

17.7% GRADE A VACANCY (Q4 2023)

42% SHARE OF CAPTIVES IN
GROSS LEASING (Q4 2023)

3.5 msf NET ABSORPTION IN 2023

**MARKET INDICATORS
OVERALL Q4 2023**

	Q4 2022	Q4 2023	12-Mo. Forecast
Overall Vacancy	15.10%	17.72%	▲
Weighted Average Net Asking Rents (INR/sf/month)	58.40	59.95	▲
YTD Net Absorption (sf)	2626,482	3,460,068	▲

Record high gross leasing and net absorption in 2023, driven by fresh leasing

During the fourth quarter, Chennai office market showcased strong performance, recording a healthy gross leasing volume of 3.6 msf, nearly a 2X growth over the previous quarter. Majority of the transactions were driven by fresh space take-up, contributing to a 94% share. Suburban South led the quarterly leasing volume, commanding a 53% share, followed by South-west with 17% share. Unlike the usual trend of IT-BPM sector dominating leasing, the fourth quarter witnessed Captives (or GCCs) within the BFSI and Engineering & Manufacturing taking lead with a 42% share. Flexible workspace operators continued their expansion in Q4, accounting for 14% share. Closure of several large-sized deals contributed to a healthy net absorption of 1.45 msf in Q4, marking a 2X growth compared to Q3.

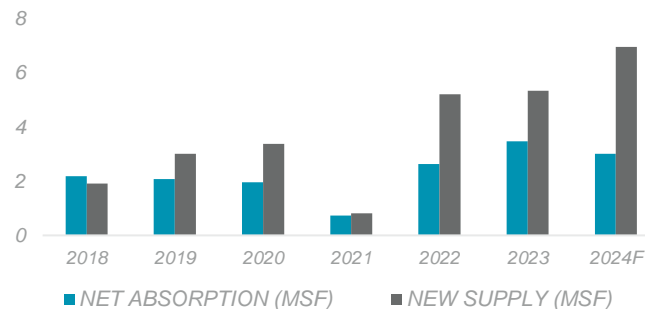
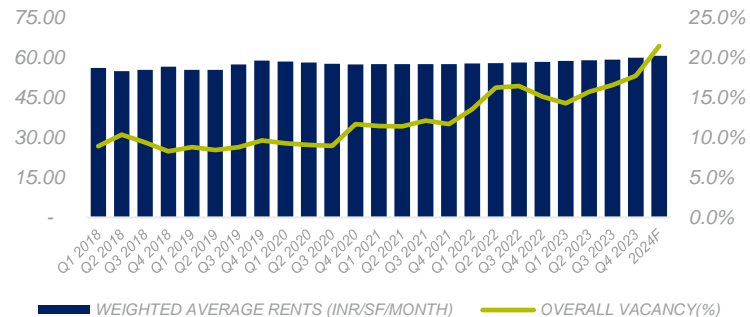
Robust leasing momentum in Q4 played a key role in achieving a record-high 9.0 msf of GLV during year 2023, registering a 17% y-o-y growth. Fresh leases accounted for 88% of the annual GLV, doubling the same volume seen in 2022. Leasing activity in 2023 was driven by Suburban South submarket with a share of 47%, followed by South-west with a 27% share. On an annual basis, the IT-BPM contributed 32% to the yearly gross leasing, followed by captives with 22% share. Healthy absorption of fresh spaces resulted in a net absorption of 3.5 msf, which stood 32% higher compared to 2022.

Surge in Q4 supply leads to marginal rise in city vacancy

Despite healthy leasing activity in Q4, the city-level vacancy has increased from 16.6% in Q3 to 17.7%, mainly attributed to the large influx (1.9 MSF) of new supply. As a result, the annual supply for 2023 reached 5.3 msf, recording a 2% growth compared to 2022. Nearly 62% of the annual supply was concentrated in the prime submarkets of Suburban South and Southwest. The city is anticipated to witness a healthy supply addition of 15.8 msf over the next three years. Despite a healthy pre-commitment recorded in 2024 supply pipeline (about 27% of the total supply), city-wide vacancy is expected to witness a slight uptick in the next few quarters.

Marginal increase in city rentals

Across most submarkets, a marginal increase of 1.3% q-o-q in rentals was observed, driven by healthy leasing momentum and new project completions with higher quoted rentals. This trend is likely to continue in the coming quarters, given that the bulk of new supply coming in prime markets are good grade assets that will command higher rents, besides other factors such as strong demand momentum.

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	5.89%	315,033	700,000	-	78,463	78.80	11.35	10.55
Off-CBD	594,110	14.81%	92,539	328,905	50,000	80,369	75.80	10.92	10.15
South-west	17,323,704	17.29%	2,433,692	3,885,295	1,415,222	1,026,766	76.20	10.98	10.21
North-west	3,232,000	13.52%	309,150	-	-	245,870	40.10	5.78	5.37
Suburban South	20,486,143	12.13%	4,266,941	3,568,288	1,892,832	1,141,834	79.50	11.45	10.65
Peripheral South	13,373,497	15.87%	1,007,892	2,860,000	667,752	760,630	51.00	7.35	6.83
Peripheral South-west	8,058,890	42.25%	579,867	4,452,750	1,300,000	126,136	54.60	7.87	7.31
TOTALS	66,064,023	17.72%	9,005,114	15,795,238	5,325,806	3,460,068	₹ 59.95	\$8.64	€ 8.03

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 2026

*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 = 83.3 INR € 1 = 89.6 INR

Numbers for the fourth quarter are based on market information collected until 20th December 2023

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE
DLF Downtown Taramani	Suburban South	Bank of America	711,260	Fresh Lease
International Tech Park Chennai, Radial Road	Peripheral South-west	Vestas	240,000	Fresh Lease

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION
Commerzone Pallikaranai Block 3	Peripheral South	NA	660,000	Q3 2024
DLF Downtown Taramani Tower C	Suburban South	Standard Chartered	1,200,000	Q4 2024
ASV CRN Enclave	South-west	NA	160,000	Q1 2025

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