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CHENNAI - NEXT BIG REALTY MARKET



Chennai a city that stands as a gateway to South India, has witnessed an uptick in its real estate transaction in past few years. Chennai is gradually gaining attention among all other major cities and attracting domestic and foreign investments. Furthermore, with rapid expansion of Chennai's city limits, infrastructure development, economic growth, and rising demand for residential and commercial properties, the city's real estate sector is sure to put Chennai on the national map as a realty hotspot.

Pradyumna Krishnakumar, Executive Director, Brigade Group expressed his views, "Chennai's real estate market has been growing consistently over the last few years, due to the constant demand from sectors such as IT, ITes, manufacturing, automobile and BFSI. Moreover, with increased customer focus on enhancing living standards through eco-friendly practices and advanced infrastructure, sustainable and smart developments have become increasingly important in the city."

As per Sivagurunathan S, Executive Director, Navin's Chennai's also has the lowest unsold inventory among major Indian cities in India, indicating strong demand real estate market has witnessed an increase in new property launches and housing sales. "The current scenario of the overall real estate market in Chennai is robust, with the value of apartments rising significantly, typically ranging between 75 lakhs and 1.25 crores," he said.

Elaborating on the reasons for property prices steady rise over the past few years, with the mid-segment experiencing an additional 2-5% increase in the first quarter of 2024, Vivek Venkateswar, Chief Sales & Marketing Officer-Shriram Properties informed, "The market's growth potential and attractive returns are drawing significant investor interest which has prompted leading real estate developers to foray into the city. Continuous infrastructure improvements have also enhanced Chennai's appeal to both homebuyers and investors. Overall, Chennai's real estate market is clearly on an upward trajectory, marked by rising sales, shrinking inventory, and increasing property prices."

Praveer Srivastava, Sr. VP, Residential, Prestige Group shared the new trend, "While, over all real estate market has improved a lot, we are also seeing a huge demand for Plotted

development in Chennai. Plots ranging from Rs. 1500 per sqft to Rs. 4000 per sqft are selling at good pace. Apartments sale is steady but, I don't see much of Villa projects."

RESIDENTIAL HUBS OF THE CITY

According to the developers, apart from the overall development, Chennai's residential market specifically, is bustling with major activities with new market trends and customer demands. OMR (Old Mahabalipuram Road) known as the IT corridor is a well-established area featuring numerous IT parks and commercial establishments. It provides a range of residential options, from budget-friendly apartments to luxury villas.

Other prime locations such as Nandanam, Teynampet, and Anna Salai, are known for their excellent connectivity, robust social infrastructure, and upscale residential options. In West Chennai, areas such as Ambattur and Oragadam are experiencing rapid growth due to the thriving automobile and manufacturing industries, offering affordable housing options.

Anna Nagar, Adyar, and Velachery continue to be in demand mainly due to their strategic locations, connectivity, excellent infrastructure, and existence of major demand drivers. Emerging micro-markets of Perumbakkam, Medavakkam, Perumbur and Ambattur, are gaining popularity due to affordability and improved connectivity.

Some of the emerging residential micro-markets are Pallavaram, Sholinganallur, and Perungalathur in South Chennai, gaining popularity due to their proximity to IT hubs, improved infrastructure, and the development of the outer ring road. Regions like Poonamalle, Porur, Medavakkam, Tambaram, GST Road of South Chennai and especially North Chennai areas such as Royapuram and Tiruvottriyur are focusing on multi-storey residential apartments. Meanwhile, the East Coast Road (ECR) is witnessing growth in plots and villas.

Some of the other emerging areas to watch out for include Kolathur, Adambakkam, Choolaimedu, and Pallikaranai. These areas have seen significant price appreciation and hold potential for future growth.

OFFICE MARKET ON THE RISE

Due to the growing demand for modern office spaces, Chennai has witnessed a surge in campus-style developments in recent years, appealing to both global and Indian corporates. The Chennai office market touched record highs in 2023, with net absorption of about 6.6 million sq ft.

The thriving IT Hub, strong presence of automobile & Auto components manufacturing companies, well evolved health care and medical facilities, security, quality educational institutions, proximity to industrial corridors of Chennai- Bangalore High- way, Chennai- Andhra Pradesh, and Chennai Port, along with Roads and Railways connectivity to all the states are some of the reasons for businesses establishing base in the city.

"Office market in 2023 was 10.5 million square feet and the main commercial area has been

OMR Zone 1. The proposed increase in FSI and the coming up of Chennai Metro & MRTS (Mass Rapid Transit system) corridors will increase the opportunity for developers and investors to bring new projects along these corridors,” added Praveer Srivastava. “While the growth of the Chennai office market is powered by large infrastructure projects, SEZs and IT parks, the city is also witnessing a rise in new asset classes such as data centres, warehousing and logistics. Additionally, more and more inter- national corporations are setting up their global capability centres in the city as Chennai offers competitive rental rates compared to other cities and skilled manpower, making it an attractive destination,” shared Pradyumna Krishnakumar.

“New developments for commercial spaces are accelerating, driven by high office absorption rates. Compared to previous years, office spaces are in high demand. Chennai has retained its momentum in office space absorption, recording 1.2 million sq. ft. of office space transactions during Q1 2024, reflecting a year-on-year (YoY) growth of 45%. The city has also seen the highest rental value appreciation of 9% during the first quarter of 2024. Major occupancy and leasing activities in Q1 2024 were driven by Global Capability Centres and large companies such as Olympia’s Cyberspace, Fiserv, Smartworks etc which accounted for about 52% of office transactions in the city,” stated Sivagurunathan S.

“Enhanced infrastructure, including the expansion of the metro rail network and improved road connectivity, is making Chennai more accessible and convenient for businesses. Additionally, the rise of flexible work arrangements and co-working spaces is meeting the needs of modern businesses and startups, further boosting demand for office space. Known for its stable market and high-quality office spaces, particularly in established areas like OMR and the Central Business District (CBD), Chennai is attracting companies seeking reliable office solutions. These factors collectively create a positive outlook for Chennai's office real estate market, characterized by increasing demand and potential rental growth, explained Vivek Venkateswar.

WHAT THE FUTURE HOLDS

Not just the residential, commercial and office sector too are writing a winning story in Chennai. Moreover, there are new asset classes that are taking a centre stage in the city and giving a lot of opportunities for the city to grow further. Senior living and warehousing are emerging as new asset classes in Chennai. The city is also becoming a data center hub of South Asia with 25 data centres already in operation.

Sivagurunathan S expressed his outlook for the future, “In the next few years, Chennai’s real estate market is expected to flourish, particularly with the Tamil Nadu Global Investors Meet in January 2024. Government incentives and benefits are likely to attract a flow of investors, increasing the demand for spaces and facilitating both domestic and foreign investments in the state. This will significantly boost the market, benefiting both commercial and residential properties. The outlook for the industry over the next five years is highly positive.”

Praveer Srivastava shared his perspective, “Adani group is investing Rs 2500 crs to bring 32 ME IT Load for its data centre in Chennai, which will take it to second spot as data centre

hub after Mumbai. 100 per cent electricity tax waiver for data centre, dual power grid with a sanctioned load of 50 MW or more are some of the factors that will boost this segment in Chennai. In addition, Senior living or retirement homes projects are in high demand in Chennai especially in ECR & GST road corridors that are emerging as the most preferred hubs for this segment.”

According to Vivek Venkateswar, “Chennai's real estate market is expanding beyond traditional residential and commercial properties, introducing several emerging asset classes including Data Centres buoyed by the city's robust IT infrastructure and growing digital economy. The city's reliable power supply, excellent connectivity, and cost-effective land compared to other major cities make it an attractive location for data centre development. The growth of e-commerce and the expansion of manufacturing activities are driving demand for warehousing space in Chennai. Its strategic location and proximity to major ports enhance its role as a crucial logistics hub, drawing significant investment in warehousing facilities. Senior Living is another emerging asset class in the city, attracting increasing interest from developers and investors. In addition to this Chennai's status as an educational institution has created a demand for purpose-built student housing.”

THE BRIGHT PROSPECTS

Chennai's real estate market shows strong growth potential, driven by economic expansion and infrastructural development. Its status as an auto manufacturing hub and a booming IT sector is expected to sustain high demand for residential and commercial properties.

Property prices are expected to continue appreciating at a moderate pace, making Chennai a promising market for capital appreciation. Overall, Chennai's real estate market holds significant promise for future growth, with potential for capital appreciation and attractive returns.

The city is an attractive proposition due to its well-established manufacturing sector, abundant talent pool in engineering and IT, and relatively lower operational costs compared to other major cities. Government policies promoting ease of doing business and initiatives like "Start-up India" are also fostering business growth, leading to a surge in office space requirements.