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CHENNAI PROPERTY

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January 2026

A monthly edition

Volume 15 Issue 1 Rs. 15

RESIDENTIAL MART

ROBUST GROWTH IN RESIDENTIAL SECTOR

The Chennai residential market delivered a strong performance in 2025 with annual housing sales reaching 18,262 units, reflecting a 12% YoY increase, according to Knight Frank India survey. This robust full-year outcome underscores sustained end-user demand, supported by stable pricing, improving affordability in select segments, and continued buyer confidence across the city's key residential corridors. The momentum remained firmly intact in the second half of the year with H2 2025 sales of 9,327 units, up 13% YoY, reinforcing 2025 as a notably strong year for the market.

- South Chennai continued to dominate with 54% share, marginally lower than 57% a year ago, due to growth in other zones rather than any weakening of demand. Chennai's leadership remains anchored in the OMR-led IT corridor, strong employment generation, and continued premiumization, with luxury housing driving value despite moderation in volume share. West Chennai maintained a stable 27% share, underscoring its evolution into a dependable IT and services corridor supported by metro expansion and steady mid-income demand. Central Chennai emerged as the key outperformer, increasing its share from 10% to 11%, backed by a sharp surge in sales momentum driven by CBD revitalisation, infrastructure upgrades around Egmore and Guindy, and renewed developer interest. North Chennai, while



still a smaller market, recorded the maximum structural change, improving its share from 6% to 7% on the back of affordability, improving connectivity, and new employment anchors such as TIDEL Park, signalling the early stages of a longer-term shift.

- In H2 2025, Chennai's residential market demonstrated a clear and sustained up-market shift, reinforcing the city's transition toward mid to-premium housing. Homes priced between Rs 5-10 million remained the backbone of demand, accounting for 45% of the total sales, up from 43% in H2 2024, reflecting the continued strength of

the city's core end-user segment. The Rs 10-20 million category emerged as the fastest-growing mainstream segment, expanding its share from 23% to 26%, supported by a 29% YoY increase in volumes, as buyers increasingly prioritized larger homes, better locations, and superior amenities. Demand in the Rs 20-50 million segment strengthened meaningfully, with sales rising sharply and their share increasing from 7% to 10%, underscoring rising affluence and growing acceptance of premium pricing. In contrast, the affordable segment below Rs 5 million saw a

continued on page 5

**Chennai's
sustained end-
user demand has
ensured
consistent
absorption and
long-term
stability, says
*Knight Frank
India survey***

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OFFICE MARKET

CHENNAI OFFICE MART REPORTS ROBUST GROWTH

Leasing momentum remained robust despite a relatively tighter supply environment, supported by sustained occupier confidence across GCCs, flex operators, and India-facing businesses, says *Knights Frank India survey*

Chennai's office market delivered a resilient and structurally strong performance in 2025, with total leasing volumes reaching 0.94 million sq m (10.1 million sq ft), marking the second-highest annual absorption on record after the peak year of 2023, when transactions touched 1.0 million sq m (10.8 million sq ft). Leasing momentum remained robust despite a relatively tighter supply environment, supported by sustained occupier confidence across GCCs, flex operators, and India-facing businesses. While H2 2025 leasing moderated marginally on a YoY basis, the market continued to demonstrate depth and consistency, reflecting Chennai's position as a long-term occupier-driven office market.

Global Capability Centres continued to anchor demand throughout 2025, strengthening their dominance in Chennai's leasing landscape. GCCs increased their share of total leasing to 41% share of the occupier pie during H2 2025 with transactions increasing by 19% YoY driven largely by manufacturing-led GCCs and diversified services operations. Sectorally, manufacturing emerged as the largest contributor, accounting for 44% of GCC leasing during the period, underscoring Chennai's deep integration with global industrial and engineering value chains. This was followed by Other Services sectors, including logistics, engineering, healthcare, and consulting, which together constituted 40% of GCC transactions, reflecting the city's growing role as a multi-sectoral capability hub. IT and IT-enabled services contributed the remaining 15%, highlighting a gradual diversification of GCC demand beyond traditional technology functions. Large transactions by occupiers such as Optum, Qualcomm, Schneider Electric, Hitachi Energy, and BMW reinforced Chennai's appeal as a scalable, talent-rich destination for global enterprises seeking long-term operational depth beyond conventional IT-centric markets.

Flex space operators emerged as one of the fastest-growing demand segments in 2025, accounting for 23% of the total office leasing in H2 2025 and registering a sharp 53% YoY increase in absorption. Growth was predominantly led by managed office solutions, which comprised 16% of overall leasing,



reflecting occupier preference for flexibility, faster deployment, and capital-efficient expansion. Coworking operators contributed the remaining 7% share, continuing to support startups, project-based teams, and enterprise overflow requirements. Transactions led by players such as The Executive Centre, Coworks, Tablespace, and CorporatEdge Business Centre highlight the increasing institutionalization and maturity of Chennai's flex office market, positioning it as a critical component of occupier strategy rather than a peripheral alternative.

India-facing office leasing in Chennai increased by 18% YoY in H2 2025 and accounted for 20% of the city's overall office absorption, underscoring the strengthening role of domestic demand alongside export-oriented occupiers which continue to form the supporting base of the market. Within the India-facing segment, Other Services sectors dominated with a 64% share, led by engineering, healthcare and education, reflecting demand driven by consumption-led and service delivery businesses. Manufacturing-related occupiers constituted 22% of India-facing leasing, supported by Chennai's well-established industrial ecosystem and associated corporate functions. BFSI players contributed 10%, largely through insurance and financial service firms

expanding regional and back-office operations, while IT/ITeS firms accounted for the remaining 3%, indicating a relatively limited contribution from technology exporters within the India-facing demand profile. Prominent India-facing transactions were led by Amura Healthcare, Vels University, Godrej, and ICICI Lombard.

Third-party IT services, while seeing a relative moderation in H2 2025 compared to the strong rebound witnessed in the first half of the year, remained an important pillar of demand. Key transactions during 2025 were led by established technology players such as TCS, HCL, and L&T Technology Services, reinforcing Chennai's longstanding position as a core IT and engineering services hub, even as the overall leasing mix became more diversified.

Spatially, leasing activity continued to consolidate around well established, infrastructure-led corridors, with a clear shift toward peripheral business districts offering scalability and improved connectivity. The PBD OMR and GST corridors emerged as the fastest growing office clusters, with their share rising sharply from 15% in H2 2024 to 36% in H2 2025, supported by large-format transactions and sustained GCC expansion. Key locations such as Sholinganallur, Perungulathur, and PTR Road were particularly active, benefiting from improving road infrastructure, proximity to residential catchments, and the availability of institutional-grade office stock. The SBD corridor, including established hubs such as Guindy and Manapakkam, continued to play an important role in the market; however, its relative share declined from 50% to 34% as occupier demand diversified beyond traditional central locations. Similarly, the SBD OMR corridor saw its share moderate from 26% to 22%, reflecting a broadening of leasing activity into newer

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peripheral districts rather than any weakening in fundamentals. The CBD maintained a stable presence, with its share inching up from 6% to 7%, driven largely by niche and consolidation-driven occupier requirements. PBD Ambattur, meanwhile, remained a niche market with limited large-scale activity, accounting for 1% of leasing in H2 2025, underscoring its selective appeal compared to the dominant OMR-and GST-linked corridors.

On the supply side, office completions remained elevated through 2025, with total additions of 0.32 million sq m (3.5 million sq ft), enabling the market to absorb occupier expansion without materially loosening underlying fundamentals. In H2 2025, a meaningful share of new supply was delivered by institutional developers, reinforcing confidence in Chennai's long-term office market outlook. Key completions during the period were led by the Embassy Group, CapitalLand, and K Raheja Corp, all along PTR Road within the PBD OMR and GST corridors. The clustering of new developments in this micro-market underscores its rising prominence as a hub for large-format, future-ready office campuses, particularly aligned to the requirements of GCCs, technology occupiers, and managed office operators seeking scale, modern infrastructure, and strong connectivity.

Despite these additions, market conditions continued to tighten, supporting steady rental appreciation and reinforcing Chennai's positioning as a structurally balanced office market where demand has largely kept pace with supply. Average office rents increased by 5% YoY, while vacancy levels remained among the tightest across major Indian office markets, closing the year at 7.7%. This reflects sustained occupier demand and the continued scarcity of quality Grade A office space, particularly in preferred growth corridors. Transactions in Grade A properties was around 85% during H2 2025.

CHENNAI OFFICE MART – BUSINESS DISTRICT WISE RENTAL MOVEMENT

Business district	Rental value range in H2 2025 (Rs/sqft/month)	12-month average	6-month average
CBD	70-95	2%	1%
SBD	75-100	4%	2%
SBD OMR	80-115	5%	2%
PBD OMR and GST road	55-70	2%	0%
PBD Ambattur	38-50	2%	1%

Source: Knight Frank Research

India also has the third-largest pool of AI talent globally, and accounts for 16% of such skilled workforce. As on date, there are 120,000+ AI/ML professionals and 185+ dedicated AI/ML Centre of Excellences in India, according to Colliers survey

SNAPSHOTS

CREDAI Chennai Applauds government's decision to adjust Stamp Duty and Registration Fees

CREDAI Chennai welcomed the Tamil Nadu government's order allowing adjustment of stamp duty and registration fees already paid by homebuyers. "As this reform is implemented, it is important that its benefits reach all affected homebuyers, ensuring consistency and fairness across transactions, said Mohamed Ali, President, CREDAI Chennai. The order resolves the core issue of double taxation faced by homebuyers by permitting adjustment of stamp duty and registration fees already paid under the earlier registration framework, said Mohamed Ali.



"Projects where construction agreements were registered prior to the composite framework, and cases involving double levy concerns, are expected to see faster resolution. This clarity will help unlock delayed registrations and accelerate sales closures in the coming quarters. On average, first-time homebuyers impacted by double taxation can save between ₹2 lakh and ₹6 lakh, depending on the value of the property and the construction agreement", said Mohamed Ali.

The clarity encourages both developers and homebuyers a permanent shift to composite registration for future projects. By resolving the hardship faced during the transition phase, this order strengthens confidence in composite registration as a stable, transparent, and long-term registration framework, added Mr Mohamed Ali

An indomitable occasion for SIS

The wedding reception of Credai Chennai President and Managing Director of South India Shelters, Mohamed Ali's son, Abyan Mohamed with Asila Khilji was held at VGP Golden Beach Resort on January 11 with pomp and elegance in a manner associated with traditional weddings. The memorable and auspicious occasion was highly structured, and beautiful affair, with industry associates, friends and well-wishers gracing the occasion.



Mumbai Records Property Registrations Cross 1.5 Lakh in 2025

Mumbai's real estate market clocked a historic milestone in calendar year 2025, recording its highest annual property registrations in over 14 years and reaffirming the city's position as India's most active real estate hub. Data from the Inspector General of Registration and Controller of Stamps, Maharashtra, and industry analyses reveals that 150,254 properties were registered across the Mumbai municipal region during the year — a 6 per cent year-on-year rise over 2024 —

accompanied by robust stamp duty collections of ₹13,487 crore, reflecting an 11 per cent annual growth and underscoring sustained end-user demand in the residential housing segment.

The final month of the year sustained the strong annual trend. In December 2025, 14,447 property transactions were registered, generating approximately ₹1,263 crore in stamp duty revenue — a 16 % increase year-on-year and an 18 % rise over November 2025.

Residential units dominated activity, accounting for roughly 80% of total registrations, highlighting sustained end-user home-buying interest. Properties under 1,000 sq ft continued to dominate buyer preference, contributing around 82% of December registrations, with mid-range homes (₹1–2 crore bracket) increasing their share.

Bharat Is Building India's Future of Ageing: USD 8.4 Billion Needed for Senior Living by 2030

Savills India estimates that India will require investments ranging from USD 4.8 billion to USD 8.4 billion by 2030 to meet the growing demand for senior housing, as the country's elderly population is projected to rise from 155 million in 2024 to 347 million by 2050. The report titled 'Living the Years that Count' also states that nearly 34% of all under-construction senior living projects are now in non-metro cities, led by Coimbatore, Vadodara and Goa. These cities are emerging as India's future senior-living hubs, driven by affordability, climate quality, and proximity to healthcare.

"Bharat is leading the way in shaping the future of senior living, with tier-2 cities driving the shift through affordable housing, healthcare, and thoughtfully designed communities. With over USD 8 billion in projected investment and the Government's growing policy push, this is one of India's most transformative infrastructure opportunities with the path forward focused on building inclusive ecosystems that enable dignified and comfortable ageing," said Arvind Nandan, Managing Director, Research & Consulting, Savills India.

Some other key takeaways from the report are:-

- The rapidly ageing Indian population - projected to reach 21% of its total population by 2050 is driving an urgent need for purpose-built senior living
- Pricing models are diversifying and have become flexible — with rentals starting at INR 25,000/month to over INR 1 lakh; and ownership options from INR 25 lakh in non-metros to upwards of INR 2 crore in metro cities
- The market is evolving from real estate-only models to design-led, lifestyle ecosystems with barrier-free architecture, biophilic design, and integrated wellness features
- South India dominates supply, with 68% of all projects concentrated in the region while North India shows the highest non-metro balance, with 50% of projects located in non-metro cities

The report urges the creation of a dedicated regulatory framework under the Ministry of Housing or Social Justice, along with GST relief, tax breaks, and subsidised financing to make senior living viable at scale. It also calls for a formal PPP policy, land grants to unlock private investment and standardise the sector.

CHENNAI REALTY

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Guduvancheri / Vacant Plot

Perungalathur / Two plots

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Strong growth in cement and steel production reflected strength in India's construction and real estate sectors, according to EY survey

REALTY UPDATE
CHENNAI OFFICE MART – SELECT LEASING TRANSACTIONS Q4 2025

Tenant	Area (sqft)	Property	Micromarket
Citibank	250,000	DLF Cybercity	Mount-Poonamallee road
WeWork	104,600	CapitaLand ITPC – Taramani	OMR Zone 1
FL Smidth	90,000	CapitaLand ITPC – Radial Road	Pallavaram-Thuraiyakkam road

Source: Colliers

CHENNAI OFFICE MART – KEY LEASING TRANSACTIONS Q4 2025

Property	Micromarket	Size (in sqft)	Tenant
Anand IT Park	OMR Zone 1	173,000	Vistas
One National Park	OMR Zone 1	139,000	Amura
One National Park	OMR Zone 1	104,000	CorporatEdge

Source: CBRE Research Q4 2025

CHENNAI OFFICE MART – KEY SECTORS DRIVING ABSORPTION

Sector	% share	QoQ movement
Life Sciences	28%	▲
Technology	24%	▲
Flexible space operators	13%	▲

Source: CBRE Research Q4 2025

CHENNAI OFFICE MART – RENTALS

Micromarket	Rentals (Rs/sqft/month)
OMR zone 1	99.5
Guindy	90.0
CBD	88.8
Mount Poonamallee Road	83.5
Average city rent	78.2
Off CBD	71.6
Pallavaram Thuraiyakkam road	69.8
GST	52.6
OMR zone 2	49.0
Ambattur	44.0

Source: Colliers

REAL ESTATE ROUNDUP

- Gross office space absorption remains stable at 75.2 million sq. ft. across tier I cities** in 2025
- The industrial and warehousing sector saw a 20% YOY growth, with 59.5 million sq. ft. of absorption in 2025 across tier I cities***
- Premium residential markets of Delhi-NCR, Mumbai, Bengaluru and North Goa witnessed appreciation in capital values up to 36% YoY in 2025
- PE investments in Indian real estate touched USD 6.7 billion in 2025, recording a 59% YOY increase
- Embassy Office Parks REIT divests 0.38 million sq. ft. (35, 303 sq. m.) of office space in Bengaluru for INR 5.3 billion
- International Finance Corporation (IFC) invests INR 3.0 billion in affordable housing through Grihum Housing Finance
- Bagmane Prime Office REIT files draft papers for an INR 40.0 billion IPO to monetise its commercial office portfolio
- ArcelorMittal leases 0.1 million sq. ft. (9, 290 sq. m.) office space in Hinjewadi, Pune to set up a Global Capability Centre
- SoftBank to acquire DigitalBridge for USD 4.0 billion to boost AI infrastructure and global data platforms
- Gaours Group raises INR 4.4 billion rough issuance of debentures for land acquisition
- Adani Group expands presence in Madhya Pradesh with INR 15 billion and INR 14 bn grinding units in Guna and Ujjain
- Union Home Minister inaugurates infrastructure projects worth INR 9 billion in Assam
- NOIDA International Airport partners with Tech Mahindra to launch a 24x7 integrated NOC-SOC cybersecurity system in India's largest Airport
- Unity Small Finance Bank acquires Aviom India Housing for INR 9.7 billion
- Infosys sells 53.5-acre land parcel to Puravankara in Bengaluru for INR 2.5 billion
- Spring House Workspaces launches 52,000 sq. ft. (4, 830 sq. m.) headquarters at Vipul Plaza, Gurugram

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REIT SCENARIO

PE INVESTMENT IN REALTY AT US\$3.5 BILLION IN 2025

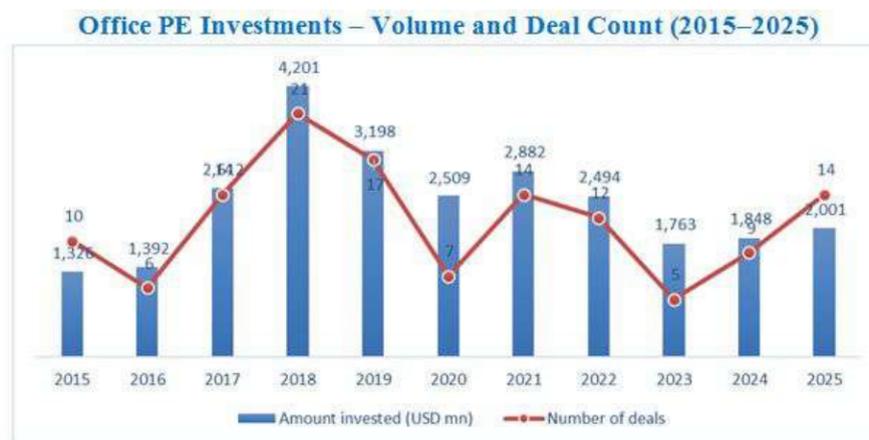
- Office remains the largest recipient of private equity, accounting for 58% of total investments in 2025
- Residential ranked second with 17% share, as capital tilted decisively toward downside-protected structures
- Private equity investments in Indian real estate declined 29% YoY

Private equity investments in India's real estate moderated in 2025 but sustained investor engagement. According to the Knight Frank India's latest report 'Trends in Private Equity Investments in India: H2 2025', private equity investments in Indian real estate declined by 29% during the year, reflecting a broader global reassessment of risk, returns and execution. Office assets emerged as the clear anchor for private equity investments, attracting 58% of total inflows in 2025 with USD 2,001 million in 2025. Office investment volumes remained broadly in line with the three-year average, underscoring continued investor conviction.

Knight Frank India's Capital Markets report adopts a focused private equity lens, tracking only capital deployed by PE investors across core real estate asset classes. Platform-level investments are included solely for warehousing, while transactions in other segments are recorded only once capital is deployed. The analysis does not include REITs, InvITs, hospitality and data centre transactions, ensuring a clear, comparable view of private equity activity across Office, Residential, Retail and Warehousing sector.

The slowdown in private equity investments in Indian real estate during 2025, reflects a sharp recalibration across three interconnected dimensions, the effective cost of capital, exit visibility, and valuation alignment. While macro-economic conditions (GDP growth, interest rate and inflation) improved, these three variables failed to realign quickly enough to support sustained capital deployment. Private equity investors remained cautious in 2025. Slower valuation adjustment constrained deal execution, even as operating

The Office sector leads PE investment with US\$2+ billion in 2025, says Knight Frank India survey



Source: Knight Frank Research, Venture Intelligence | *Investments considered till 20th Dec 2025

PE investments in Indian Real Estate decline 29% in 2025



Source: Knight Frank Research, Venture Intelligence

PE Investments by Asset Class – 2025



Source: Knight Frank Research, Venture Intelligence | *Investments considered till 20th Dec 2025

performance in office and retail remained robust. Capital therefore shifted toward downside-protected, income-focused structures rather than large-scale deployment.

Office assets continued to account for the largest share of private equity investments during the year, reflecting their scale,

institutional depth, and income stability. Residential emerged as the second-largest segment, driven primarily by structured capital deployments.

Residential real estate ranked second, drawing 17% of total private equity investments during the year. However, the nature of capital deployment shifted meaningfully. Investors increasingly

favoured credit-led instruments over pure equity exposure, prioritising contracted cash flows and downside protection while retaining participation in the sector's long-term growth. Equity investments were largely confined to de-risked projects with clear execution visibility.

Occupier demand remained robust in the warehousing sector. The sector remained the third largest recipient of private equity investments in 2025, recording 15% of the total PE share. This demand supported by e-commerce expansion, supply-chain formalisation and manufacturing growth. The moderation in investment volumes was largely supply-driven, reflecting limited availability of stabilised, institutionally owned assets and a more conservative underwriting approach to build-to-core strategies amid higher financing costs.

Retail real estate saw limited investment activity in 2025, marked by a single large transaction after nearly two years of muted private equity participation. As a result, the segment accounted for just 11% of total private equity investments during the year. Capital deployment resumed only for assets that met strict criteria on scale, operating performance, and exit visibility. Beyond these assets, investor interest remained selective, with secondary malls and repositioning-led opportunities seeing limited traction.

Shishir Bajjal, International Partner, CMD said, "Knight Frank's investment forecasting model points to a more supportive environment over the medium term. Based on assumptions around government capital expenditure, currency movement, inflation, interest rates and incremental office supply, private equity investments in Indian real estate are projected to rise by 28% year on year to approximately US\$ 4.4 billion in 2026. This recovery is expected to be measured, driven by selective growth rather than a broad-based return of risk capital".

Office and logistics-led strategies are likely to remain the primary beneficiaries of renewed inflows, while residential and retail investments are expected to continue focusing on structured and project-specific opportunities. As interest rates stabilise and underwriting confidence improves, capital deployment should gather momentum 2026 onwards, led by assets offering clear execution pathways and durable cash flows.

continued from page 1

Robust Growth in Residential Sector

pronounced correction, with its share falling from 27% to 18%, driven by a notable decline in volumes amid affordability pressures, higher input costs, and limited new supply at the lower end. While ultraluxury homes above Rs 50 million remained niche, transaction activity improved, signalling early traction at the very top end of the market. Overall, the distribution of sales in H2 2025 highlights a structurally maturing residential market in Chennai, where demand is progressively consolidating in mid-to-premium price brackets, reflecting evolving buyer aspirations, income growth, and a preference for quality-led housing over entry-level affordability.

CHENNAI RESIDENTIAL SNAPSHOT				
Parameter	2025	2025 Change (YoY)	H2 2025	H2 2025 Change (YoY)
Launches (housing units)	20,865	20%	11,244	31%
Sales (housing units)	18,262	12%	9,327	13%
Average price in Rs/sqft	5,135	7%	-	-

Source: Knight Frank Research

• Chennai's residential prices continued their steady upward trajectory in 2025, with average values rising 7% YoY to Rs 55,273/sq m (Rs 5,135/ sq ft). This appreciation has been driven by sustained

employment-led housing demand from the IT and GCC ecosystem, improving rental fundamentals, and infrastructure-led connectivity gains, particularly across metro-linked corridors. The price growth

remains broad-based yet measured, underscoring Chennai's position as one of India's most stable residential markets where capital value appreciation is firmly anchored in end-user demand rather than speculative excess.

• Overall, Chennai's position as a resilient, employment-led housing market offering long-term stability, consistent absorption, and compelling value for both end-users and developers.

LEGAL

JUDGEMENTS IN A NUTSHELL

- The Supreme Court, in a recent decision stated that, A requirement of rules, regulations or even law that impedes or restrains easy and effective transfer of property will be illegal as it has the direct effect of 'depriving of property' to that extent, and such delays, caused due to unreasonable and arbitrary restrictions, impinge the right to hold and dispose of property. We therefore hold that the prescription of mentioning and production of jamabandi allotment or holding allotment as a pre-condition for registration of a legally presented document under impugned sub-rules 19 (xvii) and (xviii) is arbitrary and illegal and as such, liable to be set aside.[LNIND 2025 SC 1065]
- The High Court of Madras, in a recent case, held that whether the documents produced by the plaintiff are genuine documents or manipulated documents is a question to be decided at the time of final disposal based on evidence. At the stage of reception, the issue as to its genuineness cannot be tested. [LNIND 2025 MAD 42535]
- The High Court of Madras, in a recent case, opined that, easement by necessity is a legal right that grants access to a land locked property through a neighbours' land, created when a larger parcel is divided and one part is left without a public road or other access. The same is automatically withdrawn or extinguished if an alternative access become available. Whereas, an easement by prescription

occurs when someone uses another person's property openly and continuously without permission for a legally defined period. Therefore, easement by prescription develop over time through continuous and open use without explicit permission. [LNIND 2025 MAD 42689]

- The Delhi High Court, in a recent case stated that, Whenever the complaints filed before the RBI Ombudsman are finally rejected, the same shall undergo a second level human supervision process, by trained legal personnel for e.g. retired judicial officers, lawyers, etc., who are legally trained for at least ten years, so that complaints are not rejected due to small errors. If the complaint redressal mechanism adopted by the Ombudsman is made more effective and efficient, litigation in Courts and consumer forum/s can be reduced considerably.[LNIND 2025 DEL 8527]

- The Delhi High Court, in a recent Judgment stated that, once the appellants failed to establish sufficient cause for condoning the delay under Section 5 of the Limitation Act, the application under Order XXII Rules 3 and 9 CPC could not have been considered on merits. The statutory scheme is clear that where a party dies and the prescribed period for substitution expires, abatement operates automatically, and revival of the proceedings becomes possible only if the delay is first condoned. Without such condonation, the Court is divested of



jurisdiction to entertain an application for setting aside abatement The dismissal of the delay application therefore rendered the request for setting aside abatement infructuous in law.[LNIND 2025 DEL 8145]

- The Bombay High Court, in a recent case stated that, Declaring the Dissolution Deed to be void, in order to revive the Partnership Deed and declaring the Cancellation Deed to be void, in order to revive the Development Agreement would not become actions in rem. It may eventually have implications in rem as could any in personam instruments being

revived but no in rem rights would be eroded intaking the decision on whether to declare the instruments to be void and on whether to revive a dead instrument. A mere incantation of a mantra of "fraud" or for that matter "public impact" would not lead to the subject matter of a suit prosecuted by a party to an arbitration agreement on an arbitrable subject matter, becoming non-arbitrable.[LNIND 2025 BOM 2124]

Source: LexisNexis

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TRENDS

REAL ESTATE AGENTS (REAs) AND PREVENTION OF MONEY LAUNDERING ACT (PMLA)

■ **MANISH GHIYA**

Real estate agents (REAs) sit at the heart of property transactions and often have the closest visibility into a client's financial behaviour, the source of funds, and the transaction motivations.

The Central Government brought the REAs into the fold of the Prevention of Money Laundering Act, 2002 (PMLA), notifying that persons engaged in providing services in relation to the sale or purchase of real estate and having the annual turnover of Rs 20 lacs and above, as a 'person carrying on designated business or profession'.

By designating REA as a person carrying on 'designated business or profession', the real estate agents have become 'reporting entities' under the PMLA law. A reporting entity has many obligations under the PMLA and thus should have an anti-money laundering (AML) compliance framework, directing their efforts in detecting and deterring money laundering and terrorism financing.

There are two further related concepts for compliance which are usually associated with the PMLA – the Unlawful Activities (Prevention) Act (UAPA), and the Weapons of Mass Destruction Act (WMD). REAs have obligations of compliance under these laws too.

The Directorate General of Audit in the Central Board of Indirect Taxes and Customs is the designated regulator under the PMLA for the real estate agents and also oversees compliances under the UAPA and the WMD laws.

Through these FAQs, we are clarifying the few key obligations and actions on the part of the REAs. Do note that the PMLA currently applies to all real estate agents, as defined in the PMLA law, engaged in the sale or purchase of real estate with an annual turnover (which generally means gross income) of Rs 20 lacs or more. However, compliances under the UAPA and the WMD laws apply to all agents. These two topics are also covered in these FAQs.

Who is a real estate agent for the purpose of PMLA?

- Real estate agent means any person, who negotiates or acts on behalf of one person in a transaction of transfer of his plot, apartment or building, as the case may be, in a real estate project, by way of sale, with another person or transfer of plot, apartment or building, as the case may be, of any other person to him;

- The REA receives remuneration or fees or any other charges for his services whether as a commission or otherwise;

REA also includes -

- a person who introduces, through any medium, prospective buyers and sellers to each other for negotiation for sale or purchase of plot, apartment or building, as the case may be, property dealers, property brokers, or such by whatever name called.
- Such REAs are having an annual turnover of Rupees twenty lakhs and above.

If you are not covered by above definition, you will not be a REA for the purpose of PMLA.

When did PMLA become applicable to the real estate agents in India?

PMLA obligations started to apply from November 2022, when the Central Government notified real estate agents as Designated Non-Finance Business and Profession, thus categorising them as "Reporting Entities" under the PMLA.

Who is the regulator for real estate agents, for the purpose of the PMLA Act?

The Central Board of Indirect Taxes and Customs (CBIC) is the designated Regulator for the real estate agents for the purpose of the PMLA Act. The guidelines to regulate them are issued by the Directorate General of Audit, CBIC (DGA CBIC).

The PMLA law overall is administered by the Financial Intelligence Unit – India (FIU).

Does PMLA apply if an REA deals only in rentals or leases?

No. Currently, rental/lease broking transaction is currently outside the scope. Only real estate sale/purchase/transfer transactions are covered.

If a REA's annual earnings as a REA are below ₹20 lakh, am I outside the PMLA?

As per the applicable law, REAs whose annual turnover (which generally means the annual gross income) is less than Rs 20 lacs are not covered in the scope of the PMLA.

However, note that all REAs, irrespective of the turnover, are covered in the scope of the UAPA / WMD related obligations – see FAQs towards the end for the UAPA/

WMD compliances. Hence, all REAs must ensure such compliances.

Is there a requirement to register under the PMLA?

REAs covered under the PMLA must register on the FIU-IND portal as a Reporting Entity (RE). They also are required to designate a Principal Officer and a Compliance Officer under the PMLA. The REA must also put in place the PMLA compliance framework. However, there is no specific separate registration requirement in relation to compliances under the UAPA/WMD laws.

Are real estate agents required to appoint a Principal Officer and designated director?

Yes, all reporting entities must appoint the Designated Director (DD) and the Principal Officer (PO), which must be registered on the FIU-IND portal. Their details must also be informed to the DGA, CBIC and the concerned state RERA.

The DD and PO have responsibility for operationalising and implementing the PMLA compliance framework, and the oversight in the organisation. They are also responsible for regulatory reporting, and formulating and implementing client acceptance policies and client due diligence measures.

Do small, individual real estate brokers have the same obligations as large agencies?

Overall – Yes, core obligations (KYC/ CDD, STR, record-keeping, FIU reporting) are mandatory for all REAs who are within the scope of the PMLA. However, since the PMLA requires a risk-based compliance framework, the extent and depth of actions may differ on a risk-based proportionality principle for different customers and transactions.

What policies and documentation must a real estate agent maintain?

A REA must establish, implement and maintain:

- AML/CFT compliance programme. The programme must be appropriate to the REA's business, and must be regularly reviewed.
- Know your customer (KYC) / client acceptance policies / Customer Due Diligence (CDD) Procedures that includes identification and verification of the customers and their beneficial owners, and must be conducted on

Money laundering (ML)/Terrorist Financing (TF) risk sensitive basis.

- Money laundering (ML)/Terrorist Financing (TF) Risk Assessment to identify, assess, prevent and mitigate ML/TF threats from customers; existing or new product and services; new or developing technologies that might favour anonymity, including Virtual Digital Assets; and take measures to prevent their use in money laundering and terrorism financing.
- a system / process for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities.
- process to report cash transactions; or use of fake or forged cash notes.
- training and awareness to their staff on AML/PMLA.
- Record-keeping framework, to maintain records of all KYC/CDD, customer transactions, programme, reports etc for 5 years (in case of customer identification records, 5 years from the end of customer relationship).
- If the REA is part of a group, then the policies shall be implemented on a group-wide basis.

Do real estate agents need to undertake KYC of the customers?

Yes. Full KYC/ Customer Due Diligence (CDD) must be done by the REAs:

- at the time of commencement of an account-based relationship; or
- while carrying out occasional transactions of Rs 50,000 or more.

The REA should obtain relevant documents (officially valid documents for identity and address, and other organisation related officially valid documents), and conduct the following:

- Identifying the clients.
- Verifying their identity.
- Obtaining information on the purpose and nature of business relationship.
- Determine if the client is acting on behalf of a beneficial owner/s (BO) (where applicable) and take steps to verify their identity.

This is the first part of a series on the subject.

If – for example - a POA holder is involved, identification and verification, and BO checks will apply to such POA holder too.

Continued on page 8

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Continued from page 7

Real Estate Agents (REAs) and Prevention of Money Laundering Act (PMLA)

The KYC / CDD / EDD procedures will vary depending on the category / type / status of customers and services, and may also involve checks and verification of beneficial owners (BOs). They must be able to form a reasonable belief that they know the true identity of each customer. Customer Due Diligence (CDD) measures must be conducted to form these beliefs with the identification and verification of the identity of customers and their beneficial owners.

If the REA cannot apply CDD measures for a client, or cannot identify the client, or any information is suspected to be false or not genuine, they should not go ahead with the transaction, and should file a suspicious transaction report (STR).

REAs can rely on regulated third parties that are reporting entities under the PMLA, for obtaining information and documents. They can also obtain KYC / CDD information from CERSAI (subject to arrangement with them).

CDD must be applied on risk-sensitive basis.

What constitutes "high-risk" customers or transactions in real estate?

- Real estate transactions may involve high-risk customers. These can include:
- Clients with dubious reputation
- Politically Exposed Persons (PEPs)
- Transactions involving complex structures or opaque entities
- Clients from high-risk jurisdictions
- Clients which are trusts and charities.

Non-resident buyers/sellers should be subjected to appropriate risk assessment to know their risk level.

Enhanced Due Diligence (EDD) must be applied to the customers in high-risk cases. It involves a deeper / more frequent review of the client, gathering information from the publicly and other available sources, knowing the source of wealth/funds etc.

Mr Manish Ghiya is Principal, Compliense Advisors

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