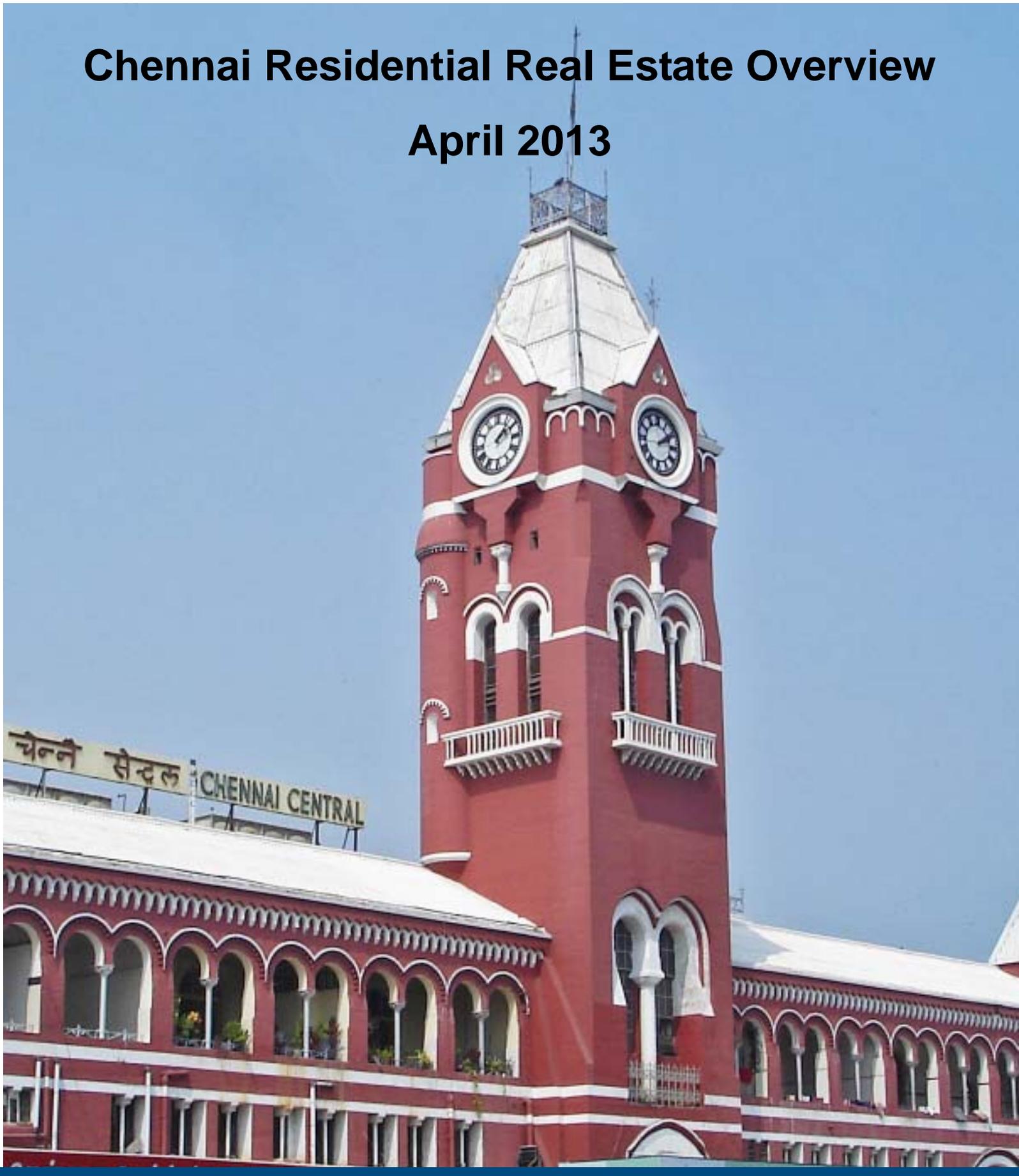


# Chennai Residential Real Estate Overview

## April 2013



## TABLE OF CONTENTS

1.	Executive Summary	3
2.	Chennai Fact File	4
3.	Chennai Real Estate	5
4.	Major Locations within Chennai	7
5.	South Chennai	8
6.	West Chennai	11
7.	North Chennai	13
8.	Central Business District / Off Central Business District	14
10.	Location Attractiveness Index	16
11.	Disclaimer	17

The Chennai Real Estate Overview takes a look at the key micromarkets and the growth stimulators from a residential perspective. The report highlights the key findings of a week long survey of the residential markets.

- In the short-run, we expect an upward movement in Chennai residential real estate prices tracking the improved stance of market participants amidst an average inventory of 15 months only and very few launches from Category A and B builders.
- Over the long term, we expect the residential real estate prices in Chennai to increase @ 7-10% YoY as the city emerges into a major IT, automobile and electronic manufacturing hub.
- Grand Southern Trunk (GST) Road, Sriperumpudur and Porur have witnessed significant increase in terms of inquiries and conversions over the previous year, whereas Oragadam and Old Mahabalipuram Road (OMR) have witnessed stagnation on these fronts. Builders are also resorting to aggressive marketing to generate interest in the market.
- There is a ticket-size expectations mis-match in the demand-supply category, with the demand expectation in the market majorly in the INR 30-50 lakhs bracket, whereas the supply of residential units is majorly in the INR 70-100 lakhs bracket.
- Chennai residential real estate market is witnessing demand from the NRI investors, who have their roots from Chennai. Builders discourage short-term speculation in the market. However, few projects, which are located in distant peripherals reported of having introduced the schemes of 'first-transfer free' in order to boost demand in their projects.
- Builder offices gave us mixed answers with regards to the pace of takeoff in the 2 & 3 BHK category. On delving deeper, if the difference between configuration sizes between 2 & 3 BHKs were lesser than 200 sft, the takeoff in 3 BHKs was faster, i.e. there was a tendency among buyers to stretch. However, for a difference of greater than 200 sft, 2 BHKs took off much faster compared to 3 BHKs.
- Demand for projects within the city limits far outstrips the supply. Hence, price correction for these projects are not expected. However, there are some launches at ticket sizes in excess of INR 15 cr within the central limits, which is expected to take time to absorb. In the peripheral areas of Chennai, prices are not expected to correct, predominantly, owing to the increasing construction cost to the builders coupled with their objective of generating enthusiasm among the buyers with the price-increase amidst the improving demand scenario.

**Overview:**

Chennai (formerly Madras) located on the northeastern tip of the southern Indian state of Tamil Nadu, is India's fourth largest city, the largest in the South and the capital city of Tamil Nadu. This city is often referred to as being the 'Gateway to the South'. The city is located on the Coromandel Coast, with the Bay of Bengal along its shoreline. The city, formerly a cluster of villages, grew around the British settlement of Fort Saint George. In its short history dating back to 350 years, it has absorbed surrounding towns and villages, such as Mylapore and Egmore.

**History:**

Chennai was once limited to the ancient province of Tondaimandalam, which had its capital and military headquarters at Pozhal, a small village in the north-west outskirts of Chennai. The apostle St Thomas is said to have preached here between 52 AD to 70 AD. The region has changed hands several times over the years, ruled by various South Indian empires of the Cholas, the Pandyas, the Pallavas and the Vijaynagar empire.

The Portugese and the Dutch arrived in Chennai during the 16th century. The Portugese established a port, Sao Tome or Sao Thome in 1522 and built churches. However, the modern city started taking shape when the British East India company chose the fishing hamlet of Madraspatnam as a site for settlement during 1639.

The 18th century witnessed the French and the British compete for gaining control of the city. The French occupied the Fort and Madras from 1746 to 1749, but the British soon regained control, with the help of Robert Clive (Clive of India) in the Carnatic wars. The most important war of the French was that of the late 1750s, which forced the French to withdraw to Pondicherry. Madras thereafter became an important naval base for the British and the administrative center of the growing British Empire in South India. In the 19th century, the city became the capital of the Madras Presidency, one of the four provinces of the British Imperial India.

Post Independence, the Madras presidency was reconstituted as the Madras State and was further disbanded into the states of Andhra Pradesh, Kerela and Madras. Madras continued to be the capital of Madras state, which was officially renamed Tamil Nadu in 1968. Madras was later renamed to Chennai in 1996.

**Census 2011 Key Highlights**

Description	2011	2001
Actual Population	4,681,087	4,343,645
Male	2,357,633	2,219,539
Female	2,323,454	2,124,106
Population Growth	7.77%	13.07%
Area sq. Km	174	174
Density/sq. km	26,903	24,963
Proportion to Tamil Nadu Population	6.49%	6.96%
Sex Ratio (Per 1000)	986	957
Child Sex Ratio (0-6 Age)	964	972
Average Literacy	90.33%	85.33%
Male Literacy	93.47%	90.01%
Female Literacy	87.16%	80.44%
Literates	3,850,472	3,336,695
Male Literates	2,004,498	1,799,981
Female Literates	1,845,974	1,536,714

Source: Census 2011

Short Term	10-12 months	Upward movement in capital value
Long Term	50-60 months	7-10% YoY appreciation in capital value with an upward bias on a conservative note

In the short-run, we expect an upward movement in Chennai residential real estate prices tracking the improved stance of market participants amidst an average inventory of 15 months only and very few launches from Category A and B builders.

However, the real estate future of the city, over the long term, appears promising as Chennai emerges into a major IT, automobile and electronic manufacturing hub.

**Some of the key observations pertaining to this realty market were as follows.**

- **Transactions in the residential real estate markets of Chennai has improved over the last year**

The residential real estate market of Chennai has witnessed significant improvement in terms of buyer interest, which has translated into higher transactions over the last one year. Grand Southern Trunk (GST) Road, Sriperumpudur and Porur have witnessed significant increase in terms of inquiries and conversions over the previous year, whereas Oragadam and Old Mahabalipuram Road (OMR) have witnessed a slow down in absorption.

Builders are also resorting to aggressive marketing to generate buyer interest in the market.

There is also a ticket size expectation mis-match in the demand-supply category, with the demand expectations in the market, majorly lying in the INR 30-50 lakhs bracket, whereas the supply of residential units is majorly in the INR 70-100 lakhs bracket. Builders are not being able to match the affordability bracket, owing to high land acquisition and construction cost. However, buyer expectations are adapting to the price points of the existing supply in the market.

- **Chennai witnessing a lot of NRI investors**

Chennai residential real estate market is witnessing demand from the NRI investors, majorly who have their roots from Chennai. However, Chennai proved to be an end user market with the market reporting of 80% end users. The salaried class followed by the self-employed category drives the end-use demand in this market.

Investor participation in Chennai real estate market is predominantly long-term in nature. Builders discourage investor speculation in the market. However, few projects which are located in distant peripherals reported of having introduced the schemes of 'first-transfer free' in order to boost demand in their projects.

- **Residential market mixed between 2 BHK and 3 BHK takeoff**

Builder offices gave us mixed answers with regards to the pace of takeoff in the 2 & 3 BHK category. On delving deeper, if the difference between configuration sizes between 2 & 3 BHKs were lesser than 200 sq.ft., the takeoff in 3 BHKs was faster, i.e. there was a tendency among buyers to stretch. For a difference of greater than 200 sq.ft., 2 BHKs took off much faster compared to 3 BHKs.

- **Is there an oversupply present in the Chennai real estate market?**

The oversupply scenario between the central and peripheral areas of Chennai is highly contrasting.

In central Chennai, the demand far outstrips the supply of apartment units. There is a scenario of

excess demand in this section of the market. However, there is an inventory of 15-20 months on the peripheral areas of Chennai along the Old Mahabalipuram Road (OMR), Great Southern Trunk Road (GST Road), Oragadam and Sriperumpudur.

- **Will the Chennai residential real estate markets correct?**

Demand for projects within the city limits far outstrips the supply. Hence, price correction for these projects are not expected. However, there are some launches at ticket sizes in excess of INR 15 cr, within the central limits of Chennai, which is expected to take time to be absorbed.

In the peripheral areas of Chennai, prices are not expected to correct, predominantly, owing to the increasing construction cost to the builders coupled with their objective of generating enthusiasm among the buyers with the price increase amidst the improving demand scenario.

- **Different market movers for different sections of the Chennai residential market**

The Small and Medium Enterprise industry workforce and government officials are largely driving the demand for residential units in North Chennai; Automobile and electronic manufacturing workforce is driving the demand for residential units around Oragadam and Sriperumpudur (West Chennai) and Great Southern Trunk Road (GST Road); IT is predominantly driving the demand along the Old Mahabalipuram Road (OMR) and Great Southern Trunk Road (GST Road) to a certain extent.

- **Will the Chennai metro lead to a boom in the real estate prices in Chennai?**

The Chennai metro rail is being planned in two corridors -

Corridor 1 shall be running from St. Thomas Mont to High Court via Ashok Nagar, Anna Nagar and Kilpauk Medical College.

Corridor 2 shall be running from Chennai Airport to Washermenpet via Guindy, Saidapet and Chennai Central.

Chennai metro is connecting the key areas within the existing Chennai city, which is expected to reduce the pressure on public transport (buses, local trains, autos etc.) and reduce the private vehicle pressure on the roads.

If this metro route is extended to the peripheral areas of GST, OMR, Sriperumpudur and Oragadam, then it may lead to an increase in the real estate prices of these sections and also across the existing Chennai city, as it will connect the peripheral areas to each other and the city areas as well, and shall also further disperse the high residential demand existing within the city to the peripheral areas.

- **Chennai is witnessing a lot of vacant or partly occupied commercial spaces**

Chennai is overlooking lot of partly occupied office spaces along the OMR and GST stretches. Moreover, the IT companies are looking to consolidate, rather than expand, their workforce to a single location, preferably on OMR and GST stretches, from it being spread across the city.

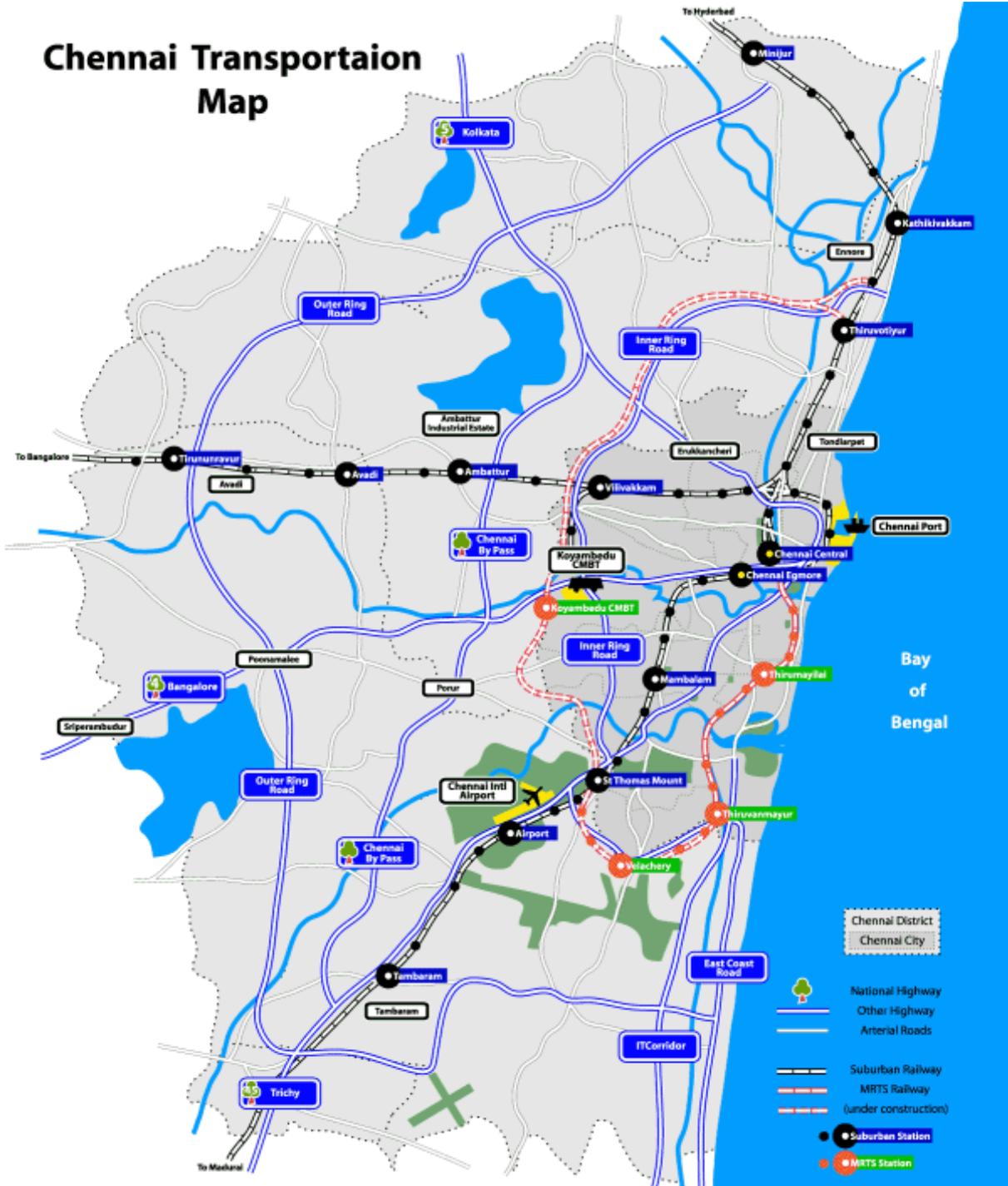
- **Poor social infrastructure witnessed along the peripheral regions of Chennai**

Poor social infrastructure was witnessed along the peripheral regions of Chennai in terms of poor approach roads to projects, dearth of adequate schools and malls relative to the total amount of residential supply hitting the area. Moreover, Chennai is facing acute water shortage issues, which is more pronounced along the OMR.

Thus, after analyzing the macro-trends in Chennai realty, we now delve deeper and analyse the micro-trends.

We have classified the real estate space in Chennai into five distinct zones - South Chennai, West Chennai, North Chennai, CBD and off-CBD locations.

### Chennai Transportaion Map



Source: [www.mapsof.net](http://www.mapsof.net)

**Major Locations:**

**Old Mahabalipuram Road (OMR):** Perungudi, Thuraipakkam, Sholinganallur - Perumbakkam - Pallikarnai- Medavakkam, Semmancherry, Siruseri, Puthupakkam, Thalambur, Navallur, Padur, Kelambakkam, Thiruporur.

**Grand Southern Trunk Road (GST):** Pallavaram, Chromepet, Tambaram, Perungalathur, Vandalur, Urapakkam, Guduvanchery, Singaperumal Koil.

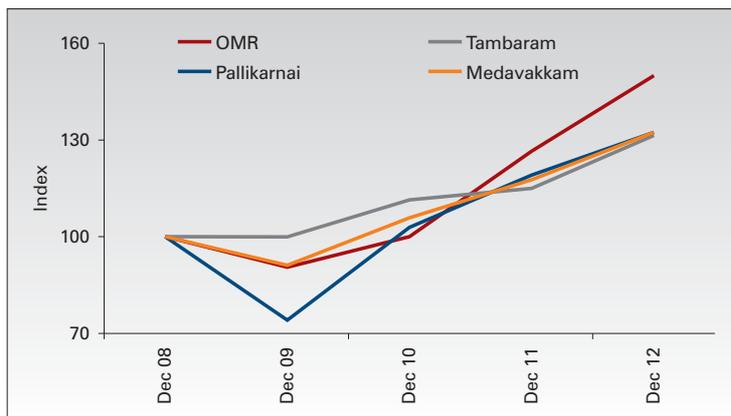
**East Coast Road, Sholinganallur-ECR Link Road, Velachery-Tambaram Road and Madipakkam.**

**Key Highlights:**

- The Old Mahabalipuram Road (OMR) belt has seen some traction during the last twelve months, with launches along certain stretches of this 26-km road, witnessing good absorption levels. However, pricing relative to the location remains the key factor in determining the success of a product.
- The areas of Thuraipakkam, Karapakkam and Perungudi, have witnessed a moderation in sales volumes due to the existing price-levels coupled with the lack of basic infrastructure. Smaller projects dotting this region are in the price-band of INR 5,000 psf-INR 6,000 psf. This region is expected to witness the infusion of fresh supply in the coming months.
- The region of Sholinganallur houses products in the price-band of INR 5,000 psf-INR 5,500 psf. We expect this micromarket to remain stable over a twelve-month horizon.
- Perumbakkam, off Sholinganallur, houses products in the mid and higher-mid segment, in the price-band of INR 4,200 psf-INR 4,700 psf. The region is expected to witness the launch of products in the villa segment. We expect this micromarket to remain stable over a twelve-month horizon.
- Velachery-Tambaram road has witnessed traction over the last twelve months. Its strategic location coupled with excellent connectivity to the sub-urban region of Velachery has helped prices firm up along this belt. This region has witnessed an appreciation of approximately 10% during the last twelve months and we expect this trend to continue in the coming quarters.
- The micromarkets of Pallikarnai, Medavakkam and Vengaivasal continue to attract home buyers. The region is witnessing the launch of products in the higher mid-segment, priced at INR 4,000 psf-INR 4,750 psf, depending on the location, builder and specifications. We expect these micromarkets to hold their own in the coming months.
- The integrated-township projects located in Semmancherry are heading towards a completion. Ready-to-occupy stock is expected to find takers. We expect prices to witness a marginal appreciation, while sales volumes may witness a moderation in the coming quarters.
- Siruseri, which houses the largest IT Park in Asia, State Industries Promotion Corporation of Tamil Nadu (SIPCOT) IT Park, is witnessing the development of mid-segment projects. New launches are expected in the coming months. We expect this belt to remain stable over a twelve-month horizon.
- The Navallur, Egattur belt houses projects in the higher-mid segment and premium segment. Products are in the price-band of INR 4,000 psf-INR 5,500 psf depending on the location, builder and specifications. The presence of existing supply is expected to keep prices under check.
- The belt of Thalambur, located off Navalur, has witnessed the launch of products in the row house/villa segment. These products have received a good response, with off-take witnessed subsequent to launch. The region is also witnessing the development of plotted development projects in the price-band of INR 2,300 psf-INR 2,750 psf.
- The stretch of Padur to Kelambakkam is dotted with projects in the price-band of INR 3,000 psf-INR 4,000 psf. Ready-to-occupy inventory is expected to witness a gradual off-take in the coming quarters.

- Kelambakkam has seen prominent builders launching their mid-segment products during the past few months. These products have received a good response, due to the positioning of the product below INR 50 lac/unit. The region is expected to witness the launch of larger residential developments in the coming months. We expect this micromarket to witness a good off-take in the short-term, while sales volumes and prices are expected to stabilize over a medium-term of 6 months to 1 year.
- The region surrounding Thiruporur is witnessing the development of affordable housing and budgeted villa projects, priced in the range of INR 30 lac/unit-INR 60 lac/unit, depending on the product segment. These projects are attracting investors. We expect an initial off-take, due to extensive marketing of these projects.
- East Coast Road (ECR) continues to witness the development of luxury products to cater to the High Net Worth (HNW) segment. There remains an inherent demand for independent bungalows and sea-facing properties. The development on this strip is restricted due to the governing coastal regulations.
- The region of Kovalam, on ECR, is witnessing the development of a super-luxury high-rise and villa project. The property is in the price-range of INR 3.0 crore/unit-INR 6.5 crore/unit and solely caters to buyers seeking a lifestyle product.
- The villa projects in the price-band of INR 1.5 crore/unit- INR 3.5 crore/unit along ECR continue to evince buyer interest. We expect this product segment to firm up over the coming quarters. The Sholinganallur-ECR link road is expected to witness the launch of luxury projects in the months ahead.
- The Grand Southern Trunk Road (GST), with the presence of SEZs, integrated developments and excellent connectivity to various parts of the city, is evolving into a prime realty market, with micromarkets closer to the city witnessing an inherent demand over the last twelve months.
- The micromarkets of Pallavaram, Chromepet and Tambaram continue to evince home buyer interest, with prices witnessing an appreciation of over 10% during the last twelve months. Pallavaram has seen development of products in higher-mid segment, priced in the range of INR 5,250 psf-INR 6,000 psf, while Chromepet and Tambaram are witnessing redevelopment projects priced at approximately INR 4,000 psf-INR 5,000 psf, depending on the builder, location and specifications. We expect these markets to firm up in the coming quarters.
- The micromarkets of Vandalur, Urapakkam and Guduvanchery are witnessing the development of mid-segment projects in the price-range of INR 3,000 psf-INR 3,750 psf. We expect these markets to remain relatively stable, with ready-to-occupy stock finding takers.
- The Vandalur-Kelambakkam strip is witnessing development of properties in the price-band of INR 2,500 psf-INR 3,000 psf. The region is expected to witness an infusion of fresh supply. We expect the prices to remain under check, while the market will witness a gradual off-take of inventory in the coming months.
- Singaperumal Koil is witnessing the development of integrated townships. The micromarkets located off Singaperumal Koil are witnessing the development of affordable housing, plotted development and budgeted villa projects.

**Price Trends in South Chennai\***



\*Assuming 100 as a base for December'08  
Source: ICICI Mortgage Valuation Group

**Residential Property Rates in Prime Residential Markets of South Chennai\*\***

Location	Average Capital Values (INR/sft.)	Rentals for 2 BHK (INR/month)
Thuraipakkam	5,000-7,000	14,000-16,000
Chromepet	4,500-5,500	8,000-10,000
Tambaram	4,200-5,000	10,000-12,000
Madipakkam	4,000-4,750	12,000-14,000
Medavakkam	4,000-4,750	10,000-12,000
Sholinganallur	5,000-5,500	14,000-16,000
Semmancherry	3,750-5,000	10,000-14,000
Padur	3,500-4,000	12,000-16,000
Urapakkam	3,200-3,750	8,000-10,000

\*\*Indicative mid market segment  
Source: ICICI Property Services Group



Tidel Park Chennai

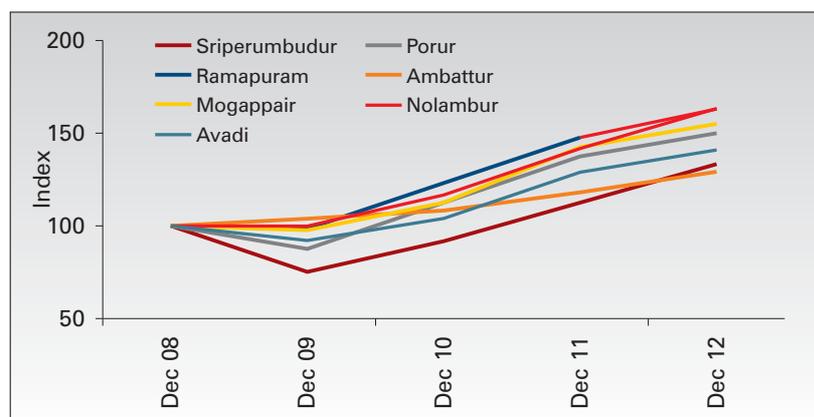
**Major Locations:**

**Oragadam, Sriperumbudur, Poonamallee, Chennai-Bangalore Highway (NH 4), Chennai Bypass, Porur, Valasaravakkam, Ramapuram, Mogappair, Ambattur, Nolumbur, Aynambakkam.**

**Key Highlights:**

- The rapid industrialization and advent of global manufacturing companies along Sriperumbudur, has led to an array of developers venturing this region with integrated township projects.
- The affordable housing projects in Sriperumbudur are in the price-band of INR 2,500 psf-INR 3,000 psf. We expect this segment to remain stable. Products in the mid-segment, priced at INR 3,000 psf-INR 3,500 psf, are expected to witness a moderation in sales, with ready-to-occupy inventory witnessing a gradual off-take. The sale of luxury products has been slow and the trend is expected to continue in the months ahead.
- The markets of Oragadam are witnessing the development of affordable housing and luxury products. While affordable housing projects may witness an off-take due to the presence of an inherent demand in the catchment, luxury products heading towards completion, may illicit some buyers. The prices are expected to remain under check during the next twelve months.
- Porur is emerging as a prime realty market along the western region. The prime reasons are close proximity to Guindy and good connectivity through 200ft wide road, which increases the proximity to Valsaravakkam and Virgumvakkam. Property prices have witnessed an appreciation of upto 15%-20% during the last twelve months and momentum is expected to keep picking. Properties in the micromarket are in the price-band of INR 5,000 psf-INR 6,000 psf depending on the builder, location and specification.
- The Chennai-Bypass road along the western corridor of Mogappair and Aynambakkam has witnessed residential development during the last few years. Projects launched by prominent builders have received a good response, with prices witnessing an appreciation of over 10% during the last twelve months. We expect a moderation in sales volumes, with prices expected to stabilize in the months ahead.
- The industrial belt of Ambattur witnessed new launches during the past few months. Properties in the price-band of INR 5,000 psf-INR 5,500 psf have received a good response, backed by an inherent demand in the micromarket. We expect this micromarket to grow in the coming quarters.

**Price Trends in West Chennai\***



\*Assuming 100 as a base for December'08  
Source: ICICI Mortgage Valuation Group

## Residential Property Rates in Prime Residential Markets of West Chennai\*\*

Location	Average Capital Values (INR/sft.)	Rentals for 2 BHK (INR/month)
Porur	4,500-6,000	8,000-10,000
Ambattur	5,000-5,600	10,000-12,000
Mogappair	5,500-7,200	10,000-12,000
Nolumbur	4,200-5,200	10,000-12,000
Avadi	3,200-3,500	6,000-8,000
Sriperumbudur	2,700-3,200	4,000-6,000

\*\*Indicative mid market segment  
Source: ICICI Property Services Group



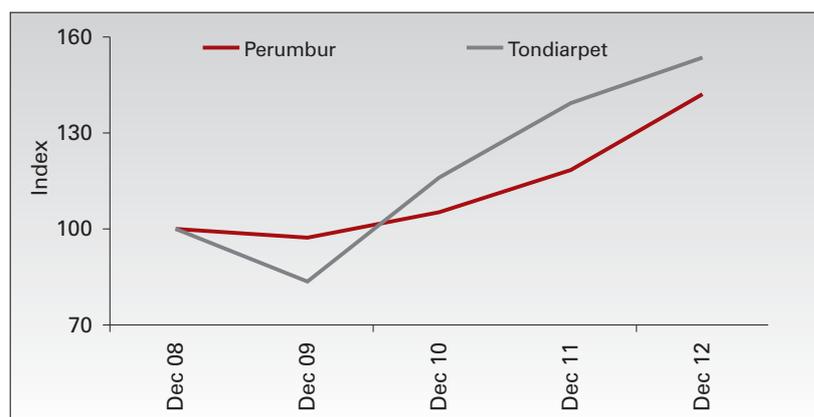
Sriperumpudur Arch

**Major Locations: Aminijkarai, Villivakkam, Ayanavaram, Kolathur, Perambur, Vyasarpadi, Tondiarpet, Madhavaram, Manali, Tiruvottiyur.**

**Key Highlights:**

- The realty market in North Chennai is typically driven by the trader community, public sector employees and port-related activities relevant in the region.
- Smaller projects with basic amenities are typical seen in this belt. There remains an inherent end-user community purchasing into these projects.
- The region of Padi, Villivakkam and Ayanavaram has limited upcoming supply. Re-sale properties in these markets are finding takers. We expect this market to remain stable over a twelve-month horizon.
- Perumbur is witnessing the development of an integrated township project. The organized realty market in this region has witnessed an appreciation of over 20%-25% over the last two years. Property prices in this region are in the price-band of INR 5,000 psf-INR 6,000 psf depending on the builder, location and specifications. We expect this micro market to remain stable due to inherent demand from local end users irrespective of current price levels.
- Vyasarpadi, Tondiarpet and Manali will continue to witness development of smaller mid-segment properties to cater to the local catchment areas.

**Price Trends in North Chennai\***



\*Assuming 100 as a base for December'08  
Source: ICICI Mortgage Valuation Group

**Residential Property Rates in Prime Residential Markets of North Chennai\*\***

Location	Average Capital Values (INR/sft.)	Rentals for 2 BHK (INR/month)
Aminijkarai	8,000-12,000	12,000-16,000
Ayanavaram	6,500-7,500	8,000-10,000
Perambur	5,000-6,000	10,000-12,000
Villivakkam	6,000-7,000	8,000-10,000
Korathur	8,000-8,500	12,000-14,000
Madhavaram	4,000-5,000	6,000-8,000
Tondiarpet	4,500-5,500	8,000-10,000

\*\*Indicative mid market segment  
Source: ICICI Property Services Group

**Major Locations: Boat Club, Poes Garden, Nungambakkam, Adyar, Alwarpet, R.A Puram, Besant Nagar**

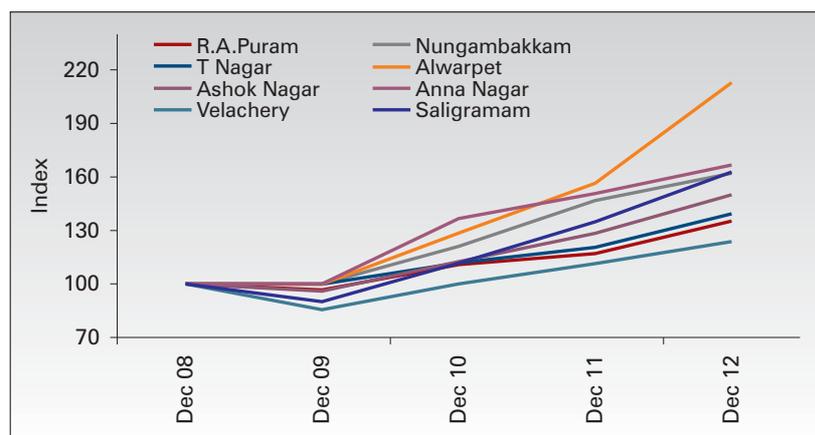
**Mylapore, Santhome, T. Nagar, K.K Nagar, Ashok Nagar, Vadapalani and Saligramam**

**Anna Nagar, Velachery, Vadapalani, Saligramam, Triplicane, Nelson Manickam Road, Koyambedu, Kilpauk, Purusuwakkam.**

**Key Highlights:**

- There remains an inherent demand for plots and independant bungalows in the micromarkets of Poes Garden, Boat Club, Alwarpet, R.A Puram, Besant Nagar and Adyar. These locations face the issue of scarce land and premium pricing.
- Nungambakkam has witnessed the launch of new projects in the super-luxury segment. They are expected to be priced at over INR 12 crore/unit-INR 30 Crore/unit. The off-take in such projects needs to be seen.
- The micromarkets of Kilpauk and Purusuwakkam are witnessing the development of premium projects on smaller land parcels. Properties are in the price-band of INR 10,000 psf-INR 14,000 psf depending on the builder and availability in the project. We expect this market to remain stable, with gradual off-take of existing inventory.
- The property prices in Egmore are in the range of INR 15,000 psf-INR 17,000 psf. We expect a gradual off-take, while builders are expected to hold on to their prices, due to the presence of limited stock.
- Anna Nagar is witnessing the redevelopment of projects. A prominent builder is developing an integrated township. Projects are in the price-band of INR 9,000 psf-INR 12,000 psf depending on the builder, location and specification.
- The Phoenix Market City mall at Velachery is operational. This is expected to provide further impetus to the growth of residential real estate in the catchment areas. Property prices in Velachery are in the price band of INR 7,000 psf-INR12,000 psf depending on location, builder and specifications.

**Price Trends in Central Business District / off Central Business District\***



\*Assuming 100 as a base for December'08  
Source: ICICI Mortgage Valuation Group

**Residential Property Rates in Prime Residential Markets of CBD, off CBD Areas\*\***

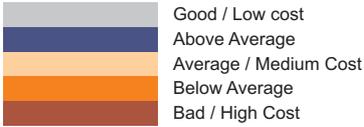
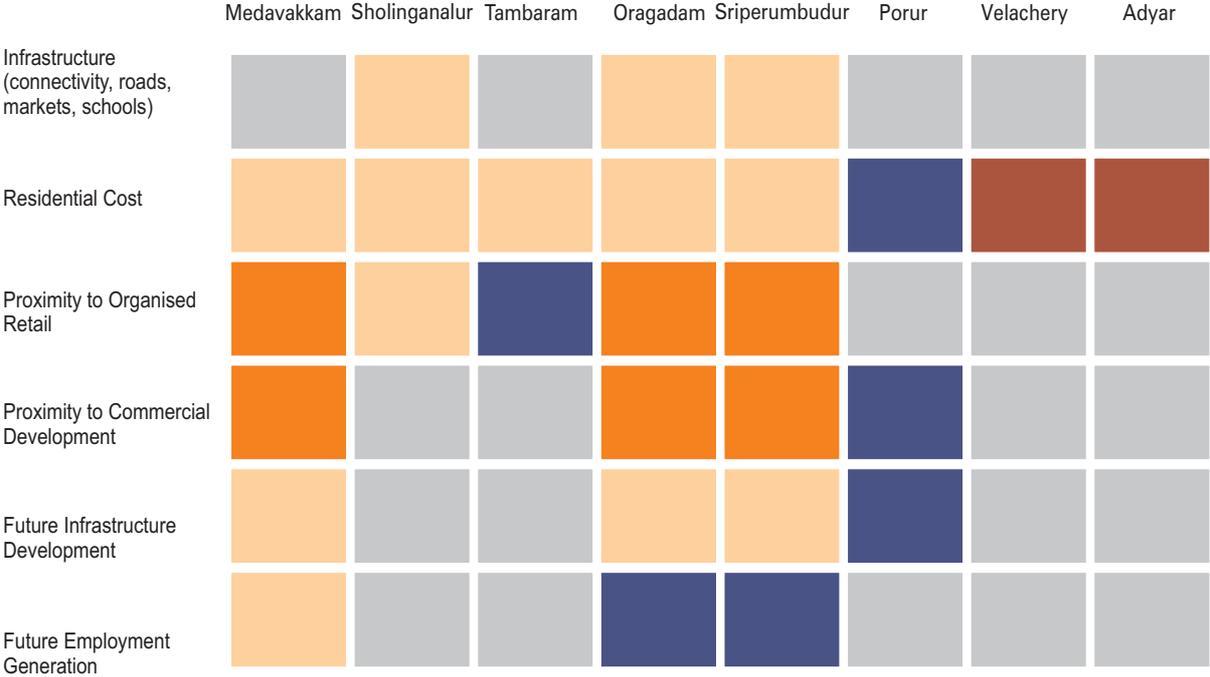
Location	Average Capital Values (INR/sft.)	Rentals for 2 BHK (INR/month)
Adyar	14,000-16,000	22,000-30,000
Alwarpet	15,000-18,000	20,000-25,000
Nungambakkam	16,000-20,000	25,000-30,000
Mandaveli	14,000-16,000	15,000-18,000
Egmore	16,000-20,000	20,000-25,000
T. Nagar	14,000-16,000	20,000-25,000
Kilpauk	13,000-14,000	15,000-20,000
Velachery	7,000-9,000	12,000-15,000
Anna Nagar East	12,000-14,000	20,000-25,000
Anna Nagar West	9,000-12,000	15,000-20,000
K.K Nagar	7,000-9,000	14,000-16,000

*\*\*Indicative mid market segment  
Source: ICICI Property Services Group*



*Egmore Museum*

# LOCATION ATTRACTIVENESS INDEX



Source: ICICI Property Services Group

## **ANALYSTS**

### **TRESA RAJIV**

Manager – Research  
ICICI Property Services Group  
tres.rajiv@icicifhc.com

### **GAURAV MAHESHWARI**

Economist, Private Banking Research Group  
ICICI Bank Ltd.  
gaurav.maheshwari@icicibank.com

For any further queries, please e-mail us at [psgresearch@icicifhc.com](mailto:psgresearch@icicifhc.com)

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