



## Year in Review - 2010

Chennai is well on the way to become a leading global city with the state taking steps to provide international infrastructural facilities in the coming years. Initiatives such as construction of circular high speed corridors, a Greenfield airport, implementation of the metro rail project, flyovers and over bridges, financial city, sports city and media city all being planned to be part of the Chennai 2020 plan.

The commercial office space sector is looking up in Chennai. Buoyed by stronger economic fundamentals, the Chennai office market has seen a fair amount of activity in 2010. In a sign of the improving sentiment, take-up of space has increased and rental values have bottomed out in most markets.

Net absorption is nearly 3 million in the first three quarters of 2010 with expectations of 2011 to be better for the overall real estate market in Chennai. This increase is primarily due to the demand arising from companies expanding and upgrading to better quality premises with office rentals leveling out suggesting that the market is at the bottom of the cycle. The sluggish leasing, uncertainty and falling rentals seen in 2009 have been replaced by a more stable office market given the increase in market activity.

Notable transactions amongst them being Nokia Siemens Network, Franklin Templeton, TCS Eserve, First Source, Slash Support, Reliance Communications, RBS, WNS, L&T Infotech, CTS, Igate Neptune, Force 10, Hapag Lloyd and Amazon leasing space.

The demand for return on investment properties i.e., purchase of office / commercial premises with tenants for assured rental returns continues to be strong in Chennai given the ROI coupled with property appreciation. Demand from the Hospitality, education and health care sectors continues to grow given the opportunities being created by a growing economy. The overall outlook is positive with a continuing improvement in the economy indications are that demand for office space will increase but the existing vacancy rates will keep prices in check.

After a lull in the market signs of a recovery is being witnessed in Chennai's retail sector specifically in the high streets where increasing enquires and conversions are leading to strengthening of retail rentals. The largest mall in Chennai - Express Avenue is operational and is expected to be a preferred destination to both retailers and shoppers alike given the size and proximity. Mall culture is catching on in Chennai given the response to Ampa Mall, Express Avenue and Chennai Citi Centre.

