

13.56% GRADE A VACANCY (Q1 2022)**76%** SHARE OF SOUTH WEST IN GROSS LEASING (Q1 2022)**14.22 msf** UPCOMING SUPPLY (Q2 2022 - 2024)**MARKET INDICATORS
OVERALL Q1 2022**

	Q1 2021	Q1 2022	12-Mo. Forecast
Overall Vacancy	11.42%	13.56%	▲
Weighted Average Net Asking Rents (INR/sf/month)	57.50	57.78	▲
YTD Net Absorption (sf)	144,309	528,286	▲

Healthy leasing momentum driven by fresh demand for space and pre-commitment

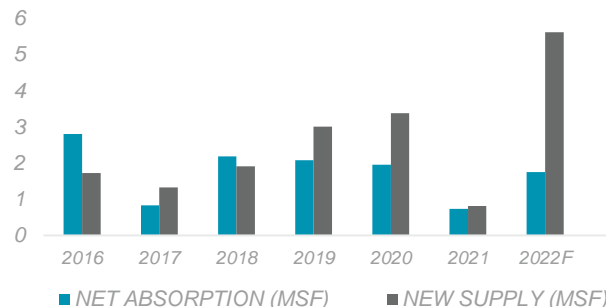
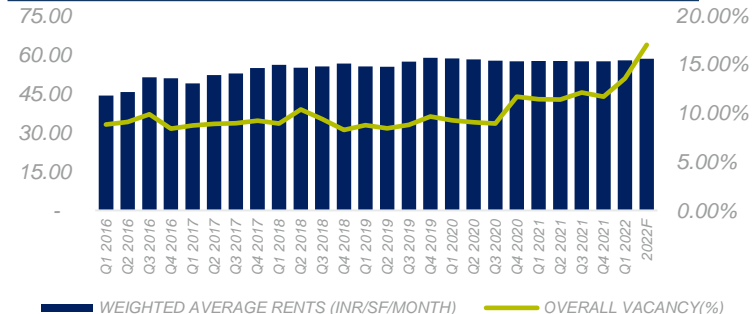
Gross leasing activity was healthy with 1.42 msf space leased during the quarter, although a drop of 9% y-o-y was recorded. South-west market witnessed majority of the traction and accounted for 76% (1.08msf) of the quarterly leasing volumes followed by Suburban South submarket with 17% share. IT-BPM segment emerged as major contributor with 64% share of quarterly leasing, followed by the flex space segment with a 15% share. Two new entrants, namely Simpliwork and TableSpace entered the city this quarter. Start-ups as well as large enterprises have contributed to the rising demand for managed office space in Chennai and enquiries have been rising for certain Tier 2 cities in Tamil Nadu as well and the demand is likely to continue over the short to medium term. While IT occupiers remain the prominent demand drivers, enquiries from occupiers in healthcare and fintech sector occupiers has recently been on the rise. In Q1, healthy leasing traction was also seen among occupiers actively looking for 10,000-25,000sf of office space.

Net absorption doubles from last quarter; large supply during the quarter

Chennai's net absorption nearly doubled on a q-o-q basis to 0.53 msf in Q1-2022. With nearly 50% of completions during the quarter being pre-leased, which got occupied in the quarter and healthy fresh leasing in South west submarket contributed to the surge in net absorption. Around 1.8 msf of grade A space got added during the quarter with South West market holding 63% share. Nearly 14.22 msf of office space is expected to get added to the city's inventory over the next three years with South-West and Peripheral south-west submarkets accounting for a major share.

Marginal increase in vacancy and weighted average rentals

New supply infusion during the quarter led to an increase in overall city level vacancy by 189 bps on a q-o-q basis to 13.6%. However, vacancies in prime submarkets such as Suburban South and Southwest remained tight in the range of 9-10%. While we expect improvement in leasing in the coming quarters, influx of new supply may push the vacancy levels upwards in few of these submarkets, mainly South west and Peripheral South-west. Overall city level rentals have witnessed a marginal upward movement which may be attributed to a rental appreciation in Southwest submarket on the back of growing occupier demand. In few submarkets namely Suburban South and Peripheral South rental growth may be expected 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	13.29%	64,250	577,415	-	-	77.50	12.39	11.10
Off-CBD	544,110	29.23%	3,700	50,000	-	3,700	74.48	11.91	10.66
South-west	14,393,812	8.91%	10,80,084	5,111,662	1,133,804	1,057,573	74.00	11.83	10.59
North-west	3,232,000	23.17%	13,132	-	-	13,132	39.81	6.36	5.70
Suburban South	18,420,412	10.46%	240,592	2,513,884	170,000	-494,468	76.50	12.23	10.95
Peripheral South	11,882,105	15.31%	19,117	1,500,000	-	-59,531	49.56	7.92	7.10
Peripheral South-west	5,292,360	25.70%	-	4,468,879	498,235	7,880	54.00	8.63	7.73
TOTALS	56,450,608	13.56%	1,420,875	14,221,840	1,802,039	528,286	₹ 57.78	\$ 9.24	€ 8.27

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 2024

*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 = 75.06 INR € 1 = 83.82 INR

Numbers for the first quarter are based on market information collected until 20th March 2022

KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE
L&T Innovation campus	South-west	Mindtree	600,000	Pre-commitment
Commerzone Block A	South-west	TableSpace	109,347	Fresh Lease

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION
Gateway Office Parks - Block A3	Peripheral South-west	NA	502,125	Q2 2022
Feather Lite IT Park Block A	Peripheral South-west	NA	331,652	Q2 2022
ASV Husainy Tech Park	South-west	NA	1,000,000	Q3 2023

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