

MARKET FUNDAMENTALS

	YOY Chg	Outlook*
12.4% Vacancy Rate	▼	▲
7.02 2025 Net Absorption (MSF)	▲	▲
INR 84.0 Stock Wtd. Rent (PSFPM)	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook*
8.2% GDP Growth (Q2 FY25-26)	▲	▼
0.7% CPI Inflation	▼	▲
59.3 Services PMI (3 months average)	▲	▼

Source: MOSPI, RBI, HSBC

GCCs DROVE HALF OF QUARTERLY DEMAND; ROBUST ANNUAL LEASING

Chennai's office market recorded gross leasing of 2.02 msf in Q4, marginal decline of 5% on a y-o-y basis. Suburban South led quarterly activity with a 40% share, followed by Peripheral South at 27%. Sector-wise, IT-BPM dominated leasing with a 43% share, followed by flex operators (20%) and BFSI (17%). For the full year, gross leasing reached 8.99 msf, recording a strong 23% y-o-y growth. IT-BPM remained the major driver of demand, contributing 48% of annual leasing, while flex and E&M together accounted for over one-third of the demand. Notably, flex operators continued to expand their portfolios in 2025, with the segment recording its highest-ever annual leasing volume (1.9 msf) with a significant 78% growth over 2024.

Global Capability Centers (GCCs) continued to anchor the city's demand, accounting for 51% of leasing activity in Q4 and 41% for the full year, the highest annual share recorded for Chennai, further strengthening the city's position as a preferred GCC destination.

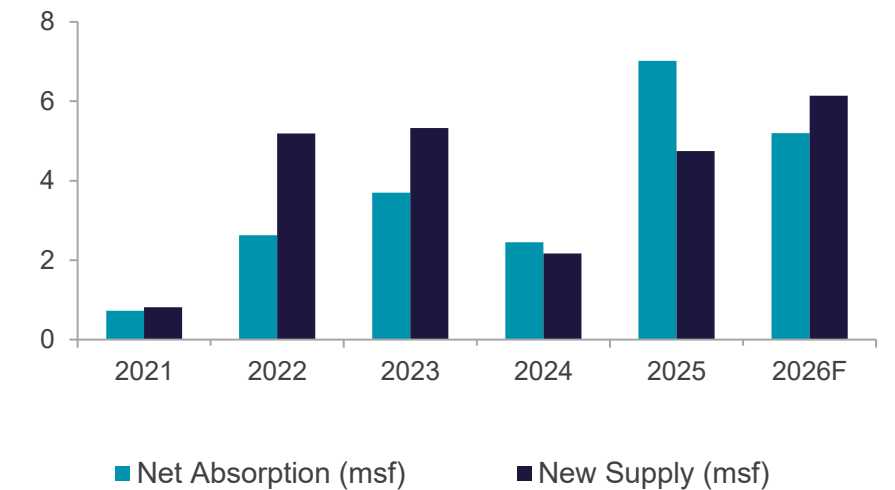
HIGHEST-EVER ANNUAL NET ABSORPTION; VACANCY DECLINED ON Y-O-Y

The city witnessed the addition of 2.19 msf of Grade A supply in Q4, taking total completions for 2025 to 4.75 msf, more than double the supply added in 2024. Despite this elevated supply influx, net absorption for the quarter stood at 1.67 msf. Notably, full-year net absorption surged to 7.02 msf, the highest annual net absorption ever recorded in Chennai, supported by high levels of pre-commitments in newly completed projects and sustained fresh space take-up. This demand absorbed a significant share of new completions, resulting in only a marginal 36 bps q-o-q increase in vacancy to 12.44% in Q4. Vacancy declined by over 400 bps on a y-o-y basis, highlighting the market's strong appetite and ability to absorb large volumes of new supply.

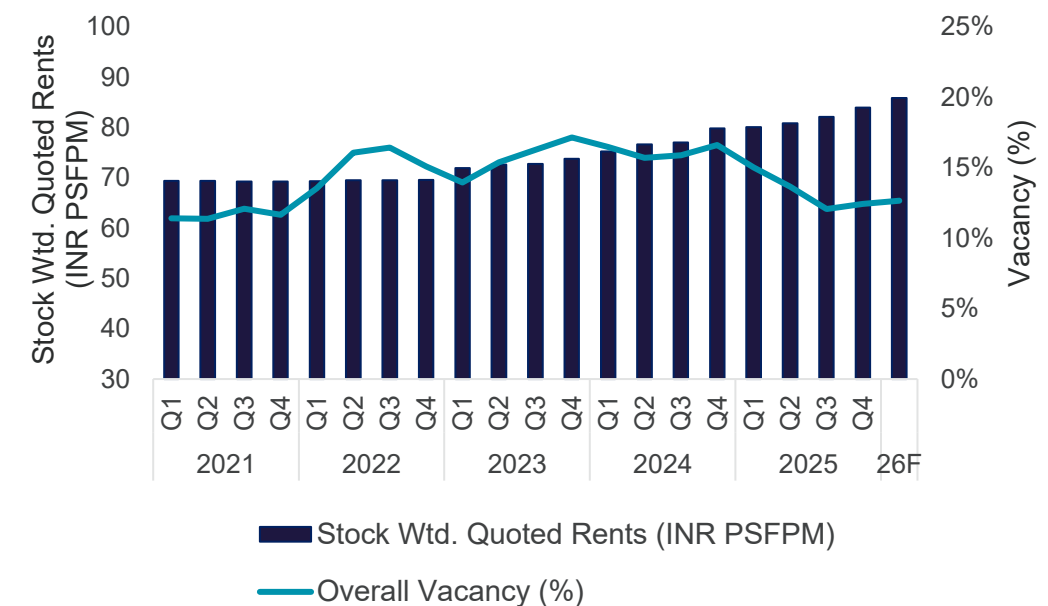
RENTAL GROWTH DRIVEN BY SUSTAINED DEMAND

Chennai's office market recorded continued rental growth in Q4, with city-level weighted average rents rising 2% q-o-q and 6% y-o-y. Peripheral South-west, North-west and Peripheral South submarkets led the increase posting q-o-q growth of 5-6%. Prime submarkets such as Suburban South and South-west also saw consistent rental appreciation, indicating strong tenant preference and sustained GCC-led demand. With a significant portion of upcoming supply comprising Grade A+ developments backed by PE/Institutions, rentals are expected to trend upward in the near term.

NET ABSORPTION / NEW SUPPLY



OVERALL VACANCY & STOCK WTD. QUOTED RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANCY RATE	CURRENT QUARTER NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	PLANNED & UNDER CONSTRUCTION (SF)^	GRADE A STOCK WEIGHTED AVERAGE RENT (INR/SF/M)
CBD	2,995,679	4.18%	-	10,600	24,739	-	1,155,233	₹ 89.05
Off-CBD	699,760	3.34%	41,480	129,126	150,981	-	780,833	₹ 84.38
South-west	18,879,216	4.50%	333,912	2,045,481	2,302,780	702,102	6,447,360	₹ 86.23
North-west	3,789,000	20.59%	-	95,200	200,809	-	650,472	₹ 55.18
Suburban South	23,003,517	8.78%	283,439	2,163,530	2,924,734	1,850,086	5,514,900	₹ 105.30
Peripheral South	14,360,497	17.42%	331,316	872,117	1,375,461	660,000	2,500,000	₹ 62.15
Peripheral South-west	9,592,958	29.38%	675,145	1,705,303	2,012,634	1,534,068	4,117,142	₹ 70.78
CHENNAI TOTALS	73,320,627	12.44%	1,665,292	7,021,357	8,992,138	4,746,256	21,165,940	₹ 83.97

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 2028. *Stock weighted average asking rental rates for spaces that provide core facility, high-side air conditioning and 100% power back up

Outlook*: The Outlook represents our forward-looking view of key market indicators over the next 12 months, based on current market trends, economic conditions, policy developments, and available data. Projections are indicative and may be adjusted as market dynamics evolve.

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, Thiruvanmiyur, 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 = 88.9 INR € 1 = 103.3 INR

Numbers for the fourth quarter are based on market information collected until 19th December 2025

KEY LEASE TRANSACTIONS Q4 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Millenia Business Park	Suburban South	Workday	100,424	Fresh Lease
International Tech Park Chennai, Radial Road	Peripheral South-west	FLSmidth	96,824	Fresh Lease
DLF Downtown, Chennai	Suburban South	American Express	350,000	Pre-commitment
Millenia Business Park	Suburban South	Coworks	100,424	Fresh Lease
Chennai One	Peripheral South	Comcast	198,316	Fresh Lease

KEY CONSTRUCTION COMPLETIONS Q4 2025

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Embassy Splendid Tech Zone (Block 10)	Peripheral South-west	Optum	434,068	Embassy Property Developments
International Tech Park Chennai, Radial Road	Peripheral South-west	NA	1,100,000	CapitaLand Group

A.M.LAKSHMI

Manager, Research

Tel: +91 44 42995555

am.lakshmi@cushwake.com

SUVISHESH VALSAN

Senior Director, Research

Tel: +91 22 6771555

suvishesh.valsan@cushwake.com

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