



# PROPERTY ONE ASIA RESEARCH

**CHENNAI COMMERCIAL REAL ESTATE  
MAY - 2009**

## **ASIA COMMERCIAL**

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## CONTENTS

- Market Outlook
- Lease Rental
- Capital Values
- Upcoming Projects
- Latest Deals

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**AT A GLANCE**

- Approximately 1.6 million sq. ft. of office space came last quarter including IT, ITeS and commercial buildings. The demand stood at 0.5 million sq. ft.
- Vacancy rates have increased to an extent of 4-5% in Central Business District (CBD) areas like Anna Salai, T Nagar, R. K. Salai, Mont Road and 100 feet road.
- Non CBD locations of OMR, MRC Nagar saw limited supply of office space to an extent of 0.70 million sq. ft. and the demand was as low as 0.10 sq. ft.
- Rentals in CBD and Off CBD locations experienced a correction of 4-8% from last month. Corporate rentals increased at a higher rate as compared to IT rentals due to fresh corporate supply that entered the market.
- Rentals in the suburban micro markets witnessed sharp correction owing to ample existing stock and significant expected supply in the market.
- Subsidiary Business District (SBD) areas like Velachery, Perungudi saw a supply of approx. 0.5 million sq. ft. and demand stood at 0.10 million sq. ft.
- Vacancy rates in SBD stood at 3-4%.
- Lease rentals in some of the locations is as follows:
  - OMR- Rs. 35 per sq. ft.
  - Poonamalle Road- Rs. 60-100 per sq. ft.
  - Mount Road- Rs. 70-90 per sq. ft.
  - CBD- Rs. 70-85 per sq. ft.
  - Ambattur- Rs. 30-40 per sq. ft.
- Capital value prevailing in these regions is as follows:

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- OMR- Rs. 4000 per sq. ft.
  - Poonamalle Road- Rs. 4500
  - Mount Road- Rs. 5000 per sq. ft.
  - CBD- Rs. 7000 per sq. ft.
  - Ambattur- Rs. 3000 per sq. ft.
- 
- A deal of 1.3 acres is happening on 100 feet road in Chennai. This is supposed to be the only major deal happening to materialize in Chennai. The base price for this 1.3 acres earlier was 100 crores and now it has come down to approximately 29 crores.
  - 2400 sq. ft. has been sold out on 100 feet road at Rs. 4 crore.
  - Ozone group is coming up with commercial property Metrozone (12.8 lakhs sq. ft.) on 100 feet road in 2011.
  - Marg Group is coming up with 2 lakhs sq. ft. of commercial property on OMR in 2011.
  - 35000 sq. ft. has been leased out to an IT company in Poonamalle road

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**RENTAL MARKET INDICATORS**

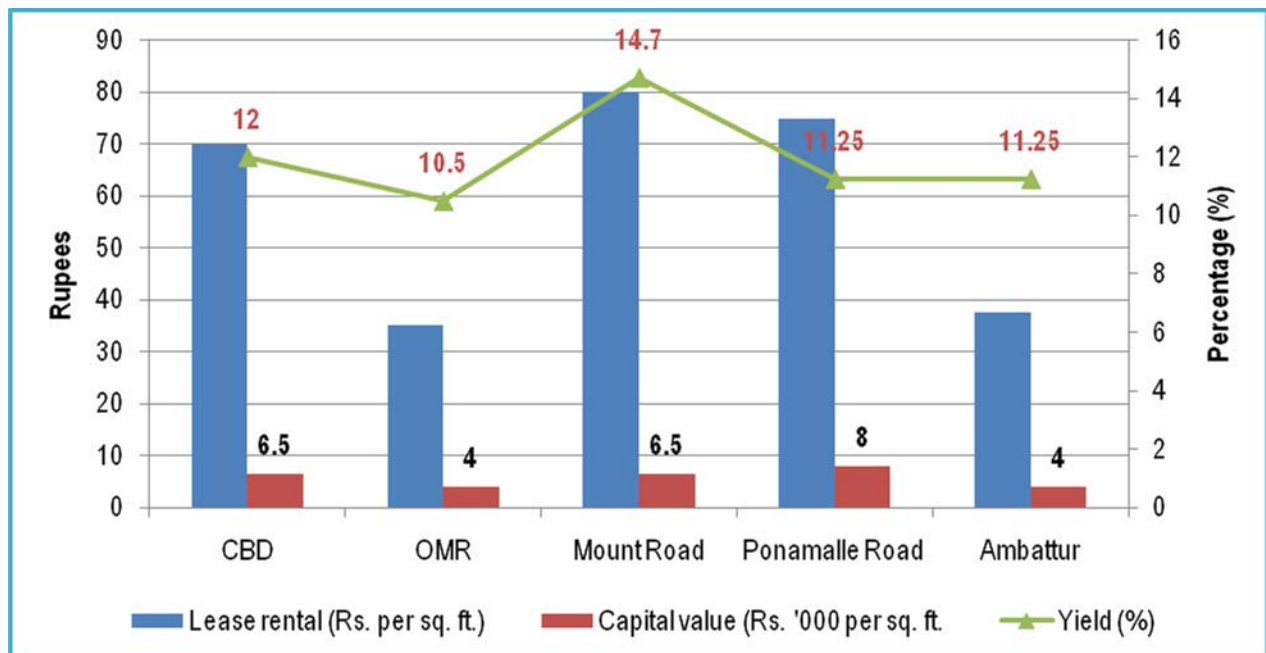
Sub Market	Average Rent in April '09 (Rs. per sq. ft. per month)	Average Rent in March '09 (Rs. per sq. ft. per month)
CBD (Anna Salai, Nungambakkam, R.K. Salai, T. Nagar, Egmore, Alwarpet) Grade A	65	76
CBD (Anna Salai, Nungambakkam, R.K. Salai, T. Nagar, Egmore, Alwarpet) Grade B	58	60
Off CBD (Guindy, Kilpauk, Adyar, Anna Nagar) Grade A	45	55
SBD (Velachery, Taramani, Perungudi, Mount Poonamalle Road) Grade A	37	42
PBD (Perungalathur, Ambattur, GST Road, Siruseri) Grade A	25	29

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### Projection of Lease rental, Capital value and Yield (April '09)



The yield generated in Mount Road is more than compared to all other areas i.e.14.7%

There has been an average yield on 9-12% across the whole city. Earlier the yield obtained was to an extent of 13-15% on an average.

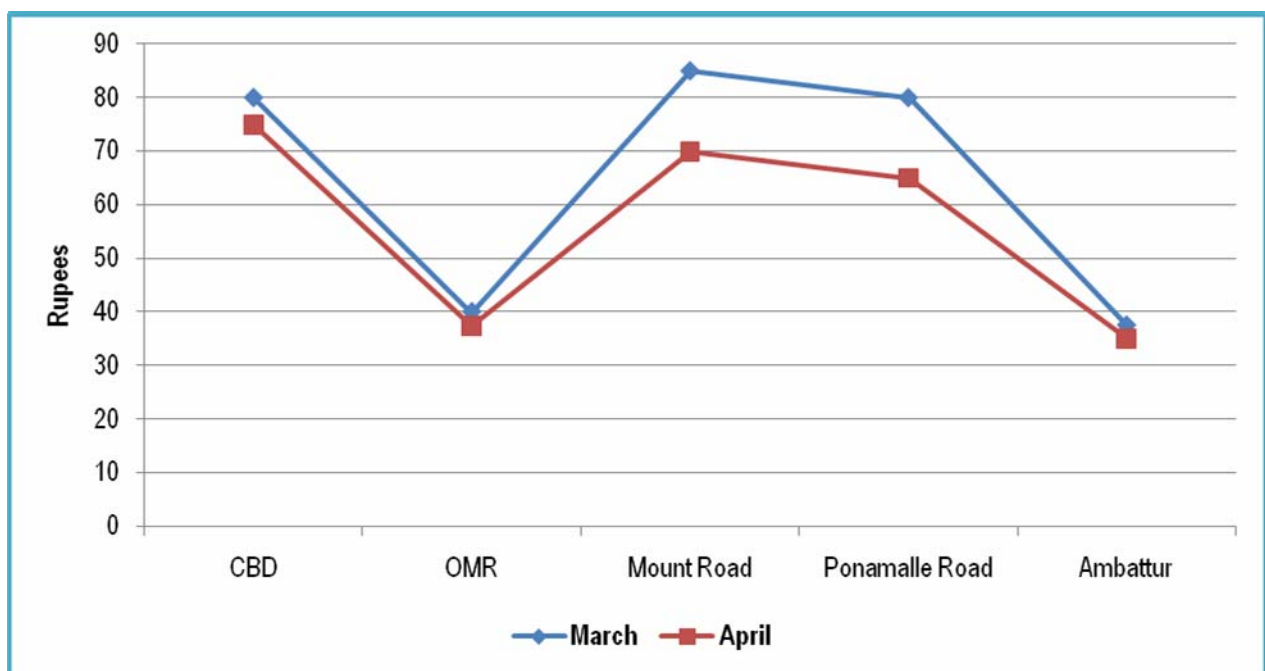
Now we see that there is a drop in rental by almost 9-10% and a drop in capital value by 4-5%.

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Estimation of Lease rental (April '09)



Rentals are expected to continue to weaken across micro markets with Guindy, Perungudi, Taramani being least affected due to lower speculative supply.

The correction phase is expected to be continued for a year or so thus making a base for next year lease rentals.

Lease rental in Ambattur has decreased to the minimum to an extent of 6.67%. In rest of the locations like CBD, OMR, Mont Road, it has reduced to an extent of 12-14%.



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CBD and Off CBD witnessed a correction of 4-8%. Rentals stabilized in Rajiv Gandhi Salai market after a major fall of 24%. Their lease rentals have come down to Rs. 25 per sq. ft. per month. Hence they are offering an attractive leasing term which is making them a strong competitor in suburban area.

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**CAPITAL VALUE**

Capital value prevailing at some of the prime commercial locations is as follows:

Location	Capital Value (Rs. '000 per sq. ft.)
Anna Salai	6.5
R.K. Salai	8
T.Nagar	7.5
Ambattur	4
OMR	2.5-4
Mount Road	5
Ponamalle Road	4.5

Estimation of Capital value (April '09 and March '09)

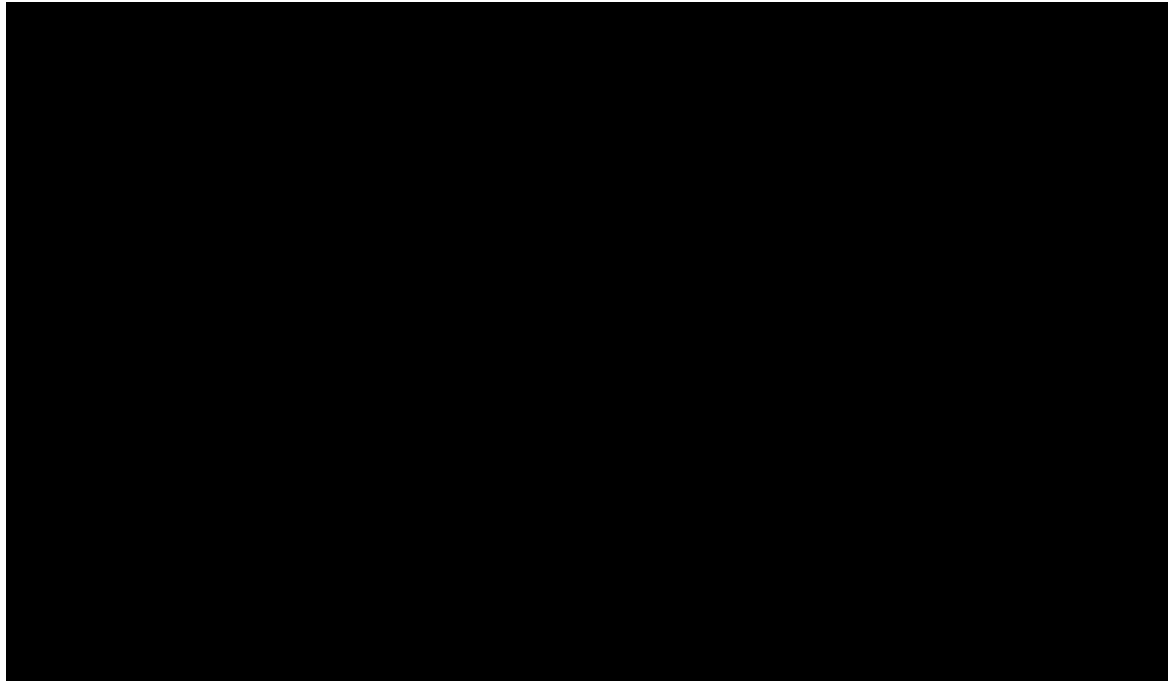
A vintage-style map of Asia with a blue and white color scheme, showing various countries and regions. The map is slightly faded and has a grid overlay.

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OMR has showed consistency in capital value since last quarter. This is because of the fact that more commercial buildings are coming in this area and hence there is stabilization.

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**UPCOMING PROJECTS**

Most of the projects being completed this year are the delayed plan of 2007-08. Projects had been delayed due to lack of demand in the market and lack of funds.

Project/Developer	Location	Area (sq. ft.)	Status
The Futura (Appaswamy)	OMR	566570	Complete
Egate (Appaswamy)	OMR	246000	Complete
Metrozone	100 Feet Road	1280000	2011
TVH Ignitio	OMR	900000	Dec '09
Riverside Mall	OMR	200000	2011
Arihant Insight II	OMR	380000	2010
SP Infocity	Perungudi	700000	April '09
Karuna Conquest	Ambattur	410000	April '09



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### LATEST DEALS

- Udhayam Theatre Complex (1.3 acres) is being sold out on 100 Feet Road. The price asked now is 29 crores.

2400 sq. ft. has been sold out on 100 Feet Road at 4 crores.



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### ABOUT PROPERTYONE ASIA

PropertyONE is Asia's preferred Real Estate Broker and provides Real Estate Sales & Leasing Services through owned offices or through its franchises. PropertyONE specializes in Real Estate Sales & Leasing Services, Real Estate Investment Advisory & Research services

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