India | October 2023

SPOTLIGHT

Savills Research

Sub-Dollar Rental Office Markets In India

savills





Contents

Foreword 03

Hinjewadi: Rising Investment Destination in Pune 04

Gachibowli, Nanakramguda and Kokapet: The Emerging Triumvirate in Hyderabad 20

Mount Poonamallee Road & Pallavaram-Thoraipakkam Road: Chennai's Promising Growth Zones 34

Afterword 48

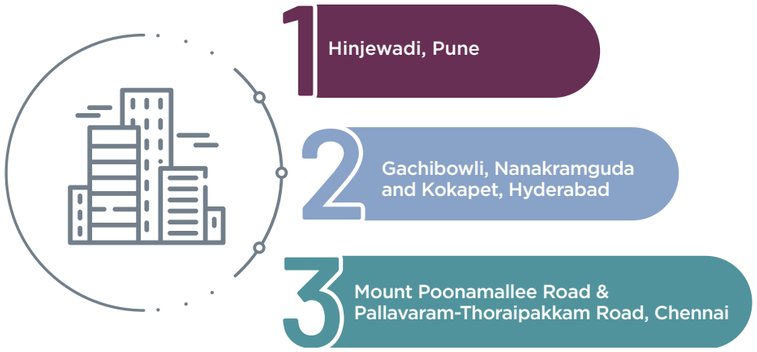
Foreword

After the COVID-19 induced economic slowdown in 2020, the bounce-back was brisk in 2021 and continued momentum in 2022, showing resurgence for office markets. With a 48.5% annual jump in demand and 45.1% in supply, 2022 clearly broke the shackles of the demand drought of the preceding two years. The demand got close to the historic peak of 2019, the pre-pandemic year, with the deficit being barely a mn sq. ft. on a pan-India[1] scale.

However, in 2023, there is yet another realignment in corporate thinking, on account of a general economic slowdown and global recessionary pressures. It has caused a visible slowdown in H1 2023, when the top-6 Indian markets collectively registered a 12% annual decline in office demand. Overall, the leasing activity in the first half of 2023 was recorded at 27.0 mn sq. ft. across the six major Indian cities. For an extensive coverage on commercial real estate activity in each of the six cities, we refer to our report 'India Market Watch Office H1 2023'. Interestingly, these cities have expanded to newer suburbs and are actively catering to the demands of cost-conscious occupiers.

Each city has its own unique offerings as an office destination, with robust infrastructure developments, a variety of housing options and well-rounded social ecosystems attracting inhabitants. This report is a sequel to our June 2022 report, 'Dollar-Edge Rental Office Markets in India' which outlined similar unique micromarkets in Mumbai, Bengaluru and Delhi-NCR. In this edition, we have endeavoured to provide a view of some vital locations in Pune, Hyderabad and Chennai which have remained strongly cost-effective, while maintaining their relevance for high-end offices.





[1]. Top 6 city markets comprise Bengaluru, National Capital Region, Mumbai, Hyderabad, Pune and Chennai

Hinjewadi:
Rising Investment Destination in Pune



Hinjewadi Landscape

The growth story of Hinjewadi dates back to 1998 when the foundation for the IT zone was laid in the area. Following this, Pune saw the IT revolution which fuelled real estate growth in the city. As several IT companies flourished, the area recorded an increased housing demand from technology professionals working in and around Hinjewadi. This information technology hub metamorphosed into a preferred residential and commercial catchment gradually. This was followed by the establishment of several office spaces, residential units, service apartments, shopping complexes and robust social infrastructure in the vicinity of the area.

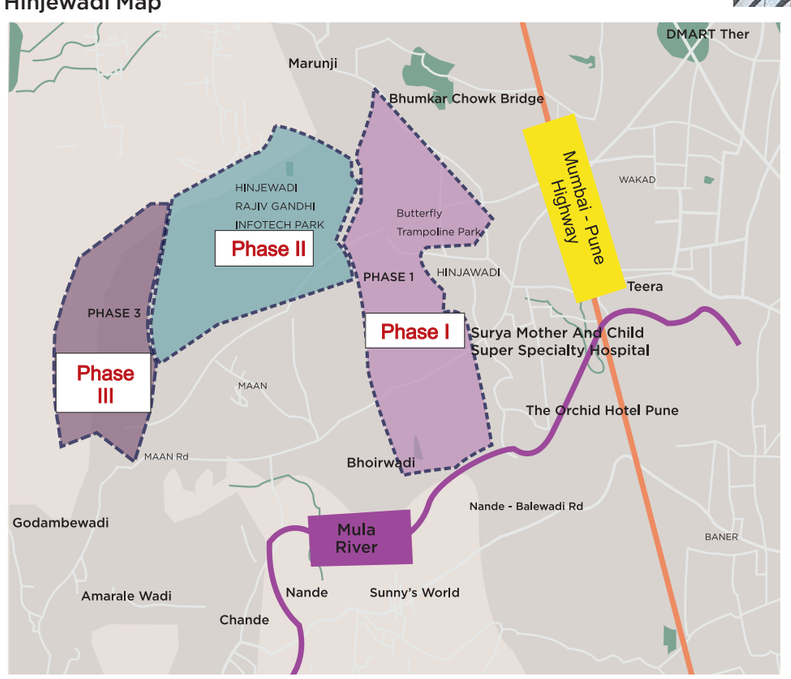
The Hinjewadi region, part of Peripheral Business District (PBD) - West and located along the Mumbai-Bengaluru bypass in the North-West of Pune city, is broadly divided into 3 phases covering an area of over 556 hectares. Each of these phases has unique developments catering to a specific real estate sector.

Hinjewadi Phase I is the most developed phase with major presence of commercial office developments. Prominent among these are Blueridge IT-SEZ, Panchshil IT Park, and others. Occupiers such as Infosys, 3D PLM, Accenture, Idea Cellular, Tata Technologies, Wipro, HCL Technologies etc. have their offices here.

Hinjewadi Phase II comprises mostly captive developments along with a few industrial developments occupied by pharmaceutical companies. Major occupiers in the region include Infosys, Wipro, Emerson, Emcure Pharma, Centaur Pharma and Genova Bio-Pharmaceuticals, among others.

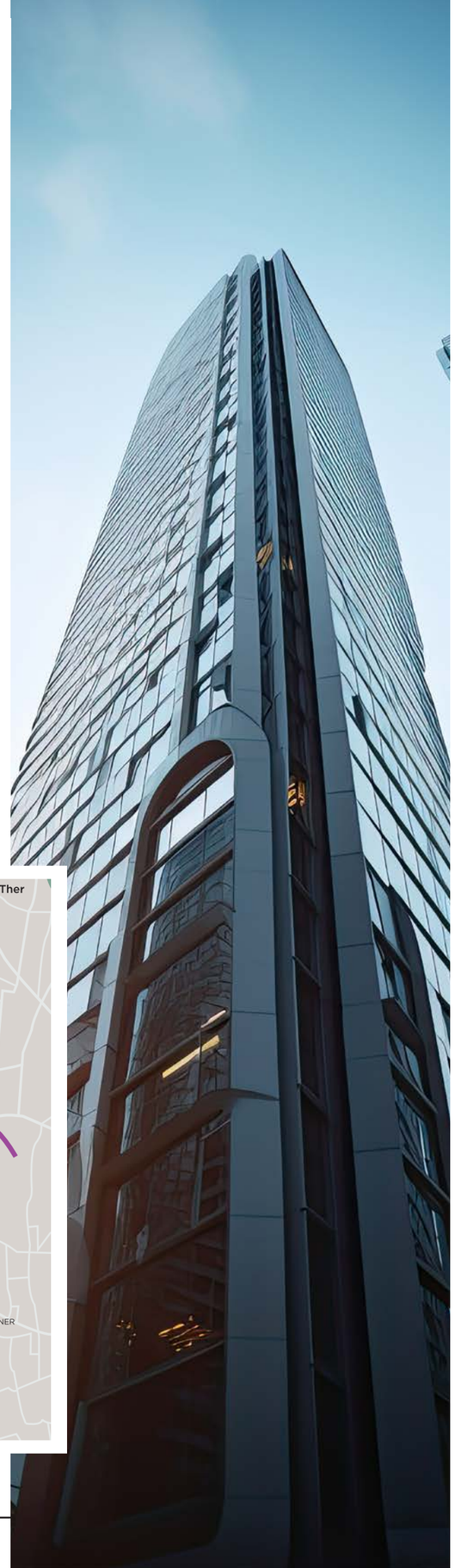
Hinjewadi Phase III comprises large Built-To-Suit (BTS) IT campuses of corporates such as TCS, Tech Mahindra, Capgemini, Cognizant, Synechron Technologies, KPIT, Yash Technologies etc. along with an institutionally owned campus of Ascendas.

Hinjewadi Map



Source: Savills India Research

Note: USD 1 = INR 82.1 on 30th June 2023



Hinjewadi: Real Estate Market Overview

The year 2019 was a record year for India's commercial office market and Pune was no exception. During the year, Pune recorded a gross absorption of 6.8 mn sq. ft., registering a peak. Hinjewadi accounted for a major share of about 24% in the leasing activity of Pune. If 2020 was a blip in India's growing office segment with occupiers cutting down on space, 2021 showed the way to normalcy with key occupiers returning to office. The momentum continued in 2022 with a strong revival in office demand, as confidence improved owing to COVID-19 infections remaining largely under control. Hinjewadi recorded gross absorption of 2.9 mn sq. ft. cumulatively during 2019-2022, garnering about 15% share in the overall leasing for Pune. Concurrently, the location witnessed about 1.6 mn sq. ft. of supply infusion from 2019 till 2022.

As evident in 2022 and H1 2023, the leasing momentum is expected to continue in H2 2023 as well. The cumulative gross absorption is expected to reach approximately 2.0 mn sq. ft. by 2025. This growth trajectory will be driven by the unique propositions that the micromarket offers such as the availability of space offering occupiers more options for expansion. We expect a robust supply addition of 1.4 mn sq. ft. during 2023-2025, which may lead to a momentary rise in vacancy levels. However, this is expected to benefit occupiers with more options for expansion and will gradually lead to an increase in absorption activity. A gradual increase in demand may lead to a marginal uptick in rents but these will continue to remain sub-dollar in the near future.

Hinjewadi: Key Statistics at a Glance

Operational Grade-A Office Stock[2] *(as of Q2 2023)*
14.0 mn sq. ft.

Office Rents *(as of Q2 2023)*
INR **45-60** per sq. ft. per month

Office Vacancy *(as of Q2 2023)*
25%

Office Gross Absorption Cumulative *(2020-2022)*
1.2 mn sq. ft.

Office Gross Absorption Forecast Cumulative *(Next 3 Years, up to 2025)*
2.0 mn sq. ft.

Office New Supply Infusion Cumulative *(2020-2022)*
1.4 mn sq. ft.

Office New Supply Infusion Forecast Cumulative *(Next 3 Years, up to 2025)*
1.4 mn sq. ft.

Office Rents Forecast *(Next 3 years, upto 2025)*
INR **45-70** per sq. ft. per month

Operational Retail Stock *(as of Q2 2023)*
1.5 mn sq. ft.

Residential Sale Prices for High-Rise Buildings *(as of Q2 2023)*
INR **7,500-11,000** per sq. ft.

Distance from Airport
24 km

Distance from CBD (Shivajinagar)
15 km

Source: Savills India Research, Secondary sources and market research

[2]. Includes only leasable office stock, excludes Built-To-Suit developments

Hinjewadi: SCOT Analysis

Strengths

- Good and improving physical and social infrastructure
- Robust intra-city connectivity
- Attractive rents for quality office spaces, especially campus-style developments
- Large floor plates, beneficial for companies implementing expansion or relocation strategies
- Robust tech ecosystem

Challenges

- Traffic woes in certain pockets during peak hours, especially on the stretch from Hinjewadi Flyover to Shivaji Park and from Wakad Chowk to Hinjewadi Phase
- Limited options for public transport
- Planned infrastructure is slowly developing, leading to stagnation risks for realty market

Opportunities

- Strategic location, proximate to Mumbai
- Will benefit greatly from the upcoming Navi Mumbai airport
- High quality IT office spaces, most suitable for tech occupiers, especially GIC(s), looking for large spaces
- Extensive availability of developable land

Threats

- Growing office spaces and residential developments may lead to a rise in traffic snarls and congestion
- Abundant options in nearby locations of Pimpri Chinchwad Municipal Corporation (PCMC)

S C O T

Source: Savills India Research

Sub-Dollar Rental Office Markets In India

Every location has its unique advantages and challenges that are highlighted in the SCOT analysis. However, we understand that this promising location has strong driving forces that have the potential to benefit the overall real estate of the city. The following section elaborates on specific growth drivers that will contribute to the overall real estate growth trajectory of Hinjewadi.

Factors Driving Growth of Hinjewadi

01

Rental Dynamics



02

Institutional Grade Developments



03

Diverse Demand Segments



04

Infrastructure Initiatives



05

Residential Options





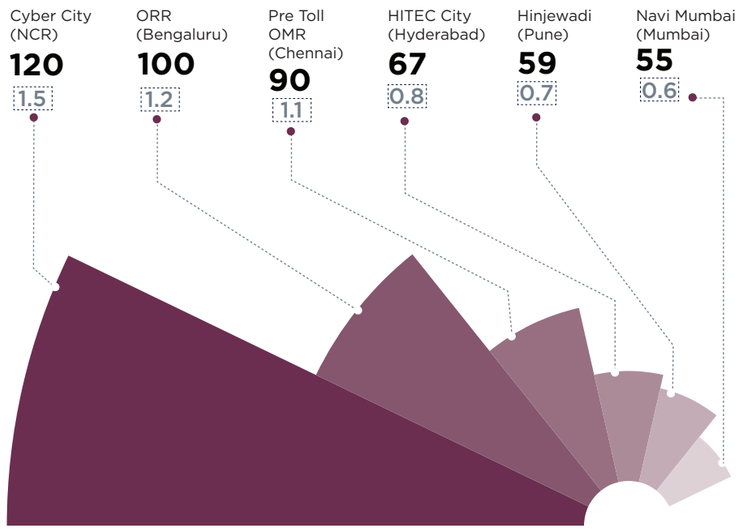
Sub-Dollar Rental Office Markets In India

With sub-dollar rents, Hinjewadi offers rental arbitrage of up to 50% vis-a-vis most other key IT markets in India.

Rental Dynamics Favouring Demand from Technology Occupiers

More than half of the leasing activity in Hinjewadi during H1 2023 is driven by the IT-BPM sector. It is among the leading price-effective rental IT markets in India favouring cost-conscious occupiers operating on a '$1 real estate cost strategy'[3].

Rent Comparison of Key IT Markets in India



Rents as of June 2023 **(INR per sq. ft. per month)** | USD per sq. ft. per month

Source: Savills India Research

Note: This is the average asking rent for the majority of Grade-A buildings, however, there are developments with higher/lower asking rents.

Notably, the share of Hinjewadi in overall office leasing in Pune has grown to almost thrice in 2022 compared to 2020. This demand is driven by the IT-BPM, engineering and manufacturing segments. Interestingly, Global In-house Centres (GICs), captive centres and third-party offshoring centres, too, are contributing to this demand especially in IT and SEZ developments.

In absolute terms, office leasing in Hinjewadi has grown 4X from 0.17 mn sq. ft. in 2020 to 0.88 mn sq. ft. in 2022.

Hinjewadi 's Share in Overall Pune Office Leasing



Source: Savills India Research

As of June 2023, GICs and captive centres occupy approximately 15 mn sq. ft. of office space in Hinjewadi.

Key GICs and Captive Centres in Hinjewadi

Company	Location	Area (sq. ft.)
TCS	Hinjewadi Phase III	3,100,000
Infosys	Hinjewadi Phase II	2,500,000
Tech Mahindra	Hinjewadi Phase III	1,800,000
Wipro	Hinjewadi Phase II	580,000

Source: Savills India Research
Note: The area stated are approximate and rounded-off.

[3]. The real estate rent of 1 sq. ft. should not exceed the USD exchange value of INR, currently at around 82.

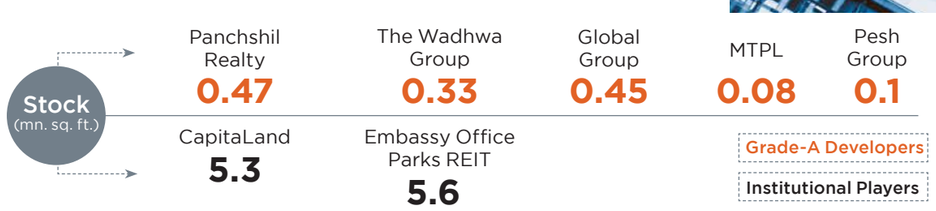
About 90% of existing office stock in Hinjewadi is owned by institutional players.

Institutional Grade Developments in Hinjewadi

Hinjewadi offers quality office space at sub-dollar rents to cater to the varied needs of occupiers, whether mid-sized or large-scale. Large-scale campus-style developments cater well to the needs of technology, life sciences, engineering and manufacturing occupiers looking for a large contiguous space. Also, the presence of environment-friendly green sustainable developments utilising renewable energy and preserving nature helps in creating value for the product. Some India Green Building Council (IGBC) rated green buildings in Hinjewadi are Embassy Tech Zone, Blue Ridge, Infosys, Wipro, and Praj Tower, among others[4]. These quality offerings have helped in attracting institutional investments into the region.

In our January 2023 publication 'Pune: Institutional Investments Hotbed', Savills India conducted an in-depth analysis of the institutional investor real estate landscape of Pune. The report highlighted that, as of December 2022, about 30.0 mn sq. ft. of office stock in Pune is owned by institutional investors (a company or organisation that invests money on behalf of clients or members), of which Hinjewadi constitutes 37%, making it investors' preferred destination.

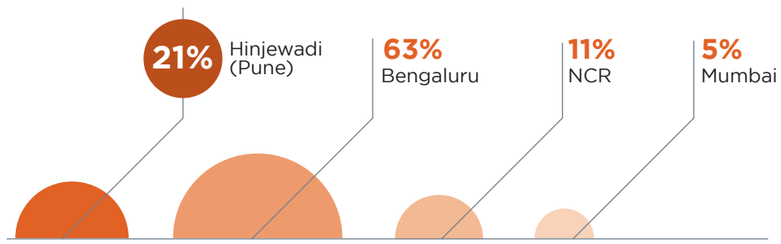
Key Companies Offering Quality Office Stock in Hinjewadi



Source: Savills India Research

Office REIT holdings have also seen prominent investments in Hinjewadi. Of the three listed office REITs in India, Embassy Office Parks REIT holds the highest share (21%) of office assets in Pune, spread across all three phases of Hinjewadi. This stands testament to the prominence of this location. This is followed by Mindspace Business Parks REIT with a 16% share while Brookfield REIT holds none.

Geographical Split of Embassy Office Parks REIT in India by Area



Source: REIT Quarterly Filing as of June 2023

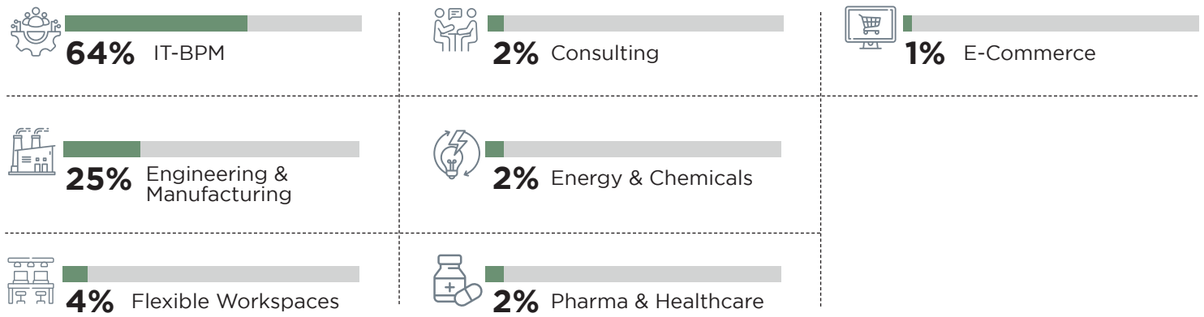
All of Embassy Office Parks REIT's assets in Pune are concentrated in Hinjewadi. By area, this represents 21% of the Embassy Office Parks REIT assets portfolio in India.

[4]. http://www.sustainability-initiatives.org/uploads/Final_Green_Building_Map_3a1dd5ece5.pdf

Varied Demand Sectors Contributing to Growth and Skilled Talent Availability

Office leasing activity in Hinjewadi is majorly driven by the IT-BPM segment and allied industries in recent times with 64% of office leasing carried out by technology occupiers during 2020-2022. Engineering and manufacturing companies, with a share of 25%, are also significant demand generators.

Sectoral Break-Up of Office Leasing in Hinjewadi 2020-2022



Source: Savills India Research

In fact, manufacturing companies benefit greatly from the robust industrial infrastructure setup in Hinjewadi and nearby areas of Pimpri-Chinchwad. Hinjewadi is home to about 70 industrial assets for automotive and engineering companies along with warehousing assets for e-commerce and 3PL companies.

Key Industrial and Warehousing Assets in Hinjewadi

Occupier	Area (sq. ft.)	Location
Brose India Automotive Private Limited	250,000	Hinjewadi Phase I
Knorr Bremse Systems Private Limited	125,000	Hinjewadi Phase II
Filtrum Polymers Private Limited	125,000	Hinjewadi Phase II
Tata Autocomp Systems Private Limited	100,000	Hinjewadi Phase I
Udaan	60,000	Hinjewadi Phase II

Source: Savills India Research
Note: Data as of June 2023

Hinjewadi also offers a holistic ecosystem, connectivity, skilled manpower and favourable climate to nurture growth in the life sciences segment. It contributes significantly to demand from the life sciences segment and is home to TCG International Biotech Park (TCG IBP), an 80-acre park in Pune for scientists and researchers. As per our estimates, the life sciences sector in India has the potential to witness USD 14-27 billion of cumulative investments between 2021 and 2030[5].

Major Occupiers in TCG International Biotech Park at Hinjewadi Phase II (in sq. ft.)

Emcure Pharmaceuticals Private Limited
320,000

M J Biotech Private Limited
100,000

Centaur Pharmaceuticals Private Limited
75,000

Hikal Limited
30,000

Omniactive Health Technologies Private Limited
30,000

Source: Savills India Research
Note: Data as of June 2023

Hinjewadi is one of the few localities in Pune where companies can find skilled manpower across sectors residing in areas near their work locations. There is abundant talent available for the IT-BPM sector, manufacturing sector and semi-skilled workers required for the e-commerce, warehousing, transportation and logistics sectors. The relative affordability in real estate price points especially housing, has augured well for Hinjewadi to develop as a catchment area for skilled and semi-skilled workforce.

[5]. Savills India Report 'On a Booster Dose: Life Sciences Real Estate', December 2021

Infrastructure Upgrade on the Anvil

Several infrastructure initiatives in Pune are aimed at improving connectivity and encouraging development in the city, some of which are highlighted here. The state government is also supportive so that these infrastructure projects pick up pace to meet the aim of completion by 2025. With a focus on the expedition of infrastructure projects in Pune enabling their timely completion, the Government of Maharashtra agreed to provide funding of 60% of certain infrastructure projects' cost to Pune Municipal Corporation.[6]

Major Infrastructure Projects Impacting Hinjewadi's Growth

	New Roads in Hinjewadi	Pune Ring Road	Bus Rapid Transit System (BRTS)	Pune Metro Rail	Pune Smart City
Project Description	Hinjewadi Industrial Association (HIA) has proposed a road between Mahalunge and Infosys Phase I Circle Road. There is also a proposal to connect Hinjewadi Road with Marunji Road via Phase II.	128 km long 8-lane ring road around Pune connecting Pune-Nashik High-way, Mumbai-Pune-Solapur Highway, Pune-Ahmednagar Highway and Pune-Satara Highway as well as Pimpri-Chinchwad.	The BRTS is a network of dedicated bus lanes. A network of 113 kms across the city has been planned. 6 routes have been planned in Phase I.	Two lines in Phase I and two lines in Phase II, covering a total distance of ~60 kms. This will be elevated and underground across different sections of the route.	Under the Smart City initiative, 900 acres across Aundh-Baner-Balewadi will be developed to include excellent infrastructure facilities and connectivity.
Impact on Hinjewadi	This will improve connectivity to Hinjewadi and reduce congestion at key intersections, such as the Wakad Junction.	Hinjewadi is located on the western periphery of Pune. The proposed ring road will improve connectivity of Hinjewadi with most other parts of the city and make commute faster.	The route connecting Nashik Phata to Wakad will help in improving the connectivity and reduce travel time to/ from Hinjewadi.	The connectivity of Hinjewadi will improve significantly with most parts of the city. The commute for the large workforce in Hinjewadi will become easier.	The initiative will develop the neighbourhood into a smart city and make it an attractive location to reside and work.
Project Status	Roads have been proposed and construction is yet to begin. Certain sections of the Mahalunge Road are already constructed and operational.	Pune Metropolitan Regional Develop-ment Authority (PMRDA) has floated the tenders for the first stretch between Satara Road to Ahmednagar Road.	Four routes including Nashik Phata to Wakad have been completed and are operational.	The metro line between PCMC and Shivajinagar is partly operational (from Pimpri to Phugewadi), the remaining is under trial.	Pune Smart City Development Corporation Limited (PSCDCL) has been formed and some of the projects have been initiated. A total of 34 projects have been planned.

Source: Savills India Research

[6] https://www.hindustantimes.com/cities/pune-news/state-govt-to-provide-60-funds-for-pune-infra-projects-fadnavis-101673715454997.html



Residential Options to Cater to All Segments

Several factors have worked in favour of Pune to make it an attractive investment hub. In the India Quality of Living Index 2019 (conducted by Mercer), Pune ranked first[7]. This suggests Pune's robust investment in factors such as economic and public infrastructure, availability of a variety of consumables, medical supplies and the like for local and international talent moving into the city. In the Ease of Living Index 2020, Pune was ranked second (Bengaluru being first) among Indian cities with a population of more than a million[8]. Pune jumped 10 spots to be ranked India's fifth cleanest city in the 'Swachh Survekshan 2021'[9] . The city received a three-star rating in garbage management. Adar Poonawalla Clean City initiative by the Serum Institute has pledged INR 1 billion (USD 12 million) towards solid waste management and sanitation initiatives under which e-toilets with five years of maintenance are being installed at 100 different public places across Pune city[11]. All these steps are directed at enhancing liveability in the city.

Pune Rankings

1	India Quality of Living Index 2019 (Mercer)
2	Ease of Living Index 2020
5	Cleanest City of India 2021

Source: Mercer, Ministry of Housing and Urban Affairs (Government of India)

Hinjewadi is home to townships of a wide budget range allowing people from all walks of life to have a home matching their lifestyles. Several options are available at various price points which are all relatively lower than other localities in Pune. Affordable housing options, the presence of many gated communities, good social infra in terms of educational institutes, hospitals, and neighbourhood retail stores act as a shot in the arm for the entire real estate spectrum of the locality including residential real estate. There appears to be a clear convergence of office occupiers and homebuyers preferring Hinjewadi, owing to its sub-dollar office rents and budget pricing of homes respectively. The availability of large land banks in Hinjewadi is luring developers that are foraying into the market with mega township projects, hence making it an attractive investment destination.

Between Q1 2019 and Q1 2022, Hinjewadi witnessed housing sale growth of 50% in terms of units sold, and a significant growth of 84% in terms of value. On an average, Hinjewadi recorded sale of 16,200 units annually during 2019-2021, equating to an average annual value of INR 98 billion[10].

Interestingly, Hinjewadi has numerous paying guest accommodations and branded co-living options like Stanza Living, Zolo, Tribe (Wakad), HelloWorld, etc. These target students and young working professionals particularly those who study or work within the locality or are willing to commute to the city centre, while taking advantage of relatively lower prices in Hinjewadi.

[7] https://www.mercer.co.in/content/mercer/asia-pacific/in/en/newsroom/2019-quality-of-living-survey.html
[8] https://pib.gov.in/PressReleasePage.aspx?PRID=1702417
[9] Annual survey of cleanliness, hygiene and sanitation conducted by the Ministry of Housing and Urban Affairs (MoHUA), in which 4,320 cities participated
[10] https://www.hindustantimes.com/cities/pune-news/monday-musings-pune-5th-cleanest-city-in-india-but-how-much-it-reflects-on-ground-101637577766325.html
[11] Secondary sources and market research

Prominent Residential Projects in Hinjewadi

Project Name	Developer	Quoted Price (INR per sq.ft.)	Location	Project Status
Godrej 24	Pearlite Real Properties Pvt. Ltd., Godrej Properties Limited	10,000-11,000	Hinjewadi Phase I	Under Construction
Godrej Elements	Pearlite Real Properties Pvt. Ltd., Godrej Properties Limited	10,000-11,000	Hinjewadi Phase I	Ready
Blue Ridge The Groves	Paranjape Schemes	9,000-10,000	Hinjewadi Phase I	Under Construction
Joyville	Shapoorji Pallonji	8,500-9,000	Hinjewadi Phase I	Ready
Megapolis	Pegasus Properties Pvt. Ltd. & Kumar Properties	7,500-8,000	Hinjewadi Phase III	Ready
Blue Ridge Project C Land 18 and T19	Paranjape Schemes	8,000-9,000	Hinjewadi Phase I	Ready
Geras Adara	Gera Developments	8,500-9,000	Hinjewadi Phase I	Under Construction

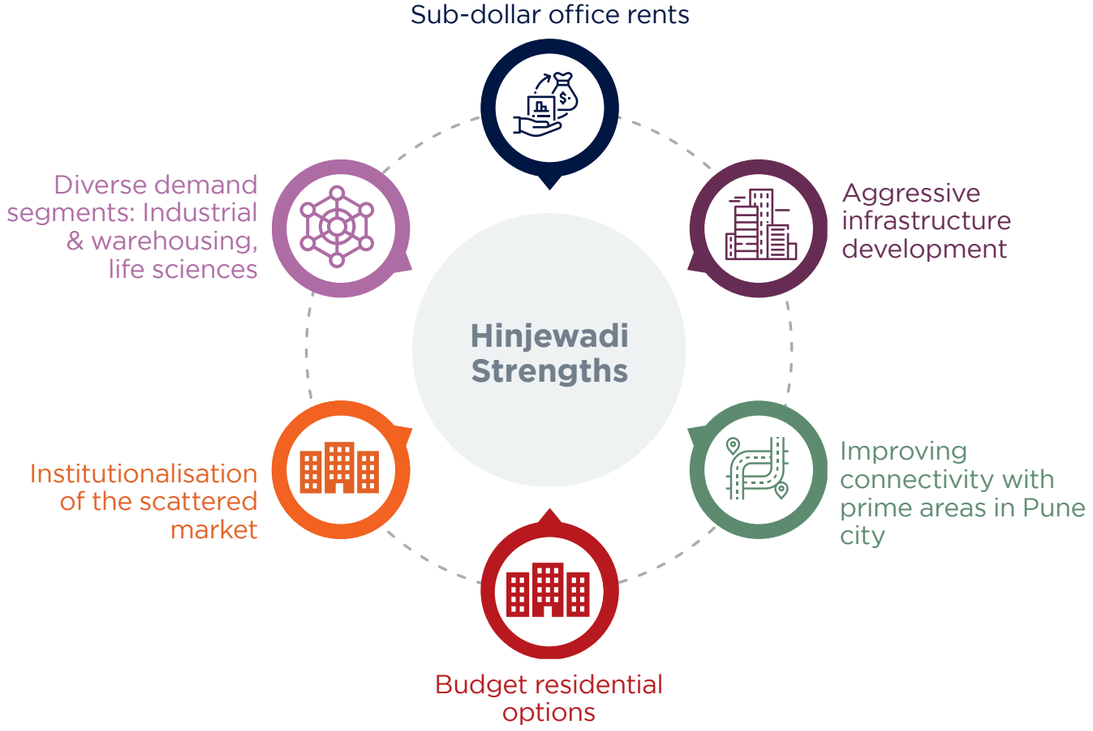
Source: Secondary Sources and Savills Research



Hinjewadi: A High Growth Prospect

Hinjewadi has emerged as the preferred location for office occupiers owing to several factors including sub-dollar office rents, affordable residential prices and rentals, robust connectivity and many more. The large-scale campus-style developments cater well to the needs of office occupiers, from technology and financial services industries. The occupiers in these segments often need large and contiguous spaces. The micromarket accounts for approximately one-fifth of the office stock of Pune as of mid-2023.

The recently approved Maharashtra IT-ITES Policy 2023 aims to position the western Indian state as the leading "tech capital" of the country. Leveraging the already renowned ecosystem for finance, entertainment and industrial industries in the state, the policy focuses on propelling the growth of the technology sector in Maharashtra. This policy is expected to present significant opportunities for multinational companies and foreign investors in the fast-growing technology sector. The key impact areas are expected to be Industry 4.0, financial GICs, AVGC (animation, visual effects, gaming, and comics) industries, etc. We expect this policy to augur well for the growth of Pune and particularly Hinjewadi, as the location will further gain attention from life sciences, technology and industrial occupiers. Additionally, planned mega infrastructure upgrades in the area will lead the next level of growth in this location and the inflow of investments is likely to rise exponentially in the near future.



Source: Savills India Research

Gachibowli, Nanakramguda and Kokapet:

The Emerging Triumvirate in Hyderabad

The Triumvirate: Gachibowli, Nanakramguda and Kokapet

Hyderabad, a city known for its history, culture, customs, traditions and cuisine, started to transform into the modern metropolis we know today with the advent of IT enterprises in the early 1990s and the subsequent rise of the pharma sector followed by the growth of aerospace, defence, and other ancillary sectors.

With the ITeS sector gaining prominence, the focal point of real estate development in the city started to spill over from the erstwhile city markets of Begumpet, Ameerpet, and SR Nagar to the western parts of the city, i.e., HITEC City, Gachibowli, and Financial District. Please refer to our report 'Hyderabad: The Sprint' released in April 2023, which highlights the city's rapid rise as an economic centre underlining the factors propelling growth.

Over the past decade, the Triumvirate of Gachibowli, Nanakramguda and Kokapet in Hyderabad have undergone a remarkable transformation, evolving into thriving commercial and residential hubs. This growth story is a testament to the strategic planning and development initiatives of the Telangana government, driven by the growing IT-ITeS sector and GCCs in the region.

The Triumvirate share elements that contribute to their collective rise as a formidable real estate force. These locations came into prominence when the neighbouring HITEC City is reaching maturity with respect to commercial developments. A distinguishing factor shared by these locations is the 'walk to work' concept. Here, residential dwellings are strategically positioned near workplaces, enhancing the convenience and allure of these areas for professionals. The peripheral areas surrounding the Triumvirate, including Kondapur, Botanical Garden, Khajaguda, Gandipet, Tellapur, Narsingi, Puppalaguda, and Manikonda, have all witnessed a significant surge in the residential real estate market. These locations also cater primarily to the mid-segment price bracket, making it a convenient choice for working professionals from nearby employment hubs.

The Telangana government's commitment to the infrastructure projects has significantly enhanced connectivity to the Triumvirate. These areas enjoy seamless access to various parts of the city, including the outskirts and city centres, allowing them to live away from the busy HITEC city hustle and bustle while maintaining proximity to emerging commercial locations.

The Triumvirate: Real Estate Market Overview

The Triumvirate locations have emerged as dynamic real estate hotspots, characterised by their relatively affordable price points, strategic location, and robust demand drivers. The price advantage and availability have been instrumental in shaping the growth story of these locations.

The Triumvirate has emerged as a significant office hub absorbing about 2.7 mn sq. ft. of the total city-wide office space absorption from 2020 to 2022. With a current office stock that continues to grow, the Triumvirate constitutes 42.8 mn sq. ft. out of the 109.5 mn sq. ft. overall office space inventory of the city as of June 2023. The new office space supply which captured a market share of 46% from 2020 to 2022 is projected to surge to an impressive 69% over the next two years in the Triumvirate, showcasing a significant increase in market share in the overall city's new supply infusion.

This leasing activity too is expected to continue through 2023-25 witnessing heightened activity capturing an impressive 18-20% share in the city's overall leasing activity, cementing its status as a potential destination for businesses and corporations. With the growth in office space supply outpacing the leasing activity, the vacancy levels in these areas are projected to be relatively higher, than the city average. Though this may keep rentals in check, it also provides ample options to occupiers to expand and relocate to these relatively cost-effective locations.

The Triumvirate has also witnessed tremendous growth in the residential segment with average capital values appreciating in the range of 15-25% during 2020-2022. The demand from professionals returning to the city and preferring the convenience of rental properties in these locations has driven the price rise. In addition, co-living spaces have also made their mark in these locations with competitive pricing when compared to other parts of the city, making them attractive choices for young workforce/IT professionals and students.

HYDERABAD MICROMARKETS

Secondary Business District I (SBD I) - HITEC City, Madhapur, Kondapur, Raidurg
Secondary Business District II (SBD II) - Gachibowli, Nanakramguda, Kokapet
Peripheral East (PBD East) - Pocharam, Uppal
Peripheral South (PBD South) – Shamshabad, Adibatla

The Triumvirate: Key Statistics at a Glance

Operational Grade-A Office Stock[12]
(as of Q2 2023)
42.8 mn sq. ft.

Office Rents
(as of Q2 2023)[13]
INR **50-65** per sq. ft. per month

Office Vacancy
(as of Q2 2023)
32.7%

Office Gross Absorption Cumulative
(2020-2022)
2.7 mn sq. ft.

Office Gross Absorption Forecast Cumulative
(Next 3 Years, up to 2025)
4.4 mn sq. ft.

Office New Supply Infusion Cumulative
(2020-2022)
15.2 mn sq. ft.

Office New Supply Infusion Forecast Cumulative
(Next 3 Years, up to 2025)
30.9 mn sq. ft.

Office Rents Forecast
(Next 3 Years, up to 2025)
INR **52-65** per sq. ft. per month

Residential Prices
(as of Q2 2023)

Avg. 2-BHK monthly rentals:	Property Rates:
INR **21,000-27,000** per month	INR **6,650-7,750** per sq. ft.

Distance from Airport

Gachibowli:	**32.5** km
Nanakramguda:	**30.6** km
Kokapet:	**26.9** km

Distance from HITEC City

Gachibowli:	**7.3** km
Nanakramguda:	**8.8** km
Kokapet:	**11.8** km

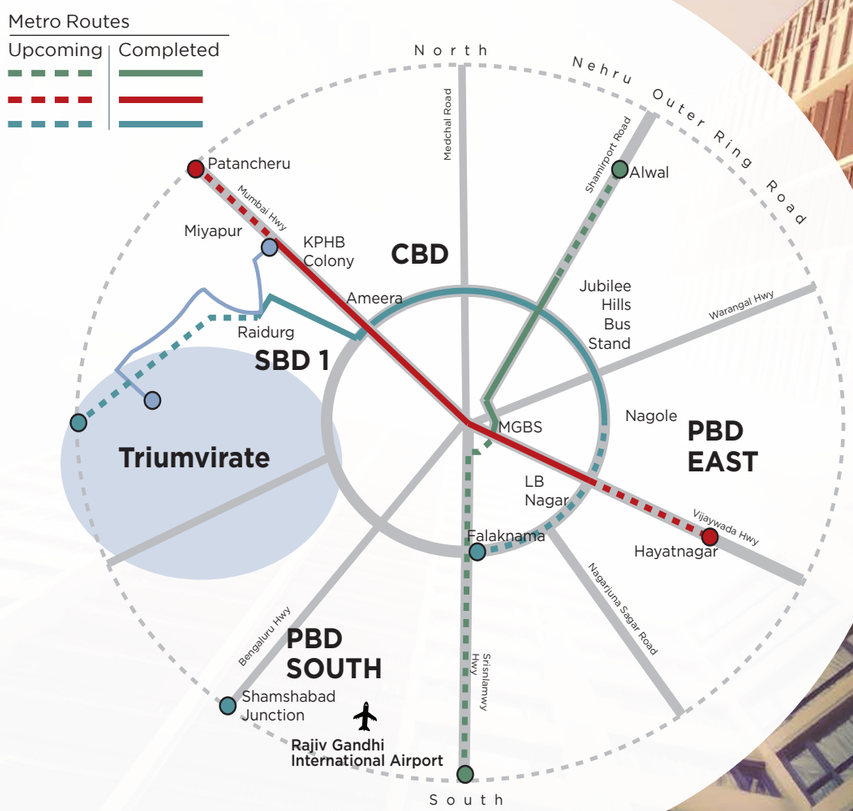
Source: Savills India Research, Secondary sources, and market research

The Triumvirate offers Grade-A office spaces, campus-style developments, a wide range of residential options, and the promise of future infrastructure upgrades.

However, these areas also face some challenges like limited last-mile public transit connectivity and modest social infrastructure. In the next section, we delve into the strengths, challenges, opportunities, and threats (SCOT) that define the real estate dynamics of these locations, shedding light on their current status and potential for growth.

[12] Includes only leasable office stock and excludes built-to-suit developments
[13] 1 USD = 82.1 as on 30th June 2023

Hyderabad Map



Source: : Savills India Research

SCOT Analysis of the Triumvirate

Strengths

- Sub-dollar office rentals
- Proximity to primary IT Hub (HITEC City)
- Strong presence of campuses

Challenges

- Limited retail development/ social infrastructure
- High vacancy rates
- Lack of public transport/ metro availability

Opportunities

- High availabililty of commercial office space
- Upcoming IT corridor
- Infrastructure developments
- Retail expansion
- Growth of the co-working and co-living sectors

Threats

- Competition from other emerging IT hubs
- Oversupply of office developments resulting in high vacancies
- Rising land costs

S C O T

Source: : Savills India Research



The subsections below outline the key elements contributing to the Triumvirate's unique positioning in Hyderabad's real estate market. We believe these aspects will propel the locality's real estate trajectory higher in the coming years.

Factors Driving Growth of the Triumvirate

01

Sub-Dollar Office Rentals

02

Residential Catchment

03

Supply of Grade-A Commercial Developments

Sub-Dollar Rental Office Markets In India

04

Campuses

05

Infrastructure Development



Sub-Dollar Office Rentals

The Triumvirate Areas' Economic Advantage

In today's rapidly evolving work landscape, where companies are increasingly adopting hybrid work models and exploring cost-effective real estate solutions, the Triumvirate is a compelling choice for cost-conscious occupiers. Compared to the major IT corridor of HITEC City, the Triumvirate provides occupiers with a significant rental arbitrage of 25-30% compared to the primary IT hub of HITEC City.

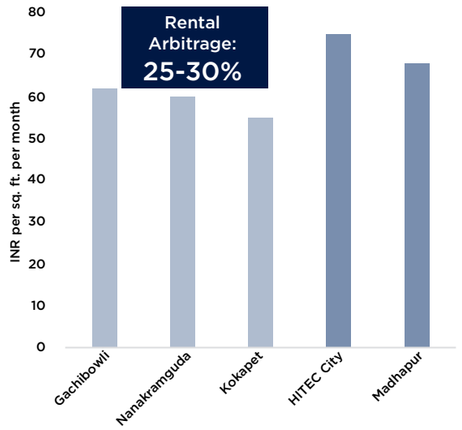
The Triumvirate further enhances their allure by offering office spaces at rates that dip below the dollar mark which is a compelling factor for global MNCs and organisations looking to establish a presence in this thriving business hub. The cost-effectiveness of these areas can be a pivotal decision-making point for businesses along with talent availability.

Affordable Co-Working Space in a Hybrid World

In today's ever-evolving corporate landscape, where flexibility is paramount, co-working spaces in the Triumvirate are taking center stage as the preferred solution for businesses of all sizes, including large MNCs.

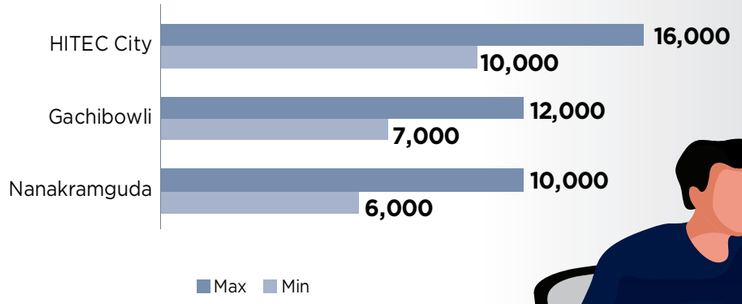
The average monthly cost of co-working spaces in Gachibowli and Nanakramguda is approximately 40-50% lower than in HITEC City. This quantifiable difference translates to substantial savings in operational expenses for companies opting for co-working spaces. In addition, Gachibowli's proximity to HITEC City ensures that businesses can access the bustling IT hub with ease. The excellent connectivity further enhances the appeal, as it allows companies to tap into the HITEC City ecosystem while enjoying the cost advantages of the affordable co-working spaces.

Average Asking Office Rentals across major micromarkets (Q2 2023)



Source: : Savills India Research

Average Co-working Space Rentals (as of Q2 2023)
INR per desk per month



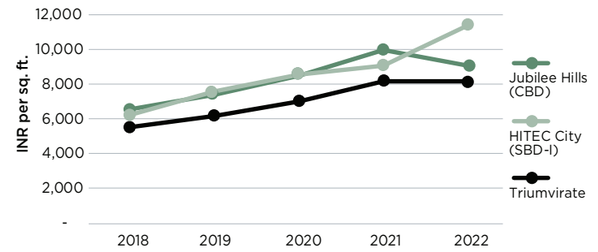
Source: : Savills India Research

Residential Catchment

Alluring Residential Investment Opportunity

The Triumvirate's development of modern gated communities loaded with amenities and a cosmopolitan crowd has played a pivotal role in propelling the area into a top-notch residential destination. Their proximity to other office hubs ensures accessibility, making these locations highly desirable for current and prospective residents as well as investors. The Triumvirate offers a wide range of residential options, from mid-range to premium complexes catering to various budget segments. The buyers/investors in the Triumvirate enjoy a dual benefit: a tranquil environment and the promise of higher capital appreciation over time upon liquidation. Notably, there has been an impressive capital appreciation of approximately 40-45% over the past five years, further enhancing its allure as an enticing residential investment opportunity.

Average Residential Capital Values in Select Hyderabad Localities (2018-2022)



Source: Secondary sources, and market research

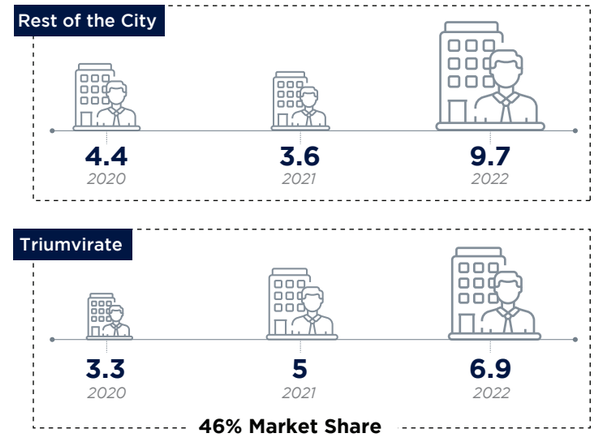
Supply of Grade-A Commercial Developments

Epicenter of Office Space Abundance

As of June 2023, the Triumvirate's market presence remains strong, with 42.8 mn sq. ft. of office stock representing 39% of the city-wide office stock. Between 2020 and 2022, the Triumvirate experienced impressive growth, adding 15.2 mn sq. ft. of office space which was almost 46% of the city's new office supply. Between 2023 and 2025, the Triumvirate will gain a 69% market share in overall new office supply, adding 30.9 mn sq. ft., solidifying its office space dominance and appeal. The upcoming supply surge reflects the developers' and landlords' confidence in these locations. From occupiers' perspectives, the development of high-quality Grade-A office construction with efficient utilities provides them with a wide array of choices, allowing them to select spaces that align perfectly with their needs, budgets, and growth plans. This abundance fosters healthy competition among landlords, keeping rents in check and enhancing lease flexibility to a certain extent.

As HITEC City approaches its saturation point, the Triumvirate stands ready with a surplus of office spaces and residential options offering businesses a seamless transition to neighbouring areas.

Office New Supply (2020-2022)
(mn sq. ft.)

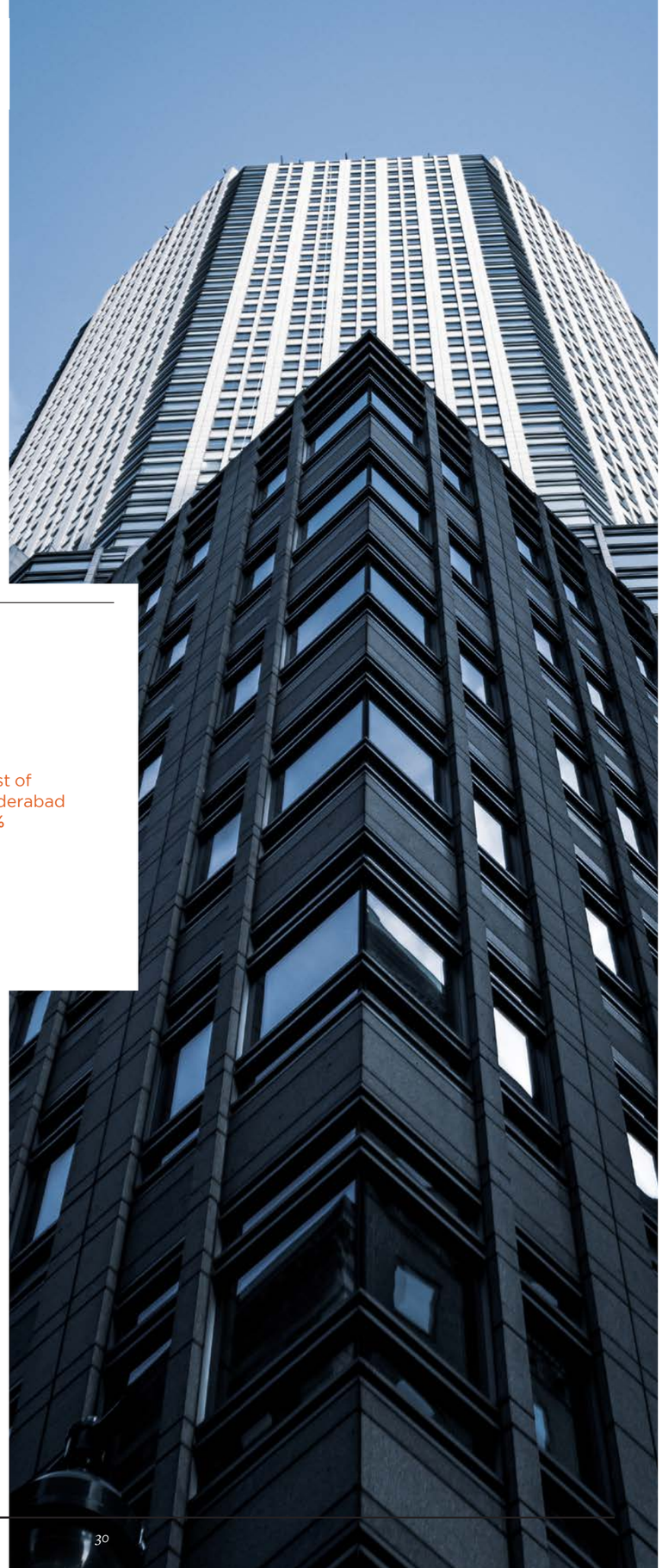


Source: Savills India Research

Campuses

Dominance in Campus Development

Prominent multinational companies, including Google, Amazon, Wipro, Microsoft, TCS, Capgemini, Franklin Templeton, and Cognizant have chosen the Triumvirate as home for their custom-built campuses. As of H1 2023, the locality has 11.5 mn sq. ft. of campus-style developments, making up 49% of total campus developments in Hyderabad. The recent inauguration of Asia's largest US Consulate in March underscores the area's international significance and attractiveness[14].



Campus Development Share in Hyderabad
(as of Q2 2023)

Source: Savills India Research

[14] https://indianexpress.com/article/cities/hyderabad/us-consulate-in-hyderabad-to-move-to-nanakramguda-8485248/#:~:text=For%20a%20decade%20and%20a,out%20of%20the%20Paigah%20Palace.&text=The%20US%20Consulate%20General%20Hyderabad,the%20financial%20district%20of%20Hyderabad.

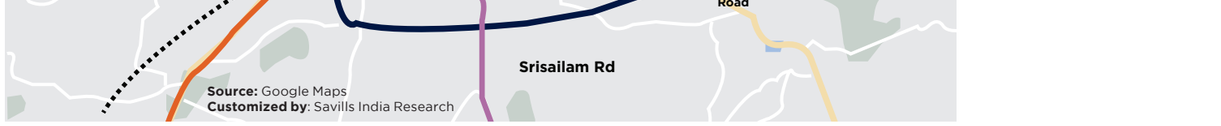
Future Infrastructure Fostering Connectivity and Growth

Infrastructure Development

The Triumvirate is set for a significant transformation in its transportation landscape, aiming to redefine the region's development and accessibility, building upon the existing ease of travel via the Outer Ring Road (ORR).

The proposed Hyderabad Metro extension traversing Gachibowli and Himayat Sagar, encompassing Nanakramguda and extending towards Narsingi and beyond will bridge geographical divides, linking vital locations and paving the way for notable economic growth. Adding to its potential, the metro line will seamlessly connect to the Rajiv Gandhi International Airport[15] in Shamshabad, streamlining airport access and reshaping the city's commuting landscape. The extended metro rail is expected to fortify connections between the thriving IT hub in the west and the international airport in the south, bolstering economic activities and elevating the appeal of the Triumvirate for businesses, professionals, and visitors. Additionally, as per a recent announcement, the State Government will extend the Metro Rail to cover the entire Hyderabad city, spanning approx. 278 km with a double elevated corridor at select places. This ambitious expansion is estimated to cost INR 69,000 cr and is anticipated to be completed within about four years[16].

Existing & Proposed Infrastructure in Hyderabad



Source: Google Maps
Customized by: Savills India Research

[15] https://themetrorailguy.com/hyderabad-metro-phase-2-information-map/
[16] https://www.thehindubusinessline.com/news/telangana-govt-to-expand-hyderabad-metro-rail-with-69000-crore/article67145650.ece

From Anonymity to an Emerging Hotspot

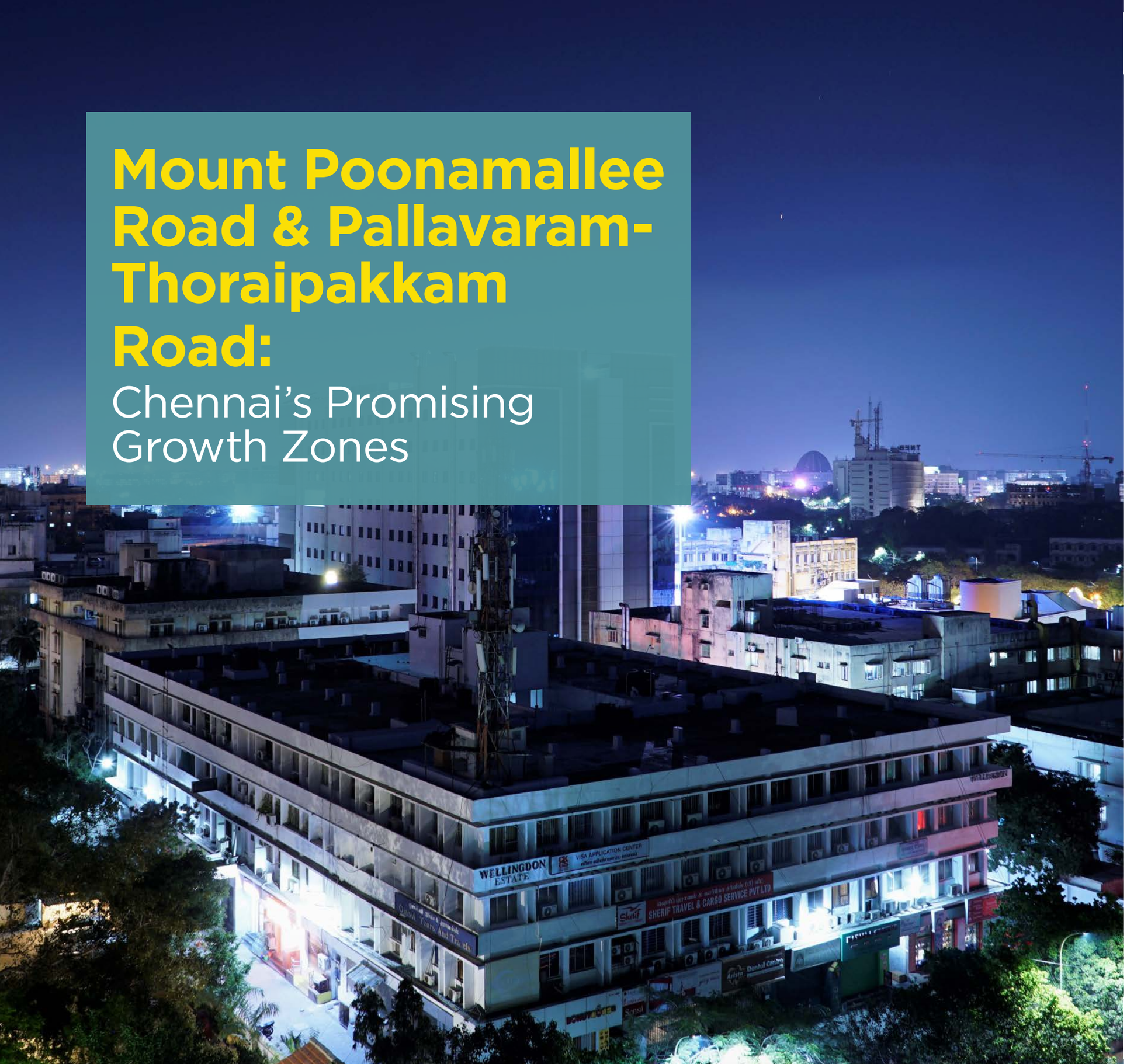
The Triumvirate of Gachibowli, Nanakramguda and Kokapet stand as a testament to Hyderabad's urban evolution. This growing region embodies the perfect synergy of affordability, Grade-A office supply, and robust infrastructure development. With competitive office rental rates, these areas have lured businesses seeking cost-effective office spaces, driving impressive occupant diversity. The fast-paced infrastructure developments have also been a key enabler, ensuring seamless connectivity, mobility, and access to amenities. As planned infrastructure projects near completion, the Triumvirate is poised to witness even more significant growth.

Collectively, these factors have transformed the Triumvirate into a thriving economic centre. They embody the essence of modern urban living, offering a promising future for both businesses and residents. As Hyderabad continues its forward-looking journey, the Triumvirate, along with emerging hotspots like Narsingi, Tellapur and Neopolis stand as beacons of opportunity and prosperity. This transformation from anonymity to prominence heralds a future for businesses, investors, and residents alike, underscoring the city's dynamic and forward-looking nature.

Sub-Dollar Rental Office Markets In India

Mount Poonamallee Road & Pallavaram-Thoraipakkam Road:

Chennai's Promising Growth Zones



Rising Prominence of MPR & PTR

Chennai has occupied a prominent position on the world map due to its strategic location and connectivity with other parts of the world through ports which has led to various manufacturing businesses setting up their base in the city. Not surprisingly, the manufacturing prowess of Chennai, especially in the automotive sector, has been a vital part of India's industrial growth story over the decades. However, starting 2000s, businesses evolved and employment opportunities in the IT-BPM sector redefined the contours and boundaries of the city.

With the establishment of IT park such as TIDEL Park in the late 90s, employment opportunities increased and brought an ever-increasing number of people from various parts of the country. Real estate demand for housing and commercial properties in Chennai increased significantly. The real estate sector in Chennai has been thriving on the 'Two A's: Availability & Affordability', which are the key factors for buyers and investors. With the limited availability of contiguous land parcels in the central areas of the city, developers started to shift their focus towards areas with the availability of land to build new commercial, residential, and retail epicentres. Key infrastructure projects like the Outer Ring Road fast-tracked the expansion of the city beyond the traditional commercial hubs of T. Nagar and Anna Salai to areas such as Guindy, OMR (Old Mahabalipuram Road), ECR (East Coast Road) and Mount Poonamalle Road (MPR).

Affordability and the real estate growth story of a city are strongly correlated. As areas in the traditional CBD, and Pre Toll OMR witnessed a rise in prices, suburban micromarkets like Guindy and Mount Poonamalle Road (MPR) emerged as attractive alternatives. Even marginally distant areas like Pallavaram Thoraipakkam Road (PTR) have been witnessing an increase in activity. The MPR & PTR cluster has a strong pipeline of new supply that will cater to the increasing demand for office spaces. In fact, the cluster enjoys excellent connectivity with central areas of the city. Affordable real estate price points, particularly sub-dollar office rents, are likely to propel the **'MPR & PTR'** cluster to the next growth phase in coming years.

CHENNAI MICROMARKETS

CBD - Anna Salai, Nungambakkam, R K Salai, Egmore, T Nagar, Gream Road
SBD - Guindy & MPR- Guindy Estate, Little Mount, Ekatuthangal, Mount Poonamalle Road, Manapakkam
SBD - Pre-Toll OMR- Tharamani, Perungudi, MGR Salai
SBD Others - Velachery, Arcot Road, Arumbakkam, Anna Nagar
PBD-Post Toll OMR - Thoraipakkam, Shollinganallur, Navalur, Siruseri
PTR-PBD - Pallavaram Link Road
GST Road-PBD - Perungalathur, Maraimalai Nagar
Ambattur-PBD- Ambattur

MPR & PTR: Real Estate Market Overview

2022 was the year of very strong office space demand from occupiers across sectors, propelling Chennai into the top 3 markets in the country. This continued in the first half of 2023, as occupiers from various sectors steadily leased office spaces in the city. Of the 4.5 mn sq. ft. of gross leasing activity in H1 2023, 2 mn sq. ft. was the share of the 'MPR & PTR' cluster, a 31% YOY increase. The total stock of Grade-A office buildings in the cluster stands at around 17.5 mn sq. ft. as of H1 2023, which is 21% of the total stock in Chennai. With respect to new city-wide completions, MPR & PTR had a cumulative share of 15% in H1 2023. The cluster is likely to witness office space uptake of 7-7.5 mn sq. ft. in the next 3 years (2023-2025). A strong development pipeline of 7-8 mn sq. ft. till 2025 is likely to result in a demand-supply mismatch and elevated vacancy levels in the future.

The average capital values of residential properties have increased with an appreciation of 10-15% in the MPR & PTR cluster as compared to the pre-pandemic rates of 2019. One of the key catalysts propelling real estate expansion in this cluster has been its affordability, as reflected in an average capital value ranging from INR 5,500 to 9,000 per sq.ft.



MPR & PTR: Key Statistics at a Glance

Operational Grade-A Office Stock[17]
(as of Q2 2023)
17.5 mn sq. ft.

Office Rents
(as of Q2 2023)[18]
INR **68-74** per sq. ft. per month

Office Vacancy
(as of Q2 2023)
16.0%

Office Gross Absorption Cumulative
(2020-2022)
4.2 mn sq. ft.

Office Gross Absorption Forecast Cumulative
(Next 3 Years, up to 2025)
7.2 mn sq. ft.

Office New Supply Infusion Cumulative
(2020-2022)
4.8 mn sq. ft.

Office New Supply Infusion
(Next 3 Years, up to 2025)
7.4 mn sq. ft.

Office Rents Forecast
(Next 3 Years, up to 2025)
INR **65-80** per sq. ft. per month

Operational Retail Stock
(as of Q2 2023)
2.6 mn sq. ft. (tentative)

Residential Prices
(as of Q2 2023)
Avg. 2-BHK monthly rentals: INR **15,000-20,000** per month
Property Rates: INR **5,400 - 9,000** per sq. ft.

Distance from Airport
MPR **12.3** km | PTR **5.2** km

Distance from CBD (Anna Salai)
MPR **13** km | PTR **16** km

Source: Savills India Research, Secondary sources and market research

[17]. Includes only leasable office stock, excludes Built-To-Suit developments.
[18]. 1 USD = 82.1 as on 30th June 2023

MPR & PTR: Enhancing Chennai's Real Estate Activity

The 'MPR & PTR' cluster is witnessing significant interest from occupiers and developers in the commercial office segment, homebuyers, and companies from the manufacturing sector. Reasons for this appeal can be attributed to a variety of propositions such as lower occupancy costs, relatively affordable housing, quality of upcoming office stock, manufacturing, IT-driven economic activity, and prospective infrastructure upgrades.

A quick snapshot of strengths, challenges, opportunities, and threats of the area is presented below.

SCOT Analysis of MPR & PTR Cluster

Strengths

- Sub-dollar rents
- IT-BPM and manufacturing driven economic activity
- Existing road connectivity to other parts of the city
- Affordable residential price points
- Well-developed catchment areas

Challenges

- Currently lacks rail-based mass transit options
- Limited social infrastructure in PTR

Opportunities

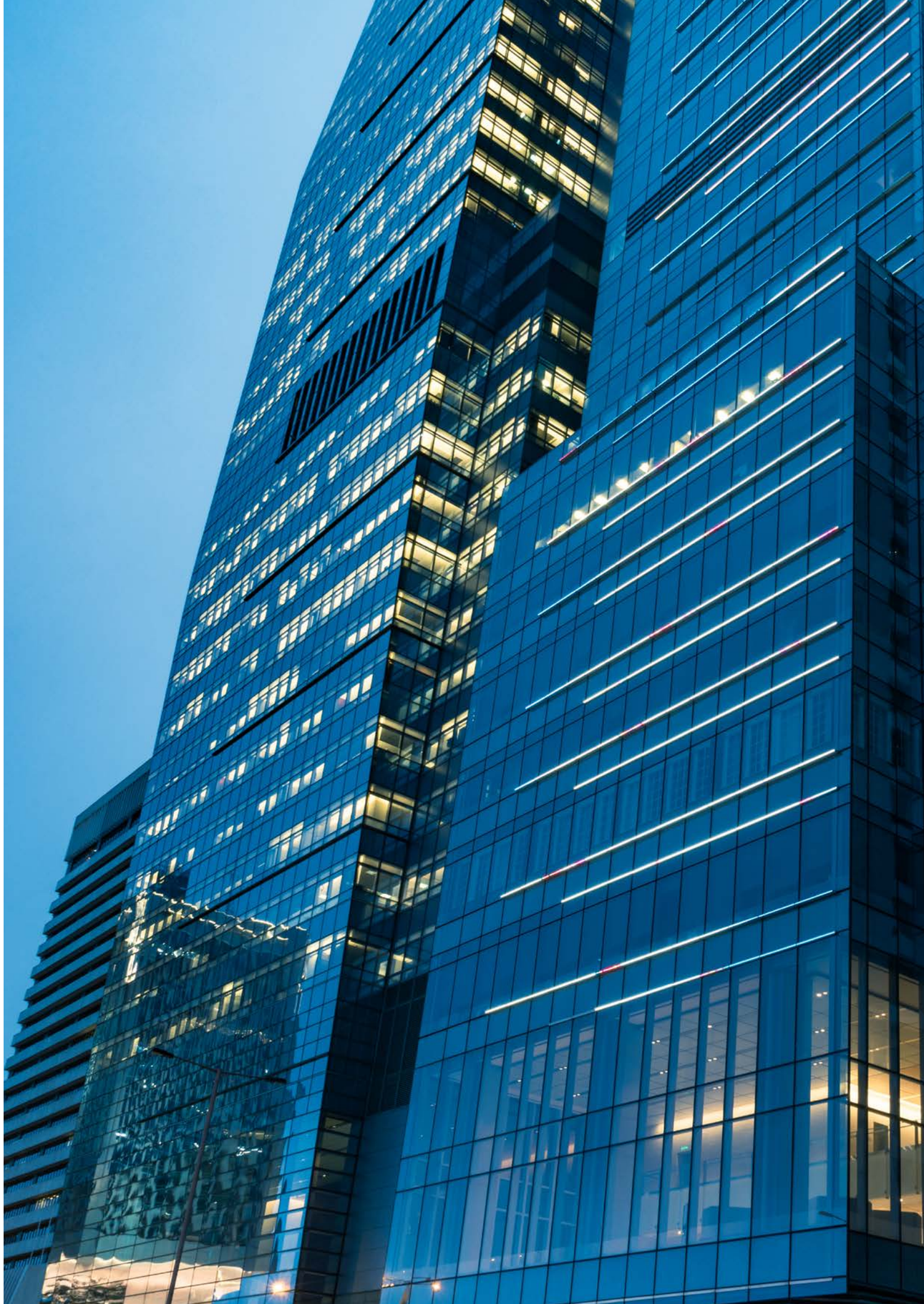
- Infrastructure augmentation including metro connectivity
- Scope for development in both retail and residential sectors

Threats

- Delays in infrastructure developments

S C O T

Source: : Savills India Research



Chennai's real estate market offers a plethora of opportunities that will elevate the real estate potential of MPR & PTR. While discussing the strengths and opportunities of the locality, it is important to note that most of these factors are interlinked with affordable real estate price points to a significant extent.

Factors Driving Growth of MPR & PTR

01

Sub-Dollar Office Rents

02

Strong Demand from IT-BPM Occupiers

03

Significant Upcoming Office Developments

04

Catchment Areas Add to the Real Estate Quotient

05

Infrastructure Developments to Unlock Real Estate Potential

06

Proximity to Manufacturing Hubs



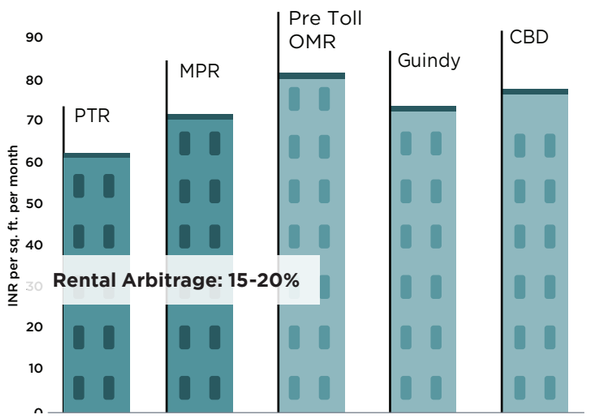
Sub-Dollar Rental Office Markets In India

Sub-Dollar Office Rents

Significant rental arbitrage in contrast to mature markets

Both MPR & PTR offer occupiers with alternative real estate portfolio options, mainly for financial arbitrage. Average office rentals in these areas are approximately 15-20% lower as compared to more established locations like Guindy, Pre Toll OMR, and the CBD areas of T Nagar, Egmore, etc. This price arbitrage is evident not only in conventional office buildings but also in the co-working segment. The per-seat monthly rentals start at merely INR 7,500 in the MPR & PTR cluster, compared to the average rental of over INR 10,000 in the OMR region. Several leading coworking operators such as WorkEasy, Table Space and Simpliwork have established their presence in this cluster.

Average Asking Office Rentals Across Major Micromarkets (Q2 2023)



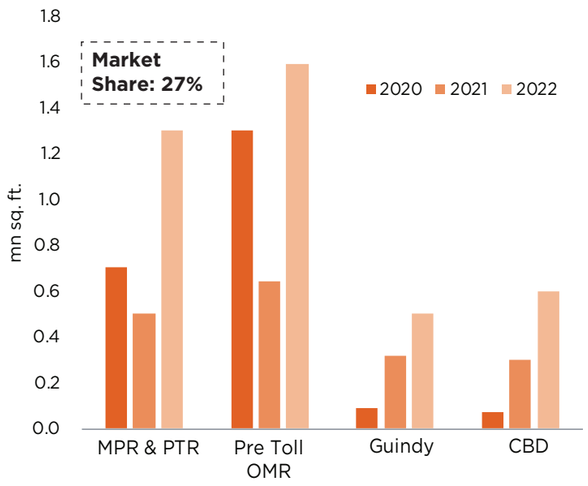
Source: Savills India Research

Strong Demand from IT-BPM Occupiers

Major IT-BPM demand Centre of Chennai

IT-BPM occupiers are major demand drivers of commercial real estate in the city. Despite the prevalence of an overall cautious atmosphere in the IT-BPM sector, the segment's market share increased from 51% in 2021 to an impressive 64% in 2022. Within Chennai, the prominent IT-BPM locations include Pre Toll OMR and MPR. Interestingly in the last 3 years, MPR & PTR have witnessed 2.5 mn sq. ft. of IT-BPM leasing activity, a 26% share in Chennai. Sub-dollar rentals have played a significant part in the evolution of MPR and select pockets in PTR.

IT-BPM Sector Leasing Across Major Micromarkets (2020-2022)



Source: Savills India Research

Presence of IT-SEZs

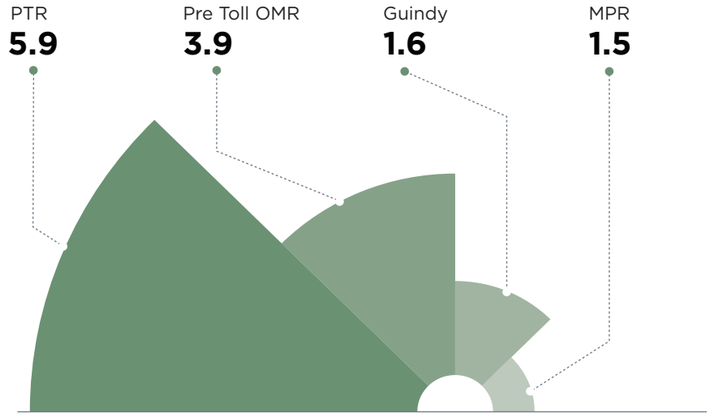
The cluster has a remarkable concentration of IT-SEZ stock. Of the 24 mn sq. ft. of IT-SEZ stock in Chennai, almost 52% is concentrated in MPR & PTR. Prominent SEZ buildings include DLF Cyber City, Chennai One and Embassy Splendid among others.



Significant Upcoming Office Developments

As of H1 2023, MPR & PTR had a combined 17.5 mn sq. ft. of Grade-A office stock, representing a 21% share in the overall stock of Chennai. Developers, taking cognizance of heightened leasing activity in recent years, are expected to infuse around 7.4 mn sq. ft. of office space in the next 2-3 years. Prominent upcoming office developments in MPR & PTR areas are indicated below. The vacancy rate in these areas is expected to hover around 19-20% by the end of 2025, up from the current 16%, due to persistent supply infusion. The rent in this cluster remains attractive for IT occupiers. It is worth noting that the core IT zones are getting saturated and pitching for higher rentals. This pushes some IT occupiers to look for alternative locations that offer similar quality, but also affordability and connectivity.

Micromarket-Wise Share of Upcoming Office Supply (mn sq. ft.) (2023-25)



Source: Savills India Research

Select Upcoming Office Developments in MPR & PTR

Building	Developer	Area (mn sq. ft.)	Locality	Expected Year of Completion
CapitaLand	CapitaLand	1.3	PTR	2023
KRC Pallikaranai - Block 1,3	KRC	1.8	PTR	2024
ASV Husainy Tech Park	ASV Construction	1.0	MPR	2023

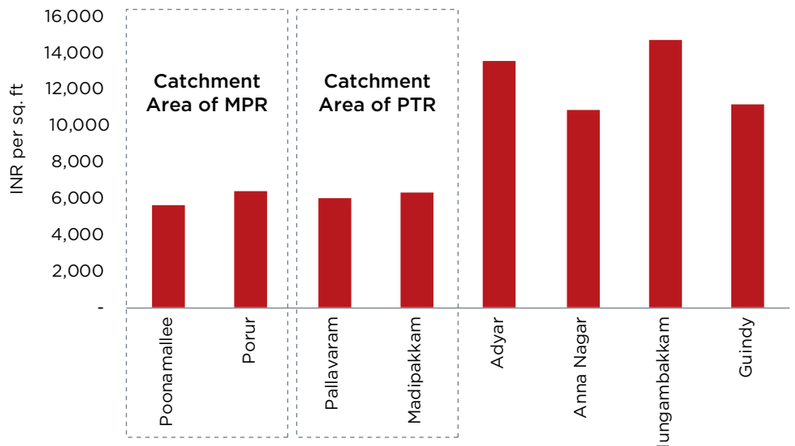
Source: Savills India Research
Note: The area stated are approximate and rounded-off.

Catchment Areas Add to the Real Estate Quotient

Comparatively affordable residential price points

As central areas of Chennai became expensive, homebuyers turned their attention to attention to relatively affordable areas, especially in the aftermath of the COVID-19 pandemic. Residential activity has increased in suburban business districts and nearby areas along MPR & PTR, and in the south, in the last few years, with capital values appreciating by 12-15% compared to 2020. Proximity to employment hubs strong infrastructure elements, good social amenities and affordable price points have combined perfectly to increase the liveability quotient of residential catchment areas along MPR & PTR. Housing rentals in these localities mirror the capital value arbitrage. Average 2-BHK rentals in and around MPR & PTR are 25-30% lesser as compared to central areas like Adyar and Anna Nagar.

Average Residential Capital Values in Select Chennai Localities (2022)



Source: Secondary sources and market research

Holistic social infrastructure

The presence of educational and healthcare institutions, entertainment avenues and retail options in and around these catchment areas of MPR have played a considerable role in making these localities a preferred area for home buyers. Some of the reputed schools in Poonamallee and Porur include Aadhithya International Public School and Sri Krish International School. Similarly, areas around PTR like Pallavaram and Madipakkam also score well on the social infrastructure front with the presence of reputed hospitals like Prashanth Super Speciality Hospital and Deepam Medfirst Hospital.



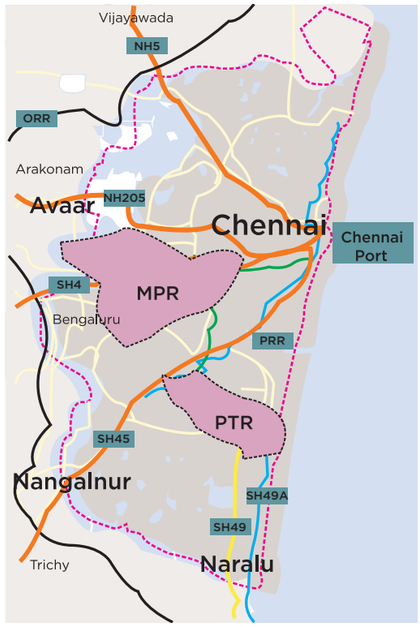
Infrastructure Developments to Unlock Real Estate Potential

Both MPR & PTR benefit from excellent connectivity to the rest of the city. The real estate potential of the entire stretch gets uplifted by seamless connectivity to established IT areas like OMR and CBD and industrial clusters of Sriperumbudur and Oragadam. While the real estate quotient of MPR has gained from key infrastructure projects like Outer Ring Road (ORR), Poonamallee Bypass Road and Trunk Road, PTR has gained immensely from the Pallavaram-Kundrathur Road and State Highway 113A. Furthermore, the proximity of the international airport (10-13 kms), has elevated the commercial and residential markets of MPR & PTR to a significant extent.

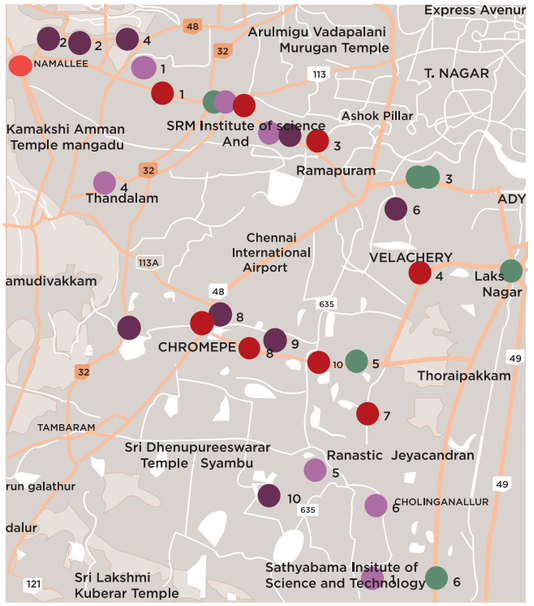
Upcoming infrastructure projects are likely to further cement MPR & PTR as preferred real estate hotspots within Chennai. The second phase of the Chennai metro, passing through Porur, Ramapuram, Guindy, etc. (around MPR) and Pallavaram, Chromepet, Tambaram, Thoraipakkam etc (around PTR) is expected to be completed in phases by 2030[19]. Once completed, the entire real estate spectrum of the cluster stands to benefit from increased mass transit options. Among other ambitious infrastructure projects of the state government, the proposed Chennai Peripheral Road project is likely to drive the real estate demand in peripheral areas like Pallavaram and Thoraipakkam.

As a significant development on the horizon, the Chennai-Bangalore Expressway is slated to be completed by January 2024[20] and is expected to drastically reduce travel time between the two cities to just 2 hours, down from the current 5-6 hours. The expressway will not only connect two significant hubs of South India but also spearhead industrial and residential growth. Moreover, it is poised to be a game-changer for e-commerce and 3PL companies, who are increasingly considering larger spaces and even Chennai as their hub considering this improved connectivity.

Chennai Infrastructure (Physical & Social) Overview with focus on MPR & PTR



Source: Google Maps
Customized by: Savills India Research



Source: Google Maps
Customized by: Savills India Research

Select Social Infrastructure Elements

Hotels

1. Itsy By Treebo
2. ITC Grand Chola
3. Lemon Tree Hotel
4. Holiday Inn
5. Zone By the Park
6. Fairfield by Marriott

Hospitals

1. Mahalakshmi Multispecialty Hospital
2. Dr. Dhananjayas Hospitals
3. MIOT International
4. Prashanth Super Specialty Hospital
5. Sugam Hospitals
6. VayuShri Hospitals
7. Deepam Medfirst Hospital

Residential Apartments

1. DRA Urbania
2. Vijay Raja VRX Fete
3. Golden Opulence
4. SOBHA Arbor
5. The Broadstone
6. Purva Somerset House
7. Jains Alpine Meadows
8. Raunaq Garden Wood
9. Raunaq Garden Wood
10. Aaranya - Villas

Educational Institutes

1. Aadhithya International Public Schools
2. Stannis Institute of Allied Health Sciences
3. Alagappa University Shri Murugan Institute of Education
4. Sri Krish International School
5. Narayana e techno school
6. SRI Chaitanya Techno School
7. Orchids The International School

Source: Secondary sources

[19] https://themetrorailguy.com/chennai-metro-phase-2-information-map/" Chennai Metro Phase 2: Route Map, Status Update & Tenders (themetrorailguy.com)

[20] https://timesproperty.com/news/post/bengaluru-chennai-expressway-details-blid5112#:~:text=The%20Bengaluru-Chennai%20express%20highway,Transport%20and%20Highways%2C%20Nitin%20Gadkari.

Proximity to Manufacturing Hubs

Manufacturing complements economic activity

The industrial areas in western parts of Chennai extend from Poonamallee and go up to Sungvachatram across Irrungattukottai, Pillaipakkam, Sriperumbadur, Oragadam, Mannur, Sengadu and Mappedu. These clusters cater to automotive, electronics, wind turbines, engineering and e-commerce sectors. The entire area around MPR, with Poonamallee being centrally located and well-connected with other parts of the city, serves as an excellent manufacturing belt. TANSIDCO Industrial Estate and SIPCOT Industrial Park are some of the major manufacturing parks in West Chennai. The state government has also introduced the Tamil Nadu Industrial Policy 2021-2025[21], which aims to attract investments worth INR 10 lakh cr (USD 135 bn) and create employment opportunities for 20 lakh people by 2025[22].

Similarly, industrial areas in South Chennai start from Guindy to Chengalpattu via Pallavaram and Tambaram. Madras Export Processing Zone (MEPZ) and Perungudi Industrial Estate are the prominent manufacturing clusters of South Chennai and are easily accessible from areas in and around PTR.

Multi-Modal Logistics Park at Mappedu

Tamil Nadu is set to build its first multi-modal logistics park at Mappedu slated to be completed by 2025 near the automobile and electronic manufacturing clusters of Sriperumbudur and Oragadam.

The project will be executed at a cost of around INR 1,200 cr on a 158-acre land parcel under a PPP model.

The project is expected to generate around 10,000 jobs.

Upon completion, the multi-modal logistics park is expected to increase not only the industrial and warehousing sector's potential in West Chennai, but also to a large extent the commercial and residential activity in and around MPR.

21. https://www.indembassybern.gov.in/docs/1617966871Tamil_Nadu_Industrial_Policy_2021.pdf

22. https://www.financialexpress.com/policy/economy-tamil-nadu-new-industrial-policy-aims-to-attract-rs-10-lakh-crore-investments-by-2025-2195974/

MPR & PTR: New Hotspot of Chennai

Driven by land availability, affordability, strategic location, good infrastructure and considerable real estate activity in recent years, MPR & PTR have transformed from low-activity suburbs to fast-developing hotspots. The cluster is already preferred by occupiers from the IT-BPM sector. Sub-dollar office rentals have played a significant role in attracting cost-conscious occupiers. Moreover, the completion of the proposed metro lines might as well catapult them into a favoured IT corridor, complementing the IT activity of OMR. MPR particularly and PTR to a certain extent have the potential to capitalise on existing high manufacturing activity. Warehousing and logistics sectors are likely to get a fillip with the completion of the proposed multi-modal logistics parks in the outskirts of Chennai. In anticipation of the steady demand in the future, developers have already planned significant office developments. Almost half of the upcoming Grade-A stock of Chennai in the next 3 years is likely to be concentrated in the MPR & PTR cluster. Overall, the combination of attractive price points, existing road connectivity, proximity to employment hubs and upcoming metro connectivity makes MPR & PTR an attractive destination for all real estate stakeholders in the coming years.

During 2020-2022, the office stock in the mentioned sub-dollar markets in Pune, Hyderabad and Chennai have together strengthened by 46% and is expected to expand by about 58% over the next 3 years. The rents albeit continued to carry the sub-dollar tag throughout the growth phase.

Afterword

Sub-dollar office rent markets offer growth opportunities for all real estate stakeholders alike – occupiers, developers, and investors. Office occupiers are benefitting from attractive sub-dollar rents resulting in relatively lower real estate costs; developers are benefitting from lower land prices; and investors are benefitting from attractive returns in office, retail, and logistics assets in these markets.

Along with the growth of commercial real estate activity, these markets are showcasing inclusive development in the form of robust infrastructure, residential development, logistics expansion, and life sciences opportunities, among others.

Savills India urges real estate stakeholders to keep these sub-dollar rental office markets in the reckoning and capitalise on the benefits they offer. We expect these sub-dollar office markets to continue to hold a powerful growth potential.

KEY STATS AT A GLANCE

	Hinjewadi (Pune)	Gachibowli, Nanakramguda and Kokapet (Hyderabad)	Mount Poonamallee Road & Pallavaram-Thoraipakkam Road (Chennai)
Stock as of December 2022 *(mn sq. ft.)*	14.0	37.4	17.0
Stock Expected as of December 2025 *(mn sq. ft.)*	15.4	68.3	24.4
Average Asking Rents *(INR/sq. ft./month)*	45-60	50-65	65-80

Source: Savills India Research

Sub-Dollar Rental Office Markets In India

Abbreviations & Acronyms

PBD .....Peripheral Business District

GIC.....Global In-house Centre

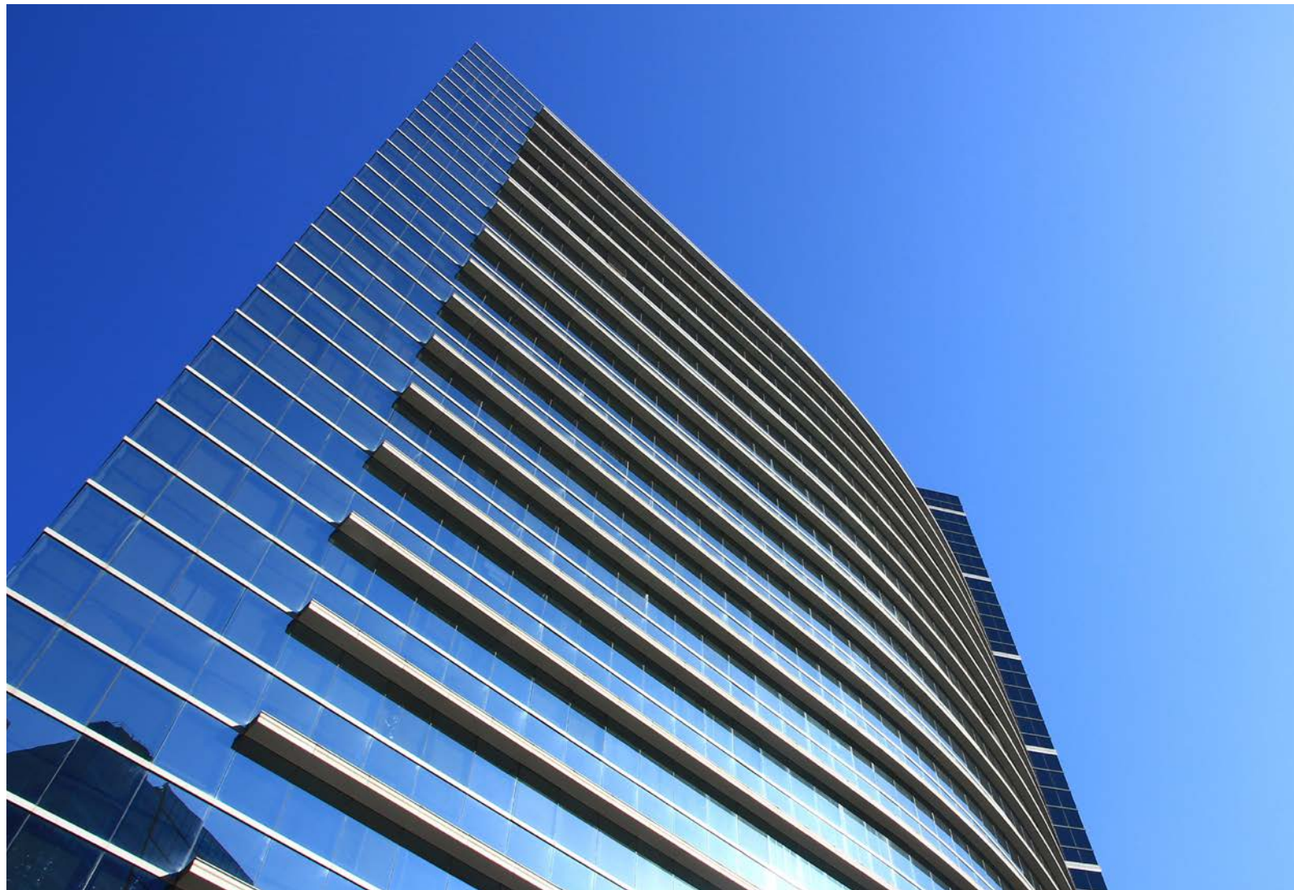
BTS .....Built-To-Suit

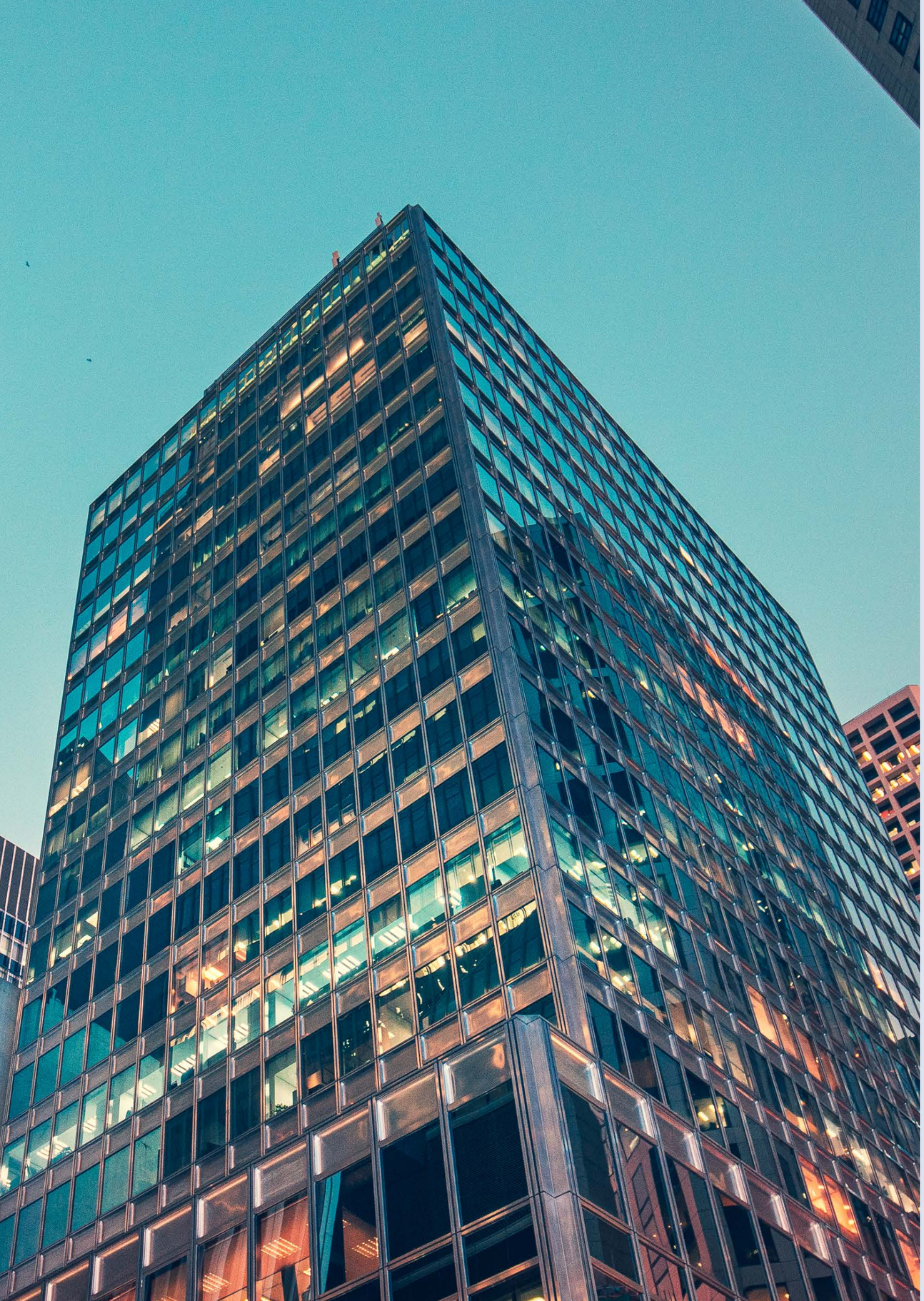
IT-BPM .....Information Technology - Business Process Management

H1.....First Half of the calendar year

IT-SEZ.....Information Technology – Special Economic Zone

REIT.....Real Estate Investment Trust





Savills

Savills PLC is a global real estate services provider listed on the London Stock Exchange. We have an international network of more than 700 offices and 40,000 associates throughout the Americas, the UK, continental Europe, Asia Pacific, Africa and the Middle East, offering a broad range of specialist advisory, management and transactional services to clients all over the world.

Savills India

Savills India is a group company of Savills PLC and is a premier professional international property consulting firm. With full-service offices in Ahmedabad, Bengaluru, Chennai, Hyderabad, Delhi-NCR, Mumbai, Pune and Kolkata, the firm serves occupiers, investors and developers of real estate.

Savills India provides services across office leasing, project management, capital markets, valuations, research, consulting, industrial and logistics, and residential services. Started in India in 2016, the company employs over 600 professionals.

Research

Aloka Majumder
Assistant Manager
Research & Consulting
aloka.majumder@savills.in

Diksha Gulati
General Manager
Research & Consulting
diksha.gulati@savills.in

Megha Maan
Director
Research & Consulting
megha.maan@savills.in

Shashwat Srivastava
Assistant Manager
Research & Consulting
shashwat.srivastava@savills.in

Radhika Deshmukh
Management Trainee
Research & Consulting
radhika.d@savills.in

Arvind Nandan
Managing Director
Research & Consulting
arvind.nandan@savills.in

Central Management

Anurag Mathur
Chief Executive Officer
Savills India
anurag.mathur@savills.in

Kaustuv Roy
Managing Director
Business Solutions
kaustuv.roy@savills.in

Naveen Nandwani
Managing Director
Commercial Advisory & Transactions
naveen.nandwani@savills.in

Media Queries

Chinmoyee Kalita
Corporate Communications Lead
chinmoyee.kalita@savills.in

Regional Management

Sarita Hunt
Managing Director
Bengaluru
sarita.hunt@savills.in

Rajat Johar
Managing Director
Delhi-NCR
rajat.johar@savills.in

Anup Vasanth
Managing Director
Chennai
anup.vasanth@savills.in

Sesha Sai
Managing Director
Hyderabad
sesha.sai@savills.in

Naveen Raina
Executive Director and
Interim Head Pune
naveen.raina@savills.in

Kaustuv Roy
Managing Director
Business Solutions
Mumbai
kaustuv.roy@savills.in

Gurugram

3-A, Second Floor, Building 9B
DLF Cyber City, Phase 3
Sector 24, Gurugram 122 002
Haryana, India

Mumbai

403, Tower B, Level 4, The Capital
Street 3, G Block, Bandra Kurla Complex
Bandra East, Mumbai 400 051
Maharashtra, India

Bengaluru

15th Floor, SKAV SEETHALAKSHMI
Corporation No.21, Kasturba Road
Bengaluru 560 001
Karnataka, India

Bengaluru

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

Chennai

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

Pune

Unit #4, 13th floor
Phoenix Fountainhead Tower 2
Phoenix Market City
Viman Nagar, Pune 411 014
Maharashtra, India

Hyderabad

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

Ahmedabad

INC-02, The First Commercial Complex
B/S Keshavbaug Party Plot, Vastrapur
Ahmedabad 380 015
Gujarat, India

Kolkata

Apeejay Business Centre
15 Park Street, Apeejay House
Block-A, 8th Floor, Kolkata 700 016
West Bengal, India

savills

Savills, the international real estate advisor established in the UK since 1855 with a network of over 700 offices and associates globally.

This document is prepared by Savills for information only. Whilst the information shared above has been shared in good faith and with due care with an endeavour to keep the information up to date and correct, no representations or warranties are made (express or implied) as to the accuracy, completeness, suitability or otherwise of the whole or any part of the deliverables. It does not constitute any offer or part of any contract for sale.

This publication may not be reproduced in any form or in any manner, in part or as a whole without written permission of the publisher, Savills.

© Savills India 2023.