APPCC
Association of Professional Property Consultants Chennai

A Comprehensive Update On Realty Scenario In And Around Chennai

Realty News

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CMDA gearing up for mega development in Chennai

The CMDA is consolidating efforts with other stakeholders in the government to ease congestion and intensify infrastructure development in the city, **reports V Nagarajan.**

The Chennai Metropolitan Development Authority (CMDA) has initiated several measures for all-round development of the city.

It will carry out commercial development utilising the space available at MRTS stations for vertical expansion in collaboration with southern railway on a revenue sharing basis. Some of the stations identified are Taramani I and II, Thiruvanmiyur, Kasturba Nagar, Indira Nagar and Velachery. This initiative can potentially transform MRTS stations and make them a sought-after space for office use and commercial businesses. The feasibility report of this study will be completed within 6 months.

In order to develop urban growth centres such as Thirumazhisai, Minjur, Thiruvallur, Chengalpattu and Kanchipuram and their respective surrounding areas as satellite towns, separate New Town Development Plans for each area will be prepared by CMDA.

Chennai shoreline renourishment & revitalisation, from Marina to Kovalam (approx. 30 km), will be undertaken at an estimated cost of Rs.100 crore by CMDA. It proposes to renourish and revitalise Chennai's shoreline in consultation with environment and forest department and the State Coastal Zone Management Authority (SCZMA). The coastline between Marina and Kovalam (approx. 30km) will be taken up in a phased manner for the project. The fund allocation is Rs 100 crore.

The CMDA also proposes to take up lakefront development of the following major lakes– Perumbakkam, Retteri, Mudichur, Madambakkam, Sembakkam, Ayanambakkam, Velachery, Adambakkam, and Puzhal–after consulting with Water Resources Department, GCC and other local bodies. This initiative will help support CMDA's vision to build Chennai as a Sponge City that allows rainwater to be absorbed, filtered by the soil and replenish urban aquifers. This will enable Chennai to deal with both water logging and floods, and water shortage.

In addition to the above, the CMDA plans to increase FSI for developments along important corridors such as existing and proposed MRTS and Metro rail transit corridors; Outer Ring Road and five arterial roads namely Anna Salai (GST), Periyar EVR Salai (GWT), Chennai-Kolkata Salai (GNT), Chennai-Thiruvallur Salai (CTH) & Rajiv Gandhi Salai (OMR).

The CMDA proposes to construct two new bus terminuses at Chenglepet and Thiruvallur on Public-Private Partnership (PPP) model. The development authority proposes to decongest and redevelop the Koyambedu wholesale market complex by engaging a consultant to study and identify the best-use option for the entire 79.43 acres. The feasibility report for the study will be completed within six months.

In the current financial year 2022-23, CMDA plans to take-up 10 out of 40 roads proposed in the Second Master Plan (SMP), within the GCC limit, for widening using TDR or land acquisition at the estimated cost of Rs.200 crore.

The CMDA proposes to develop 15 acres of OSR land in Kilambakkam bus stand and 21 acres of OSR land in Porur as parks and sports grounds at an estimated cost of Rs.30 crore. Also, along with the department of tourism, environment, climate change and forest, CMDA will develop other OSR lands in the future.

The development of grid of roads will be notified and added into the master plans. In the upcoming financial year, CMDA will widen the road of width 18m and above, within the CMA limit, at the estimated cost of Rs.200 crore.

To augment the overall urban planning capacity in the state, the School of Architecture and Planning (SAP), Anna University, will commence a B.Plan programme from the ensuing academic year. It will be funded by CMDA and DTCP in the ratio of 80:20.

Chennai Retailing Trends

Chennai sustained a healthy leasing activity across its main streets during the first quarter, says a survey **by Cushman & Wakefield.**

Leasing activity was largely driven by main streets of Peripheral South and Peripheral South west markets that accounted for 26% share (0.03 msf), followed by main streets in the Suburban South market with a 19% share. Prominent retail clusters like Adyar, Velachery and Madipakkam witnessed majority of the traction. Negligible fresh leasing activity was observed in malls, however, retailer churn continued in the superior grade malls. Retail business sentiments in the city have been improving gradually, with footfalls in superior malls rising up to 70-80% of pre-Covid levels. CDIT (Consumer Durables & IT), fashion & apparel and accessories segments witnessed healthy sales reaching up to 80-85% of pre-Covid levels. F&B sector however continued to experience the slowdown impact of the pandemic.

Fashion retailers expand footprint; F&B focuses on widening its delivery capability

In Q1, Fashion & Apparel segment accounted for 45% of gross leasing, followed by CDIT and Accessories & Lifestyle with 28% and 12% shares respectively. Vanilla retailers like Manyavar, Louis Philippe, Titan Eye Plus, Allen Solly were active during the quarter. Amongst the anchor tenants, Croma, Zudio, Westside leased multiple spaces across locations such as Navalur, Nungambakkam and Ambattur. Jewellery brands have been actively contributing to leasing since last six months and continue to expand their footprint across main streets. Bhima Jewellers venturing into the city with their flagship store at T. Nagar has been the highlight of the quarter. There is a change of strategy amongst the Fine dining brands to widen their reach in the city. These are no longer willing to sign up 3,000-

4,000 sf spaces but rather prefer 1,000-1,200 sf express outlets across multiple locations to penetrate the market and cater to a larger area from a delivery perspective.

Mall and main street rentals broadly unchanged

With negligible leasing recorded in malls during the quarter, city-level mall vacancy remained unchanged on a q-o-q basis and stood at 7.55% during Q1 2022. With no new supply addition and with low vacancy levels in superior category and well performing malls, city level mall vacancy is expected to remain range-bound between 7-8% during the remaining quarters of the year. However, despite low vacancy levels in superior malls, rentals remained unchanged and this trend is expected to continue over the near term. Select main streets such as Adyar, Velachery and Chromepet which had already inched up to the pre-pandemic level rentals, might witness appreciation in the short to medium term amid healthy demand.

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

Property	Location	Area	Completion
Chennai Airport MLCP	Meenambakkam	238,101	Q2 2022
Market of India	Perambur	5,400,000	Q2 2023

Source: Cushman & Wakefield Research

SIGNIFICANT LEASING TRANSACTIONS IN Q1 2022

Property	Location	Tenant	Area (sqft)
Main street	Nungambakkam high road	Westside	21,000
Main street	Red Hills road, Ambattur	Croma	11,000
Main street	Anna Nagar, 2nd Avenue	Manyavar	10,200

Source: Cushman & Wakefield Research

Realty Data

Major Investments in Logistics – 2021

Developer	Investor	Amount ($ million)
Embassy	Blackstone	700
Bagnan	Xander	28
TRAC	Blackstone	40
KSH	Indospace	135
Lodha	Morgan Stanley	80
Welspun	AIF	67
Jai Mata Dee	Xander	45
Mapletree	Morgan Stanley	62.7
Casa Grande	Ascendas Firstspace	29

Source: Savills India Industrial Research

Industrial and Logistics Market – 2021 Supply & Absorption in Tier II & III Cities

City	Absorption (million sqft)	Supply (million sqft)
Coimbatore	1.34	1.29
Guwahati	0.67	0.79
Indore	0.93	0.45
Nagpur	1.15	1.53
Lucknow	1.09	1.09
Jaipur	0.42	0.52
Rajpura	1.18	1.27
Bhubaneswar	0.05	0.03
Kochi/Ernakulam	-	0.28
Patna	0.49	0.39
Hosur	1.29	1.29

Source: Savills India Industrial Research

SIGNIFICANT OFFICE PROJECTS PLANNED AND UNDER CONSTRUCTION – Q1 2022

Property	Submarket	Major Tenant	Area (sqft)	Completion
Gateway Office Parks – Block A3	Peripheral South-west	NA	502,125	Q2 2022
FeatherLite IT Park Block A	Peripheral South-west	NA	331,652	Q2 2022
ASV Husainy Tech Park	South-west	NA	1,000,000	Q3 2022

Source: Cushman & Wakefield Research

KEY OFFICE LEASE TRANSACTIONS – Q1 2022

Property	Submarket	Tenant	Area (sqft)	Lease type
L&T Innovation campus	South-west	Mindtree	600,000	Pre-commitment
Commerzone Block A	South-west	TableSpace	109,347	Fresh lease.

INDIA INVESTMENT – Q1 2022 SIGNIFICANT INVESTMENT TRANSACTIONS – Q1 2022

Investor	Investee	Transaction Type	City	Investment (Rs billion)
Lake Shore India Advisory	Ashwin Sheth, GIC	Retail	Mumbai	19.0
Blackstone group	Prestige Estates	Office, retail, hospitality	Multiple	16.9
Brookfield Asset Management, Digital Realty		Data centre	Chennai	2.3
Mapletree Logistics Trust		Industrial	Bengaluru	1.1
Walton Street Blacksoil	Shapoorji Pallonji, Vakratunda group	Residential	Mumbai	0.75

SIGNIFICANT CORPORATE TRANSACTIONS – Q1 2022

Investor	Buyer's sector	Transaction Type	City	Investment (Rs million)
Skechers	Retail	Office	Mumbai	1750.0
KGK Diamonds	Others	Office	Mumbai	887.6
Kansai Nerolac Paints	Others	Office	Mumbai	820.1
Web Werks	Data Centre	Office	Bengaluru	550.1

Source: Cushman & Wakefield Research

CHENNAI OFFICE MART – RENTALS

Submarket	Grade A weighted average rent (Rs/sqft)
CBD	77.50
Off-CBD	74.48
South-west	74.00
North-west	39.81
Suburban south	76.50
Peripheral south	49.56
Peripheral south-west	54.00

Source: Cushman & Wakefield Research

CHENNAI RESIDENTIAL SALES AS OF Q1 2022

Submarket	Average quoted capital value (Rs/sqft)
HIGH-END SEGMENT	
Central	23,000 - 27,000
Off Central – I	18,000 - 23,000
Off Central – II	12,000 – 17,000
East Coast Road	6,000 – 9,500
Suburban south	76.50
MID-SEGMENT	
Central	14,000 – 18,000
Off Central I	15,000 – 18,000
Off Central II	8,400 – 10,000
Suburban south I	5,000 – 7,400
Suburban south II	4,000 – 7,400
Suburban north	4,200 – 6,950
Suburban west	4,400 – 8,000
East Coast Road	4,500 – 6,500

Source: Cushman & Wakefield Research

WAREHOUSING

Industrial and Warehousing growth up 11 per cent

Demand for Grade A spaces remained robust with healthy absorption witnessed during 1st quarter, says a survey by Colliers India.

Activity in Grade A industrial and warehousing facilities continues to be robust during Q1 2022 with gross absorption in the top 5 cities at 6.2 million sq feet, an 11% increase from Q1 2021. The demand was led by heightened leasing in Delhi-NCR and Mumbai. Vacancy across Grade A projects also declined during the quarter, indicating a healthy demand environment in the sector. Overall, the demand was steered by robust warehousing demand from third-party logistics players, amidst strong consumer demand across sectors.

About 50% of the gross absorption was led by third-party logistics players, followed by the Engineering and Automobile sectors with a share of 17% and 12% respectively.

"Demand for Grade A spaces remained robust with healthy take-up witnessed this quarter across key cities with NCR market leading the space take-up.

Trends in Grade A Gross absorption

City	Q1 2022 (million sq ft)	Q1 2021 (million sq ft)
Bengaluru	0.9	1.5
Chennai	0.7	0.8
Delhi NCR	1.7	1.2
Mumbai	1.3	0.3
Pune	1.6	1.8
Total	**6.2**	**5.6**

Source: Colliers

Trends in Grade A Supply

City	Q1 2022 (million sq ft)	Q1 2021 (million sq ft)
Bengaluru	0.8	0.2
Chennai	1.0	1.4
Delhi NCR	2.3	4.0
Mumbai	1.0	1.1
Pune	1.3	0.9
Total	**6.4**	**7.6**

Source: Colliers

Growing concerns about rising construction costs has exerted upward pressure on rents quoted for upcoming developments across markets. Developers are now looking to cater to build-to-suit demand keenly as opposed to speculative supply addition traditionally due to this increased input cost scenario. The trend is expected to continue in the next few quarters as Logistics and E-commerce players take up larger spaces in top cities as they scale up their operations in Tier-I cities", said Shyam Arumugam, Managing Director, Industrial and Logistics Services, Colliers India.

Overall, grade A supply declined 16% YoY across the top five cities to about 6.4 million sq feet. Lower supply and robust leasing during the quarter led to a drop in vacancy. Grade A vacancy levels declined to 9.8% at the end of Q1 2022, from 11.8% in Q4 2021. This was largely led by strong leasing activity in Delhi-NCR, Mumbai and Pune.

Delhi-NCR dominated leasing activity with a share of 28%. The demand was led by large deals that accounted for about 91% of the total leasing. Deals by third-party logistics players led most of the activity through large deals. The majority of the activity was in the Luhari location. Pune accounted for 26% of the leasing. The automobile sector continued to lead the demand with a notable share of 43% in total leasing of the city, followed by Engineering at 20% share.

Large deals account for 80% of the leasing

Deals above 100,000 sq feet accounted for 80% of the total leasing. This was led by larger deals by third-party logistics players and e-commerce companies.

"We are seeing larger warehousing deals which has pushed up the average deal size by 30% to about 1.1 lakh sq feet. This shows that occupiers and third-party logistics players especially are increasingly taking up larger integrated warehousing space led by higher demand and shorter delivery timelines," says Vimal Nadar, Head and Senior Director, Research, Colliers India.

Platform funds gain prominence with US$ 1.9b during Q1 2022

Lifting of restrictions led to a pick-up in investment momentum during 1st quarter, **says a survey by JLL.**

Dedicated investment platforms have come a long way with a total announcement of USD 19 billion commitments from 2012-March 2022, according to JLL's India Capital Market Review. Of these 79% of the platforms were formed during the last seven years primarily led by market-friendly reforms like Real Estate Investment Trusts (REITs) and Goods and Services Tax (GST). Investment Platforms are like co-investment vehicles formed to invest in a large pool of assets in the same sector.

79% of the total investment platforms have been formed during 2017-Q1 2022

"The lifting of restrictions led to a pick-up in investment momentum during Q1 2022. This quarter saw a 41% jump in institutional investments over Q4 2021. While domestic capital chased deals in the residential sector, foreign investors were largely seen focusing on commercial assets. Healthy leasing momentum has brought back-office demand with investors entering JVs/ development partnerships. Retail also continued to see good traction with some opportunistic deals in the market" said Lata Pillai, Managing Director and Head, Capital Markets, India, JLL.

"Deal flow currently looks very healthy, with USD 943 million transacted in Q1 and with several large deals in the pipeline we expect 2022 investment volumes to be at par with 2018 and 2019 (pre covid) levels. Data centre and warehousing would remain sectors to watch out for as many hands chasing few opportunities will lead to competitive pricing and compressing cap rates," she added.

USD 62.8 billion investments in real estate driven by increasing reforms in the sector

The series of reforms that started in 2014 led to increased capital flows over the years. Out of the total Institutional investment of USD 62.8 billion from 2006 to March 2022, 58% was received from 2015 onwards. The key reforms like the introduction of REITs in 2014, the Real Estate (Regulation and Development) Act (RERA) in 2016, the Benami Transactions (Prohibition) Act, GST, and the progressive relaxation of foreign direct investment (FDI) norms over the years led to improved transparency, accountability, professional management, and development of markets for smoother entry and exit of capital.The positive impact of the reforms resulted in investments to the tune of USD 36.7 billion flowing into Indian real estate from 2015- to Q1 2022.

"The preference of large investors for active participation in the investment process and focused asset classes has led to the rise of joint venture/ club type investment platforms. Dedicated investment platform deals/funds which were first initiated in 2012 have come a long way with a total announcement of USD 19 billion commitments till

March 2022. The warehousing sector post-GST reforms witnessed platform funds accounting for the highest share of 34% of the USD 19 billion commitments announced. The affordable housing segment which has seen a regulatory push in the last few years has seen focused platforms accounting for an 18% share of the total announced." said Dr. Samantak Das, chief economist and head of research and REIS, India, JLL.

GST reforms led to a sharp rise in warehousing sector investments

Institutional investments witnessed a sharp rise from a mere USD 100 million during 2006-to 16 to USD 2.3 billion after 2017. The introduction of the Goods and Services Tax regulation changed the prospects of the warehousing sector in India. The concept of 'One Nation One Tax' led to the consolidation of space and the need for large Grade A- Warehouses. The growth of e-commerce has galvanized the growth of the warehousing sector. The demand for new-age warehouses has led to development stage investments in the sector. In addition to USD 2.3 bn worth of investment in this segment during 2017-Q1 2022, the institutional flow of funds has also been routed through investment platforms / joint ventures.

Investment momentum grew by 41% during Q1 2022 over Q4 2021

The waning of uncertainty due to pandemic resurgence led to a pick-up in investment momentum during Q1 2022. Complete relaxation of restrictions over the quarter resulted in investors getting active. This led to the conclusion of deals worth USD 943 million during the quarter.

Looking ahead

Indian real estate has proved its resilience with all asset classes at various stages of recovery. A healthy pipeline of deals is expected to be concluded during the year. Apart from the traditional assets like office and retail, data centres and warehousing would remain sectors to watch out for as many hands chasing few opportunities will lead to competitive pricing.

INVESTMENT

How FDI is regulated in India: An overview

By Ankita Singla

India is expected to attract foreign FDI of US$ 120-160 billion per year by 2025, according to a CII and EY report. Let us get to know how the FDI is regulated in India, the permissible routes and basic compliance related to the same. Foreign direct investment (FDI) is when an entity (Individual/Body corporate) acquires business ownership in an entity outside home country.

With respect to India, FDI means setting up of a business or acquiring business stake in the already existing Company by investors from outside India. India ranked 63rd in ease of Doing Business Index 2020, which makes India an attractive destination to attract Foreign investments. After the economic reforms of 1991, India has seen a surge in FDI and is among one of the top countries in the world to have received highest FDI.

With FDI, Indian companies not only gain the benefit of money, but it comes with knowledge, technology and skill of the investor. In India, FDI is regulated by Ministry of Finance through RBI and Ministry of Commerce and Industry through Department for Promotion of Industry and Internal Trade (DPIIT). RBI has formulated various acts and rules, for ex: Foreign Exchange Management Act, 1999 ("FEMA") and DPIIT keeps on issuing various press notes for the purpose of FDI regulation

FDI in India has three routes: 1. Automatic route: No prior approval is required. Permitted sectors includes IT, manufacturing, infrastructure 2. Approval route: Prior approval is required from concerned ministries. sectors includes Defence, Print media, pharmaceuticals, civil aviation, telecom 3. Prohibited sectors: FDI is prohibited in lottery business including government/private lottery, online lotteries, etc., Gambling and betting including casinos etc., chit funds, Nidhi company etc. Eligible entities which can receive FDI in India are Indian Companies, LLPs, startups, partnership firms, and proprietary concerns subject to applicable rules and regulations. In return, Indian companies issue them equity shares, fully compulsory and mandatorily convertible debentures into equity shares; fully compulsory and mandatorily convertible preference shares into equity shares.

In LLPs they get to contribute in capital and gain profit share. Recently, Indian regulators have introduced the concept of convertible notes for startups, wherein a startup can issue convertible notes with a minimum value of Rs. 25 lakh each to each investor. This has enabled foreign investors to acquire convertible notes of Indian startups.

Concept of FDI in India has come up with various rules and regulations to comply which are as follows:

1. FCGPR: to be filed with RBI upon issuance of fresh shares to non-residents within 30 days of issue of shares
2. FCTRS: to be filed with RBI upon transfer of shares between resident and non-resident, Non resident (repatriable) and / Non resident (non-repatriable) within 60 days
3. FORM CN: Indian startup Company needs to file Form CN within 30days of issue of Convertible Notes
4. FORM LLP I: to be filed when received LLP contribution from Non-residents within 30 days
5. Return of Foreign Assets and Liabilities (FLA): It is an annual return which is required to be submitted by those entities which have received FDI and/or made overseas investments in any of the previous years including the current year i.e., entities which have foreign assets or liabilities in their balance sheets. Due date for such return is 15th July of every year. This is not an exhaustive list of compliance. Other forms also need to be filed as per the event, for example, Form DRR (for issue of depository receipts).

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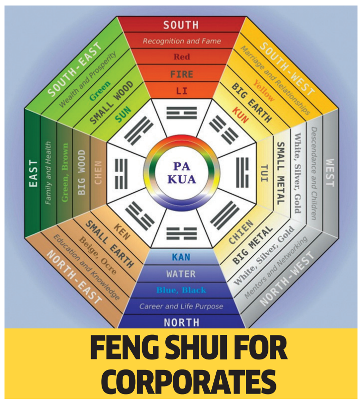

"Bau-Biology" to aid Real Estate

Building biology may still be a relatively obscure science, but by following these rules, you can help make your office more productive and supportive to your business, says **S BS Surendran.**

Real estate investment is akin to investing in "pure gold", always worth its value, appreciates over a period of time and one could say a very safe investment.

Builders and developers design apartments, home and condominiums not with the sole intention of reaping in big monetary gains but it also stands as a symbol of their craftsmanship, quality and satisfaction when well executed.

By adapting few Vaastu and Fengshui tenets one could ease the situation and look forward to better times. To understand the science better let us get an idea of what building is all about and how it affects the occupants.

Bau-biology translated from German is "building biology" or "building for life." It specifically refers to the study of the impact of the built environment on human health and the application of this knowledge to the construction or modification of homes and workplaces. It studies the interwoven relationships between people and their homes as well as their homes and the earth.

Business performance can be enhanced by different methods such as unlocking value in company's real estate assets and improving corporate performance.

The earth, its influence and the building biology needs to be considered in the selection of building sites and design of buildings. A basic knowledge of the fundamentals of physics and chemistry point out that reduction of the geomagnetic background will have an impact on the necessary chemical processes needed for life. Certain locations exhibit relatively permanent magnetic distortions that have an effect on the occupants and surroundings.

For many of the builders and developers facing crisis, it's time for introspection of your own premises and one could say "charity begins at home". If your home ground is strong and well designed it can sustain the "rough weather" and business can bounce back soon.

Look at the design and layout of your office is it harmonious and is you feeling fresh and fine or do you get a feeling of stagnation?

Take a look at the following:-

- Check your entrance especially the main door and look for afflictions.
- Remove clutter and unwanted materials
- Move the furniture and try to open the windows to allow fresh air and light in
- Complete cleaning of the carpet, furniture and light fitting would help
- Bring in life into your premises by adding healthy green indoor plant and small water features especially in the north and east sectors of your office/foyer.
- Try to display information on your projects which are getting difficult to market towards northwest sector of the office.
- Re-position key people in the office away from "danger nodes' or bad energy spots which could defocus them.
- Do not have excessively large and over powering water features.
- Install bright lights in the foyer and have more up lit lightings to boost the energy and "lift" your business prospects.

Building biology may still be a relatively obscure science, but by following these rules, you can help make your office more productive and supportive to your business especially when the market looks gloomy.

Mr SBS Surendran is an accreditd master Feng Shui consultant and traditional Vaastu practitioner.