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Premium malls feel the slowdown chill

Anjali Prayag
S. Shanker

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With malls seeing 8-10 per cent dip in the people coming in, developers are putting new mall development plans on hold. Retail analysts say that because of a slowing economy, shoppers are hesitant to step into malls and shopping centres. While most malls are experiencing thin crowds, it is the premium and destination malls that are the worst hit.

For Mr Susil Dunganwal, Chief Mall mechanic at Beyond Squarefeet, a retail advisory firm, "while a dip in footfalls is a reality, the worry is the 15-20 per cent dip in conversion rates."

But there is a silver lining too with luxury brand shoppers going one notch below and entering mid-market



malls. So you have Louis Vuitton shoppers entering Hide-sign stores, Mango loyalists settling for Shopper's Stop or even a Biba, say analysts.

As Mr Uday Garudachar, Promoter of Garuda Malls in Bangalore, says: "Yes, we are the direct beneficiaries of this slowdown." It's not just having mid-value brands, but the location of the mall or the shopping centre is also pivotal, he

points out.

"Neighbourhood malls attract footfalls irrespective of the economic scene as the spending potential is still within the reach of the middle-class consumer," he adds. And so Garuda Mall still gets its 25,000 weekday-footfalls and 75,000 weekend-footfalls.

Another reason premium malls are reeling under pressure is because they have kept

at least 50 per cent of their rental space vacant in anticipation of single-brand retailers rushing into the country.

"Now, with so many do's and don'ts from the Government, forget multi-brand, even single-brand retail entry looks difficult and mall owners are left with much vacant space," says a Mumbai-based shopping centre analyst.

MALL SPACE DIPS

According to a Cushman & Wakefield (C&W) report, the overall mall vacancy level in major cities in H1 2012 was 19.6 per cent which was marginally higher than the previous quarter. About one million sq.ft. has been deferred across major cities to H2 CY12 or for 2013. Fresh supplies accounted for 2.27 million sq.ft. in the first half. The National Capital

Region saw over 80 per cent of space being deferred, which ensured that vacancy levels remained at 28 per cent. It recorded 1.2 lakh sq.ft. of mall supply in Q1 and almost no addition in Q2.

Bangalore logged the highest supply of 1.5 million sq.ft. in H1 2012. The retail activity in the city remained strong as the new mall supply became operational with 90 per cent occupancy. The overall vacancy level in the city was 12.6 per cent, C&W said.

Rental values across most mall destinations within these cities remained largely stable, except for certain micromarkets in Bangalore, NCR, Kolkata and Mumbai where rentals have grown 2-13 per cent over the previous quarter.

anjali@thehindu.co.in
murug@thehindu.co.in