

Chennai Residential Real Estate: Poised to continue its growth momentum

2021 residential sales for Chennai are poised to surpass pre-covid levels achieved in 2019. We expect this growth momentum to continue on the back of favorable macro factors for the residential sector and demand-supply dynamics for the city.

Chennai City Overview:

- Chennai is a large metropolis (population: 7MM; literacy rate: ~90%) and a major port city in South India.
- It is the capital city & major industrial/services hub of the state of Tamil Nadu. The city is a . . .

HUB FOR NEW ECONOMY SECTORS...

IT-ITeS

State accounts for ~10% of India's IT exports

- Largest operational centers for TCS & Cognizant are in Chennai

Data Centres

6 undersea cables provide 15Tbps bandwidth; largest in India

- 6 Cos have committed >INR12,000Cr in 2020 for private data centers

Electronics & Hardware

State accounts for ~16% of India's electronics production

- 2nd largest producer of computer electronics and optical products in India

...AND ESTABLISHED CENTRE FOR OLD ECONOMY SECTORS

Auto & Auto ancillaries

~60% of India's auto exports & 35% of auto components production

- Annual production of ~1.7 MM cars; known as 'Detroit of India'

Textiles & Apparel

~40% of India's yarn production & 20% of ready garment exports

- State has 50% of all Textile Mills

Ports

State has 3 (out of 16) major ports in India

- Chennai port is the largest in Tamil Nadu and 2nd largest in India

Source: Tamil Nadu Growth Engine of India (FICCI-ANAROCK report, Dec. 2021); Times Of India news article

Chennai Residential Market:

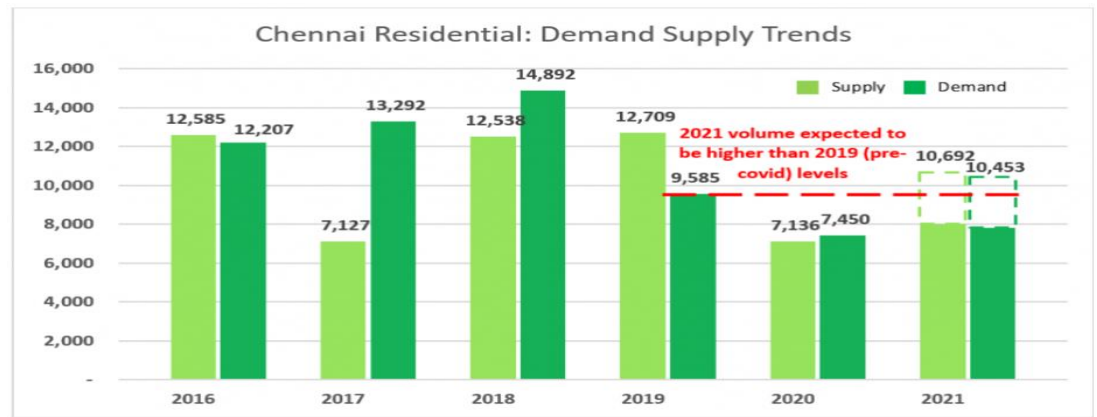
Economic growth and rapid urbanisation in the state has led to development of a robust residential sector in the city. It is the sixth largest residential market in India (by # of units). Some key data points:

- Annual demand for residential units averages between 11-12K units
- Annual supply also averaged at similar levels indicating a balanced market
- Affordable housing segment accounts for ~49% of the city's total demand
- Capital values have been stable with very limited annual growth over the past 5 years
- It is an end-user driven market with limited speculative demand

Residential supply-demand dynamic; Strong pick-up in volume:

After a covid-19 led fall in absorption in 2020, the city saw a sharp rise in absorption in 2021

- Volume achieved in the first 3 quarters of the year is higher than full year 2020
- 2021 full year volume is poised to be higher than the pre-covid volume achieved in 2019



Source: (1) CBRE, Certus research

What are market experts saying?

“Chennai has exhibited vigour and vitality in the residential real estate front to tide over the COVID-19 pandemic. The markets proved their resilience once again post the first wave in 2020. Yet again, after the second wave this year, new launches and absorption gained further momentum. This growth was mainly driven by rising sentiments towards homeownership amidst the pandemic. The affordable and mid-end segment dominated the markets as the demand was mainly driven by the salaried class. All-in-all, real estate developments are buzzing once again in the city of Chennai.” **Anuj Puri, Chairman – ANAROCK Group**

“Chennai has had its share of challenges, including those in the real estate sector. However, two positives seem to have emerged from this one-of-a-kind, unprecedented calamity. First, owing to the strict lockdowns, expenditures have gone down, and savings have considerably increased. Second, housing prices seem to have reached an all-time low. Coupled with multi-decadal low home loan interest rates, residential demand is slated to pick up speed,” **Srinivas Anikipatti, senior director - Tamil Nadu and Kerala, Knight Frank India**

“Housing prices have remained largely stable across India, despite the pandemic. The WFH phenomenon, while boosting the demand for real estate in India, hasn’t impacted property prices. North-west regions of Chennai like Ambattur and Madhavaram have seen an uptick in demand as of lot of data centers are proposed in those areas. Chennai’s OMR region continues to do well due to its proximity to IT parks.” **Sharad Mittal, CEO, Motilal Oswal Real Estate**

What is the outlook for Chennai residential real estate?

We expect the growth momentum in the city to continue over the next 2 years on the back of

- strong growth in the manufacturing (industrial) and the IT-ITES sectors
- favorable macro setup for the residential sector (decade low interest rates, cycle high affordability, demand-supply balance), and
- continued investment in infrastructure (new and upgrades)

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