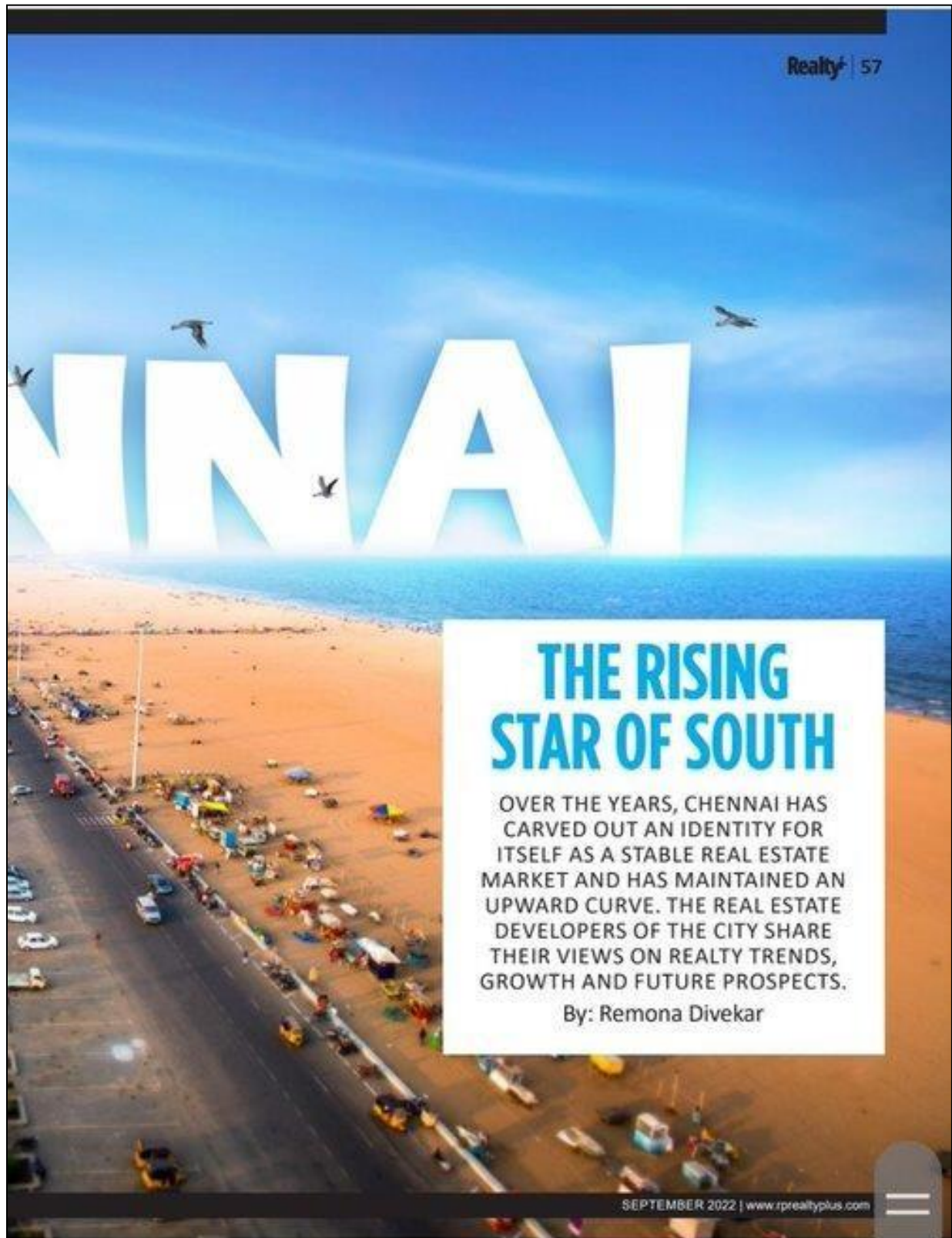


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**C**hennai is famously known as the Detroit of India due to the presence of major automobile manufacturing units and allied industries around the city. In addition to being an epicenter of various religious, social, economical, and educational centres, it's also among the fastest-growing real estate markets in Southern India.

Chennai has a rich cultural heritage with a blend of modern technology. This city has been evolving because of liberalisation, privatisation, industrialisation, and globalisation. Chennai has witnessed a tremendous transformation and game-changing initiatives since the 90's to become one of the most desirable cities for investment and employment. The construction of Asia's largest bus terminus, the establishment of its IT corridor, Chennai Metro Rail, a well-diversified demand base, and a stable polity are some of the drivers for real estate growth in the city.

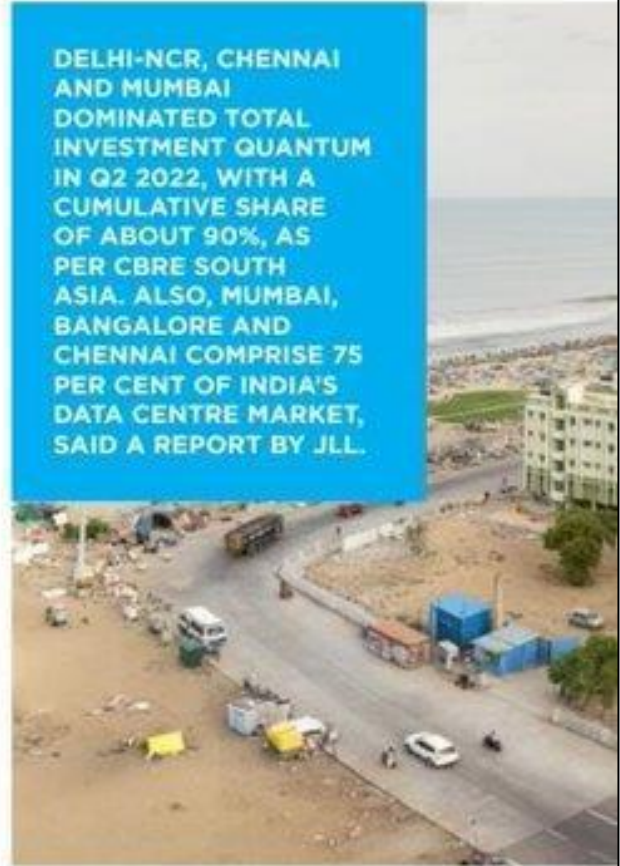
As per the Cushman and Wakefield Report in the second quarter of 2022, the city's residential sector saw the launch of nearly 1,950 units. Though marginally lower than last quarter, launches have been higher by 51% on an annualised basis. Suburban South II witnessed the highest supply of new units with a share of 24%, followed by Off Central II with a share of 23%. The northern and western regions of the city have been witnessing improved supply with the progress in the construction of metro corridors 4 and 5.

#### RESIDENTIAL REAL ESTATE ON RISE

The residential market in the city is expanding, making it a favored destination for investors and end-users, providing good returns on investments and a safe & secure option to the end users. With improved market conditions and a considerable number of projects at the pre-launch stage, the city will continue to see a healthy rise over the next quarter according to Knight Frank.

**M Murali, CMD, Shriram Properties Ltd** shared his views, "Improved purchasing power, higher confidence among homebuyers; the paradigm shifts in buyers placing their confidence in large trusted developers, and demand for larger homes that include the work from the home requirement – an additional room as an office, have been the key factors that contributed to the growth of residential real estate despite inflationary challenges." Moreover, Chennai's real estate landscape has also grown and the market is largely end-user driven. The fundamentals remain intact and the future growth potential of the city is undisturbed."

**DELHI-NCR, CHENNAI AND MUMBAI DOMINATED TOTAL INVESTMENT QUANTUM IN Q2 2022, WITH A CUMULATIVE SHARE OF ABOUT 90%, AS PER CBRE SOUTH ASIA. ALSO, MUMBAI, BANGALORE AND CHENNAI COMPRISE 75 PER CENT OF INDIA'S DATA CENTRE MARKET, SAID A REPORT BY JLL.**



**Hrishikesh Nair, COO – Chennai Operations, Brigade Enterprises Ltd** added, "Chennai is fundamentally an end-user-driven market. Organic demand for qualitative lifestyle developments is increasing despite inflationary challenges. The economy is fuelled by industries like automobile, banking, film & media, and is not solely dependent on the IT/ITES sector. This forms a major factor that the residential demand witnessed a balanced and consistent growth, even during Covid times. Post-Covid, Chennai is witnessing a positive change in the preferences for premium amenities and community living for residential buyers. We have the country's premium institutions in the city for IT, education, and healthcare which drive growth and cause cascading impact on residential demand."

**Vimalendra Singh, Chief Sales & Service Officer at Mahindra Lifespaces** concurred, "Chennai's emergence





as a major IT, automotive and electronics manufacturing hub has generated abundant job opportunities, thereby stimulating the demand for residential properties within Chennai and its peripheral districts. Residential demand in Chennai has been driven by South Chennai's abundance of IT-ITeS office space, which accounts for the greatest proportion of the city's new launch supply in Q2 2022."

According to **Vimesh P, Vice President of Marketing, Casagrand**, "Due to the rapidly evolving economic landscape, sentiment towards homebuying has remained favourable even though it has slipped from its all-time high in the preceding quarter in the real estate sector. The COVID-19 outbreak has caused significant changes in housing and buyer preferences. As the pandemic emphasized the importance of health, wellness, and safety by redefining lifestyles and setting new norms for

**THE CHENNAI REAL ESTATE MARKET IS PRIMARILY DRIVEN BY THE END-USERS AND IS SUPPORTED BY THE GROWTH AND DEVELOPMENT OF ESTABLISHED INDUSTRIES, GROWING IT-ITES SECTOR AND OTHER COMMERCIAL ACTIVITIES.**

healthy living, homes began to take centre stage around the same. Furthermore, the development may also be ascribed to the segments' and the developers' expertise in converting fresh trends and altering customer preferences into prominent requisites that meet demand. Further, the

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Indian government is redirecting its attention to the aim of "Housing for All". The government's sustained support, demonstrated by the recent extension of the Pradhan Mantri Awas Yojana (Gramin) to the year 2024 is another push factor for homebuyers despite the scale of inflation. Thereby, the real estate market is seeing a strong triumph owing to rising home demand, reopening of offices, and government backing for the housing segment."

**CHENNAI'S REALTY HOT SPOTS**

Chennai is a diversified market with existing and proposed social infrastructure and robust connectivity. The various manufacturing businesses and new employment

developing zones of social and economic infrastructure and the augmentation in these areas have been spectacular over the past few years. Regions like Sholinganallur, Medavakkam, Navalur, Pallikaranai, Perumbakkam, and many more localities have gained the attention of residential buyers due to the availability of lands and homes at a much lower price, infrastructural developments in the locality, ease of access to all major essentials, among several other reasons. Furthermore, State Highway 49A or commonly known as the Rajiv Gandhi IT Corridor also beheld a plethora of launches owing to the growth of the IT/ITES in the area. Moreover, the upcoming satellite cities in the regions of Tiruvallur, Kancheepuram, Chenglapet,



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 There has been a significant shift in buyer profiles with millennials now showing a renewed interest in buying property. We expect the market to grow even further driven by the increase in hiring across IT/ITES, particularly in the city.”

**M Murali**

opportunities in the IT-ITES sector are redefining the contours of the city.

**Vimesh P** said, "One of the cities with the quickest growth rates in the nation is Chennai. Homebuyers' propensity to invest in the rural market has increased, according to the gradually increasing demand witnessed in Chennai's micro market. The city is now seeing a surge in the launch of a plethora of new projects, thus connoting that the real estate sector is equally booming alongside automotive and IT/ITES industries. The epidemic brought concerns about safety and having a place of their own, favorably motivating many first-time homebuyers to purchase a house. Home buyers currently look for residencies in micro markets that accommodate a wealth of eateries and entertainment zones, as well as fully equipped medical facilities. The essence is to discover housing in the

Thirumazhisai and Minjur will also drive growth in the city in the coming days."

**Vimalendra Singh** stated, "We have seen robust demand in the Southern end of the city, particularly in Chengalpattu. Chengalpattu straddles the major IT, automotive, manufacturing and fashion & apparel hubs situated in the region. Its emergence as a suburban hub was driven by the establishment of an integrated city, Mahindra World City (MWC). Having drawn other businesses to the region as well, its growth has since acquired a momentum of its own. The integrated city had the benefit of starting from scratch, not only are the amenities they offer superior but also, focus on the intangibles that make for a better quality of living. Open spaces, privacy, natural ventilation, and lighting are some of the defining characteristics that set apart integrated townships within such suburbs".



**M Murali** shared, "South Chennai is a booming market, especially along OMR and GST Road are prominent residential micro markets accounting for over 50% of the residential business of the city. The north and western region of Chennai is witnessing growth in demand for residential properties mainly due to the progress of metro corridors 4 and 5. These are also areas that could be potential growth drivers of residential real estate in the city."

**Hrishikesh Nair** added, "In the southern part of Chennai, Sholinganallur & Tambaram can be viewed as prominent micro markets; while Porur is the hotspot in the western corridor. Madhavaram, Redhills, and Poonamallee

leasing volume driven by accessories and lifestyle segments followed by super/hypermarkets.

In residential, the demand for spacious homes in mid-premium and value housing has picked up since the pandemic-induced lockdowns and the entire experience of working from home and online classes has made homebuyers realize the need for having personal spaces, and smartly designed homes. Health and wellness amenities such as open spaces, gyms, and sustainability aspects which result in tangible benefits for homebuyers are also gaining importance. Keeping this in mind, many serious end-users have resumed their search for homes to match their needs.



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With the trillion dollar economy dream by 2030, the investment drives in the state have increased, as can be seen by its impact in real estate.  
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**Hrishikesh Nair.**

are also well poised for growth. Given the proximity to residential catchment & developing social infrastructure, Pallavaram-Thoraipakkam Radial Road & Mount Poonamallee Road seem promising for new Commercial & Retail development."

#### THE DEVELOPMENT TRENDS

Commercial and retail real estate in Chennai has seen steady growth in the past decade. The increase in setting up start-ups and IT-based businesses has enhanced the demand for office spaces in and around the city, and this no longer restricted the need for office spaces to just the Central Business District. Chennai office space leasing activity is dominated by the IT-BPM sector followed by engineering and manufacturing. In retail segment, the main street markets in Chennai recorded a bulk of retail

#### INVESTMENT LANDSCAPE OF CHENNAI

The real estate sector in Chennai has been attracting institutional investments for the past few years. The commercial segment accounts for the highest level of investments followed by the residential segment as also generating huge interest in its logistics and warehousing segment.

Chennai is considered to be one of the top twelve real estate markets in the world and is also one of the safest real estate investment spots. Nowadays, the outskirts of the city have also become a leading real estate destination apart from the city's main center.

For NRIs, Chennai stands out as the most sought-after investment destination in the country. The blasting IT segment specifically has been the significant reason for the extension of the city and the improvement of its

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rural regions. These MNCs have set up their workplaces on the edges of the city, made a large number of occupations, and a developing interest in better offices and convenience.

**M Murali** commented, "The city's real estate market has been one of the best-performing markets in the country. If we consider the current trends, we expect housing affordability to remain largely favorable. Home buyers have not been deterred by the rise in interest rates as people are increasingly becoming conscious of the need for security and stability. With accelerated hiring in core markets like IT, ITeS and Healthcare, purchasing power is increasing, along with disposable income. We expect

danger of disruption, has also strengthened the market's confidence in real estate as an asset class. These factors are expected to drive the residential real estate sector towards growth and enable a period of sustained demand and supply for the foreseeable future. Increasingly, the preference for self-sustainable integrated cities is growing, as they offer convenience with quick access to retail outlets, schools, and hospitals and also support the concept of walk-to-work. Also, there is a rising preference for fast-growing, well-connected suburban and peripheral residential destinations, especially from customers who are seeking quality value homes in well-planned, relatively unpolluted environs."



**"Chennai has witnessed a steady growth rate in the real estate market in both its urban and rural markets owing to enhanced social infrastructure developments across regions. The second quarter saw a consistent rising trend in the market as the effects of the coronavirus began to fade."**

**Vimesh P**

festival season demand to be high and firmly believe that this is the beginning of long-term upward growth for the real estate sector."

**Hrishikesh Nair** added, "The government supports investments in the state through the Guidance Bureau, which connects with the respective industry body for the ease of doing business. The industrial corridor in Sriperumbudur and SIPOTs in Ambattur / Siruseri are the other examples, it is one of the fastest spreading real estate business options in southern India, which offers investors ROI while providing end users with a safe & secure environment."

**Vimalendra Singh** stated, "The demand for apartments has increased due to the pandemic and people prefer to invest in apartments as a part of their long-term investments. The receding pandemic, with reduced

**Vimesh P** shared, "Real estate is substantially preferable to other investment options, since it is the best and safest long-term investment. The RBI's guideline on NRI real estate investment offers buyers a much-needed reprieve. Under FEMA, there have also been various changes to the foreign exchange restrictions. The pandemic had a big impact on how people perceived property ownership, especially NRIs who wanted to buy a house, back home. A significant percentage of Non-resident Indians (NRIs) are motivated to engage in the Indian real estate market because of their strong emotional ties to the nation. Moreover, the potential growth of Tier II and Tier III cities is enticing NRI investors to make real estate investments in these areas. The prospect of quality returns keeps these investors interested as smaller cities are in transit to become growth engines."



## CHALLENGES & POTENTIAL OF CHENNAI REALTY

As per **M Murali**, the real estate sector is in need of quicker infrastructure development and faster approvals. On a positive note he added, "The outlook for the real estate sector in the city remains positive and we expect it to grow much higher than pre-pandemic levels. The country has made significant strides in realizing the Prime Ministers' dream of housing for all. A few initiatives such as the re-introduction of the input tax credit will make housing prices more competitive as builders can then pass on the benefit to property buyers."

"The increase in cost of construction raw materials, repo rates and power tariff rates have created initial

rate hike in Property tax posed a major challenge, which needs to be rationalized to make the city more attractive for bringing in & sustaining investments for real estate. Transportation network and last mile connectivity will be major factors, helping avoid traffic congestion in the city. The infrastructure developments like water, sewage, stormwater drains, etc. are basic requirements for every real estate developer. The proposed metro expansion is certainly a boost to the general public & many industries including real estate," added **Hrishikesh Nair**.

"The interest rate has had a mild sentimental impact on the homebuyers. To adjust for the increased cost, customers manage their EMIs with higher down payments. Increasingly,



**"Despite the recent hikes in interest rates, we are seeing very strong demand on-ground, we have carefully chosen the segments we operate in and the underlying demand trends in these, i.e. mid-market and value housing segments have remained very strong as home ownership aspirations are high."**

**Vimalendra Singh**

ambiguity in buyers' sentiment, amidst the growing inflation. However, people are still continuing to invest in the residential segment owing to the financial benefits the sector offers. Furthermore, developers today are constantly striving to eliminate the burden of these taxes on the property, and absorb the increasing costs, aiming to provide the best of homes at optimal rates to their customers, thereby making home buying an easy affair. However, homebuyers continued to show interest in residential real estate investments despite an increase in property taxes and the sales saw an upward trend owing to the increased purchase parity and availability of homes that cater to consumer choices," said **Vimesh P.**

"Despite the existence of the Single Window Clearance System, the investors face substantial delay in approval process from multiple departments. The

preference for self-sustainable integrated cities is growing, as they offer convenience with quick access to retail outlets, schools, and hospitals and also support the concept of walk-to-work. Also, there is a rising preference for fast-growing, well-connected suburban and peripheral residential destinations, especially from customers who are seeking quality value homes in well-planned, relatively unpolluted environs," informed **Vimalendra Singh**.

Chennai is poised to continue its growth momentum given the continued investments in various revenue and job generating industries as well as the sunrise sectors like warehousing logistics and datacenter. This will drive the residential real estate of the city widening its girth with new infrastructure developments and strengthening of newer asset classes such as co-working, co-living, senior housing and student housing.