

As footfalls grow faint, just one mall opens in March quarter

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MALLS in India are now closing down faster than they are being built, with just one mall coming up in the three months to March, 2014. With consumers holding back on spends in a slowing economy, developers are turning cautious. The sole mall constructed was in Pune, which incidentally, is stuck with the second-highest vacancy level in the country at 27.5%. Ahmedabad holds on to its tag as the graveyard of Indian retail with a vacancy level of 31.6%, while the country as a whole saw a vacancy level of 14.5%, much as it was in the December 2013 quarter.

Mall supply fell 65% year-on-year in the January-March quarter to 3.5 lakh sq ft, while four malls across 1.26 million square feet (msf) were postponed, estimates real estate consultant Cushman & Wakefield (C&W). Of this, two are in Bangalore and one each in Pune and Hyderabad. Mall managers Squarefeet Advisory points out that nearly two dozen malls have closed down over the past year as falling footfalls forced brands to move out.

"E-retailing is becoming popular. Developers have turned cautious and are doing more thorough research on the potential of any location," explains Sanjay Dutt, executive MD, South Asia, Cushman & Wakefield India.

EMPTY SPACES

(vacancy levels in %)

	Oct-Dec '12	Jan-Mar '13	Apr-Jun '13	Jul-Sep '13	Oct-Dec '13	Jan-Mar '14
Ahmedabad	33	33	29.2	28.8	30.3	31.6
Pune	26	25.3	26.7	29.7	28.4	27.5
Mumbai	16	15.5	15.05	15.4	15.3	15.3
NCR	27	15.55	14.42	14.7	13.7	13.4
Bangalore	13	12	11.95	10.2	8.6	7.5
Chennai	8	6.5	6.11	5.4	6.03	6
Kolkata	5	4.5	4.54	4.4	-	3.6
Hyderabad	1	0.4	1.4	1.4	1.2	0.6

Source: Cushman & Wakefield, industry estimates



"Some malls are badly designed or are located in areas that do not have a big catchment," observes Anand Sundaram, CEO of Pioneer Property Zone, a mall management firm.

The Pune mall opened with occupancy of close to 60% delayed by three quarters. Over the last two years, four malls were opened in the city — Phoenix MarketCity, Amanora Town Centre, Koregaon Park Plaza and Seasons Mall, with space of close to 6 million square feet. These are now half empty.

Despite this, C&W forecasts fresh mall supply, by the end of 2014, of 14 million square feet (msf) of which 13.6 msf is still under construction. This is nearly

200% more than the supply in 2013 of close to 4.6 msf.

Retailers are also feeling the pinch of high levels of maintenance fees for common areas in malls. High-street rentals at Lokhandwala in Mumbai suburbs are going at ₹320 psf, while a mall in Andheri commands a rental of ₹400 psf per month.

This is why a retailer like Tata Trent has decided that Star Bazaar supermarkets will not be set up in malls. Kishore Bhatija, CEO of K Raheja Group's Inorbit Malls, has been highlighting for some time now that few builders are opting for malls since the returns are not lucrative and paybacks much longer compared to those for residential projects.