

Pall over malls: Will Pune be the next retail graveyard?

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WITH vacancy levels in its malls hitting 27%, Pune could be the next graveyard for retailers and developers after Ahmedabad. Retailers are being compelled to scale back as consumer spends slow down and as a result mall space is going a-begging. Although the situation isn't as bad as it is in Ahmedabad — where vacancy levels have crossed 30% on average — it's clear developers have been overzealous. Over the last two years, four malls — Phoenix MarketCity, Amanora Town Centre, Koregaon Park Plaza and Seasons Mall, with space of close to 6 million square feet — were opened. These are now lying half empty as big

brands find footfalls are dropping. Already, the Tata Group's Croma chain of electronic stores, RP-Sanjiv Goenka's Spencer's chain of supermarkets and Shoppers Stop have started to pull out stores from the city's malls.

"Pune is an example of an oversupply of malls disproportionate to the consumption capacity," said Kishore Bhatija, CEO, Inorbit Malls, owned by K Raheja Corporation, whose Inorbit mall came up in Pune in 2011.

Vacancies in some malls are way above the average. The 2,00,000 square feet Nucleus Mall in the Camp area, for instance, is 60% empty. Shoppers Stop, one of the anchor tenants at the mall, recently closed one departmental store and one Mothercare store, adding to a string of exits over the past year.

More than half of Seasons Mall, which opened in August this year, is lying empty, said Anand Sundaram, CEO, Pioneer Property Zone, a mall management company. The mall is spread across 1.5 million square feet and was developed by Magarpatta Retail with an initial investment of Rs 450 crore.

Ishanya Mall in the Yerwade

area, promoted by Deepak Fertilisers and Petrochemicals, is almost 40% empty. Spread across 5,50,000 square feet, the mall was originally a home furnishings and speciality design centre in 2007 set up at an investment of ₹110 crore. The oversupply means developers will take longer to break even on their investments.

"The mall has been incurring losses due to a larger break-even period associated with the operations of the mall, which is extended due to continuing adverse economic environment since the launch of the mall in 2007-08," Deepak Fertilisers said in its latest annual report.

"Typically, it takes about

a year for a shopping mall to stabilise, but in the case of Pune it will take more than two years," said Bhatija. Inorbit Pune currently has an occupancy of 80%, although two anchor tenants and other tenants are still working on opening their stores after the mall caught fire in May this year.

As vacancies rise, some malls have been forced to shut shop. Pune's Jewel Square Mall — despite housing international brands like French Connection, Forever New and Mango — closed down late last year. The mall is now being renovated and being turned into a corporate space. The 125,000 square foot mall was located in Koregaon area of Pune, which is considered to be one of the most upmarket areas in Pune.

Given that brands like Mango, Promod and Guess

have had to close some of their stores in city malls, some like Ishanya have also started utilising free space for hosting fairs and exhibitions. More could follow. Two recently constructed malls, Amanora and Seasons Mall, which opened opposite each other in the Magarpatta area of Pune over the past year, are doing badly with developers clearly having overestimated demand.

"They are situated in an area which has a low catchment and given consumption levels the space should have ideally been about 3,50,000 square feet," said Pioneer Property's Sundaram.

Retail sector experts say that poor management by Pune's mall developers have left tenants, especially anchor tenants, reluctant to take up more space.

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EMPTY SPACES

| (in %) | Apr-Jun 2013 | Jan-Mar 2013 | Oct-Dec 2012 | Jul-Sep 2012 | Apr-Jun 2012 |
|-----------|--------------|--------------|--------------|--------------|--------------|
| Ahmedabad | 29.2 | 33 | 33 | 33.6 | 34 |
| Pune | 26.7 | 25.3 | 26 | 27.1 | 27.9 |
| Mumbai | 15.05 | 15.5 | 16 | 15.6 | 15.6 |
| NCR | 14.42 | 15.55 | 27 | 23 | 17.69 |
| Bangalore | 11.95 | 12 | 13 | 12.6 | 12.24 |
| Chennai | 6.11 | 6.5 | 8 | 8.2 | 8.23 |
| Kolkata | 4.54 | 4.5 | 5 | 5.6 | 5.89 |
| Hyderabad | 1.4 | 0.4 | 1 | 1.4 | 1.8 |

Source: Cushman and Wakefield, industry estimates



Pall...

Ajit Joshi, chief executive officer, Infiniti Retail, which runs the Croma chain of stores, said that some developers were clueless about the business. "We got requests to be anchor tenant, which we cannot be since we are a speciality store. We are now careful about where we set up stores," explained Joshi. The company had to close two stores in the city's malls.