2007 - *Year in Review*

The real estate story in India is growing bigger by the day with the sector witnessing heady times in the last few years as property prices in major metros have skyrocketed in an environment of strong demand. This has come on the back of factors like a strong economic growth leading to a considerable rise in disposable income, favourable government policies and exponential growth in sectors like IT, entertainment, retailing and hospitality.

Growth in commercial office space requirement is led by the burgeoning outsourcing and information technology (IT) industry. The increase in purchasing power and exposure to organised retail formats has redefined the consumption pattern in the retail sector. As a result, retail projects have been mushrooming across even B-grade cities. The retail market is expected to grow at around 30 - 35%.

The real estate scene in Chennai continues to be in the news, as the city has emerged as a multi faceted metropolis driven primarily by the I.T. Corridor, Auto Corridor & Telecom Corridor. In a recent study Chennai has emerged first amongst the top 10 emerging destinations worldwide for outsourcing of IT and business processes. International and Domestic property funds, large developers with a pan India presence and hospitality chains are aggressively scouting for ownership properties and joint venture developments in and around Chennai.

The commercial and IT property market in Chennai is to see around 8 - 9 million sq.ft of new space available in 2007 versus only 7 million sq.ft the previous year. Close to 50% of the total projected supply has already been pre-committed to or absorbed, indicating robust demand in the city for office space. Currently SEZs such as DLF and Ascendas Mahindra IT Park, being in advanced stages of development, have witnessed active pre-lease commitments. The Chennai A-Grade leasehold office space markets are currently at an all time high; both in terms of the demand for space and the prevailing rental values. The IT/ITES sector will continue to be the primary driver behind the A-Grade leasehold IT space sector. Financial services, biosciences and pharmaceuticals will be the other significant contributors to the forecasted demand for A-Grade leasehold office space. With more space to be released in suburban/peripheral areas in the coming quarters, one expects to see price stabilization in these markets in 2008.

The Industrial sector in Chennai has never had it so good. With Consumer electronics major Samsung's manufacturing facility, Dell's 'Made in India' computer facility, Moser Baer's proposed investment plans to fabricate solar photovoltaic cells and UK based Caparo group mulling the setting up an aerospace component park. Other large scale auto and telecom manufacturers include Nokia, Flextronics, Saint Gobain, Hyundai, Ford, BMW, Motorola and Mahindra Renault Nissan. Warehousing/Logistics demand is on the rise due to the huge investments being made by the auto, retail, telecom and manufacturing industries in and around Chennai.

Mall culture in Chennai is all set to exert its full allure, with over 20 glitzy shopping malls planned to come up in the next three years. Backed by the rising population with increasing income levels and rising aspirations, the Chennai retail market is set to grow rapidly in the coming years.

With property markets across the country witnessing price stabilizations and corrections in certain sectors and locations, the Indian real estate market is finally maturing.