

16.25% GRADE A VACANCY (Q2 2022)

12.2 msf UPCOMING SUPPLY (Q3 2022 - 2024)

35% SHARE OF SUBURBAN SOUTH IN GROSS LEASING (H1 2022)

MARKET INDICATORS OVERALL Q2 2022

Q2 2021 Q2 2022 12-Mo. Forecast

Overall Vacancy	11.38%	16.25%	▲
Weighted Average Net Asking Rents (INR/sf/month)	57.50	57.90	▲
YTD Net Absorption (sf)	166,929	704,894	▲

Strong momentum in leasing activity; volumes double q-o-q

During Q2 2022, Chennai recorded healthy gross leasing of 2.67msf, tad less than double the quantum recorded in previous quarter. Most of the activity was recorded along the OMR submarkets of Suburban South and Peripheral South, which cumulatively accounted for ~86% (2.29msf) of the quarterly leasing. Leasing activity was once again dominated by the IT-BPM sector with a share of 42%, followed by Engineering and Manufacturing with 26% share. Fresh lease accounted for a share of 30% in Q2 gross leasing, and a 26% q-o-q growth, indicating increased demand for new office space for expansion or consolidation purpose. Robust leasing activity during the first two quarters of the current year led to a 56% growth in leasing volumes when compared to H1 2021, suggesting a full recovery from pandemic period. Sustained traction in the most active submarkets of southwest and suburban south made them the highest contributor (67%) in half-yearly leasing. Backed by sustained occupier interest, increase in enquiries and healthy supply of quality office space, positive leasing momentum is expected to continue in the coming quarters.

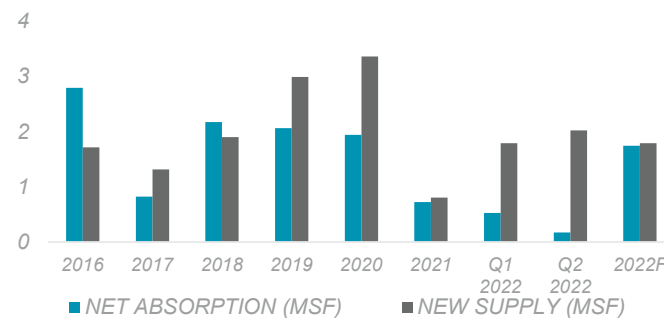
High supply infusion in Q2; rise in city level vacancy

Sizeable new supply of approximately 2.03msf led to a rise in city level vacancy to 16.3% in Q2 from 13.6% in Q1. Low vacancy in the range of 10-11% continued to prevail in the active Suburban South market and with strong demand momentum here, vacancy could remain low. In other submarkets though, such as South west and Peripheral South West, influx of significant new supply over next few quarters may result in an upward movement of vacancy. During the quarter higher leasing traction was observed in existing Grade A buildings than in the newly completed projects. Net absorption of 0.18msf during the second quarter added up to a YTD net absorption of 0.7msf. Despite healthy leasing in Q2, high supply infusion with low occupancy was mainly responsible for lower net absorption than the previous quarter.

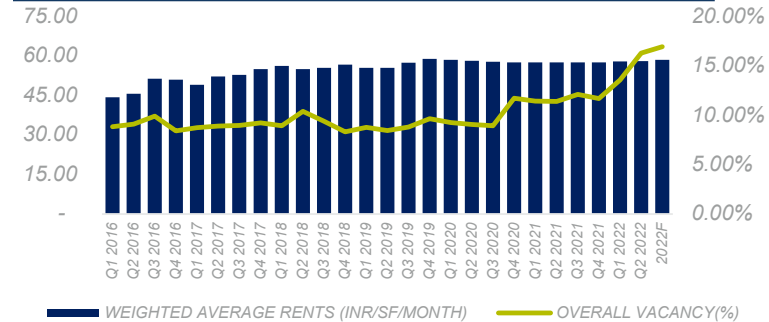
City level rentals saw a marginal increase

Rentals at city level witnessed a small uptick of 0.2% on a qoq basis owing to strong leasing momentum in the Suburban South, with new projects quoting higher rents in the South west submarket. Approx. 12.2msf of supply is in the pipeline over the next 2-3 years with majority of this supply (~7.9msf) coming up in the South west and Peripheral South west submarkets. However, with nearly 25% of the supply (12.2msf) pre-leased and an anticipation of demand strengthening further, rental appreciation is likely in the coming quarters.

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	2,995,679	17.11%	205,108	270,000	309,870	154,065	77.90	12.09	11.37
Off-CBD	544,110	25.55%	23,700	50,000	-	23,700	74.56	11.57	10.88
South-west	15,540,154	15.32%	1,290,882	3,965,320	2,280,146	1,105,983	74.40	11.55	10.86
North-west	3,232,000	23.18%	15,446	-	-	12,946	39.81	6.18	5.81
Suburban South	18,420,412	11.05%	1,429,748	2,513,884	170,000	-603,349	76.90	11.94	11.23
Peripheral South	11,952,105	15.27%	1,123,377	1,430,000	70,000	3,669	49.80	7.73	7.27
Peripheral South-west	5,794,485	32.14%	-	3,966,754	1,000,360	7,880	53.70	8.34	7.84
TOTALS	58,478,945	16.25%	4,088,261	12,195,958	3,830,376	704,894	₹ 57.90	\$8.99	€ 8.45

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, Thiruvanniyur, Velachery; South West – Guindy, Ashok Nagar, Vadapalani, Manappakkam, Ekkaduthangal; North West – Ambattur, Padi, Koyambedu, Arumbakkam; Peripheral South-west – Singaperumalkoil, Tambaram, Guduvanchery, Perungalathur, Pallavaram.

US\$ 1 = 77.3 INR € 1 = 82.2 INR

Numbers for the second quarter are based on market information collected until 20th June 2022

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE
Ramanujan IT City - Cambridge & Neville Blocks	Suburban South	Astra Zeneca	339,449	Term Renewal
Commerzone Pallikaranai Block 2	Peripheral South	Shell	500,000	Pre-commitment

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION
Embassy Tech Zone Block 10	Peripheral South-west	Accenture	430,000	Q4 2022
ASV Husainy Tech Park	South-west	NA	1,000,000	Q3 2023
Commerzone Pallikaranai Block 3	Peripheral South	NA	660,000	Q4 2024

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