



### Economy

- The automobile industry, software services, hardware manufacturing and financial services drive the local economy.
- Chennai is also known as the “Detroit of India” or the “Detroit of South Asia” because 40% of India’s automobile industry is located in the city.
- This city serves as a major back up center for operations of many banks and financial companies. Currently, there are three large national commercial banks and several insurance and financial companies in Chennai.



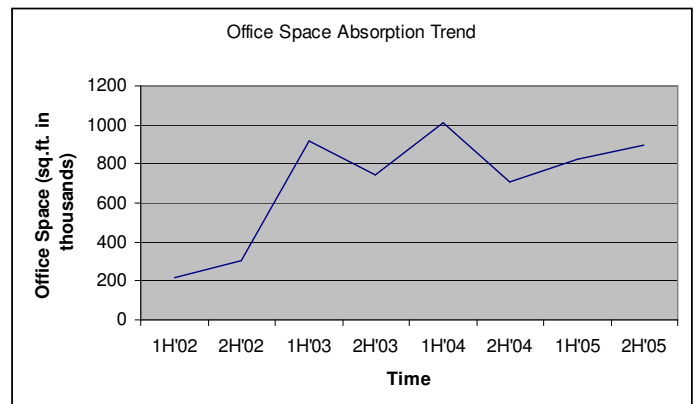
Chennai by night

### Recent Local Development

- State and central governments have allocated funds to upgrade the infrastructure in the Guindy and Ambattur industrial zones; the projects are expected to be completed by the end of 2006 or early 2007.
- Infosys Technologies, Srinivasa Fashions, Nera Electronics and Kryolan Cosmetics have commenced operations at their campuses in Mahindra World City.

### Real Estate Market Summary

- Office rental rates in the Central Business District (CBD) increased during 3Q’05.
- Chennai’s demand drivers for real estate continue to be the IT and ITES industries.
- Guindy industrial zone experienced an increase in real estate prices given its proximity to Chennai’s international airport and IT corridor.
- Infosys Technologies built the world's largest software development campus, a built-up area of 3.5 million sq. ft. on 126 acres, in Mahindra World City near Chennai.



## Office rental rates

(US\$/ sq. ft/ month)

Location	Avg. Rent
CBD	0.95
Off-CBD	0.85
Suburban	0.80
Peripheral	0.61

## Industrial Market

- TICEL bio-tech Park and Golden Jubilee bio-tech is home to many biotechnological companies and laboratories.
- Multinational corporations like Nokia, Flextronics and Foxconn chose the nearby town of Sriperumbudur as their base of operations.
- Ericsson and Alcatel have research and development facilities in Chennai.
- Mahindra World City has been approved for three sector-specific SEZ (Special Economic Zones): IT (Services & Manufacturing), Apparel & Fashion Accessories and Auto Ancillaries.
- Mahindra experienced an investment of US\$2 Billion.

## Preferential Treatment in Mahindra World City

- India's first operational green-field SEZ
- Attractive fiscal benefits
- Single interface for all dealings resulting in shorter decision cycles
- Proactive support from the government on critical resources like power and water
- Hassle-free operations
- Reduced cost of ownership

## Office Market

- In 2005, nearly 90% of the 4 million sq ft of Grade A office space absorbed during the year were occupied by the IT, ITES & BPO industries.
- The overall vacancy rate for office space has dropped below 5% as of 3Q'05.
- Nearly 4.5 million sq. ft of new Grade A office space will be available by mid-year 2006.
- The total office stock in Chennai is approximately 12.5 million square feet.

## Industrial rental rates

(US\$/ sq. ft/ month)

Industrial	Low	High
Warehouse	0.13	0.35
Manufacturing	0.13	0.32
R&D	0.18	0.40



Infosys Campus

## IT Industry

- Since the late 1990s, software development, hardware manufacturing and BPOs became integral industries to the local economy.
- Tidel Park, built by TIDCO, is the largest software park located on the IT corridor on Old Mahabalipuram Road.
- The Mahindra World City, one of the world's largest information technology park, is currently under construction.

**Automotive Industry**

- 40% of India’s automotive industry is based in or around Chennai.
- The majority of automotive manufacturers are located in the Ambattur-Padi industrial zone.
- Avadi also produces military vehicles in the *Heavy Vehicles Factory*.

**Automotive corporations with manufacturing plants in Chennai**

Hyundai	TI Cycles
Ford	TAFE
Mitsubishi	MRF
TVS	Royal Enfield
Caterpillar	BMW

**Retail**

- Retail space in malls has been in constant demand; only two malls are designed to international standards, Chennai City and Ampa Mall, which are scheduled for completion in early 2006.
- Construction of retail space has been concentrated in Nungambakkam, Alwarpet, Mylapore, T-Nagar, Adyar & Anna Nagar.
- A low vacancy level in T-Nagar is making retailers contemplate other prime retail areas along Adayar, Anna Nagar and Nungambakkam.
- Developers are considering new areas for the construction of retail space along Poonamallee Road and Anna Salai.

**Office rental rates**

(US\$/ sq. ft/ month)

Location	Low	High
CBD	0.95	1.15
Suburban	0.75	0.85
Peripheral	0.77	0.95
Regional Malls	0.95	2.50

**Labor Market**

- Chennai has a highly-skilled workforce because it attracts students from several regions.
- The average literacy rate is 80.14%, higher than the national average of 59.5%.
- Some of the renowned higher learning institutions near Chennai are the Indian Institute of Technology, Anna University, Madras University, Ambedkar Law University and Sri Ramachandra Medical College & Research Institute.
- 30 engineering colleges and specialized training institutions serve as a potential source of manpower.
- The CSIR Labs of Government of India also attract highly-qualified workers.
- The Mahindra World City is attracting talent from several regions in India, including IT-hubs such as Bangalore.



Shoppers’ Stop- Chennai

**Infrastructure**

- Five major national highways connect Chennai to nearby cities.
- Chennai’s International Airport offers domestic and international flights. It is the second busiest cargo airport in India.
- Ennore Port and Chennai Port serve the city; Chennai Port is the second busiest container hub in India.
- Chennai suburban railway consists of four major intercity lines.
- The Metropolitan Transport Corporation transports an estimated 4.2 million passengers daily.
- Mahindra World City offers a dual-source grid and a 110 KVA onsite substation that supplies the city with uninterrupted power at various load options.

**PROs**

- Attractive incentives for Special Economic Zones include:
  - Fifteen-year tax exemption: 100 % Income Tax exemption for the first five years; 50% for the next five years and 50% for the subsequent 5 years (with plough back of 50% of profits into the SEZ Unit).
  - Exemptions from duties, taxes and local levies including levies on construction material and stamp duty on land.
  - "Public Utility Service" status.
  - In-house customs clearances.
- Mahindra World City delivers world-class amenities and services flawlessly.
- Infrastructure supports the production and exportation of goods produced in the area.
- Lower real estate market prices than metropolitan areas such as Bangalore and New Delhi.

**CONs**

- Overpopulation and water scarcity still plague most of the city.
- The growing automobile population clogs many arterial roads in centric locations, including the Gemini flyover on Anna Salai even during late hours.
- The local government does not favor large residential units, forcing people to find locations in the suburbs, which increase their commute time.





Srinivasa Fashions Complex in Mahindra World City

**Outlook 2006**

- **Offices:** Rental rates in the CBD are expected to increase because of the limited availability and high demand for office space. Rents will increase marginally as new supply meets a strong demand but are expected to stabilize in late 2006.
- **Industrial:** IT, ITES and BPOs companies will continue demanding new space for their operations. Locations near the airport and along the IT corridor will experience an upward pressure in real estate prices.
- **Retail:** Rents will stabilize gradually with the new supply of retail space entering the market during 2006.

**Short Term Outlook**

Rental Rates

<b>Office</b>	
<b>Industrial</b>	
<b>Retail</b>	