7,281	-	-	7,281	74.48	12.04	10.37
South-west	13,195,008	9.75%	1,617,813	5,404,391	246,071	380,372	73.40	11.86	10.22
North-west	3,232,000	23.58%	30,313	-	-	-	39.78	6.43	5.54
Suburban South	18,250,412	7.03%	1,439,372	1,271,416	-	-74,259	76.50	12.37	10.65
Peripheral South	11,882,105	15.25%	1,180,927	170,000	-	167,246	49.68	8.03	6.92
Peripheral South-west	4,794,125	19.43%	17,887	3,667,114	502,125	-4,000	54.65	8.83	7.61
TOTALS	54,583,569	12.10%	4,444,783	10,890,336	748,196	437,640	₹ 57.48	\$ 9.29	€ 8.01

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, 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 = 74.238 INR € 1 = 86.157 INR

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

KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE
Chennai One Magnum	Peripheral South	ICON Clinical	123,057	Renewal
Stargate Vishranthi	Suburban South	Trimble	290,000	Fresh Lease

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION
Feather Lite IT Park - Block A	Peripheral South-west	NA	331,652	Q4 2021
Gateway Office Parks - Block A2	Peripheral South-west	NA	498,235	Q1 2022
Embassy Tech Zone - Block 1	Peripheral South-west	NA	610,000	Q4 2023

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