

India's mall mile increasingly feeling the pall of the economic slowdown

■ Developers shut shop or convert to offices

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AT two a month, the run rate for malls closing down is now far higher than the pace at which they're coming up. Atria Mall in Mumbai's up-market Worli is on the verge of closing down — the six-year-old shopping centre is now more than three-fourths empty with Spanish brand Mango having moved out late last week. According to Squarefeet Advisory, a mall management company, close to two dozen malls have closed down over the past year while another six have been converted into offices. Phoenix Market City in Mumbai's Kurla area, for instance, now plans to lease out about 300,000 square feet above its shopping centre to offices.

Gitanjali Gems, which had two stores in Atria decided to shut shop after it discovered that footfalls were few. "We exited more than a year back when we realised that the catchment was not big," a senior executive told *FE*.

"The design appears to be a problem because it is too vertical, the ceiling is low and the corridors are far away from escalator," explained Anand Sundaram, chief executive officer, Pioneer Property Zone, a mall management company. Cushman & Wakefield (C&W) ranked Mumbai third in terms of mall vacancy levels for the July-September period. Mumbai clocked 15.4% after Pune's 20.7% and

THAT EMPTY FEELING

Vacancy level across cities (in %)

City	July-Sept 2013	Apr-Jun 2013	Jan-Mar 2013	Oct-Dec 2012	July-Sept 2012	Apr-Jun 2012
Ahmedabad	28.8	29.2	33	33	33.6	34
Pune	20.7	26.7	25.3	26	27.1	27.9
Mumbai	15.4	15.05	15.5	16	15.6	15.6
NCR	14.7	14.42	15.55	27	23	17.69
Bangalore	10.2	11.95	12	13	12.6	12.24
Chennai	5.4	6.11	6.5	8	8.2	8.23
Kolkata	4.4	4.54	4.5	5	5.6	5.89
Hyderabad	1.4	1.4	0.4	1	1.4	1.8

Source: Cushman and Wakefield, industry estimates



INSTALL MODE

- **Milan Mall** in Mumbai's Santacruz has shut down
- **Gold City Mall** in Navi Mumbai's Vashi has shut. Now the space is an office complex
- **Full Stop Mall** on Palm Beach Road, Navi Mumbai has closed
- **Pune's Jewel Square Mall** — the 1,25,000 sq ft mall in Koregaon, Pune closed down

- **Piramyd Mall** in Ahmedabad is shut
- **Gallops Mall** has closed down in Ahmedabad
- **Huma Mall**, in Mumbai's Kanjurmarg, is 80% vacant
- **Star City Mall** in New Delhi's Mayur Vihar is 80% vacant
- **Palm Beach Galleria** in Navi Mumbai is 80% vacant. Hi Life mall in Santacruz is 80% vacant

- **Kohinoor Mall** in Mumbai's Kurla is 70% vacant
- **Dreams Mall** in Mumbai's Bhandup is 75% vacant
- **Centre One Mall** in Vashi is 70% vacant
- **Pune's Nucleus Mall** has a vacancy levels close to 60%
- **Ishanya Mall** in Pune's Yerwada is almost 40% vacant

Source: Real estate consultants

Ahmedabad's 28.8%.

While the slowdown in the economy has meant fewer shoppers, retailers are also in trouble thanks to high common area maintenance costs charged in malls. For this very reason, Tatas' Trent, for instance, has taken a decision not to set up Star Bazaars — its hypermarkets — in malls. High mall rentals are also a deterrent. For perspective, while high street

rentals in Lokhandwala, Andheri, are going at ₹320 per sq ft per month, a mall in Andheri commands a rental of ₹400 per sq ft per month.

"Rentals in India comprise 8-15% of the total costs of retailers while abroad, this is just 3-8% of their total costs, said Ankur Bisen, senior vice-president, Technopak Advisors.

While C&W counted 18 malls that had been deferred

last year, DTZ believes 2.58 million sq ft, meant to be completed in the second quarter of 2013, was delayed in the hope that demand would improve. However, that doesn't seem to be a possibility. Kishore Bhatija, CEO of the K Raheja Corp-sponsored Inorbit Malls, told *FE* that there are few takers for malls among realty players.

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Mall...

"The returns are not very lucrative and paybacks are much longer compared to residential projects," Bhatija said, pointing out that a shopping mall takes between 8 and 10 years to breakeven.

Over the last three months, at least 15 stores have pulled out of Atria Mall, including Archies Gallery, DJ Aqeel's nightclub Hype and some stationery and jewellery stores. Spread over 190,000 square feet, it joins the the list of lesser-known failed malls in Mumbai like Milan Mall in Santacruz, Gold City Mall in Navi Mumbai's Vashi area and Full Stop Mall on Palm Beach Road, Navi Mumbai. Gold City Mall has now been converted into an office complex.

"A bulk of the mall area has been sold to either investors or store owners. So while the promoters may not be losing money, retailers who bought mall space need to rethink their strategies," said Sundaram. The Allen Solly store is one such brand that is not owned by Atria Mall promoters Champalal Vardhan, Dalichand Shah and Bhupesh Jain.

At a popular coffee chain on the mall's ground floor, which had more than half of its tables occupied, the store assistant said that a majority of the crowd at the café comes from the office complexes nearby, leaving the café unoccupied on

the weekends. Brands still present include Promod, Levis, Nike and a couple of auto companies.

