



PROPERTY ONE ASIA RESEARCH

CHENNAI COMMERCIAL REAL ESTATE MARCH 2009

ASIA COMMERCIAL

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Market Outlook

- Markets have stabilized in Chennai
- City absorbed 15% of the total supply of commercial space in the last quarter
- Chennai real estate received fresh additions of 3.4 million sq. ft. of commercial supply in the last quarter.
- Capital values have come down by 20%
- Addition of new supply is leading to oversupply in the market. There is no junction between volume of demand and supply.
- Chennai coming up with 2.3 million sq. ft. of SEZ to be completed in 2009.
- Commercial sector in Chennai is witnessing a downfall of around 15%.

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LEASE RATES

- Average rentals in the CBD areas had increased during the second quarter of 2008. Where rentals in CBD areas such as Annasalai and R.K. Salai range from Rs. 80-90 per sq. ft.
- Off CBD location rentals range between Rs. 50-60 per sq. ft.
- R.K Salai is the area where you have huge IT and commercial supply and the rentals in this region is the highest.
- Most of the commercial offices are being shifted to OMR. Major reason that all the branches are scattered thus all branches coming up in one region.



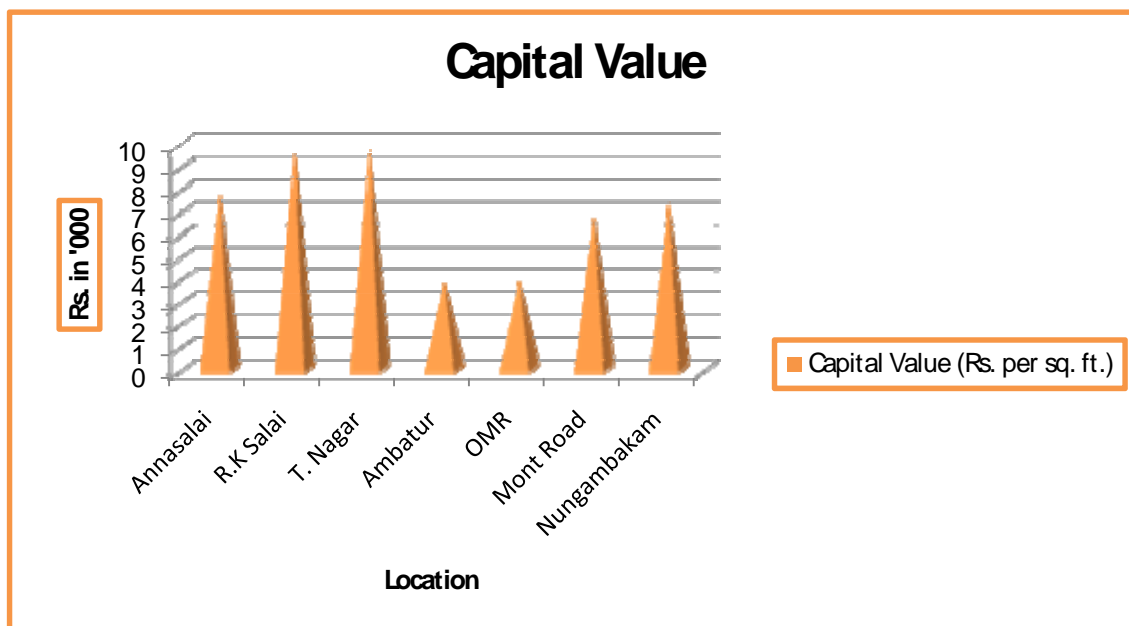
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CAPITAL VALUE

- Capital values in CBD and Off CBD micro markets witnessed an upward surge in the year 2008.
- These locations experiencing a downfall of around 15-20% with regards to capital value.
- Capital values in the CBD locations such as Annasalai and R.K. Salai range from 7500-9000
- Lease rentals in OMR regions range from 3000-3500.



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Upcoming Projects in Chennai

Project/Developer	Location	Area (sq. ft.)	Lease Rate (Rs. per sq. ft.)	Status	Capital Value (Rs. per sq. ft.)
Arihant Foundations	Mahabalipuram Road	110000	40	2009	4800
True Value Homes	-	-	-	-	-
TVH Agnitio Park	OMR	900000	35	-	4200
Appaswamy					
The Futura	OMR	566570	33	Complete	3900
Egate	OMR	246000	35	Complete	4000
MARG Constructions	-	-	-	-	-
Digital Zone I	OMR	240000	40	Complete	4200
MARG Square	OMR	240000	45	Complete	5400
Digital Zone II	OMR	216000	35	Complete	4000

Thus we see huge supply is coming up to an extent of 30 lakhs sq. ft alone in OMR region. This is because of abundant supply of land at lower price.

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LATEST DEALS

- Indiainfoline bought 240000 sq. ft. of commercial space which was developed by INDUS. It is a full IT park.
- MARG Constructions leased out 240000 sq. ft. area to TATA Consultancy.
- MARG Constructions leased out 240000 sq. ft area to SATYAM Computers.
- MARG Constructions leased out 216000 sq. ft. area to Standard Chartered Bank.

VACANCY

- Chennai witnessed vacancy in the range of 5-10% in the last qtr. of '08 in the CBD locations.
- Major supply is witnessed in OMR region where developers are coming up with huge projects.

DEMAND

- Approximately 750000 sq. ft. of office space was occupied in the last qtr. across micro markets.
- In Suburban and peripheral micro markets it contributed to around 45-50% of the demand.
- Office space demand across all Chennai markets remains due to major IT/ITeS sector.
- Old Mahabalipuram Road (OMR) has witnessed huge demand with regards to IT space.
- Year 2009 will witness around 50 lakhs sq. ft. supply coming up in the region of OMR.



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