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## Gearing up in Asia's Detroit

By Aparna Piramal Rajee

Investment by car groups outside Chennai has turned the Indian city into a global auto hub, spurring a housing boom



New development at Mahindra World City (above) and the Mylapore district in Chennai city centre (below), which has changed little

**T**he South Indian city of Chennai (previously known as Madras) has much to offer: the second-longest beachfront in the world, nearly 400 years of colonial and postcolonial history, and an impressive range of performing arts. It is India's fourth-largest metropolitan area and the capital of Tamil Nadu, one of India's most prosperous states.

Over the past decade, it has adopted the tag "Detroit of Asia" without irony. Unlike its shrinking US namesake, Chennai is one of the fastest-growing cities in the world. Investment by car manufacturers such as Ford, Hyundai, BMW, Renault-Nissan, and domestic companies Ashok Leyland and the TVS group, has turned the city into a regional automobile and auto components hub.

The city also boasts another accomplishment: a diverse local economy. Chennai is one of India's largest exporters of software services, it has a well-developed healthcare industry and serves as a base for textile exporters. But unlike nearby Bangalore, economic growth has not fundamentally altered Chennai's compact city centre.

IT and manufacturing investments have been made in earmarked corridors outside the city, along arterial roads, such as the East Coast Road, the Grand Southern Trunk Road and the Old Mahabalipuram Road, which have been upgraded into national highways. "Chennai is an old city which grew steadily over time, and has not therefore imploded," says Lakshmi Venu, director of strategy at Sundaram Clayton, and a fourth-generation member of the family that owns and runs the TVS industrial conglomerate. "It was slower to catch up but its growth has

been more sustainable.”

Residential real estate supply reflects changing local demand, both in central neighbourhoods, as well as along its suburban peripheries. “Chennai was always an overgrown village, where many residents had ancestral properties,” says Savita Idnani, a Chennai-based architect. Owners are now converting homes to apartment blocks for greater convenience.

Meanwhile, some old houses are being demolished to make way for apartments to accommodate younger families. “My father built a bungalow in 1974 near Mylapore [the city’s cultural district], and two years ago, my siblings and I converted it into six apartments,” says S Ramadorai, Mumbai-based vice-chairman of Tata Consulting Services, India’s largest software services company.

Building restrictions and small plot sizes prevent high-rise construction in the city centre, resulting in limited supply. Residential sale and lease prices in Chennai’s upmarket neighbourhoods are now equivalent to those in Bangalore, its better-known southern counterpart.

Developers have concentrated on building aspirational homes for a mid-market audience in the city’s new suburbs, at substantially lower rates of approximately Rs3,400 (£44) per sq ft. The most popular format is a set of high-rise towers of two- or three-bedroom apartments, between 1,100 and 1,500 sq ft of built-up area, available for between Rs4m-Rs5m. These gated communities often have a country clubhouse, swimming pools and gymnasium.

True Value Homes, a local developer, is constructing Chennai’s “tallest residential building” – TVH Ouranya Bay – a 29-floor, 100-metre-high residential property on the IT corridor, estimated to be completed in December. Two-bedroom flats start at Rs4.5m; the penthouse will be Rs14m.



The real estate boom of 2008 and subsequent slowdown of 2009 did not escape residential developers. “Prices have been nearly stagnant in the last six quarters, and there are fewer new mid-market launches and some unsold inventory of 2008,” says Ashutosh Limaye, head of research for the global real estate firm Jones Lang LaSalle in India.

Chennai’s prospects have attracted national real estate developers. Prestige Constructions, a Bangalore-based company, has been active in Chennai for a while. Last week, the company launched a 25-acre scheme for 2,600 units in 33 apartment blocks, scheduled to be completed in three years. The flats will span 600 sq ft studios to 2,500 sq ft four-bedroom

units, and are priced at Rs2.7m-Rs12m.



The Mahindra World City, an hour away from Chennai, is arguably the most ambitious real estate bet on greater Chennai's future. The 1,500-acre, mixed-use township is backed by the Mumbai-based Mahindra conglomerate, in partnership with state-run Tamil Nadu Industrial Development Corporation. "The goal is to create India's first integrated business city with a self-sustaining ecosystem for work, home, learning and play; a decongested urban space not in the midst of cities," says Sangeeta Prasad, the chief executive of Mahindra World City

Developers Ltd.

In the 10 years since its inception, 38 businesses have set up in the Mahindra World City, such as Infosys and BMW, employing 27,000 people. Residential construction has been slower, to follow commercial expansion. The first scheme of 200 bungalows and apartments "has seen substantial capital appreciation and rental pull", says Prasad. Now on offer are two schemes of 700-750 units each: Aqualily – high-end villas, twin homes and apartments, and Iris – mid-market apartments. Prices vary from Rs4m-Rs8m for the apartments and Rs10m-Rs20m for twin houses and villas.

As a city known for its temple culture, preservation of tradition and rooted identity, Chennai is still coming to terms with its new status as a global urban centre. However, its leisure and retail environment reflects its changing demographics. Venu points to the prevalence of Korean shops and restaurants as an example of the city's multicultural character.

T Chitty Babu, owner of Akshaya Homes, a well-regarded local developer, observes that young people are getting on to the property ladder in their twenties and thirties, unlike earlier generations, who waited until their fifties. The firm is building 2.1m sq ft of residential real estate in the city, in a variety of formats. Top-end three- and four-bedroom apartments in its "36 Carat" residential scheme, near the central business district, range from Rs35m-Rs40m and will be ready later this year.

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## Buying guide

### Pros

- Compact and accessible city centre
- Affordable, varied housing

- Opportunity to enjoy traditional arts and culture

### **Cons**

- Hot, humid climate
- Less westernised than other major Indian cities
- Fewer modern leisure amenities

### **Contacts**

- Prestige Constructions [www.prestigeconstructions.com](http://www.prestigeconstructions.com)
- Mahindra World City [www.mahindraworldcity.com](http://www.mahindraworldcity.com)
- True Value Homes [www.tvh.in](http://www.tvh.in)
- JLL [www.joneslanglasalle.co.in](http://www.joneslanglasalle.co.in)
- Akshaya [www.akshaya.com](http://www.akshaya.com)

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