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A GUIDE TO CHENNAI REAL ESTATE 2025 EDITION
The authoritative guide on Real Estate Scenario in CHENNAI

Material deadline : 25 April, 2025
Publication : 1 May, 2025

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CHENNAI PROPERTY

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April 2025

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TRENDS

CIRP REFORMS: HOMEBUYERS CAN NOW GET POSSESSION OF FLAT

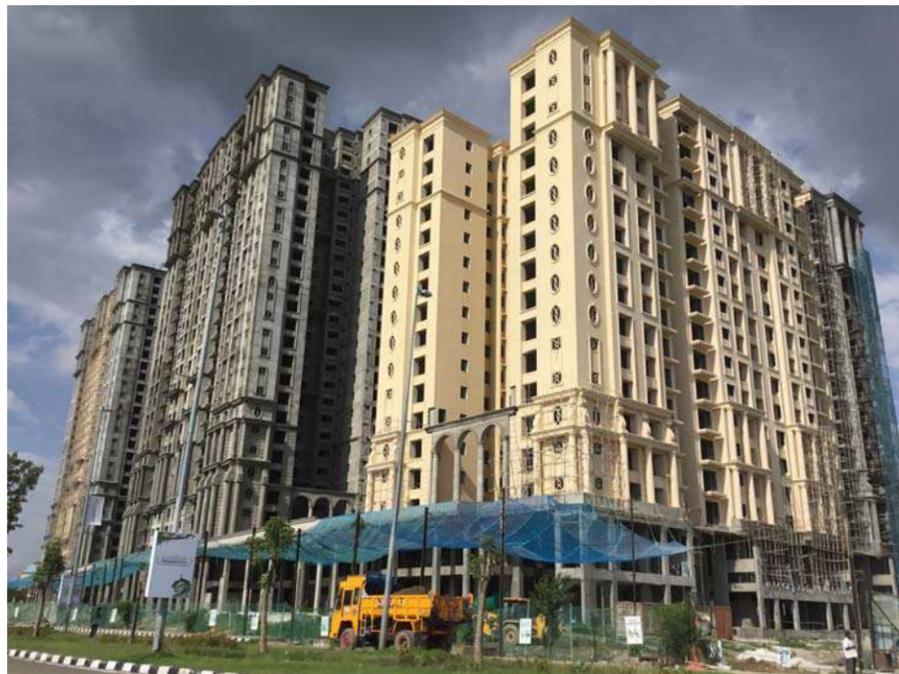
JAYAPRAKASH PADMANABAN AND DARSHA PRAKASH

Over the years, efforts in the form of government initiatives, recommendations, amendments and so on have been made to address the issues faced in the insolvency processes of real estate projects. An expert committee constituted in 2023 was tasked with suggesting ways to complete the legacy-stalled real estate projects. The committee's report highlights that the primary reason for stress in real estate is the lack of financial viability of the projects, resulting in cost overruns, and project and time delays. Its recommendations pertaining to reforms in IBC encompass project-wise corporate insolvency resolution process (CIRP), transfer of ownership or possession to allottees during the resolution process, etc.

The Insolvency and Bankruptcy Board of India (IBBI) has been implementing amendments based on various recommendations. One such amendment was notified on February 3, 2025, involving changes to the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016. These changes aim to streamline the CIRP, with a particular emphasis on addressing issues related to real estate projects.

New amendment enables handing over possession of flats to homebuyers

Upon the homebuyer's request, the



resolution professional can hand over possession of plots, apartments, buildings, or instruments agreed to be transferred under the real estate project and also facilitate registration while the resolution process is still ongoing. This is as per the newly added provision, Regulation 4E, and is subject to obtaining approval of the

committee of creditors with not less than 66% of total votes and the homebuyer performing his part under the agreement. This amendment will certainly bring relief to distressed homebuyers who would no longer be left in the lurch in case of stalled real estate projects, after having performed

all their obligations under the agreement. It is also expected to minimise disputes before the adjudicating authority. However, the financial institutions which have funded the project may have more than 34% voting rights in the committee; in such cases, the mandate of obtaining 66% of total votes will not be met, defeating the intent of the new Regulation. In view of this, our article on IBBI's November 2023 discussion paper suggested that the voting percentage for passing a resolution for handover could be reduced from 66% to 51%.

In a notable deviation from the draft released in November 2023, the new amendment does not take into account the scenarios where allottees opt to take possession of units on an 'as is where is' basis and would get the remaining development or interiors of their home finished from balance funds not paid by them.

Other changes at a glance

• Facilitators may be appointed for sub-classes within large creditor classes

The Amendment Regulations envisage the appointment of facilitators for sub-classes within large creditor classes (i.e., with more than 1,000 creditors). This is subject to

Continued on Page 2

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RETAIL MARKET

RETAILING REBOUND IN ANTICIPATION
OF STRONG DEMAND

In Q4 2024, the net absorption in malls was limited to 0.07 million sq ft. The suburbs submarket accounted for most of the leasing activity, at approximately 89%. Jewellery and fashion and apparel brands were the most active in leasing throughout the quarter. In the quarter, the suburban high street market took the lead in terms of retailer interest.

The completion of Sekaran mall in the suburb's submarket increased the city's Grade A retail mall stock to around 7.1 million sq ft by end 2024. Despite supply additions, overall mall vacancy in the city dropped by 20 bps q-o-q. Yet, the new completion was 100% leased.

Overall mall rents dropped marginally, by 0.6% q-o-q, with the newly completed Sekaran mall quoting lower rents than the market average. However, rents remained mostly unchanged across existing malls. Despite steady demand for premium-quality malls, rents in prominent high streets appeared to appreciate more, driven by increased traction in these retail hubs. Capital values rose marginally, by 1% q-o-q, following a steady growth trend.

Outlook:

Strong demand for retail space is anticipated to continue, with an influx of local and national retailers and footprint expansion by existing ones.

Capital values rose marginally, by 1% q-o-q, following a steady growth trend, says *JLL survey*

Over the next five years (2025 to 2029), 6.2 million sq ft of mall space is expected to be added to the market. Lulu Mall and SPR Market City in the Suburbs submarket are couple of the prominent malls due for completion.

Fundamentals:

2024 net absorption 516,684 sqft.

2024 completions 580,000 sqft

Vacancy rate: 11.5%

Gross rent: Rs 101 per sqft per month.

Rent growth: Y-o-Y - 1.2%

Stage in rental cycle rents rising historical supply and demand trends.

Note: Financial indicators are for prime city, while physical indicators are for the overall prime retail market. Data is on a GFA basis.



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Continued from Page 1

CIRP Reforms: Homebuyers Can Now Get Possession of Flat

conditions enumerated in Regulation 16C(1). As per Regulation 16D, the facilitator would be required to facilitate communication between the authorised representative and the creditors of the sub-class, providing clarifications to creditors about the insolvency resolution process, etc.

• Competent authority under RERA may be invited to attend committee meetings

Regulation 18(4) specifies that the resolution professional may be directed to invite the competent authority as defined under the Real Estate (Regulation and Development) Act, 2016, related to the corporate debtor's real estate project to attend committee meetings. Consequently, inputs would be obtained from land authorities such as NOIDA and HUDA on project development matters. However, these authorities would not have any voting rights.

• RP to prepare report on real estate development rights and permissions

Regulation 30C requires resolution professionals to prepare a report detailing the status of development rights and permissions required for the development of the real estate project. This report is to be submitted to the committee for its comments. Thereafter, the report along with the committee's comments has to be submitted to the adjudicating authority.

• IRP costs to include facilitator's fee

As per the Amendment Regulations, the fee payable to facilitators will form part of the insolvency resolution process costs. This change has been effected by adding Sub-regulation (ac) to Regulation 31.

• Invitation for expression of interest to contain details of CD's registration status as MSME

The invitation for expression of interest has to provide details of the corporate debtor's registration status as a micro, small, or medium enterprise (MSME) in accordance with the Micro, Small and Medium



Enterprises Development Act, 2006. This is as per Regulation 36A(4)(e). In line with this, a new row has been added in Form G under Schedule I to the 2016 Regulations.

• Relaxations including criteria for prospective resolution applicants may be extended to an association of allottees

Certain relaxations may be extended to an association or group of allottees representing not less than 10% or 100 creditors out of the total number of creditors in a class, whichever is lower. These relaxations are with respect to a) eligibility criteria for submission of expression of interest, b) conditions regarding the refundable deposit, and c) performance security. This is as per provisos to Regulations 36A(4) and 36B(4A) respectively.

• Implementation of resolution plan: monitoring committee to submit quarterly reports on status

Amendments to Regulation 38 now require committees to consider setting up a monitoring committee for the monitoring and supervising of the resolution plan's implementation. The adjudicating authority has to be updated on the status of such implementation in the form of quarterly reports to be submitted by the monitoring committee.

Enabling the handover of possession of units to homebuyers during the resolution process is a welcome change. Moreover, following amendments introduced last year, properties that homebuyers have taken possession of are excluded from the purview of the corporate debtor's liquidation estate. As a result, liquidators cannot sell these properties as part of the liquidation estate during the liquidation process. These measures clearly

demonstrate a commitment to protecting homebuyers who invest their hard-earned savings in purchasing properties.

However, the appointment of facilitators for sub-classes within large creditor classes may raise concerns as it could complicate decision-making and lead to increased costs. Furthermore, including land authorities in committee meetings could introduce additional obstacles, potentially slowing down the resolution process.

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(A fortnightly publication)

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Domestic firms demonstrated a robust resurgence in office leasing during 2023-24, with ~86% increase compared to the pre-pandemic period (2018-19), fuelled by increased business confidence, expansion of businesses and digitalisation

SNAPSHOTS

NRI Remittances Surge in 2024 to \$129.1 billion

India tops the list of recipient countries for remittances in 2024 with an estimated inflow of \$129 billion, according to the latest figures compiled by World Bank economists.

The growth rate of remittances this year is estimated to be 5.8 per cent, compared to 1.2 per cent registered in 2023, according to a World Bank blog post

"The recovery of the job markets in the high-income countries of the Organisation for Economic Co-operation and Development (OECD), following the onset of the COVID-19 pandemic, has been the key driver of remittances. This is especially true for the United States where the employment of foreign-born workers has recovered steadily and is 11 percent higher than the pre-pandemic level seen in February 2020," the report said.

It is notable that remittances have continued to outpace other types of external financial flows to low- and middle-income countries. Remittances have even surpassed FDI significantly. The gap between remittances and FDI is expected to widen further in 2024. During the past decade, remittances increased by 57 percent, while FDI declined by 41 percent. Remittances will likely continue to increase because of enormous migration pressures driven by demographic trends, income gaps, and climate change. Therefore, countries need to take note of the size and resilience of remittances and find ways to leverage these flows for poverty reduction, financing health and education, financial inclusion of households, and improving access to capital markets for state and nonstate enterprises, said the World Bank blog post.

Year	Remittance in US\$ billion	Year	Remittance in US\$ billion
2020	79.8	2021	86.3
2022	107.5	2023	110.3
2024	129.4		

Source: RBI

Redevelopment Flat Value Not Taxable, rules ITAT

In a landmark decision, the Income Tax Appellate Tribunal (ITAT), Mumbai, has held that the value of a new flat received in a redevelopment project cannot be taxed as 'Income from Other Sources' under Section 56(2)(x) of Income Tax (I-T) Act.

In the case of Anil Dattaram Pitale vs. ITO, ITAT Mumbai ruled in favour of the assessee, overturning the tax authorities' decision to assess Rs. 19,74,660 under Section 56(2)(x) of the Income Tax Act. The dispute arose when the Assessing Officer (AO) treated the difference between the stamp duty value of a new flat (Rs. 25.17 lakh) received under a redevelopment agreement and the indexed cost of the old flat (Rs. 5.43 lakh) as income from other sources. The Commissioner of Income Tax (Appeals) [CIT(A)] upheld the addition. However, the ITAT bench ruled in favour of the taxpayer. The tribunal said "This is not a case of receipt of immovable property for inadequate consideration. Instead, it is a legitimate transaction involving the replacement of an existing asset with a new one."

G Square Launches Premium Plot and Villa project in Porur

G Square has announced launch of a premium plot and villa project in Porur titled Aranya. It is a plug-and-play residential and commercial community with provisions for a school and is spread across 19.35 acres. The plot price ranges from Rs 4,290 to Rs 6,000 per sqft. There are 120 apartments coming up in mid-size range with complete infrastructure and internal developments. There is a panel of builders who could assist in building. While apartment is Rs 5,000 per sqft, villa cost is Rs 5,800 per sqft. There are international schools and hospitals in the vicinity.



The Aranya project is located on Chennai bypass service road, ensures seamless access to key destinations. It is near major educational institutions, IT and ITES hubs, including DLF, RMZ, L&T, ASV tech park, Commerzone, Thamarai Tech Park and Olympia tech park as well as entertainment zones and vital transport links such as Porur junction, Pallavaram railway station and international airport and Vandalur.

Renowned healthcare institutions like MIOT International, Sri Ramachandra medical college, Saveetha, and SRM engineering college are also nearby along with prominent business and commercial hubs such as DLF IT Park, Chennai Trade Centre, upcoming fintech city, WSI – Prestige Raintree Park and L&T innovation campus.

In the last two years, there has been a surge in plotted development projects across the micro markets. G Square posted close to Rs300 crore sales last month which is considered the highest in the industry. Last year, the company posted sales revenue of Rs 2,500 crore. The company is confidently looking to close the current year at Rs 5,000 crore. The newly launched Aranya project in Porur alone is expected to generate a revenue of Rs600 crore.

The company has tied up with banks, AIFs and almost all public sector banks besides private banks and NBFCs. G Square is looking into going IPO in 2028.

The company has expanded into multiple locations across the state such as Trichy, Madurai, Salem, Coimbatore, Dindigul, Hosur, Ambur, Theni, Tirunelveli, Nagercoil, Tirupattur, and Udumalpet. Besides it has already expanded into neighbouring Ballari, Mysuru, Hyderabad and Bengaluru.

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The demand for manufacturing and warehousing facilities is expected to surge and construction costs are expected to go up marginally over the next 3-4 years, says Savills survey

REALTY UPDATE

Citywise Housing Sales during Q1 2025

Market	Q2 2024 (Units)	Q3 2024	Q4 2024	Q1 2025	Q1 2025 YoY change
Mumbai	23,516	24,222	24,706	24,930	5%
NCR	13,471	12,976	15,680	14,248	-8%
Pune	12,693	13,200	14,621	14,231	20%
Bengaluru	14,271	14,604	13,354	12,504	-5%
Hyderabad	9,023	9,114	9,287	9,459	-1%
Ahmedabad	4,704	4,578	4,507	4,687	0%
Chennai	4,025	4,105	4,158	4,357	10%
Kolkata	5,193	4,309	3,950	3,858	-2%
Total	86,896	87,108	90,263	88,274	2%

Source: Knight Frank Research

Citywise Housing Launches during Q1 2025

Market	Q2 2024 (Units)	Q3 2024	Q4 2024	Q1 2025	Q1 2025 YoY change
Mumbai	21,722	23,677	25,808	25,706	2%
NCR	15,687	13,128	16,991	13,276	-11%
Bengaluru	12,432	13,966	16,481	16,524	26%
Pune	14,754	15,049	16,452	16,231	22%
Chennai	4,505	4,273	4,303	4,576	5%
Hyderabad	11,160	10,902	10,811	10,661	-4%
Kolkata	4,808	3,782	2,107	3,707	-38%
Ahmedabad	5,079	5,702	6,103	5,628	9%
Total	90,147	90,479	99,056	96,309	3%

Source: Knight Frank Research

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OFFICE MARKET

How much it costs for Fitout in Office space

In a guide to fit out costs, Cushman & Wakefield has maintained coverage to 33 key cities across Asia Pacific. Whether it's a first generation fit out for hybrid working or a more advanced evolution in workplace strategy, a retrofit or reinstatement, this guide serves to assist occupiers in defining their capital planning and relocation budgets.

The guide includes a comprehensive fit out cost section covering furniture, mechanical & electrical works, builder works, audio visual/IT, and other miscellaneous costs. Results from Cushman & Wakefield's inaugural Asia Pacific Contractor Sentiment Survey, which obtained the views of over 200 general contractors from around the region, confirms that workbooks remain healthy and the worst of pricing pressures are now in the past.

The survey sought respondent viewpoints on sales activity and input costs over the past 6-12 months together with outlook views for the next six months. To a large extent, these views reflect the wider macroeconomic environment within the region.

While overall sales activity was considered stable through 2024, compared to a year ago, both workload and vendor activity improved, with approximately 50% of respondents stating a slight increase across both metrics.

There was a strong pickup in activity in India, consistent with it being the world's fastest growing major economy over this period, though most of Southeast Asia and also Japan reported above average growth rates. With only a small increase in



workloads over the year, most respondents reported neutral or slight increases in their company and vendor pricing. More aggressive price increases were reported in Japan, with 90% of respondents citing slight or significant vendor price increases. In contrast, more sluggish economic conditions in New Zealand and the Chinese mainland served to dampen pricing change. In general, client spend has adjusted to these conditions with slightly larger capital expenditure budgets reported over the past year.

Shifting to future conditions, reassuringly, most respondents expect only a slight

increase in input costs, reflecting easing inflationary pressures. There is a slightly higher expectation for labour cost pressures to be greater than for materials at the regional level, but with significant variation at the local level. Very few expect any decrease in costs, consistent with inflation slowing but remaining in positive territory (i.e. prices are increasing but not as fast as in the recent past); rather a higher proportion of respondents in markets with low unemployment levels expect greater labour cost pressures especially Japan and Singapore. Greater labour cost increases are also expected in India, likely reflecting

greater inflation pressure, which still sits above 5%.

There is further positive news for project timelines. The majority view is for project lead times and the time to secure a permit to be little changed over the near term, which aligns with the stabilisation seen across the industry over the past 6 months. While the risks remain skewed toward an increase in lead times, very few expect a significant change in this direction, with approximately 10% erring towards a slight decrease.

Together these results, from contractors "on the ground", confirm the wider macroeconomic view that markets are successfully navigating their way through what has been a complex and uneven cycle. Combining these views with forecasts of the regional office market suggests that workbooks should remain healthy and that while the worst of pricing pressures are over, corporates should allow for moderate costs increases in their forward capital expenditure budgets.

Fit out costs in Indian Cities

MUMBAI	US\$ 73 per sqft
DELHI	US\$ 69 per sqft.
BENGALURU	US\$ 67 per sqft.
AHMEDABAD	US \$ 65 per sqft.
CHENNAI	US\$ 65 per sqft.
HYDERABAD	US\$ 65 per sqft.
KOLKATA	US\$ 65 per sqft.
PUNE	US\$ 65 per sqft.

Source: Cushman & Wakefield

FOR REALTY NEWS UPDATE :

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■ Institutional investments in Indian real estate have seen a strong start to 2025, with inflows reaching USD 1.3 billion in the first quarter—a 31% year-on-year (YoY) increase, according to Colliers

TRENDS

INSTITUTIONAL INVESTMENTS TOUCH USD 1.3 BILLION IN Q1, SAYS COLLIERS

Institutional investments in Indian real estate have seen a strong start to 2025, with inflows reaching USD 1.3 billion in the first quarter—a 31% year-on-year (YoY) increase. This growth was primarily driven by domestic investments, which accounted for 60% of the total inflows during the quarter. With USD 0.8 billion inflows, domestic investments saw a 75% annual rise and were largely focused on industrial & warehousing and office segments.

Office segment drove one-third of the institutional inflows during the first quarter of 2025, at USD 0.4 billion worth of investments. Hyderabad attracted over half of the total inflows in the office segment in Q1 2025. At the India level, Industrial & warehousing and residential segments too witnessed significant traction, cumulatively accounting for 47% of the total inflows during Q1 2025.

"Institutional investors in Indian real estate continue to exhibit confidence, as investments rose by 31% YoY to USD 1.3 billion in Q1 2025. This growth highlights the resilience of the Indian real estate and the untapped opportunities it presents. Both foreign and domestic investors remained committed towards core assets, with office, residential and industrial & warehousing segments cumulatively accounting for 80% of the institutional investments in Q1 2025. The momentum is expected to persist through 2025, supported by strong economic growth prospects, robust demand across asset classes and optimistic business sentiment. Anticipated easing of monetary policy in the near future and proactive government policies are likely to ensure capital deployment in both core and alternative



real estate assets throughout the year," said Badal Yagnik, Chief Executive Officer, Colliers India.

Residential investments surge in Q1 2025, ~3X times compared to Q1 2024

During Q1 2025, institutional investments in the residential segment was almost thrice the inflows in the corresponding period of 2024. The segment with USD 0.3 billion inflows, accounted for 23% of the total quarterly investments, almost at par with the inflows in industrial & warehousing segment. Interestingly, foreign investments accounted for over half of the total inflows in residential segment during the quarter, led by select large deals.

"Residential real estate in India has been witnessing strong end user demand in recent years. Institutional investments in



the segment grew multi-fold to the tune of USD 0.3 billion during Q1 2025, on an annual basis. Amidst evolving capital deployment trends, leading global investors are increasingly partnering with domestic developers, forming joint venture platforms to capitalize on growing opportunities in the residential segment. Sustained growth in residential prices, rising demand for luxury housing, and ongoing infrastructure developments will continue to boost institutional investments in residential real estate in the upcoming quarters. Concurrently, likely reduction in repo rates can potentially fuel residential demand and thereby investments in mid & affordable housing as well," said Vimal Nadar, Senior Director & Head of Research, Colliers India.

In continuation to the growth momentum set in 2024, the Industrial & warehousing segment also saw over USD 0.3 billion of investments in Q1 2025, a notable 73% YoY increase. Improved investor confidence is reiterated by strong performance of high frequency macro-economic indicators including Manufacturing Purchasing Manager's Index (PMI) and Index of Industrial

Production (IIP). India's Manufacturing PMI touched 58.1 in March 2025, the highest since mid-2024 indicating strong expansion in the manufacturing sector, driven by robust demand, increased production output, and improved business confidence.

Investments in alternate assets remained healthy at USD 0.07 billion during the quarter. Amongst alternate assets, data centers particularly witnessed strong traction in Q1 2025, led by capital deployment in a proposed hyperscale data center in Mumbai.

Mumbai followed by Bengaluru attracted majority of the inflows in Q1 2025

While multi-city deals corresponded to an overall 31% share, Mumbai, with about USD 0.3 billion inflows accounted for 22% of the real estate investments in the country during Q1 2025. Bengaluru and Hyderabad followed closely with 20% and 18% share respectively. While Mixed-use assets accounted for over half of the quarterly inflows in Mumbai, the residential segment drove 55% of real estate investments in Bengaluru during Q1 2025.

TRENDS IN INSTITUTIONAL INVESTMENT INFLOWS (USD MILLION) –

Asset Class	Q1 2024	Q4 2024	Q1 2025	Q1 2025 vs Q1 2024 (% YoY Change)	Q1 2025 vs Q4 2024 (% QoQ change)
Office	563.0	825.3	434.2	-23%	-47%
Residential	102.6	118.2	302.9	195%	156%
Alternate assets*	21.0	18.5	71.0	238%	284%
Indril & Warehousing	177.7	735.7	307.7	73%	-58%
Mixed use	130.8	84.4	191.1	46%	126%
Retail	-	104.4	-	*NA	-100%
Total	995.1	1886.5	1,306.9	31%	-31%

*Note: Alternate assets include data centres, life sciences, senior housing, holiday homes, student housing, schools etc.

Investment inflows were limited for Retail assets in Q1 2024 and Q1 2025

The institutional flow of funds includes investments by family offices, foreign corporate groups, foreign banks, proprietary books, pension funds, private equity, real estate fund-cum-developers, foreign-funded NBFCs, listed REITs and sovereign wealth funds. The data has been compiled as per available information in the public domain

Source: Colliers

CITY WISE INVESTMENT INFLOWS IN Q1 2025

City	Q1 2024	Q1 2025	Investment share in Q1 2025 (%)	Q1 2025 vs Q1 2024 (%YoY change)
Bengaluru	203.2	256.5	20%	26%
Chennai	121.0	48.3	4%	-60%
Delhi NCR	29.2	71.5	5%	145%
Hyderabad	257.9	235.2	18%	-9%
Mumbai	30.7	289.1	22%	841%
Pune	254.0	-	*NA	-100%
Others/ Multi City	99.1	406.3	31%	310%
Total	995.1	1,306.9	100%	31%

Source: Colliers

Note: *Investment inflows in Pune were limited in Q1 2025

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REALTY UPDATE

REALTY INVESTMENT: SURGE IN DEMAND

According to Vestian's latest report, the warehousing & logistics (W&L) sector received investments worth USD 1.96 Billion, accounting for 29% of the total institutional investment garnered in the real estate sector in 2024. Investment inflows surged to 203% year-on-year, driven by the growing demand for warehouses amid the rapid expansion of the quick commerce sector.

As a result, this surge in demand resulted in a record absorption of 44.9 million sq. ft. in 2024, marking a 19% increase over the previous year. Notably, the second half of 2024 alone witnessed 28.3 million sq. ft. of absorption, a 70% jump compared to H1 2024—the highest ever recorded in a single calendar year.

Mr. Shrinivas Rao, FRICS, CEO, Vestian said, "India's position as a key logistics hub is set to strengthen on the back of positive investor sentiments, announcements in the Union Budget 2025-26, and robust domestic demand. The government's continued focus

on mega infrastructure projects is expected to further propel growth in the W&L sector. However, limited availability of skilled workforce, regulatory challenges, and land acquisition costs may pose a challenge."

Majority of the absorption in 2024 was concentrated in 3PL companies, accounting for 33% of the pan-India absorption. However, the share has dropped from 44% a year earlier. This shift underscores the increasing fragmentation of the warehousing market and a growing trend among large conglomerates to establish greater control over their logistics operations. Conversely, the share of engineering and manufacturing sector increased from 18% in 2023 to 24% in 2024, propelled by various government initiatives such as 'Production Linked Incentive (PLI)' scheme and 'Make in India' campaign.

City-wise Analysis

* Mumbai reported the highest absorption

INVESTMENT TRENDS		
Year	Investments (USD Million)	% Share in Total investments
2019	1,369.0	4%
2020	847.0	14%
2021	1,293.0	27%
2022	1,856.0	31%
2023	645.8	15%
2024	1,957.4	29%

Source: Vestian Research

YEARLY ABSORPTION TREND		
Year	Absorption (Million sq ft)	Annual Change (%)
2019	33.0	-
2020	21.0	-36%
2021	30.2	44%
2022	31.2	3%
2023	37.8	21%
2024	44.9	19%

Source: Vestian Research

Robust Investments Bolstered Warehousing & Logistics Sector in 2024, says Vestian

of 18.6 Mn sq ft in 2024 as it grew by 82% compared to the previous year. The significant rise in absorption could be attributed to improved intercity connectivity through Navi Mumbai airport and the rise of quick commerce in major tier-1 cities.

* Pune's absorption increased by 85%, the highest rise amongst the top seven cities, reporting 13 Mn sq ft absorption in 2024. Average rentals depreciated by 3% in the city to INR 22.9/sq ft/month.

* Chennai, Hyderabad, and Kolkata accounted for 15% of the pan-India absorption during 2024, indicating a decline from 22% a year ago.

* NCR registered the highest decline of 55% in absorption among the top seven cities in 2024. As a result, the share of NCR in the pan-India absorption declined from 23% in 2023 to a mere 9% in 2024.

* Chennai holds the highest rentals of INR 24.2/sq ft/month in 2024, registering an annual appreciation of 11%. Limited availability of land within the city peripheries pushed the rentals northwards.

* Mumbai has emerged as the most affordable warehousing market in 2024 with an average rental of INR 18.1/sq ft/month.

SECTOR-WISE ABSORPTION		
Sectors	2024	2023
3PL	33%	44%
Engg & Mfg	24%	18%
Consumer Goods & Services	7%	6%

Source: Vestian Research

CITY-WISE SHARE IN ABSORPTION		
City	2024	2023
Bengaluru	6%	10%
Chennai	6%	9%
Hyderabad	7%	8%
Pune	29%	19%
Mumbai	41%	27%
Kolkata	2%	4%
NCR	9%	23%

Source: Vestian Research

REALTY UPDATE

India's alternative sectors. Education and healthcare

EDUCATION

Capitalising on expansion: Investment imperatives in education sector

India's expansive education sector¹, projected to reach USD 313 billion by FY2030², benefits from multiple targeted government policies and significant fiscal support, including ~INR 1.29 lakh crore earmarked for FY2026³, alongside over ~USD 9.5 billion in FDI (2000-2023)⁴. However, to fully actualise the transformative goals of the National Education Policy 2020, a strategic increase in GDP allocation from 2.7% (FY2024) to the targeted 6% is imperative.

The bedrock of the country's education system continues to be its government-operated schools, colleges, and universities. Complementing this, the private education sector has demonstrably become a powerful growth catalyst—the number of private schools, for example, has witnessed a nearly seven-fold increase from 1990 to 2023-24, while their share of total student enrolment grew from ~9% in 1993 to 36%, 2023-24⁵.

Notably, the sector's projected expansion also necessitates a significant enhancement of educational infrastructure across the country, thereby presenting substantial opportunities for real estate developers and investors.

Transforming education: Strategic real estate and design shifts The sector's accelerated transformation, catalysed by the COVID-19 pandemic, has propelled the adoption of innovative educational solutions and novel design paradigms, notably a 'flight-to-quality' trend within real estate. This trend is driving educational institutions to prioritise strategic locations

nationwide, potentially spurring land acquisitions. Concurrently, family preferences for proximity to schools and colleges are influencing developers to strategically acquire land for residential projects, often integrating schools as core amenities within gated communities and townships. Furthermore, student and faculty preferences are expected to sustain demand for rental properties near prominent educational institutes, paralleling increasing investor interest.

This transformation also extends into schools, colleges, and universities embracing a holistic approach to classroom redesign, emphasising flexibility, collaborative spaces, and inclusive design with a strong focus on health and safety. Navigating this evolving landscape requires operators, developers, and agencies to maintain a comprehensive understanding of these trends—their adaptability will be a critical determinant of the country's future education infrastructure⁶.

HEALTHCARE

Cascading impact of healthcare demand on multiple real estate sectors

Healthcare, once considered a niche segment, has emerged as a prominent investment asset class worldwide, driven by evolving epidemiological trends and heightened patient expectations. This transformation is underscored by CBRE's 2025 APAC Investor Intentions Survey, which identified healthcare as the leading alternative investment asset for the third consecutive year. India's sustained healthcare infrastructure development is expected to catalyse specific trends within various real estate asset classes. The

increasing demand for temperature-controlled storage for pharmaceuticals will likely stimulate growth in the warehousing sector. Concurrently, select healthcare and wellness providers may strategically leverage retail spaces to enhance patient

accessibility and service experience. The established trend of residential developments incorporating integrated healthcare amenities is anticipated to maintain its upward trajectory. Furthermore, the medical office building segment is emerging as a focal point for developers and investors, signalling a growing recognition of its potential. In addition, the Indian medical tourism sector, currently valued at USD 8.7 billion⁷, is projected to grow at a robust CAGR exceeding 13% by 2030.

India's healthcare infrastructure: Charting a course for growth

A critical metric for gauging healthcare infrastructure is the hospital bed density, typically measured as beds per 1,000 population. Current data indicates India has approximately 1.5 beds per 1,000 people⁸, translating to roughly 2.2 million beds. This falls short of both the National Health Policy 2017 recommendation of 2 beds per 1,000 and the global average of 3.2 beds per 1,000 (based on data from over 170 countries)⁹. Looking ahead, India is projected to require an additional 1.3 billion sq. ft. of healthcare space, or roughly 2.9 million beds, by 2035¹⁰ to achieve the global bed-to-population ratio average. This significant gap suggests substantial

expansion opportunities for hospital operators, potentially driving a nationwide surge in land demand. The need for clinics supporting primary hospitals could bolster

	Hospital 1.3 billion sq. ft. Estimated additional space required for hospital infra by 2034-35		No. of Beds 2.9 million Estimated additional number of hospital beds required to achieve global average by 2034-35
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land requirements further in India's tier-II and III cities.

Figure 6.1: Real estate opportunity - Assessing additional space requirement by India's healthcare sector by 2034-35 (market estimation)

1. Note: India's comprehensive education system is characterised by its scale and breadth, with 14.7 lakh K-12 schools educating approximately 24.8 crore students. Additionally, its higher education sector is among the largest globally, encompassing nearly 59,000 institutions and enrolling an estimated 4.33 crore students, as per Unified District Information System for Education Plus, Gol, 2023-24 and All India Survey of Higher Education, Gol, 2021-22,

2. Explore opportunities in Indian Education Sector; Invest India, July 2024;

3. Union Budget 2025-26;

4. Department for Promotion of Industry and Internal Trade, December 2023

5. UDISE Report 2023-24, January 2025;

6. Exploring the Intersection of Education and Real Estate in India, CBRE India Research, October 2024;

7. Mordor Intelligence - India Medical Tourism Market Size & Share Analysis, 2025;

8. National Health Profile, 2022, Ministry of Health and Family Welfare, 2024;

9. Note: Average of 173 countries, World Bank, 2012 10. CBRE Research, 01/2025

The warehousing & logistics (W&L) sector received investments worth USD 1.96 Billion, accounting for 29% of the total institutional investment garnered in the real estate sector in 2024, according to Vestian

INFRASTRUCTURE

CONSTRUCTION COSTS FOR INDUSTRIAL & WAREHOUSING SET TO GO UP

Construction costs in India have grown in the range of 3.4%-6.7% between H1 2020 and H1 2024 for general manufacturing. The highest growth rate was observed in Kolkata (6.7%) and Chennai (6.5%) whereas Grade-A warehousing costs have grown in the range 4.8%-6.7%, with the highest escalation in construction costs witnessed in Chennai (6.7%), and Bengaluru and Hyderabad at 6% each. This increase was due to a rise in the prices of crude oil, steel, aluminium, cement, labour, equipment rentals and costs of plumbing and fixtures. Kolkata reports the highest construction costs at INR 2,075 per sq. ft. and INR 3,265 per sq. ft. respectively for Grade-A warehousing and general manufacturing facilities. However, construction costs in Indian cities for both manufacturing and warehousing facilities are much lower compared to cities in developed countries, due to cheaper labour and comparatively lower material costs.

Manufacturing and warehousing sectors are among the most resilient segments in India. The demand for manufacturing and warehousing facilities is expected to surge in the coming years. We expect construction costs for industrial and warehousing projects to increase marginally over the next 3-4 years. However, the magnitude of growth is dependent on material costs, labour, equipment rental costs, interest rates and other related costs.

The industrial and logistics sector is crucial for India's economic development, playing a significant role in contributing



to the country's GDP. Government initiatives like the PLI Scheme, Make in India, liberalised FDI policy, PPP models for various public undertakings, and infrastructure developments including the East Coast Economic Corridor (ECEC) and India Middle East Economic Corridor (IMEC), etc. are likely to drive the growth of the sector in India.

Construction Activities in Tier-I, II & III Cities

Tier-I cities have witnessed supply in the range of 20 to 46 million sq. ft. between 2020 and 2023, with the highest supply recorded in 2023 at 46.2 million sq. ft. It is expected to be over 60 million sq. ft. in 2024. Tier-II & III cities witnessed growth in construction activity from 8.9 million sq. ft. in 2021 to 15.8 million sq. ft. in 2023. In 2024, Tier-II & III cities are likely to witness supply in excess of 16 million sq. ft. due to improved construction activities in response to growing demand.

Savills India conducted a thorough analysis to estimate the cost of construction for general manufacturing and warehousing projects across the

major cities of India. The prices of the most commonly used materials in construction were estimated across the cities to arrive at the overall cost of construction. These materials include cement, steel, crude oil, copper, glass, and wood, along with labour wages.

In this section, we will highlight crucial elements of construction, including crude prices and labour wages, before outlining construction material costs across cities.

Construction Labour Wages

Labour is a crucial part of the construction industry, directly impacting productivity and successful completion of projects. Immigrant labour from neighbouring villages and towns forms a major portion of workforce across major cities. Minimum construction wages have risen to match both the surge in demand and general inflation. Labour wages have risen by 23% from April 2020 to April 2024, contributing to the escalation in construction costs across cities during the same period.

Foreign Exchange Rate

The RBI has recommended inclusion of the rupee in the Special Drawing Rights (SDR) basket and recalibration of the foreign portfolio investor (FPI) regime to facilitate the pace of internationalisation of the rupee. The mechanism for rupee trade settlement with 18 countries was implemented by the RBI in March 2023. Banks from these nations have received authorisation to establish Special Vostro Rupee Accounts (SVRAs) to facilitate the

The demand for manufacturing and warehousing facilities is expected to surge and construction costs are expected to go up marginally over the next 3-4 years, says **Savills survey**

settlement of payments in Indian Rupees. This will accelerate the usage of local currency in international transactions which will subsequently result in currency appreciation.

Construction Costs H1 2020 Vs H1 2024

Construction costs in India have grown in the range of 3.4-6.7% between H1 2020 and H1 2024 for general manufacturing and between 4.8-6.7% for Grade-A warehousing during the same period. The highest growth rate was observed in Kolkata (6.7%) and Chennai (6.5%) for general manufacturing whereas for Grade-A warehousing the highest escalation in construction costs was witnessed in Chennai (6.7%), Bengaluru and Hyderabad at 6.0% each. As of H1 2024, Kolkata has the highest construction costs at INR 2,075 per sq. ft. and INR 3,265 per sq.ft. respectively for Grade-A warehousing and general manufacturing.

CONSTRUCTION MATERIAL PRICES ACROSS CITIES

Description	UoM	Ahmedabad	Bengaluru/Hyderabad	Chennai	Delhi-NCR	Kolkata	Mumbai	Pune
Cement	Grade 43 Rs/50 kg bag	380 to 410	380 to 410	380 - 410	380 - 410	380 - 410	380 - 410	380 - 410
Steel	Reinforcement	69000 to 71000	69000 to 71000	69000 to 71000	69000 to 71000	69000 to 71000	69000 to 71000	69000 to 71000
	Structured Steel	81000 to 84000	81000 to 84000	81000 to 84000	81000 to 84000	81000 to 84000	81000 to 84000	81000 to 84000
CP Coils	Rs/MT	95,000	95,000	95,000	95,000	95,000	95,000	95,000
Rockwool insulation (50kg density) - 50mm thick (for double skin roof)	Rs/sqm	160	160	16	160	160	160	160
Electrical AI cables 4Cx4 sqmm	Rs/mtr	145 to 165	145 to 165	145 to 165	145 to 165	145 to 165	145 to 165	145 to 165
Electrical CU cables 4Cx2.5 sqmm	Rs/mtr	215 to 225	215 to 225	215 to 225	215 to 225	215 to 225	215 to 225	215 to 225
Cu.Ar.cable 4Cx4 sqmm	Rs/mtr	255 to 280	255 to 280	255 to 280	255 to 280	255 to 280	255 to 280	255 to 280

Source: Savills India cost benchmarking data Note: Cost data is as of H1 2024.

VARIATION IN CONSTRUCTION COSTS (RS/SQFT) FOR GENERAL MANUFACTURING

City	H1 2020	H1 2024	Variation
Ahmedabad	3,115	3,224	3.4%
Bengaluru/			
Hyderabad	3,000	3,175	5.8%
Chennai	3,010	3,205	6.5%
Delhi-NCR	3,035	3,230	6.4%
Kolkata	3,060	3,265	6.7%
Mumbai	3,060	3,255	6.4%
Pune	3,035	3,230	6.4%

Source: Savills Cost Benchmarking Data

- Cost per sqft indicated are exclusive of taxes.
- For a BUA of around 2.5 to 3 lakh sqft.
- This is approximate cost per sqft based on our experience. However, the same depends on detailed design parameters.
- This is only for buildings along with associated infrastructure works around the building, however, this does not include land development works and shared utilities.

VARIATION IN CONSTRUCTION COSTS (RS/SQFT) FOR GRADE A WAREHOUSING

City	H1 2020	H1 2024	Variation
Ahmedabad	1,945	2,055	5.7%
Bengaluru/			
Hyderabad	1,920	2,035	6.0%
Chennai	1,940	2,070	6.7%
Delhi-NCR	1,960	2,055	4.8%
Kolkata	1,980	2,075	4.8%
Mumbai	1,975	2,075	5.1%
Pune	1,960	2,055	4.8%

Source: Savills Cost Benchmarking Data

- Cost per sqft indicated are exclusive of taxes.
- For a BUA of around 2.5 to 3 lakh sqft.
- This is approximate cost per sqft based on our experience. However, the same depends on detailed design parameters.
- This is only for buildings along with associated infrastructure works around the building, however, this does not include land development works and shared utilities.

The residential unit sales in Chennai are up 20% YoY in Q1 (4357 units) and launches up 5% (4,576 units) over last year, according to Knight Frank research

RENTAL SCENARIO

India Defies Global Slump and Office Rentals Up, says Vestian

While global office rental markets continue to face headwinds, India's office sector is bucking the trend with sustained growth in office leasing and rentals. According to research by Vestian, 2024 reported the highest ever leasing of 70.7 Mn sq ft, registering an annual increase of 16%. Sub-dollar rentals across India's top seven cities fuelled this momentum, making the country a key outlier in an otherwise subdued global landscape.

In stark contrast to major global cities like New York, Seattle, Boston, Hong Kong, and Shanghai, which have witnessed rental declines over the last five years, India witnessed a steady upward movement. Notably, while some Western markets such as London and Miami posted increases of 31% and 53% respectively, the broader global sentiment reflects a slowdown due to rising vacancy rates and rapidly changing workplace strategies.

India's office market is expected to maintain this growth pattern in the future, majorly driven by strong leasing momentum, favorable demographics, and strategic infrastructure development.

Shrinivas Rao, CEO of Vestian, affirms that the decline in office space rents in the global market is influenced by the emergence of technologies like generative AI, as well as changes in office space utilization strategies. These factors contribute to the uncertainties faced by the office sector. The combination of reduced demand, along with businesses downsizing or relocating, has led to higher vacancy rates globally, which in turn puts downward pressure on rents.

Furthermore, in 2024 alone, rental rates in Indian cities surged between 3.8% and 8.2% compared to the previous year. India remains resilient, driven by strong demand from the IT sector and Global Capability Centers (GCCs). While global cities continue to see demand for premium office spaces, India's affordability and expansion-driven leasing set it apart. As a cost-effective hub, India is poised for steady growth.

Shrinivas Rao stated that the influx of new businesses and company expansions has led to significant demand for office spaces in India. Global firms are aggressively seeking office space in India due to robust economic growth compared to other major economies of the world, rich demographic dividend, large consumer base, rapid urbanization, and the easy availability of skilled workforce at competitive rates, particularly in technology and finance. This demand is driving the need for high-quality office spaces.

Prime commercial hubs like Mumbai's BKC and Delhi's central business district (Connaught Place and adjoining area) command high rentals, with average rent reaching USD 3-4 per sq ft a month. Strong economic activities, upcoming mega infrastructure projects, and the expansion of Global Capability Centers (GCCs) continue to drive rental appreciation across the major cities of India.

AVERAGE OFFICE RENTALS (USD/SQ FT/MONTH)

City	2019	2020	2021	2022	2023	2024	% Change in 2023 vs 2024	% Changes in the last 5 years
New York	7.9	7.7	7.8	7.8	7.6	7.5	-5.1%	-1.3%
London	6.5	6.3	6.8	6.8	7.9	8.6	31.0%	8.6%
Miami	3.3	3.5	3.9	4.3	4.8	5.1	53.3%	7.3%
Seattle	4.9	4.5	4.7	4.8	4.7	4.7	-5.5%	-1.9%
Boston	5.6	5.7	5.8	5.6	5.4	5.5	-2.7%	1.2%
Hong Kong	9.1	7.3	6.9	6.7	6.2	5.9	-35.7%	-6.0%
Singapore	6.7	5.8	6.1	6.8	6.9	7.0	4.3%	0.5%
Shanghai	3.4	3.0	3.1	3.1	3.0	2.8	-18.2%	-6.8%
Mumbai	1.5	1.5	1.4	1.4	1.5	1.6	6.2%	6.7%
Delhi	0.8	0.8	0.8	0.8	0.8	0.9	9.8%	8.2%
Bengaluru	1.0	1.0	1.0	1.0	1.0	1.1	12.4%	4.7%
Pune	0.9	0.8	0.8	0.9	0.9	1.0	11.8%	4.5%
Chennai	0.7	0.7	0.7	0.7	0.7	0.8	6.9%	7.7%
Hyderabad	0.7	0.7	0.7	0.8	0.8	0.8	13.9%	4.4%
Kolkata	0.6	0.5	0.5	0.5	0.5	0.6	-2.1%	3.8%

Note: INR 86 = USD 1

Source: Compiled by Vestian Research

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