

**15.10%** GRADE A VACANCY (Q4 2022)**7.68 msf** GROSS LEASING (2022)**13.27 msf** UPCOMING SUPPLY  
(2023 - 2024)**MARKET INDICATORS  
OVERALL Q4 2022**

	Q4 2021	Q4 2022	12-Mo. Forecast
Overall Vacancy	11.67%	15.10%	▲
Weighted Average Net Asking Rents (INR/sf/month)	58.10	58.40	▲
YTD Net Absorption (sf)	725,637	2,626,482	▲

**Strong leasing volume driven by fresh leases from IT-BPM, Flex & E&M**

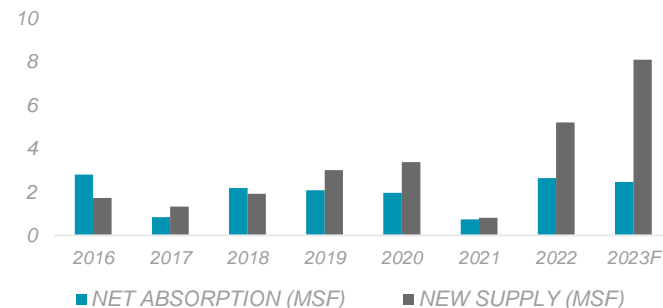
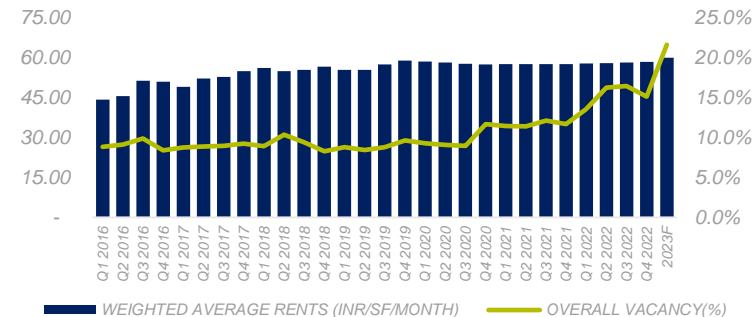
Chennai office market witnessed gross leasing volumes of 1.69msf during the fourth quarter. There was an 11% drop in leasing volume compared to previous quarter, although almost entirely (98%) dominated by fresh lease unlike in the previous three quarters. South-west submarket dominated leasing activity in Q4 with a share of 28% followed by Peripheral South-west with 27%. IT-BPM continued to dominate leasing in Q4 with a share of 39%, whereas Flex space operators and Engineering & Manufacturing sectors cumulatively accounted for around 28%. For the full year, Chennai witnessed robust leasing activity of 7.68 msf in 2022, a growth of 21% compared to 2021. The GLV recorded in 2022 was the highest-ever the city has recorded in over a decade. Demand for fresh space take-up dominated annual GLV figures with a growth of 66% when compared to same in 2021. The city has seen a rise in enquiries for space from occupiers in healthcare and start-ups, which is likely to continue in foreseeable quarters.

**Decline in city level vacancy despite high supply infusion in Q4**

Healthy leasing in the fourth quarter contributed to a qoq drop of 1.3 percentage points in the city level vacancy, which now stands at 15.1%. Suburban south and CBD markets reported tight vacancies in the range of 8-9% owing to strong demand in these markets. Despite healthy leasing in South-west submarket, vacancy has risen (16.2%) due to influx of new supply. For instance, nearly 50% of new supply in 2022 was located in this submarket. With 0.23 msf of completions in Q4, the year ended with an annual supply of nearly 5.19 msf. A number of projects that were held-up last year were completed in 2022. Chennai recorded net absorption of 2.63msf in 2022, nearly 3.6X more than the net absorption recorded in 2021. Healthy fresh leasing and occupancy in new supply contributed to the robust net absorption during the year.

**Q4 saw rents rise marginally; healthy supply in 2023 in prime markets**

Chennai is expected to receive supply of nearly 13.3 msf over the next two years, of which 20% is already pre-leased by BFSI and IT occupiers. Majority of this supply (57%) is concentrated in the southern submarkets of South-west and Suburban South. In Q4, city level rentals witnessed a marginal upward movement on account of healthy leasing and higher rentals in new completions, primarily in the South-west and Peripheral South-west submarkets. Given bulk of the new supply coming in prime markets, average rentals could elevate marginally, although healthy new supply is likely to counter a steeper rise.

**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	8.51%	332,504	270,000	309,870	411,842	78.05	11.38	11.20
Off-CBD	544,110	21.75%	51,578	50,000	-	44,378	74.66	10.89	10.72
South-west	15,874,957	16.21%	2,814,112	4,580,517	2,614,949	1,248,610	74.85	10.91	10.74
North-west	3,232,000	21.12%	91,793	-	-	79,237	39.82	5.81	5.72
Suburban South	18,593,311	9.33%	2,387,864	3,771,120	230,000	-129,264	77.60	11.31	11.14
Peripheral South	11,952,105	12.23%	1,555,179	3,730,000	70,000	368,039	49.74	7.25	7.14
Peripheral South-west	6,758,890	33.00%	450,260	5,440,000	1,964,765	603,640	53.50	7.80	7.68
<b>TOTALS</b>	<b>59,951,052</b>	<b>15.10%</b>	<b>7,683,290</b>	<b>17,841,637</b>	<b>5,189,584</b>	<b>2,626,482</b>	<b>₹ 58.40</b>	<b>\$8.52</b>	<b>€ 8.38</b>

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 2025

\*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 = 82.3 INR € 1 = 83.6 INR

Numbers for the fourth quarter are based on market information collected until 22<sup>nd</sup> December 2022

## KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE
Chennai One Magnum	Peripheral South	Omega Healthcare	40,000	Fresh Lease
Commerzone - Block A	South-west	Hitachi Energy Technology services	225,000	Fresh Lease

## SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION
Olympia Cyber space	South-west	NA	1,165,222	Q1 2023
Commerzone Pallikaranai Block 2	Peripheral South	Shell	670,000	Q2 2023
Embassy Tech Zone Block 1	Peripheral South-west	NA	610,000	Q1 2024

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