

Property Market Monitor



India Edition

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Chennai Retail

Retail Mall Space Expected to Multiply Six Times by 2010 in Chennai

The Chennai retail real estate market boom, though started slow as compared with other Tier I cities, is now gaining momentum. Backed by the rising young local and migrant working population with increasing income levels and rising aspirations, the retail market in Chennai is set to grow rapidly the next 2–3 years.

Currently, the total mall space available in Chennai is about 909,000 sq ft (built-up area). This comprises the Spencer Plaza with a built-up area of 559,000 sq ft and Chennai City Centre with a built-up area of 350,000 sq ft, both located in the CBD. A total of 6.0 million sq ft of retail mall built-up area across 15 malls, which is either proposed or under construction, is expected to be completed by 2010 across various micro-markets in the city. These projects are being developed by both national developers such as DLF and Prestige Group and local developers such as Suryavardhan Estates and Marg Construction.

Around 50% of total upcoming mall stock in Chennai shall be developed in Old Mahablipuram Road (OMR), in the southern quadrant of the city, which is also known as the IT Corridor. Currently, about 2.7 million sq ft of retail mall space is under construction or proposed in the OMR. The Riverside Mall in Karapakkam is being developed by Marg Constructions with a total built-up area of 500,000 sq ft and a floor plate of 125,000 sq ft. The Marina Grand in Siruseri is being developed by the Allied Group and Arihant Foundations & Housing. It has a total built-up area of 610,000 sq ft and will include a 160-room hotel. The Coromandel Plaza, located in Navalur by Suryavardhan Estates, will have total built-up area of 250,000 sq ft. Other malls in the micro-market include developments by DLF, Menakur Group and Brigade Group.

With this fast retail development, coupled with IT/ITES developments, improving infrastructure and residential projects, the OMR has emerged as an attractive real estate destination and a self-sustaining micro-market. •

Existing Malls in Chennai



Spencer Plaza



Chennai City Centre Mall

‘Demand for office space is expected to go up in the CBD, SBD, and PD in the next 12 months. Chennai is fast emerging as one of the most preferred destinations in the world for IT and BPO companies, having realised that Chennai offers better infrastructure than many other Indian cities, has low attrition levels and has a large pool of qualified human resources. The emergence of alternate IT corridors such as GST Road, Mount Poonamalle Road and Ambattur and the entry of large national developers are two of the most notable changes last year in the Chennai real estate market which will have a long standing impact on the market. Despite of rise in demand for office space, rental and capital values in the PD are expected to correct by 5–10% in the next year because of excess supply in certain peripheral districts.’

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Shriram Gateway

Chennai Office

Great Southern Trunk Road and Ambattur - Emerging IT Hubs

One of the prime reasons that led to the establishment of Old Mahablipuram Road (OMR) as the preferred commercial destination for the IT/ITES sector was government support. The Tamil Nadu government declared OMR as the IT corridor and provided initiatives such as infrastructure to ease congestion in the city. As demand for Grade A commercial space is rising, developers and occupiers are looking at alternatives to the OMR. We expect Grand Southern Trunk Road (GST Road) and Ambattur to further stimulate real estate growth in Chennai.

GST Road in southern–western suburb has emerged as a new IT corridor besides the OMR in the suburban district of Chennai. The GST Road precinct is close to residential locations such as Perungalathur, Vandalur, Mudichur, Tamabaram, Chrompet and Pallavaram. It also has good rail and road connectivity. Moreover, the airport is located along GST Road. These factors are proving advantageous for GST Road projecting it as the next IT hub of Chennai.

Ambattur forms part of the secondary business district (SBD), and is situated in the western quadrant of the city. It is fast emerging as another IT/ITES hub in Chennai. The Ambattur micro-market is close to residential areas such as Anna Nagar, Kilpauk, Korattur and Avadi. It also has better accessibility to the city centre and existing hotels.

About 2.0 million sq ft of Grade A office space is under construction along GST Road compared with about 10.0 million sq ft of Grade A office space in OMR, which is expected to be completed by end-2008. Rental values are in the range of INR 30-40 per sq ft per month along GST Road based on its proximity to the airport compared with INR 35-45 per sq ft per month along OMR based on its proximity to Adyar (SBD). Major developments along GST Road are Shriram Gateway, Mahindra World City and Estancia. Shriram Gateway, being developed by Shriram Properties, is a notified IT SEZ with a total built-up area of 5.5 million sq ft. Its proposed amenities include serviced apartments, a shopping mall and a multiplex. About 1.2 million sq ft has already been pre-leased in this project. The Mahindra World City, promoted by Mahindra and Mahindra and TIDCO, includes an IT SEZ, apparel SEZ and auto component SEZ spread over in 1,400 acres. Major tenants in the Mahindra World City IT SEZ include Infosys, Kanbay, and Mastek.

In Ambattur, about 5.0 million sq ft of Grade A IT space is under construction, which is expected to be completed by end-2008. Major IT Parks operational in this area are Prince Infopark phase I and II with a total built-up area of 0.4 million sq ft and Arihant Insight phases I and II with a total built-up area of 0.3 million sq ft. One of the prominent upcoming developments in Ambattur is the Chennai Tech Park, with a built-up area of 2.5 million sq ft. It is being developed by India Land Properties and promoted by Americorp. This park is being developed in two phases over ten acres of land. It consists of phase I with 1.4 million sq ft and phase II with 1.1 million sq ft, which are expected to be completed in 4Q07 and 1H08 respectively. Another prominent development is the RR Sky line with a total built-up area of 1.8 million sq ft. This project is being promoted by RR Industries and is expected to be operational in 4Q07. Major tenants in this micro-market are TCS, Perot Systems and ICICI while HCL has four small campuses in this precinct. The present lease rental value in this micro-market is in the range of INR 35-45 per sq ft per month.

With the above mentioned robust supply pipeline, we expect the rental values in some locations to remain range bound at current levels in 2H07 and correct by 5-10% in 2008.

IT Corridor: Largest Floor Plate up to 100,000 sq ft

Old Mahablipuram Road, also known as IT Corridor, is an established IT/ITES hub in Chennai. The IT/ITES occupiers require large floor plate configuration buildings and thus are found in the suburban micro-markets that can offer such configurations. Typically across the key cities in India, we have witnessed IT/ITES developments ranging from 20,000 to 70,000sq ft per floor plate. Buildings with floor plates of up to 100,000 sq ft in Chennai are becoming increasingly popular among tenants. Pacifica IT Park, which is under construction in Navalur and developed by Citilight Properties, has a floor plate of

about 100,000 sq ft. The Platinum Holding IT Park, another project that is being developed by Menakur Group, has a floor plate of around 80,000 sq ft. These large floor plate sizes up to 100,000 sq ft are not available in other micro-markets of the city.

These single large floor plates are helpful in reducing the operational cost of tenants requiring large spaces, when compared with the leasing of additional floors with smaller floor plates. On the other hand, there is a risk of inflexibility to cater to smaller space requirements. •



Chennai Infrastructure

Government Initiatives to Ease the Rising Pressure on Existing Infrastructure in Chennai

The growing population and the rising real estate development in Chennai city continue to put pressure on the existing infrastructure of the city. To ease this pressure, the government has initiated various projects as follows:

Grade Separators at Key Junctions within Chennai City

The completion of grade separators at Katiphara, Koyambedu and Padi Junction will be a major facelift to Chennai's infrastructure. There is alarming traffic congestion at these junctions. The Katiphara junction is located at the intersection of GST Road, Inner Ring Road, Mount Poonamallee Road and Anna Salai. The Koyambedu junction is located north of Chennai at the junction of the Inner Ring and Poonamallee High Road (NH4). The Padi junction is at the intersection of Inner Ring and the new Avadi High Road. We expect these grade separators to manage traffic and reduce travel time within the city. The completion of these grade separators is expected by end-2009.

Eight Lanes IT Corridor Highway

In Old Mahablipuram Road, a 22 km IT corridor, starting from Madhya Kailash Temple junction in Adyar (SBD) to Siruseri (Suburban) a six-lane, two-non-motorised lanes and two service lanes are proposed. The IT corridor project is being implemented in two phases: phase I, which is between Madhya Kailash Temple Junction and Siruseri, and phase II, which is between Siruseri and Mahabalipuram. At present, phase I is being developed and feasibility studies for phase II have been completed. At present, the IT corridor has around 9 million sq ft of Grade A office space and another 10 million sq ft of Grade A office space to be completed by 2008-2009. This express highway will provide better connectivity to all IT companies such as Accenture, Satyam, Infosys, TCS, HCL and WIPRO with operations along this road.

Phase II of the Chennai MRTS

The first phase of the Chennai Mass Rapid Transport Systems (MRTS) project, an 8.5 km stretch that connects the Chennai Beach railway station (CBD) to Thirumylai (CBD), was completed in 1997. The implementation of phase I partly eased the commutation in the city. In continuation, phase II of the MRTS is an 11.16 km stretch connecting Thirumylai (CBD) to Velachery (Suburban). The stations of phase II, such as Taramani located in the SBD, will provide quick accessibility to major IT parks such as the International Technology Park Chennai and Tidel Park. This is likely to increase the connectivity of the IT corridor with the rest of the city. The second phase is expected to be completed in early 2008.

These infrastructure initiatives by the government will provide fillip to the real estate development within the city and in its suburban locations. With improved connectivity of the city center with the secondary and suburban locations, commute time between key residential areas and upcoming commercial districts of Ambattur, OMR and GST road will reduce. This will benefit the real estate market in the long term and project Chennai as a preferred commercial and residential destination. •



Proposed Katiphara junction

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