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

**Material deadline : 25 March, 2025**  
**Publication : 5 April, 2025**

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# CHENNAI PROPERTY

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March 2025

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## RESIDENTIAL MARKET

# LUXURY HOMES TAKE CENTRESTAGE

The demand for luxury homes in Chennai is up in a market predominantly branded as conservative a few years ago, thanks to the healthy economic growth, corporates continuing with the hybrid working model, higher disposable income and aspirational buying among HNIs/UHNIs. Chennai's leading developers are now eyeing on a sudden surge in demand for development of upscale homes.

Sale of luxury homes priced above Rs 4 crore soared 97% during January-September 2023 in the top seven cities of the country. In Chennai, there has been a surge in sales from 108 units to 129 units during the third quarter of this year over previous year, up by 19 per cent, according to CBRE report. While construction cost for high-rise apartments has been estimated at Rs 5,300 – Rs 6,100 per sqft, for villas it has been estimated at Rs 4,600 – Rs 5,000 per sqft, as per JLL survey.

“Luxury homes priced in the range of Rs 7 crore - Rs 20 crore are being sold in city areas with little marketing effort. Most of the homebuyers are end users and as regards rentals such homes fetch more than commercial rentals due to high-end specification, 24x7 maintenance, swimming pool and additional amenities offered in the project,” said Krishnan Srinivasan, CEO, Appaswamy Real Estate Ltd.

According to industry sources, high-end luxury homes are being offered in areas such as Boat club road, Santhome,



Sanjay Chugh,  
City Head & Director,  
Anarock Property  
Consultants Pvt Ltd

Kotturpuram, Poes gardens, Kasturi Ranga Iyengar road and on ECR across select micro markets. A majority of the buyers include celebrities, senior corporate executives, doctors, HNIs and entrepreneurs. The high-end housing development is revolving around central and South Chennai. The serene beaches, tranquillity and scenic beauty on ECR are considered as prime factors for driving expatriates to ECR for high-end homes.

Among the leading developers focusing on high-end homes in and around Chennai include Baashyaam Constructions, Brigade, DLF, Appaswamy, Ceebros, Landmark Construction, CasaGrand, Amara and Chaithanya.

Demand exceeds supply as there is a growing demand for high-end homes predominantly triggered by corporate honchos, bureaucrats, senior doctors, industrialists, celebrities, landowners and others. “Rentals from such units fetch an ROI of 6-6.5 per cent for luxury units.

In areas like Poes Garden, an apartment was sold for Rs 36 crore. Apartments involving 3-5 bedrooms are sold in Tiruvanmiyur on the beach front at Rs 5.5 crore - 10.5 crore. On ECR in areas like Palavakkam, luxury apartments cost Rs 6.5 crore, according to people privy to the marketing of such projects in the market.

“There continues to be a strong demand for high-end homes in Chennai and the pace at which sales take place clearly illustrates this

Chennai is catching up with emergence of high-end homes in an unprecedented manner, reports

**V Nagarajan**

trend. On Nungambakkam high road, 5 BHK, 6000 sqft apartments were sold at Rs 8.5 crore – Rs 14 crore+. While the project is 60 per cent occupied, a few owners are reluctant to lease it even though rental demand exists at Rs 5-6 lakh per month even today” said M Nazeer, founder-president of the Association of Professional Property Consultants of Chennai (APPC).

In a related development, start-up companies from Hong Kong and other countries and guest house requirements in particular from corporates have triggered the demand for exclusive homes on ECR in select micro-markets. While expatriates prefer to stay in gated community development projects, entrepreneurs,

*Continued on Page 2*

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## LOGISTICS

# ROBUST GROWTH IN INDUSTRIAL & LOGISTICS SECTOR

Chennai is a hub for global auto production and has witnessed growing demand in the manufacturing segment. Many prominent segments like auto and ancillary, energy and renewables etc. have established their manufacturing units around the city. Connectivity to the seaport, established ecosystem and government incentives have favoured the city for the establishment of the manufacturing and warehousing sectors.

Industrial and logistics space absorption in Chennai stood at 5.0 million sq. ft. in 2024 against 4.5 million sq. ft. in 2023. The manufacturing segment accounted for 43% of the total absorption witnessed in the city followed by the 3PL segment at 31%. With manufacturing tenants preferring Grade-A facilities, Chennai has been a dominant market for Grade-A spaces accounting for 83% of total supply and 60% of the total absorption witnessed in 2024.

On the supply side, the city witnessed an addition of 8.2 million sq. ft. in 2024, up by 49.1% from 5.5 million sq. ft. in 2023. As a result, the total stock increased to 45.1 million sq. ft. in 2024 from 36.9 million sq. ft. in 2023. Overall vacancy rate increased to 16.2% in 2024 from 10.2% in 2023, a result of supply exceeding absorption.

The Bengaluru Highway is expected to continue as a dominant micro market, with supply and absorption primarily concentrated in this area. In 2024, this micro market accounted for 71% of total supply and 59% of total absorption, respectively.

### Outlook

• Ongoing support from the state government in providing adequate infrastructure, favourable industrial policies, incentives, and subsidy schemes are attracting manufacturing companies. In addition, infrastructure developments, such as the Bangalore-Chennai Industrial Corridor (BCIC), are boosting market activities.

• Chennai is likely to witness absorption in excess of 6.0 million sq. ft. in 2025. The manufacturing and 3PL segments continue to drive demand.

• The seaport's connectivity to major international ports makes Chennai an attractive destination for manufacturing companies that are dependent on exports and imports.

With manufacturing and 3PL segments driving continued demand, Chennai is likely to witness absorption in excess of 6.0 million sq. ft. in 2025, says *Savills survey*



### KEY TRENDS

- Overall, 80% of new completions are Grade-A developments.
- Supply and absorption concentrated on Bengaluru Highway.
- The manufacturing and 3PL segments are driving the demand.
- Vacancy rates increased.

### KEY STATISTICS:

Supply	2024	2023	YoY change
Supply	8.2	5.5	49.1%
Absorption	5.0	4.5	11.1%
Vacancy (%)	16.2	10.2	+600 bps
Total stock	45.1	36.9	22.2%

Source: Savills Research

### MAJOR TRANSACTIONS

3PL	GNT Road	334,000 sqft
Manufacturing	GNT road	300,000 sqft
Manufacturing	Bengaluru highway	292,000 sqft
Retail	Bengaluru highway	220,000 sqft
3PL	GNT road	200,000 sqft
E-commerce	GNT road	162,000 sqft

Source: Savills Research

### SUPPLY & ABSORPTION BY MICRO MARKET

Micro market	Supply	Absorption
Bengaluru highway	71%	59%
GST	1%	3%
NH-16 GNT road	28%	38%

Source: Savills Research

### ABSORPTION BY OCCUPIER SEGMENT

Occupier	2024	2023
3PL	31%	50%
E-commerce	3%	0%
Manufacturing	43%	23%
Retail	5%	1%
FMCG/FMCD	11%	7%
Other segments	7%	19%

Source: Savills Research

### RENTAL VALUES

Micro market	Manufacturing	Warehousing
Chennai-Trivellore highway	24-28	22-26
Bengaluru highway	26-32	24-28
GNT road	23-26	17-26
GST road	32-38	28-37

Source: Savills Research

### SUPPLY & ABSORPTION BY GRADE

	Grade A	Grade B
Supply	83%	17%
Absorption	60%	40%

Source: Savills Research

Continued from Page 1

## Luxury Homes Take Centrestage

celebrities and start up companies prefer to stay in independent bungalows provided with a range of amenities. Rentals for high-end homes range anywhere between Rs 1.5 lakh – Rs 5 lakh per month depending on the location, amenities and a few other factors, says Nazeer.

### Emerging Trends

According to sources with leading banks and HFCs, there has been a sudden large in high value loans above Rs 2 crore for investment in luxury homes. A leading private bank has reported 75 per cent of the home loan borrowers seeking home loans of above Rs 1-2 crore. Though large banks claim high value loans at 3-4 per cent considering the overall volume of home loan business exceeding 1500 applications

every month, there have been renewed enquiries for high-value home loans from corporate executives, self-employed professionals and even big companies planning to own assets.

A significant development on the tax front is that the budget has set a ceiling of Rs 10 crore for the long-term capital gain tax deduction for reinvestment in residential properties under Sections 54 and 54F of the Income Tax Act. Earlier, there was no cap on the tax exemption made under section 54F. This has led to a rush for availing capital gains tax exemption by investing in high-end projects. Moreover, NRIs can repatriate upto two residential units on the original investment made in residential projects after a period of two years.

Besides they can also repatriate sales proceeds of ancestral units sold and rental income arising out of leasing luxury homes or other housing projects every year subject to the overall limit of US\$1 million.

“Luxury Homes in Chennai is an emerging asset class. There is a pent up demand for luxury apartments that are coupled with lifestyle amenities. Leading property developers are acquiring land in the upmarket areas of Chennai such as Alwarpet, Nungambakkam, T.Nagar, Kilpauk, Anna Nagar (East), Adyar to develop luxury apartments to cater to the rising demand in this segment. Post Covid, the home buyers preferences shifted to buying larger apartments to accommodate spaces for work room, fitness room, AV room etc., Also, many opted to sell or redevelop their prime lands and convert them into luxury lifestyle homes,” said Sanjay Chugh, City Head and Director, Anarock Property Consultants Pvt Ltd.

According to Sanjay, the share of luxury homes is gaining traction and currently contributes to about 5% of the total housing inventory in Chennai. “The buyer profile ranges from HNI's, NRI's, Celebrities, Business Families and Top Corporate Companies Senior Management. Cities like Delhi, Mumbai and Bangalore have successfully developed this asset class and Chennai is fast catching up to this growing demand. Developers like CEEBROS, Chaitanya, Vishranthi, Appaswamy, Baashyaam, Amara, Arihant, Asta, Brigade are developing prime lands in the city catering to the luxury segment. The prices range upwards of Rs.20,000/-, per sq.ft upto about Rs.45,000/-, per sq.ft. Amenities include large size apartments with grand entrance lobby, entertaining space, swimming pool, gymnasium, ample car parks, lumber room and backed by a team of professional house keeping and property management staff,” said Sanjay.

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For enquiries, contact:

Priya Publications  
26/10 South Mada Street, Sri Nagar Colony,  
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Tel. 42043857, 91766 27139

Email: priyapublications@gmail.com

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Editor : V Nagarajan

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## SNAPSHOTS

### TOI Realty Conclave held in Bengaluru

Priya Publications editor V Nagarajan is the knowledge partner and moderator in TOI Realty Conclave held in Bengaluru Sheraton, Brigade Gateway on February 24.

There are two panel discussions, one on multiple options in funding for developers and the other on tax planning for real estate development. The session on multiple funding options for developers had experts like Vishal Srivastava, executive director, Anarock Capital Advisors and Vinod Menon, founder, Firststreet. The second session dealt with tax planning for real estate development with experts like Amitraj, partner, Aeka Advisors and Aditya Hans, partner, Dhruva Advisors, Bengaluru. The session was moderated by V Nagarajan.



"As far as multiple funding options is concerned, the predominant stakeholders are HDFC, banks and varied funds. These are institutional sources of funds. Obviously, there are private investors in the market on their terms. Funding is available for land acquisition, approvals, construction, and operating asset like office building. Bankers cannot fund for land alone but can extend once all approvals are in place. Whereas funds can come at an early stage from institutions like NBFC," said Vishal Shrivastava, executive director, Anarock Capital Advisors.

Reiterating the significance of multiple options available for funding, Vinod Menon, founder, Firststreet, said that there is no dearth of capital in today's scenario for real estate sector except that it is chasing only projects which are fundamentally strong and for disciplined developers with good credit track record.

In the second session targeted on tax planning for real estate development, Aditya Hans, partner, Dhruva Advisors LLP emphasised the importance of planning an optimal capital structure in real estate projects from day one for better fungibility of surplus into other projects of the group. "Even in cases where optimal capital structures were not planned at the outset, options of merger/demerger can be explored for fungibility of funds from cash surplus projects to newer projects," said Aditya.

He also highlighted the implications on demerger/ transfer of land to a partnership firm and other restructuring options for attracting joint venture partners into individual projects. He concluded by saying that a good governance framework on tax and regulatory matters is non-negotiable for an external fund-friendly real estate business.

According to A N Amithraj, founding partner, Aeka Advisors, navigating the complexities of income tax, GST, and stamp duty is essential for success. "A robust taxation structure underpins sound economic feasibility and strategic budgeting. Appropriate planning at the initial stages is crucial to navigate the complex taxation landscape," said Amithraj.



There are 39 awards presented by Bollywood star, Anil Kapoor, who graced the occasion through his august presence and took pride in seeing the key developments in multiple sectors due to remarkable role played by entrepreneur developers at varied levels in real estate development. It was a day of reckoning for yesteryear star Anil Kapoor to reminisce from his own personal experience on the events that unfolded tracing his journey on how to overcome formidable challenges in the film industry ultimately leading to his own stardom. "It was sheer perseverance and hard work in the Bollywood arena and when others said I cannot do it, I took it as a challenge and countered them," said Anil Kapoor proudly. (Courtesy: Times of India, Bengaluru edition 27 February 2025).

Casagrاند Millenia Pvt Ltd has acquired a land parcel in Wagholi, Pune, for Rs. 126.04 crore, according to property registration documents reviewed by Square Yards. The transaction was registered in January 2025.

### Casagrاند Millenia Acquires Land Parcel in Pune's Wagholi for Rs. 126 Crore: Square Yards

According to IGR property registration documents, Casagrاند Millenia Pvt Ltd purchased a land parcel spanning a total of 1.18 hectares (~14,113 square yards) from Krishna Realtors Skyscraper LLP. The transaction incurred a stamp duty of Rs. 8.82 crore and a registration fee of Rs. 30,000.

### FAIRPRO 2025 Shatters Records with sales at Rs 363 crore

The 17th edition of CREDAI Chennai FAIRPRO 2025, held from 14th to 16th February 2025 at the Chennai Trade Centre, has made history by surpassing all previous records in participation, bookings, and sales volume. The overwhelming response from homebuyers and investors has further cemented FAIRPRO as South India's largest and most trusted real estate expo.



Chief Minister of Tamil Nadu, M.K. Stalin inaugurated the 17th edition of FAIRPRO 2025. Seen in the picture are Sridharan, Vice President – South Zone, CREDAI National, A. Mohamed Ali, President, CREDAI Chennai; S. Sivagurunathan, Advisor, FAIRPRO 2025; Thao Mo Anbarasan, Minister for MSME and Tamil Nadu Urban Habitation Development Board.

This year's FAIRPRO witnessed an astounding 44,712 walk-ins, resulting in 385 bookings and an unprecedented ₹363 crores in total sales value. These numbers are expected to increase further gradually in the next one to two weeks, as many prospective buyers are scheduled for site visits before finalizing their purchases. This sets a new benchmark in FAIRPRO's history, reinforcing the strong demand for quality housing.

The expo featured 80 leading developers showcasing over 500 projects, covering a diverse range of properties, including apartments, plots, villas, and commercial spaces. Adding to the success, five leading banks sanctioned home loans, with SBI leading the disbursement volume, enabling homebuyers to fulfil their dreams of homeownership with ease.

Mohamed Ali, President, CREDAI Chennai, expressed his enthusiasm, stating, "We are elated by the phenomenal response to FAIRPRO 2025. This edition has set a new industry benchmark, with record-breaking footfalls and sales figures. The trust and confidence homebuyers have placed in CREDAI Chennai and its developer members continue to drive the success of this expo."

With this historic achievement, CREDAI Chennai continues to strengthen its role in fostering a transparent and robust real estate ecosystem, helping homebuyers find their dream homes with confidence.

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(A monthly tabloid focusing on realty scenario in and around Chennai)

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**REALTY UPDATE**

**INDIA OFFICE REITs – OPERATIONAL PERFORMANCE**

Key Metric	Embassy Office Parks REIT Ltd	Mindspace Business Parks REIT	Brookfield India Real Estate Trust REIT Ltd
Operational office portfolio (msf)	38.9	26.8	15.0
Weighted average lease expiry (years)	8.2	7.2	7.1
Occupancy*	87.0%	89.6%	87.0%
Index performance**	13.0%	12.8%	14.7%

Source: Colliers

Note: \*Committed occupancy, includes properties with letters of offer accepted by tenants.

\*\*Comparison of closing price in BSE (31st December 2024 vs 1st January 2024).

**CHENNAI MARKET SUMMARY**

Parameter	2024	2024 Change (YoY)	H2 2024	H2 2024 Change (YoY)
Launches (housing units)	17,431	7%	8,576	5%
Sales (housing units)	16,238	9%	8,263	6%
Average price in Rs/sqft	Rs 4,806	7%	-	-

Source: Knight Frank Research

**MICRO-MARKET HEALTH**

Micro-market	Unsold inventory (housing units) (YoY change)	Quarters-to-sell (QTS)
Central	632 (410%)	2.2
North	565 (-17%)	2.4
South	6,095 (1%)	2.6
West	9,436 (9%)	9.1

Source: Knight Frank Research

**CHENNAI OFFICE MART – Business districtwise Rental Movement**

	Rental value range in H2 2024 (Rs/sqft/month)	12-month change	6-month change
CBD	70-95	2%	1%
SBD	75-90	6%	0%
SBD OMR	80-105	7%	2%
PBD OMR and GST Road	55-65	2%	0%
PBD Ambattur	38-50	5%	3%

Source: Knight Frank Research

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The ITAT has held that any expansion of municipal limits after that date is irrelevant for determining whether capital gains tax applies. The ITAT also reiterated that the distance from the municipal limits should be measured by road

TRENDS

# BUOYANT DEMAND DRIVES AVERAGE HOUSING PRICES

- Housing prices on the upswing for the 16th consecutive quarter
- Delhi NCR saw more than 30% annual housing price rise, highest rise amongst top eight Indian cities
- Overall unsold inventory dropped 5% on an annual basis
- Pune saw the highest annual drop in unsold inventory at 14%, closely followed by Hyderabad with 13% decline



Average housing prices across the top eight markets in India witnessed a 10% YoY rise during the last quarter of 2024, led by healthy demand momentum and positive market sentiment. Interestingly, average housing prices have been on a rising spree for the 16th consecutive quarter, starting 2021. Price appreciation was evident in all the eight major cities, with Delhi NCR witnessing the highest rise at 31% YoY growth, followed by Bengaluru at 23% YoY rise during Q4 2024. While affordable housing segment will continue to form the bulk of housing sales, demand within luxury and ultra-luxury segments can amplify further in 2025. Traction in these segments is likely to drive average housing prices upwards across most major residential markets of the country in the next few quarters.

Overall unsold inventory continued to decline for the fourth consecutive quarter and dropped 5% annually during Q4 2024 backed by healthy demand. At the end of December 2024, unsold inventory at the India level stood below 10 lakh housing units for the first time in the last two years. MMR, with a share of ~40%, continued to account for a majority of the unsold inventory. Notably, Pune saw the highest annual drop in unsold inventory at 14%, closely followed by Hyderabad with 13% decline.

Boman Irani, President of CREDAI National stated, "The sustained growth in housing prices underscores the strong confidence among homebuyers, driven by a preference for spacious living and lifestyle upgrades. With evolving consumer aspirations, we are witnessing increased demand for larger homes, better amenities, and integrated living spaces. This positive sentiment has translated into steady sales momentum across segments. While evolving preferences and lifestyle upgrades remain key motivators, cost



pressures in construction and land acquisition are also significantly contributing to pricing trends. As we look ahead, a potential reduction in interest rates could further boost affordability and drive even greater demand. This positive trend is expected to continue and thrive through the year, making it an opportune time for homebuyers to invest in real estate."

"Overall housing prices across the top eight Indian cities surged 10% on an annual basis in 2024. Prominent markets such as Delhi NCR and Bengaluru saw the steepest rise in average housing prices amidst rise in demand for luxury and ultra-luxury segments. Furthermore, the recent repo rate reduction along with government initiatives to fund stressed residential projects will provide boost to affordable housing segment. Going ahead, with elbowroom for further reduction in benchmark lending rates, most cities are

likely to witness traction in housing sales across categories. Resultantly, average residential prices can potentially increase at similar levels in 2025 on an annual basis. " added, Badal Yagnik, Chief Executive Officer, Colliers, India.



"Sales witnessed a marginal decline, led by moderated new launches in the last quarter. We anticipate a growth in affordable and mid-segment supply and sales going forward, which will change the composition of supply, which has been skewed towards the luxury segment for the last four years", said Pankaj Kapoor, Managing Director, Liases Foras.



Prices up 10% YoY across eight major Indian cities, says a survey by **CREDAI - Colliers - Liases Foras**

Within the top cities, Delhi NCR saw the highest rise in housing prices at 31% YoY, Delhi NCR witnessed the highest rise amongst India's top eight cities, with average housing prices soaring by 31% YoY. This price rise in the city is attributable to the strong sales momentum, particularly in luxury & ultra-luxury segments. While Dwarka witnessed impressive growth of 52% YoY. Going forward, the upcoming Jewar international airport, will continue to spur residential prices in the catchment areas.

Moreover, annual price appreciation was notable in Bengaluru, Ahmedabad and Pune as well, led by healthy demand spurred by infrastructure upgrades in key areas of these cities. Prominent micro markets such as Periphery & Outer West in Bengaluru, and Baner & Nagar Road in Pune saw significant traction in ready-to-move-in units. Resultantly, average housing prices in these micro markets increased by up to 15% YoY during Q4 2024.

Pune witnessed highest YoY drop in unsold units at 14%, MMR witnessed a drop in inventory levels after nearly 3 years

During Q4 2024, all the top eight Indian cities saw a decline in unsold inventory levels. Pune experienced the sharpest drop at 14% YoY, closely followed by Hyderabad at 13%. Chennai and Kolkata too recorded a 7-10% YoY decrease. Interestingly, unsold inventory levels in the MMR dropped after almost three years to around 390,000 units at the end of 2024.

"The demand for luxury and ultra-luxury segments was particularly strong throughout 2024. The share of spacious dwelling units in overall housing sales have been on the rise, particularly in cities such as Bengaluru, Delhi NCR and Pune. Average housing prices of 3-4BHK apartments in these cities increased by up to 34% YoY during Q4 2024. Evolving lifestyles, desire for upscale amenities, a growing population of HNIs, and perception of luxury properties as status symbols & investment opportunities will continue to drive housing sales in premium categories in the next few quarters," said Vimal Nadar, Senior Director and Head of Research, Colliers India.



PAN INDIA RESIDENTIAL PRICE TRENDS (IN INR/SQ FT)-							
City	Average Price					QoQ Price Change (Q4 2024 vs Q3 2024)	YoY Price change (Q4 2024 vs Q4 2023)
	Q4. 2023	Q1. 2024	Q2. 2024	Q3. 2024	Q4. 2024		
Ahmedabad	6,737	7,176	7,335	7,640	7,725	1%	15%
Bengaluru	9,976	10,377	11,161	11,743	12,238	4%	23%
Chennai	7,701	7,710	7,690	7,889	8,141	3%	6%
Delhi NCR*	9,170	9,757	11,214	11,438	11,993	5%	31%
Hyderabad	11,083	11,323	11,290	11,351	11,351	0%	2%
Kolkata	7,912	7,727	7,745	7,616	7,971	5%	1%
MMR**	20,047	20,361	20,275	20,438	20,725	1%	3%
Pune	9,185	9,448	9,656	9,890	9,982	1%	9%

Source: Liases Foras, Colliers  
All the prices are based on carpet area  
\*NCR- National Capital Region | \*\*MMR- Mumbai Metropolitan Region

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## OFFICE MARKET

# India's Office Market in 2024: RECORD SUPPLY AMID GLOBAL CHALLENGES

Vestian's office market report stated that 2024 has been challenging for the Indian office market due to global macroeconomic uncertainty, escalating geopolitical frictions, and sticky inflation. Despite these challenges, India's office market reported the highest-ever supply in any year.

A surge in demand for grade-A office spaces kept developers active throughout the year. Construction activities increased by 7% compared to the previous year, reaching 515 lakh square feet, marking the highest supply ever recorded. Among the top seven cities, the maximum fresh supply was seen in Hyderabad followed by Bengaluru.

With robust absorption and supply in 2024, vacancy rates improved slightly, decreasing from 13.98% in 2023 to 13.91% in 2024. Additionally, rental prices increased by 3.8% to 8.2% across the top seven cities.

Since the pandemic, office space absorption has gradually increased each year, despite global headwinds. In 2024, the absorption reached an all-time high of 707 lakh square feet, reflecting a 16% annual increase. All cities except the National Capital Region (NCR) and Kolkata reported their highest-ever absorption levels during 2024. Absorption in Kolkata and NCR saw annual declines of 36% and 14%, respectively.

Shrinivas Rao, FRICS, CEO, Vestian said, "IT-ITeS sector continued to dominate leasing activities during 2024 with 36% share. The share has increased from 24% a year earlier. While IT industry is expected to lead in 2025 on the back of strong demand from GCCs, other segments such as BFSI and Flex Spaces are also anticipated to garner traction."



Rao further added, "Emphasis on sustainability has grown among occupiers as

## New office supply hit an all-time high of 515 lakh sq ft in 2024, says Vestian

several multinational companies with offices in India have pledged to achieve net-zero emissions, leading to a rise in demand for green-certified office spaces in India. Anticipating this shift, leading developers are prioritizing the construction of sustainable office buildings."

### City-wise Analysis

- Bengaluru dominated the absorption with 177 lakh sq ft in 2024, registering an increase of 15% over the previous year. However, the share remained stable at 25% compared to last year.

- The share of Mumbai in pan-India absorption increased from 14% in 2023 to 18% in 2024 whereas the share of NCR declined from 17% to 13% during the same period. The share remained largely stable for the rest of the cities.

- Southern cities (Bengaluru, Chennai, and Hyderabad) accounted for 57% of the pan-India absorption in 2024. The share marginally increased from 56% in 2023.

- Hyderabad reported the highest new completions of 145 lakh sq ft in 2024, closely followed by Bengaluru with 140 lakh sq ft. Interestingly, Kolkata witnessed no new completions during 2024 as compared to over 10 lakh sq ft of supply in the previous year.

- New completions increased by 170% in Mumbai, the highest amongst the top seven cities. Conversely, new completions were reduced by 57% in Chennai during 2024.



### OFFICE MARKET SUMMARY: 2024

City	Absorption (Lakh sq ft)	Share (%)	Y-o-Y Change (%)	New Completions (Lakh sq ft)	Share (%)	Y-o-Y Change (%)
Bengaluru	177	25%	15%	140	27%	4%
Chennai	92	13%	30%	29	6%	-57%
Hyderabad	131	19%	11%	145	28%	7%
Mumbai	126	18%	50%	73	14%	170%
Kolkata	06	1%	-36%	00	0%	-100%
Pune	86	12%	23%	59	11%	11%
NCR	89	13%	-14%	69	13%	30%
Total	707	100%	16%	515	100%	7%

Source: Vestian Research

## REALTY UPDATE

## OUTLOOK FOR REAL ESTATE MODERATE

The global economic outlook for 2025 is cautiously optimistic, with the IMF projecting 3.3% growth and the UN forecasting 2.8%. "Inflation is expected to ease to 4.2%, though major economies face challenges like geopolitical tensions and trade disputes. Emerging economies show promise, but India's growth is sluggish, with GDP forecasts for FY 2024-25 revised to 6.6% from 7.2%. Persistent inflation at 4.9%—driven by volatile food prices—and a 4% INR depreciation against the USD have strained disposable incomes, slowing consumption and real estate demand. The KFI economic indicator dropped to 122.2, reflecting a 2.2% contraction. The government's capital expenditure lagged at 46.2% of estimates due to election delays, but rising infrastructure lending, cement production, and construction indices signal a revival, offering hope for India's real estate and economic growth in 2025," said Shishir



## Future sentiment for the residential sector remains firmly within the optimistic zone, though stakeholders have adopted a more cautious stance, says Knight Frank India and NAREDCO joint survey

Baijal, CMD, Knight Frank India Pvt Ltd.

The quarterly report encompasses the current and future sentiments concerning the real estate sector, the economic environment, and funding availability as perceived by supply-side stakeholders.

The findings reflect a nuanced view of the industry, with commercial real estate continuing to show robustness, predominantly driven by GCCs and India-centric businesses. However, certain segments, particularly in residential markets in key cities, have shown a tempering in growth expectations, influenced by both internal and external economic variables.

"The Q4 2024 Sentiment Index report highlights a cautious optimism in the residential sector, with stakeholders adopting a more measured approach. While the decline in sentiment scores is notable, it's essential to recognize that the scores remain firmly in the optimistic zone, said Hari Babu, National President, NAREDCO.



The moderation in residential launches, sales, and prices is a reflection of the prevailing economic and market conditions. However, it's heartening to note that the office market

continues to demonstrate resilience, driven by strong leasing momentum and rental growth, adds Hari Babu.

He believes that it's crucial for developers and stakeholders to be adaptable and responsive to changing market conditions and focus on creating sustainable and affordable housing options that cater to the evolving needs of homebuyers.

"Despite the short-term challenges, there is optimism about the long-term prospects of the Indian real estate sector. With the government's focus on infrastructure development and housing for all, the sector will continue to grow and thrive in the years to come," said Hari Babu.

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REALTY UPDATE

## INCREASING TREND OF LEASE RENT DISCOUNTING

The real estate sector in India has witnessed debt sanctions amounting to INR 9,63,441 crore in the last six years. This averages to INR 1,61,000 crore per annum. Mumbai has consistently held the largest share of real estate debt sanctioned among the top seven key cities since 2018 accounting for 40% share, followed by Delhi NCR at 22%. Mumbai, Delhi and Bengaluru remained key contributors to the real estate market's debt activity in the last 6 years.

- The implementation of RERA and GST in the real estate sector in India in 2017 has brought positive changes by streamlining the sector and enhancing transparency. However, these reforms also had teething challenges. Additionally, the IL&FS and NBFC crisis in 2018 led to a prolonged period of liquidity shortage impacting the debt market, which saw a 17% year-on-year drop in debt sanctioned in 2019.

- Following the crisis, large listed NBFCs in India mostly experienced stagnation or decline in their wholesale lending book. To fill this financing gap, private credit funds emerged as key players, stepping in to provide credit and meet the financing needs previously addressed by NBFCs.

- This crisis was followed by the pandemic in 2020, causing a slowdown in the office sector and leading to a decade-low sales and launches in residential sector, further impacting the debt market too.

- The resurgence of the real estate markets post-2021 has had a significant positive impact on the debt market. This revival has created new opportunities for lenders, investors and borrowers alike. As the real estate industry gains momentum, demand for financing options has increased, resulting in a boost to the debt market.

- LRD is a popular debt product in the commercial real estate (CRE) sector that allows CRE professionals to secure a term loan using rental receipts from a leased property. It enables the monetization of rental income streams for various business purposes.

- To qualify for LRD, the property must have a lease agreement lasting 5-10 years with a well-known brand as the tenant. This option allows property owners to obtain funds without being personally responsible for loan repayments. The tenant contributes to loan repayment by

directly paying the bank through an escrow account using rental receipts from the property.

- LRDs constitute an average of around 19% of total debt sanctions in the last 6 years, with a notable increase to a 25% share in 2023. This is an indication of the increasing availability of Grade A stock with stable occupancies.

- LRDs offer a long-term cash flow management solution since the repayment tenure aligns with the lease agreement duration. The average tenure for LRDs is approximately 13 years.

- The rate of interest for LRD is determined based on factors such as the property's value, the repayment tenure and the credibility of the tenant. The last 5 years have seen an average of interest rate of 8.8%, which is comparative more attractive than term loans or debentures.

- The period from 2019 to 2020 witnessed a decline in LRD disbursements post which there was a significant recovery. This was due to the NBFC crisis and impact of the pandemic.

- 2023 witnessed an increase in LRDs sanctioned compared to 2018. This indicates an improvement in market conditions and investor confidence, potentially leading to increased development activities.

- REITs and consolidation of office portfolio by institutional investors has also led to higher incidence of LRDs because owners want to optimize their capital structure (equity/debt) for better returns.

47% of the LRD sanctioned since 2018 has a ticket size of <Rs 1,000 crore

- Depending on the bank's norms, you can get up to 80% of the total future rent receivables. Hence the debt amounts are relatively larger compared to other real estate loans.

- The data suggests that majority of LRD loans in the real estate sector fall within the INR "501-1000 crore" and "More than 1000 crore" slabs. As per the data, 66% of the LRDs sanctioned in the last 6 years fall in the more than INR 500 crore slab.



- The tenure of LRD is longer compared to other real estate loans and typically ranges from 10 to 15 years. The average tenure of LRDs in the past 6 years has been 13 years.

- The average interest rates for LRD loans in real estate are typically slightly higher than residential home loan interest rates. The average rate in the last 6 years was 8.6%.

- HDFC Bank, Axis Bank, LIC Housing Finance and State Bank of India are the key players in the LRD space.

Strong commercial demand fuelling significant opportunity in Lease Rental Discounting; massive potential to scale

- India's office market across the top seven cities today accounts for ~815 mn sq ft of Grade A office stock. Of this operational stock around 83% is currently occupied, offering a significant opportunity for LRD. At current average passing rents and accounting for self-occupied space, the LRD market across the commercial office segment has a current market size of more than INR 471,000 crore.

- If we add the potential LRD market size of the retail sector (considering occupancy levels in only single ownership malls), then the total LRD market balloons to INR 639,000 crore. Against this, around INR 220,478 crore were sanctioned between 2018-2023, again signifying the large opportunity gap in this segment.

- India's office market is supported by

strong demand fundamentals. With three operational REITs accounting for ~10% of the total Grade A stock in the country and a further ~400 mn sq ft of REIT-worthy, high quality office assets held under institutional/single ownership, there is significant LRD opportunity in this segment.

- Investors/owners are also undertaking sustainability measures, which has now resulted in over 55% of India's office stock being green-rated. Lenders, especially banks, armed with this information should be looking to take a more proactive approach towards this segment, with multiple opportunities even through turnover of LRDs. Long-term debt, taking into account future rent growth as well as Weighted Average Lease Expiry (WALE) is well-protected and yields good returns to lenders.

- India's physical retail markets are also performing exceedingly well. Currently, superior quality, single ownership malls are operating at 95%+ occupancy levels and offer a sizeable LRD opportunity for lenders as well. There are significant opportunities in neighbourhood retail formats as well in high density corridors, further amplifying the LRD pie.

- Considering other rent-yielding assets like warehousing, data centres, hotels and alternatives such as co-living/student housing, the overall LRD segment is a substantial opportunity where lenders can make further inroads.

*Excerpts from the report on Decoding Debt Financing : Opportunities in Indian Real Estate by JLL.*

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**LEGAL**

## Judgements in a nutshell

**Temporary /makeshift superstructure not eligible for Section 54F exemption**

In the case of Shri Harshad M Thakkar (Gandhi) Vs DCIT (ITAT Ahmedabad), the judiciary has held as follows:

"The vast open land with naturally grown grass, a grossly asymmetric consumption of land for construction of superstructure (cost less than 1% of total costs), the occupation of the superstructure by a watchman/caretaker clearly indicates that such superstructure cannot be mechanically reckoned as a residential house.

The existence of vast parcel of open land is a reality. We thus find it utterly difficult to put blinkers on tell-tale facts. The superstructure claimed to be a residential house is clearly superficial and does not go hand in hand with ground realities. It is totally unconceivable that a token and symbolic superstructure of temporary nature involving insignificant construction costs or land occupying negligible space (created with an object to typically accommodate a watchman to safeguard the land) would convert huge parcel of land into a residential house.

As we see in nutshell, cost of land exceeds 99% of the total cost of new investment in so called residential house. Likewise, land used for construction of superstructure is less than 1% of total area. The superstructure is jointly owned and devoid of basic amenities and actually used by the caretaker of lands. The unflappable facts narrated above when seen cumulatively seals the narrative against the assessee. The sale consideration is thus essentially appropriated towards purchase of land per se and not towards construction of residential house as enjoined by S. 54F of the Act. We thus find no plausible reason to

interfere with the conclusion drawn by the Revenue authorities," said the judge.

**NCLAT quashes insolvency proceedings against NCR realty firm**

The National Company Law Appellate Tribunal (NCLAT) has set aside insolvency proceedings against Paramount Propbuild, noting that no notice was served to the NCR-based real estate firm before initiating the debt recovery process.

The appellate tribunal dismissed the application filed by Ultimate Infracity, an operational creditor of the company and directed the National Company Law Tribunal (NCLT) to close the proceedings.

The tribunal also set aside the order of NCLT appointing a resolution professional to run the company, declaring moratorium, freezing of accounts and other orders.

"In effect, order passed by Adjudicating Authority (NCLT) appointing 'Interim Resolution Professional', declaring moratorium, freezing of account and all other orders passed by Adjudicating Authority pursuant to impugned order and action taken by the 'Resolution Professional', including the advertisement published in the newspaper calling for applications and other orders and actions as taken are declared illegal and are set aside," the NCLAT order said. The appellate tribunal also observed that parties have also reached the settlement on December 1, 2018.

**Buyer can claim interest even for a 22-month delay in possession: Consumer commission**

In a city where inordinate delays in receiving possession of flats have become commonplace, the state consumer commission has held that even a delay of 22 months entitles a flat buyer to claim interest, reports the Economic Times.

The commission ruled in favour of Malad resident Neela More who had booked a 607

square feet flat for Rs 13 lakh in June 2000 but got its possession 22 months later, in April 2002. In addition to the 24% interest levied for the 22 months on the Rs 13 lakh, the state commission ordered the builder to pay Rs 1 lakh as compensation for the mental agony caused.

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