

Chennai Market Watch Office





INDIAN ECONOMY

H1 2025



India entered the first half of 2025 navigating a landscape marked by heightened global volatility and shifting economic tides.

Trade relations became increasingly strained, with tariff disputes emerging in early April and rising protectionism, weighing heavily on exports across major sectors. As a result, the IMF lowered its GDP growth forecast for FY26 from 6.5% to 6.2%, citing potential risks stemming from the ongoing tariff war.

At the same time, escalating cross-border tensions affected investor confidence and weakened the rupee.

Despite these external headwinds, the Indian economy remained resilient. GDP growth stood at 7.4% in Q4 FY25, leading to a robust 6.5% expansion for the full fiscal year (refer to Chart 1). This performance underscores the strength of domestic fundamentals and the economy’s ability to sustain momentum amid global uncertainty.

GROWTH REVIVAL

India’s retail inflation eased to 2.8% in May 2025, its lowest level in over six years, marking a 34-basis point decline from April. This is the lowest YOY inflation rate since February 2019, driven largely by a sharp

drop in food inflation, favourable base effects from last year’s higher prices, and slower increases in essential items like fuel and housing.

Reflecting these trends, the Reserve Bank of India (RBI) revised its Consumer Price Index (CPI) inflation forecast for FY26 downward to 3.7% from 4.0%, signaling expectations of stable and moderate inflation.

REACHING NEW MARKET HIGHS

Domestic demand was reflected in record GST collections, which reached INR 2.4 lakh crore in April 2025 and INR 2.0 lakh crore in May 2025, both showing double-digit YOY growth and underscoring resilient consumption.

The external sector also remained healthy, with foreign exchange reserves rising to around USD 696.7 billion by June 2025, providing a strong buffer against global volatility.

Capital markets mirrored this optimism, with Nifty 50 and BSE Sensex closing at 25,549 and 83,755.9 points, respectively as of June 26th, 2025. The Nifty 50 surpassed the 25,500 mark for the first time since October

2024, driven by strong corporate earnings and sustained investor confidence.

Overall, the first half of 2025 demonstrated a favourable macroeconomic environment, characterised by low inflation, robust growth, and strong external sector fundamentals.

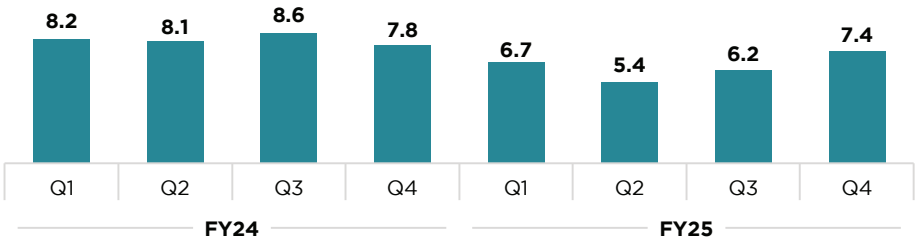
STRONG GROWTH SIGNALS

India’s Purchasing Managers’ Index (PMI) data for both the manufacturing and services sectors during H1 2025 highlighted the country’s strong economic momentum. The Manufacturing PMI remained firmly in expansionary territory, peaking at 58.4 in June 2025, the highest reading in 14 months, indicating robust industrial activity. Meanwhile, the Services PMI also performed impressively, rising to 60.4 in June, its highest level in over a year, reflecting strong demand and sustained growth in the services sector.

In a remarkable turnaround, current account balance (CAB) recorded a surplus of USD 13.5 bn in Q4 FY25. This development marks a significant step forward for the economy, signaling robust export growth and healthier external position, driven by higher CAB (refer to Chart 2).

FROM DIP TO RECOVERY

Chart 1: GDP Growth Trend (in %)



Source: MoSPI, Savills India Research
*FY refers Fiscal Year basis

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MONETARY SHIFT
Easy Inflation Enables Policy Shift

In H1 2025, the RBI adopted an accommodative monetary stance, reducing the repo rate by a total of 100 basis points in three consecutive Monetary Policy Committee (MPC) meetings. By June 2025, the rate stood at 5.5%, aimed at stimulating economic activity amid easing inflation and ongoing global uncertainties.

Despite a projected slowdown in GDP growth to 6.2% for FY26, the rate cut is expected to boost investor and consumer confidence, particularly in the real estate sector.

Budgetary Announcements

The Union Budget for FY 2025-2026 highlights the government’s commitment to the vision of Viksit Bharat by introducing transformative reforms across key sectors, including urban and real estate development, power and mining, financial services, taxation, and regulatory policies. A major focus of the budget is to promote balanced regional growth, particularly in Tier 2 and 3 cities. This will be supported by strengthening agriculture, supporting MSMEs, boosting investments, and encouraging exports which are the key pillars for sustained economic development.

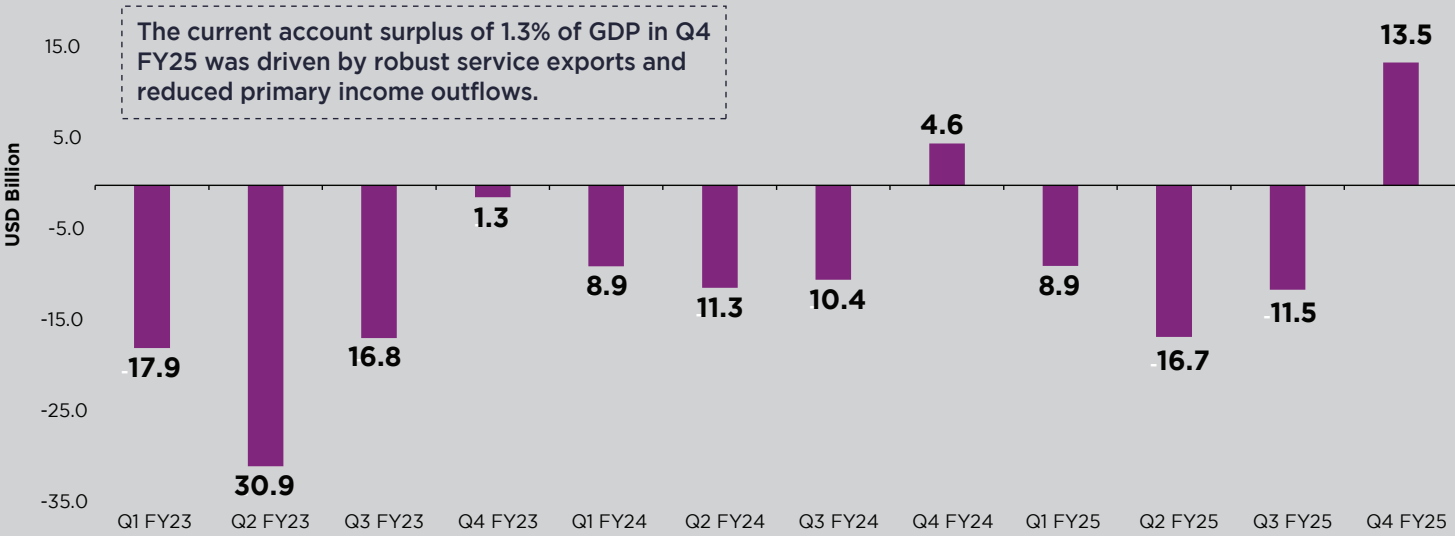
Real Estate Specific Announcements

The government’s recent budgetary initiatives have laid a strong foundation for sustained growth in the real estate sector. Notably, SWAMIH Fund 2, with an outlay of INR 15,000 crore, aims to complete 1 lakh affordable and mid-income homes by 2025 – supporting the revival of stalled residential projects and stabilising property prices. The INR 1 lakh crore Urban Challenge Fund promotes infrastructure in Tier 2 and 3 cities, thereby enhancing demand for housing, office, and retail spaces. Connectivity improvements, such as new greenfield airports in Bihar and expansion in Patna, are expected to further stimulate real estate growth. Additionally, the allocation of INR 10,000 crore for start-ups and a Deep Tech Fund will increase demand for office and innovation spaces, particularly in tech-linked real estate segments. The expansion of the UDAN scheme to 120 new destinations and the introduction of a national framework for Global Capability Centres (GCCs) are expected to drive demand in Tier 2 cities. Jewar Airport in Uttar Pradesh and Navi Mumbai International Airport are scheduled to open in the second half of 2025, significantly boosting regional connectivity and economic growth.

A YEAR OF STEADY GROWTH

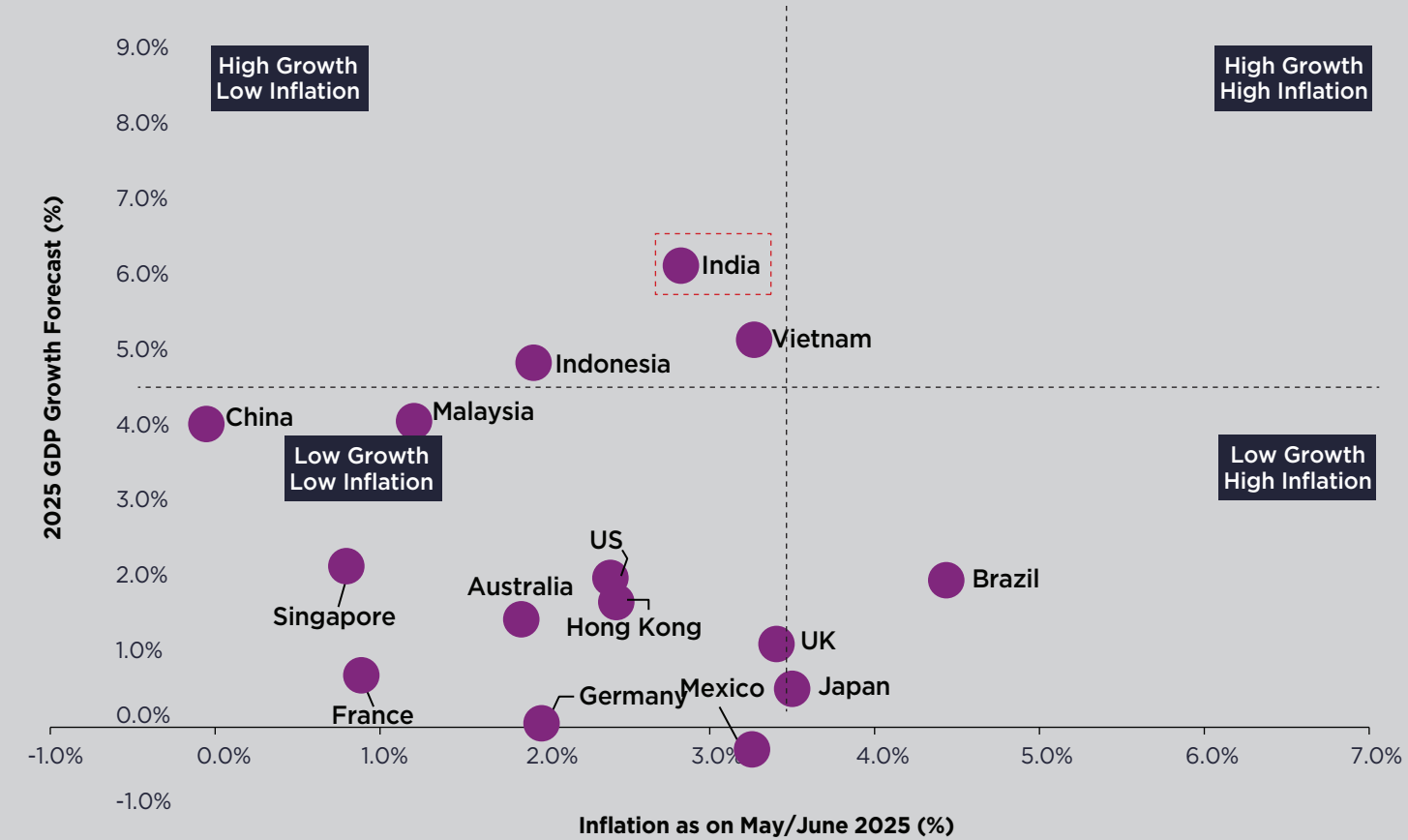
The year 2025 is expected to be one of moderate yet steady economic growth for India, with GDP projected at 6.2%, positioning the country as the fastest-growing major economy globally. This growth will be primarily driven by strong domestic demand, government spending, and resilient rural consumption. However, challenges such as inflationary pressures, subdued manufacturing activity, and global uncertainties – including geopolitical tensions and trade disruptions – continue to pose risks to the outlook. Despite these headwinds, India’s macroeconomic fundamentals remain sound, with fiscal discipline allowing room for increased public investment and reforms. Overall, 2025 is shaping up to be a year of cautious optimism, as the country balances growth opportunities with persistent external and structural challenges.

Chart-2: Current Account Balance Trend



Source: Trading Economics, Savills India Research

Chart-3: High Growth Prospects



Source: FxEmpire, Savills India Research



GST collections reached INR 22.08 lakh crore in FY25, marking a remarkable rise from INR 11.37 lakh crore in FY21 – effectively doubling over five years.



India’s Current Account Deficit (CAD) narrowed in FY25 due to higher net receipts under services and secondary income. The full-year CAD stood at USD 23.3 billion (0.6% of GDP), down from USD 26.0 billion (0.7% of GDP) in FY24.

INDIA

OFFICE MARKET UPDATE



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Office demand continued its upward trajectory in H1 2025, setting a new benchmark for leasing activity across India's top cities*. India registered a gross leasing activity of 38.2 mn sq. ft. in H1 2025, a 7% YOY growth. H1 2025 marked the highest half-yearly absorption in the past 10 years. The growth was underpinned by resilient economic fundamentals, improved business sentiment and a sustained return-to-office push, particularly from IT-BPM and BFSI occupiers.

Global Capability Centres (GCCs) remained strong demand drivers in H1 2025, with notable traction in large-format deals. Bengaluru, Chennai and Hyderabad led this momentum, reinforcing their status as strategic hubs in global enterprise portfolios.

With a growing preference for modern, tech-enabled, and sustainable workspaces, India continues to play an important role in global office portfolios. Steady enquiry levels and transactions point to a stable outlook for the office market in the second half of the year.

India's office leasing grows to 38.2 mn sq. ft., driven by GCCs
GCCs accounted for approximately 41% of India's total gross office leasing in H1 2025, absorbing nearly 16.0 mn sq. ft. of office space. Bengaluru, Chennai and Hyderabad collectively accounted for approximately 12.0 mn sq. ft. of GCC-led leasing activity.

In terms of gross leasing, Bengaluru led the momentum with 10.4 mn sq. ft., reaffirming its position as the country's top office market. Delhi-NCR followed with 6.8 mn sq. ft., supported by sustained demand across both Gurugram and NOIDA. Mumbai closely trailed with 6.7 mn sq. ft., reflecting stable leasing activity underpinned by its diversified occupier base. Collectively, these three cities contributed to over 60% of the total leasing activity across the top six markets*. Chennai ranked fourth with 5.5 mn sq. ft. of leasing, registering a 14% YOY increase. In contrast, Hyderabad and Pune saw decline of 20% and 11%, respectively, mainly due to delayed decision-making as most deals are in advanced stages of discussion.

*Top six cities: Bengaluru, Chennai, Delhi-NCR, Hyderabad, Mumbai, Pune

SUPPLY & VACANCY

New supply recorded a significant 44% YOY increase, with 25.3 mn sq. ft. of completions in H1 2025. Except Mumbai, which witnessed a sharp 62% decline in new supply in H1 2025, all other cities recorded an increase in new completions.

Bengaluru and Pune led with 8.6 mn sq. ft. and 7.0 mn sq. ft. of new supply respectively, accounting for 62% of the total supply, while Hyderabad and Chennai collectively contributed 21%. We expect a strong supply infusion in H2 2025 with Bengaluru leading the pack.

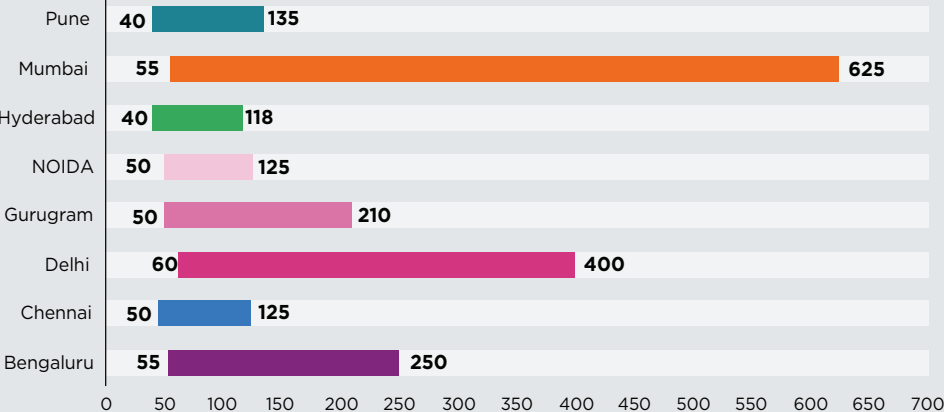
The overall vacancy rate declined to 14.7% at the end of June, from 15.9% in June 2024, driven by steady leasing activity.

RENTALS

All key cities witnessed rental growth of up to 10% YOY. Chennai recorded the highest increase in H1 2025, with rents rising by 9%, followed by Delhi-NCR at 6% and Mumbai at 4%. The rental uptick was largely driven by the introduction of new, high-quality supply at rates above the market average.

India's commercial office market is set to sustain its growth momentum in the second half of the year, with full-year leasing volumes projected to exceed 70 mn sq. ft., driven by evolving occupier strategies and steady demand across key sectors.

Average Rental Range (INR / sq. ft. / month)



*Rental ranges are indicative values in the given market and may vary from the indicated band at other times
Source: Savills India Research

KEY STATISTICS: H1 2025

Top Absorptions
mn sq. ft.

Bengaluru: 10.4
Delhi-NCR: 6.8
Mumbai: 6.7



New Supply
mn sq. ft.

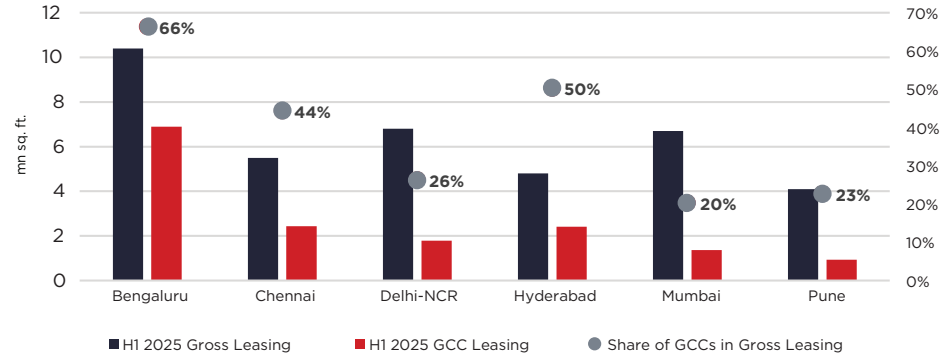
Gross Absorption
mn sq. ft.

YOY change
44%

YOY change
7%

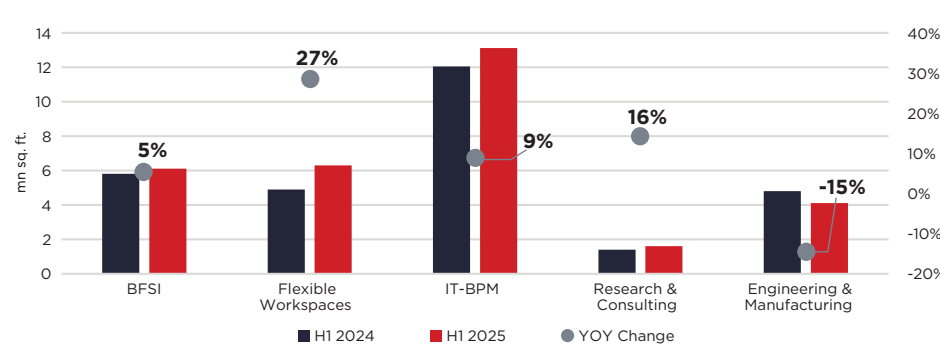
Gross absorption represents fresh leases and occupier sale, excludes renewals and pre-commitments
Note: Gross absorption numbers are estimations rounded off upto one decimal place

H1 2025: Gross Absorption & GCC Leasing



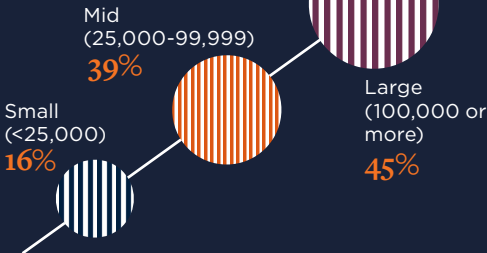
Source: Savills India Research

Key Demand Drivers & Trends



Source: Savills India Research

Deal Size Distribution (in sq. ft.)



Source: Savills India Research

Top Sectors



Source: Savills India Research

Large deals continue to dominate

Large-sized deals (over 100,000 sq. ft.) continued to dominate leasing activity, accounting for 45% of the total, thereby registering a 15% YOY growth as compared to H1 2024. Mid-sized deals (25,000-99,999 sq. ft.) saw annual growth of 9%, while small-sized deals (<25,000 sq. ft.) registered a 13% YOY decline. Bengaluru, Chennai and Delhi-NCR witnessed a significant share of large-sized deals in H1 2025, collectively accounting for 67%. Notably, nearly 64% of large-sized deal activity was driven by the technology sector and the BFSI segment across cities.

Tech occupiers led demand

The tech sector led leasing activity with a 34.3% share in overall absorption, followed by flexible workspaces at 16.4% and BFSI at 16.0%.

In volume terms, leasing by the tech sector grew to 13.1 mn sq. ft. in H1 2025, up from 12.1 mn sq. ft. in H1 2024. The flexible workspaces and BFSI segments also recorded growth, with leasing volumes rising to 6.3 mn sq. ft., and 6.1 mn sq. ft., respectively, in H1 2025 – up from 4.9 mn sq. ft. and 5.8 mn sq. ft. in H1 2024.



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CHENNAI

OFFICE MARKET UPDATE

CHENNAI'S KEY HIGHLIGHTS

GCCs fuel strong leasing momentum in Chennai

The surge in demand from GCCs underscores Chennai's rising prominence as a strategic operational hub, backed by its deep talent pool, competitive costs, and strong infrastructure. In H1 2025, GCCs absorbed 2.4 mn sq. ft. of office space, accounting for 44% of the city's total leasing activity, a significant uptick that reflects growing enterprise confidence in the market.

Prominent occupiers such as Standard Chartered, Walmart, State Street, AMEX, and Vestas expanded their GCC presence in the city, drawn by the availability of Grade A office spaces, a strong development pipeline, and an enabling policy framework. The surge in GCC activity was primarily driven by the BFSI sector, which alone accounted for 1.3 mn sq. ft. during the period, as firms continued to strengthen their technology and innovation capabilities through Chennai-based centres.

Large deals drive Chennai's office leasing in H1 2025

Chennai's office market witnessed a notable shift in deal dynamics during H1 2025, with large-sized transactions (above 100,000 sq. ft.) comprising 58% of the total leasing activity – a sharp increase from 28% in H1 2024. In contrast, the mid-sized deal segment accounted for 25% of the leasing volume, contributing 1.4 mn sq. ft., reflecting a significant decline of 36% compared to the same period last year. Major traction of office leasing was witnessed in OMR Zone 1 micromarket accounting for 36% of the total market share followed by MPR, PTR, and OMR Zone 2 micromarkets. The BFSI sector led large-sized space demand in H1 2025, overtaking the traditionally dominant IT-BPM segment, reflecting changing occupier preferences and BFSI's expanding real estate footprint.

*Top six cities: Bengaluru, Chennai, Delhi-NCR, Hyderabad, Mumbai, Pune

LEASING AND COMPLETIONS

Absorption

With 5.5 mn sq. ft. of gross leasing in H1 2025, Chennai ranked fourth among India's top six cities* in overall office leasing activity. A significant portion of this was driven by large-sized transactions, which contributed 3.2 mn sq. ft., representing 58% of the total leasing volume. Notably, the city witnessed a 2.4X increase in large deal activity compared to the same period last year, reflecting rising occupier confidence and a strong preference for scalable, high-quality office spaces. The majority of leasing activity was concentrated in the OMR Zone 1 micromarket, which captured a 36% share, followed by MPR with 19%. OMR Zone 2 and PTR also witnessed improved leasing momentum, together accounting for 29% of the overall activity.

Sector Split

While the technology sector continued to lead with a 34% share of total leasing, the BFSI sector emerged as a key demand driver during H1 2025, accounting for 24% of the city's leasing activity. This marks a notable shift with BFSI absorption rising sharply to 1.3 mn sq. ft., up from 0.7 mn sq. ft., in the same period last year. Flexible workspace operators witnessed robust growth, accounting for 23% of the total leasing volume in H1 2025 – a 2.3-fold increase over

the same period last year. This significant uptick underscores the growing occupier preference for agile and scalable workspace solutions.

Supply

Chennai witnessed an influx of 2.6 mn sq. ft. of new office supply in H1 2025, marking a 50% YOY increase. OMR Zone 1 accounted for the largest share of completions at 44%, followed by the MPR micromarket with 24%. Nearly 80% of the new supply comprised Non-SEZ developments, reflecting a growing preference for more versatile commercial spaces.

VACANCY RATE

The overall vacancy rate at the end of H1 2025 saw a moderate decline, reaching around 10.3%, driven by strong leasing momentum that largely kept pace with the influx of new supply.

RENTS

The average rental value in Chennai increased by 9% YOY at the city level. The OMR Zone 2 and Guindy micromarkets registered the highest growth, with rental values rising by 14% and 13% YOY, respectively. They were followed by MPR and GST, which saw increases of 9% and 7%. OMR Zone 1 also recorded a rental increase, with values rising by 5% in H1 2025 on an annual basis.

CHENNAI MARKET OUTLOOK

DEMAND

Chennai's office leasing market is expected to witness absorption of 7-8 mn sq. ft., by year-end 2025. GCCs continue to be a key demand driver, supported by the city's strong talent base and cost-effective business environment.

SECTORS

Steady enquiry levels and sustained interest from sectors such as BFSI, IT-BPM, engineering/R&D, and healthcare and pharma are likely to support overall market stability. Following a robust performance in the first half, particularly in the large-sized deal segment – demand for quality spaces is likely to persist, supported by occupiers' expansion and consolidation plans.

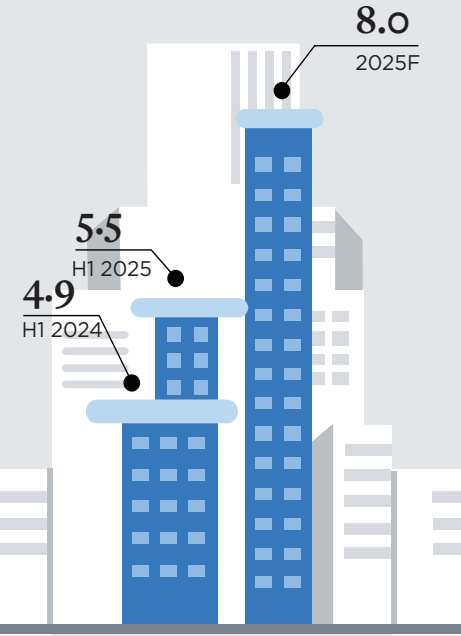
RENT & VACANCY

With another 6.4 mn sq. ft., of office space expected to enter the market by year-end, overall vacancy levels in the city may inch upwards. However, average city-wide rentals are likely to remain stable, with select micromarkets expected to see modest rental growth supported by sustained occupier interest.

SUPPLY

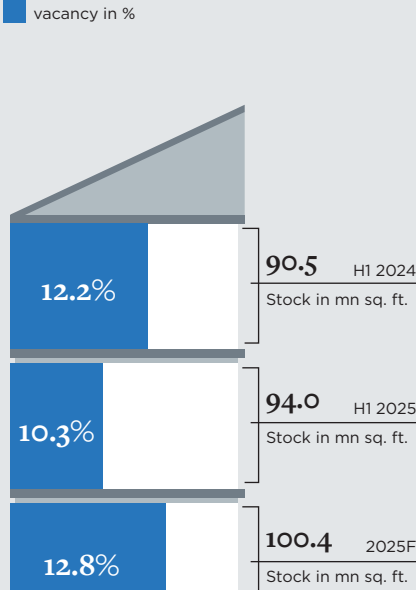
Chennai is projected to witness 9 mn sq. ft. of new completions by the end of 2025, with nearly 60% of the upcoming supply concentrated in OMR Zone 1 and the PTR micromarkets, followed by MPR, which is expected to account for 26%.

OFFICE ABSORPTION (mn sq. ft.)



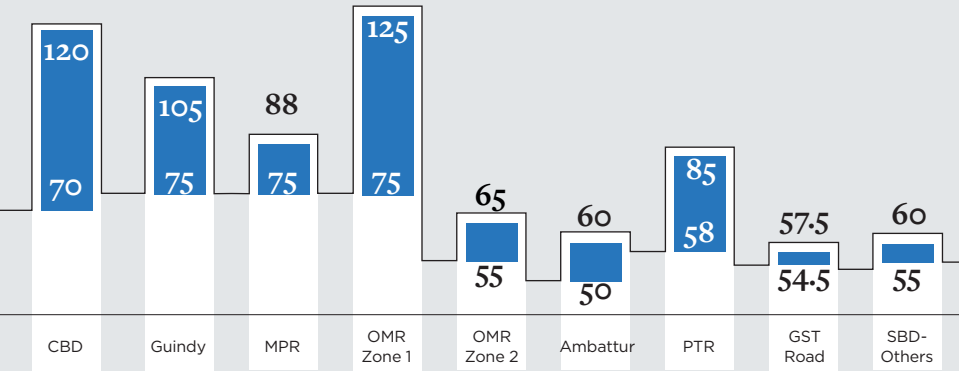
Source: Savills India Research

GRADE-A OFFICE STOCK & VACANCY



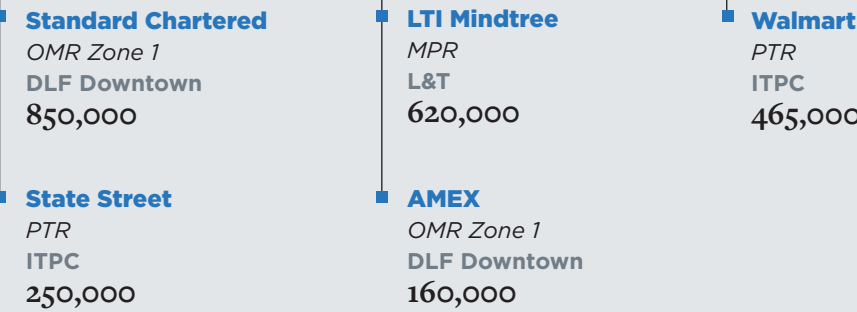
Source: Savills India Research

RENTAL RANGE H1 2025 (INR/sq. ft./month)



Source: Savills India Research

MAJOR TRANSACTIONS H1 2025



*Approximate and indicative areas only

CHENNAI MICROMARKETS
CBD - Anna Salai, Nungambakkam, R K Salai, Egmore, T Nagar, Greem Road
SBD - Guindy & MPR- Guindy Estate, Little Mount, Ekatuthangal, Mount Poonamalle Road, Manapakkam
SBD-(Pre Toll) OMR Zone 1 - Tharamani, Perungudi, MGR Salai
SBD Others - Velachery, Arcot Road, Arumbakkam, Anna Nagar
PBD-(Post Toll) OMR Zone 2 - Thoraipakkam, Shollinganallur, Navalur, Siruseri
PTR-PBD - Pallavaram Link Road
GST Road-PBD - Perungalathur, Maraimalai Nagar
Ambattur-PBD - Ambattur
*Approximate and indicative areas only
Savills India analyses office market for the top six cities (Bengaluru, Chennai, Delhi-NCR, Hyderabad, Mumbai and Pune)



INVESTMENT

Development of a three-year PPP project pipeline, with states encouraged to follow suit with India Infrastructure Project Development Fund (IIPDF) support

Enhanced infrastructure and connectivity will drive demand for commercial and residential developments, thereby increasing property values

demand for commercial and urban spaces and attract investments in Tier-2 cities, thereby increasing property values and drawing investments

APPENDIX

Abbreviations & Acronyms

Bn	Billion	CAB	Current Account Balance
GDP	Gross Domestic Product	CAD	Current Account Deficit
GST	Goods & Service Tax	Mn	Million
INR	Indian Rupee	PMI	Purchasing Manager’s Index
USD	United States Dollar	RBI	Reserve Bank of India
IT-BPM	Information Technology & Business Process Management	Sq. ft.	Square Feet
IMF	International Monetary Fund	YOY	Year over Year
GCCs	Global Capability Centres	IIP	Index of Industrial Production
FDI	Foreign Direct Investment	FII	Foreign Institutional Investors
BFSI	Banking, Financial Services and Insurance	SWAMIH	
MPC	Monetary Policy Committee	FUND 2	Special Window for Affordable and Mid-Income Housing Investment Fund 2
CPI	Consumer Price Index		

Key Definitions

Term	Definition
Stock/Inventory	This includes area of existing buildings plus new completions (supply) in each quarter/half year/full year
Supply	- New office buildings that have received their certificates of completion/occupancy within the quarter/half year/full year or - Buildings that have their structure ready and have occupier/s operating out of it or fit-outs being carried out
Gross Absorption/ Gross Leasing/ Leasing Activity	- Sum of all leases including expansion, relocation and consolidations - Does not include full-term renewals which are after the nine-year lease expiry - Includes leasing of entire tower by an occupier within an IT park/development
Average Rental Values/Rents	A fair estimation of asking rent and deal closure rent
Vacancy	Total vacant space as a percentage of inventory/stock

Term	International Definition
Crore	Ten Million (10,000,000)
Lakh	One Hundred Thousand (100,000)



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DLF Cyber City, Phase 3
Sector 24, Gurugram 122 002
Haryana, India

Bengaluru (Central Services)

Vaishnavi Tech Park, WM9C+995
Sarjapur Main Rd, Bellandur
Bengaluru 560 103
Karnataka, India

Hyderabad

5th Floor, DivyaSree Solitaire, Plot No. 14 & 15
Software Units Layout, Sy No 64, Madhapur
Serilingampally Mandal, Hyderabad 500 081
Telangana, India

Mumbai

Unit No 2604, 26th Floor
One Lodha Place, Senapati Bapat Marg
Lower Parel, Mumbai 400 051
Maharashtra, India

Chennai

5th Floor, SKCL Harmony Square
New No. 48 & 50, Praksam Street
T. Nagar, Chennai 600 017
Tamil Nadu, India

Ahmedabad

INC-02, The First Commercial Complex
B/S Keshavbaug Party Plot, Vastrapur
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Gujarat, India

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Sivan Chetty Gardens, Bengaluru 560 042
Karnataka, India

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