

MARKET FUNDAMENTALS

	y-o-y Chg	Outlook*
12.94% Vacancy Rate	▼	▲
1.04 Q1-26 Net Absorption (MSF)	▼	▲
INR 85.0 Stock Wtd. Rent (PSFPM)	▲	▲

ECONOMIC INDICATORS

	y-o-y Chg	Outlook*
7.80% GDP Growth (Q3 FY25-26)	▲	▼
3.21% CPI Inflation	▼	▲
58.2 Services PMI (3 months average)	▼	—

Source: MOSPI, RBI, HSBC

GCCS CONTINUED TO ANCHOR OFFICE SPACE DEMAND

Chennai's office market posted a gross leasing volume (GLV) of 1.66 msf in Q1 2026, down 18% q-o-q and 16% y-o-y, primarily on account of a high base effect stemming from robust leasing activity in earlier quarters. Peripheral South-west led the quarter with a 31% share, followed by Peripheral South at 25%. On the sectoral front, IT-BPM remained the key demand driver with a 31% share, followed by Flexible Workspace (19%) and Engineering & Manufacturing (15%). Notably, Global Capability Centres (GCCs) continued to anchor demand, accounting for 55% of quarterly leasing, the highest share ever recorded, further reinforcing Chennai's position among preferred GCC hub.

Leasing activity during the quarter was entirely driven by fresh space take-up. Healthy active demand in near-completion assets, along with limited contribution from pre-commitments in Q1, indicates occupier preference for ready or near-completion Grade A office space.

VACANCY EDGED UP AMID FRESH SUPPLY INFLUX

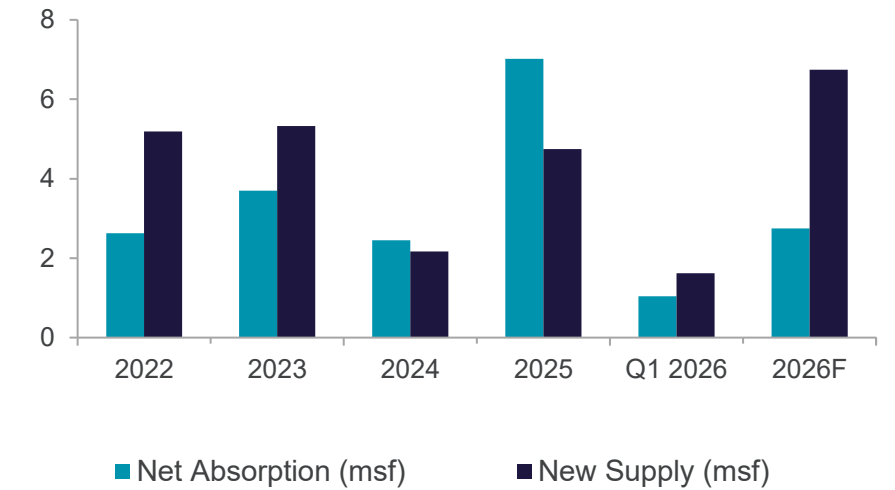
The city saw 1.62 msf of new completions during the quarter, while net absorption stood at 1.04 msf, recording a 38% q-o-q decline. This dip in absorption aligns with the relatively lower fresh space take-up and limited absorption of pre-commitments during the period. As a result, city-level vacancy rose marginally by 51 bps q-o-q to 12.94%. However, on a y-o-y basis, vacancy declined by 209 bps, reflecting tighter market conditions supported by healthy demand over the past year.

RENTALS CONTINUED THEIR UPWARD TRAJECTORY

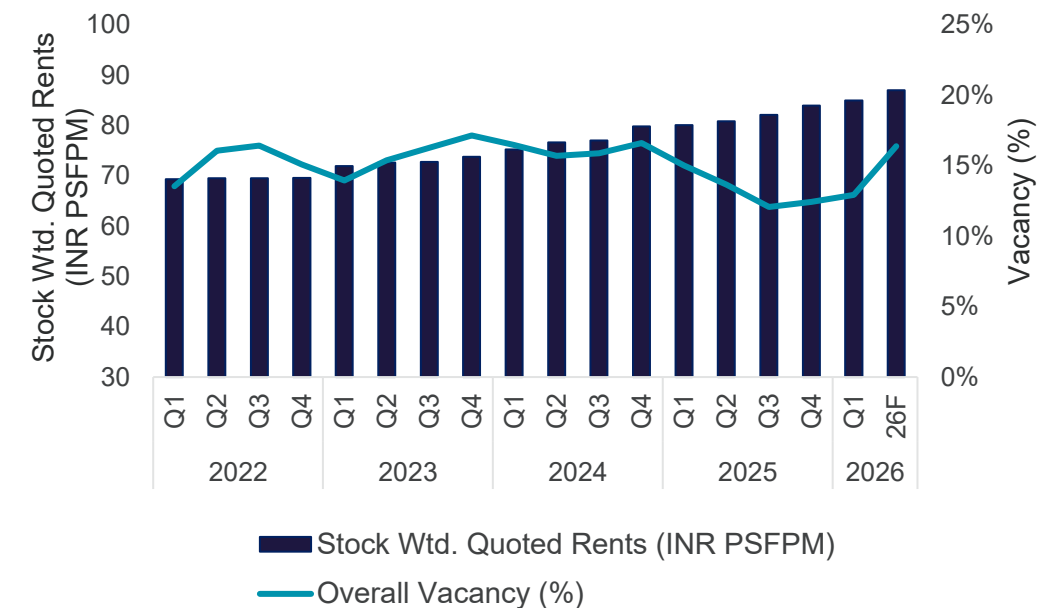
The city's office market continued its rental growth momentum, with city-level stock wtd. average rents rising by 1.2% q-o-q and 6.1% y-o-y. Submarkets such as North-west and Peripheral South-west witnessed q-o-q rental growth in the range of 2-3%, while prime submarkets like Suburban South and South-west continued to see steady appreciation. This trend reflects sustained occupier preference for high-quality Grade A+ and institutionally backed assets, which continue to command premium rentals.

Looking ahead, leasing momentum is expected to remain healthy, supported by active deal pipeline and improving quality of supply. However, occupier decision-making could become more measured in the near term, particularly in light of evolving geopolitical developments in the Middle East and their potential impact on global business sentiment.

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%	-	-	-	-	1,155,233	₹ 89.41
Off-CBD	699,760	3.34%	-	-	-	-	780,833	₹ 84.38
South-west	19,495,576	7.69%	-33,832	-33,832	273,939	616,360	8,431,000	₹ 86.27
North-west	3,789,000	16.27%	163,750	163,750	163,750	-	150,472	₹ 56.76
Suburban South	23,413,517	9.54%	197,389	197,389	286,321	410,000	4,258,900	₹ 106.69
Peripheral South	14,360,497	14.13%	472,000	472,000	415,724	-	2,500,000	₹ 63.25
Peripheral South-west	10,187,431	31.14%	240,199	240,199	523,077	594,473	3,014,617	₹ 72.71
CHENNAI TOTALS	74,941,460	12.94%	1,039,506	1,039,506	1,662,811	1,620,833	20,291,055	₹ 85.01

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, Thiruvanimiyur, 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 = 90.9 INR € 1 = 106.9 INR

Numbers for the first quarter are based on market information collected until 20th March 2026

KEY LEASE TRANSACTIONS Q1 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Commerzone, Pallikaranai	Peripheral South	Simpliwork	100,000	Fresh Lease
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DLF Cybercity Chennai	South-west	SES Global	84,598	Fresh Lease
Embassy Splendid TechZone	Peripheral South-west	WeWork	141,392	Fresh Lease
International Tech Park Chennai, Radial Road	Peripheral South-west	DHL	104,402	Fresh Lease

KEY CONSTRUCTION COMPLETIONS Q1 2026

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Embassy Splendid Tech Zone (Block 4)	Peripheral South-west	NA	594,473	Embassy Property Developments
Fintech Tower (@ Fintech City)	South-west	NA	560,000	TIDCO

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