

Chennai was able to maintain the gross leasing level in 2016 with comparison to previous year's level by touching the leasing volume close to little more than 5 million Sft. Chennai witnessed few big transactions in Q4 2016, resulting in increased absorption as compared to 2015. Upcoming projects also got a boost with pre-commitments for around 850,000 Sft in Mannapakkam and OMR. IT/ITeS occupiers contributed the major chunk of total transaction volume in Q4 which was concentrated in OMR (post-toll). Demands generated by IT/ ITeS Giants like TCS, Accenturte, Amazon etc along with other contributing sectors like BFSI, Health and consultancy have helped Chennai to maintain the consistency in terms of Grade A office space leasing. In 2017, around 3 million Sft new supplies are expected in Thoraipakkam—Pallavaram Road, Manapakkam and Perungalathur micro markets.

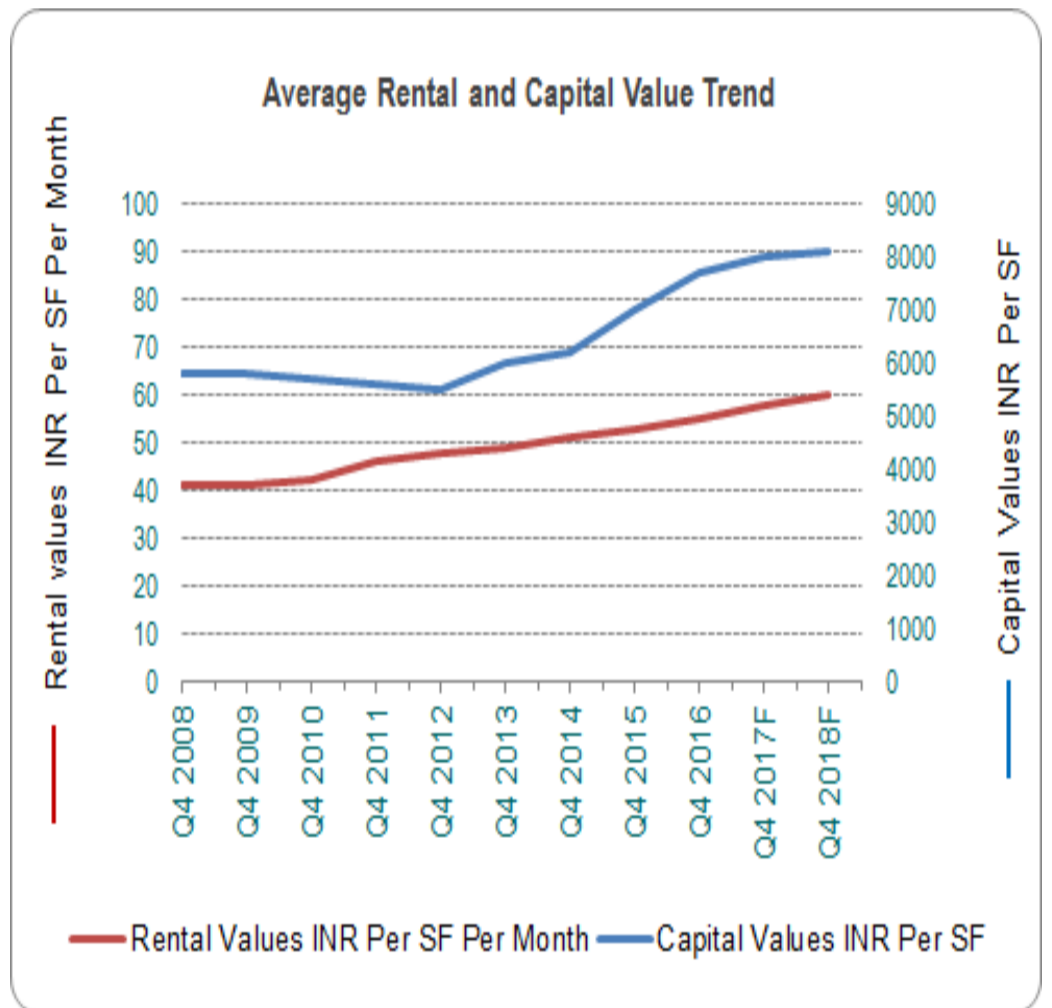
Outlook

Demand of Grade A office space in Chennai is likely to remain stable and get strengthen due to the expansion plans of occupiers in 2017. Due to infusion of around 3 million Sft new supplies of office space in OMR (post toll), it is expected that the supply may be able to match demand pressure. Vacancy levels are also expected to remain stable. However, rentals may see an upward trend in certain micro markets like CBD, OMR pre-toll.

Rentals are expected to see a northward trend in most of the micro markets in 2017 due to heavy demand and limited supply of Grade A office space. OMR (pre & Post toll) alone has seen annual increase of 8-10% in rentals. Improved connectivity due to opening of three flyovers is also going to play a vital role in terms of rentals for central and suburban areas such as Vadapalani, Anna Nagar, Poonamallee High Road and Retteri.

MICRO MARKETS	RENTAL VALUE*	% CHANGE	
		QoQ	YoY
CBD	70 – 90	6%	10%
Office CBD	60 – 75	5%	18%
Ambattur	30 – 45	3%	9%
OMR (Pre Toll) **	55 – 65	2%	10%
OMR (Post Toll) ***	30 – 40	5%	7%
Mount Poonamallee Road	50 – 65	4%	5%
GST Road	35 – 45	0%	0%

* Indicative Grade A rentals in INR/sq ft/Month | ** Madhya Kailash – Perungudi | *** Thorai-pakkam – Sholinganallur & Semmencherry – Siruseri



Top Transactions in 2016

CLIENT	BUILDING NAME	AREA (sq ft)	LOCATION	LEASE / SALE
TCS	Chennai One Magnum	300,000	Thoraipakkam	Lease
RNTBCI	Mahindra World City	180,000	Kandanchavadi	Lease
GE	Ramanujan IT City	173,000	Taramani	Lease
AstraZeneca	Ramanujan IT City	160,000	Taramani	Lease
Icon Clinical Research	Chennai One Magnum	120,000	Thoraipakkam	Lease

IndusCresa View:

The net absorption is expected to maintain the momentum during the next quarter. Rentals are expected to witness a slight increase in select submarkets like Suburban South and South-west in the next quarter. Demand for large contiguous Grade A office space will continue as seen in last few quarters especially within IT SEZs. Premium quality office space is going to be the first choice among occupiers. It is expected to see an increase in demand from IT / ITeS and Financial sectors. New supplies to the city will surely keep a hold on rentals in most of the micro markets. More than 2 million Sft of new supply is expected in the second half of 2017, which includes some key IT-SEZ projects.

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