

**17.43%** GRADE A VACANCY (Q1 2024)

**1.66 msf** GROSS LEASING VOLUME (Q1 2024)

**0.88 msf** NET ABSORPTION (Q1 2024)

**MARKET INDICATORS  
OVERALL Q1 2024**

Q1 2023    Q1 2024    12-Mo. Forecast

Overall Vacancy	14.28%	17.43%	▲
Weighted Average Net Asking Rents (INR/sf/month)	58.75	60.70	▲
YTD Net Absorption (sf)	495,886	875,783	▲

**Leasing dominated by Suburban South submarket; demand driven by GCCs in Q1**

In the first quarter of the year, Chennai recorded a gross leasing volume (GLV) of 1.7 msf, a drop of 20% on a q-o-q basis. The primary driver of quarterly demand was the fresh space take-up, accounting for nearly 93% (1.55msf) of leasing activity. GLV was driven by prime submarkets of the city, namely Suburban South, which accounted for 43% share, closely followed by South-west submarket at 38% share. The two submarkets are poised to sustain healthy momentum in the near future owing to prevailing active demand in these precincts. Global Capability Centers (GCC) emerged as a dominant sector in Q1, constituting 40% of quarterly leasing volume, followed by Engineering & Manufacturing with a 16% share. Professional services continued to expand their footprint, accounting for 11% of the quarterly leasing, nearly a threefold increase compared to the preceding quarter. Net absorption stood at 0.88 msf in Q1, observing a substantial 77% increase on a y-o-y basis but a q-o-q decline of 41%.

**New supply, largely seen in Suburban South submarket**

Nearly 0.63 msf of new office supply entered Chennai Office market in Q1, with majority (83%) concentrated in Suburban South submarket. Despite this influx of supply, overall city-level vacancy rate stood at 17.4%, witnessing a marginal decrease of 23 basis points on q-o-q. Suburban South, which witnessed bulk of the supply in Q1, also saw a drop in vacancy of 90 basis points q-o-q, with vacancy rate reaching 11.9%.

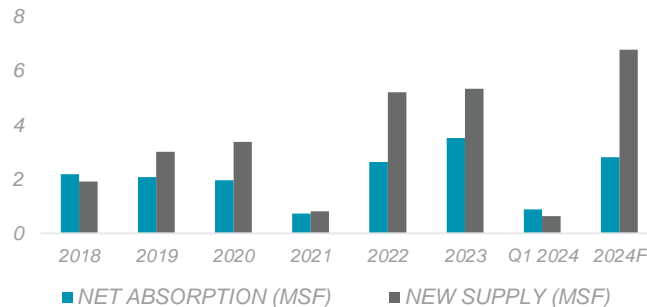
Chennai is anticipated to witness a significant supply infusion of ~6.13 msf during the remaining quarters of 2023. Considering this supply forecast, the city-level vacancy rate is projected to reach around 21% by the end of 2024. Around 24% if this upcoming supply in 2023 is already pre-committed.

Nearly 15.55 msf of upcoming supply is expected over the next three years, with a major portion (~51%) anticipated in prime submarkets of Suburban South and South-west submarkets.

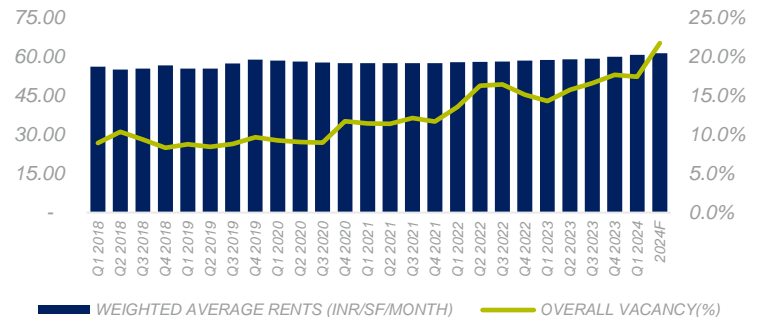
**Q1 saw marginal increase in rentals**

Healthy absorption levels witnessed in Q1 led to a marginal uptick of 0.5-2% in rents observed across most of the submarkets, consequently leading to a 1.3% increase in city-level rentals compared to the previous quarter. A potential increase in rentals may be anticipated in the coming quarters, primarily driven by prime southern submarkets. These submarkets, characterized by robust demand and high-quality developments, typically command rental rates higher than the market average, thus contributing to the anticipated upward trajectory in rental values.

**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	3.97%	76,750	1,550,000	-	57,665	78.95	11.43	10.51
Off-CBD	699,760	27.67%	13,840	223,255	105,650	-	76.20	11.03	10.15
South-west	17,575,012	17.35%	627,011	4,501,655	-	196,487	77.10	11.16	10.27
North-west	3,232,000	13.44%	13,568	-	-	2,500	41.10	5.95	5.47
Suburban South	21,009,431	11.01%	712,132	3,365,000	523,288	650,968	80.60	11.67	10.73
Peripheral South	13,373,497	16.65%	74,389	2,860,000	-	-104,438	51.60	7.47	6.87
Peripheral South-west	8,058,890	41.35%	140,164	3,052,750	-	72,601	55.30	8.00	7.37
<b>TOTALS</b>	<b>66,944,269</b>	<b>17.43%</b>	<b>1,657,854</b>	<b>15,552,660</b>	<b>628,938</b>	<b>875,783</b>	<b>₹ 60.70</b>	<b>\$8.79</b>	<b>€ 8.08</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 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-Sholingnallur, Thoraiappakam, 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 = 82.9 INR € 1 = 90.1 INR

Numbers for the first quarter are based on market information collected until 20<sup>th</sup> March 2024

## KEY LEASE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE
DLF Cybercity Chennai	South-west	Boeing	115,000	Fresh Lease
Ramanujan Intellion Park	Suburban South	Agilysys Technologies	180,000	Fresh Lease

## SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION
ASV Husainy Tech Park	South-west	NA	1,000,000	Q4 2024
Embassy Tech Zone Block 4	Peripheral South-west	Bank of Newyork Mellon	600,000	Q1 2025
International Tech Park Chennai, Radial Road	Peripheral South-west	NA	1,100,000	Q4 2024

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