

HYDERABAD

Retail Q1 2020

14.0% MALL VACANCY IN Q1 2020

0.4 msf MALL SUPPLY IN Q1 2020

62% SHARE OF APPAREL, F&B CATEGORIES IN MAIN STREET LEASING

ECONOMIC INDICATORS Q1 2020

	2019	2020	2021 Forecast
GDP Growth	4.5%	2.5%	5.2%
CPI Growth	3.4%	4.1%	4.2%
Consumer Spending	5.0%	4.5%	6.3%
Govt. Final Expenditure Growth	13.5%	14.2%	12.8%

Source: Oxford Economics, Central Statistics Office, IMF, RBI

Steady leasing activity in main streets through the first two months of Q1

Tight vacancies across existing premium malls and lack of quality mall space in emerging retail corridors across the city have forced retailers to actively explore space options in main streets. At about 220,000 sf in Q1, leasing activity across main streets has grown by more than 2X y-o-y, with Apparel and F&B categories accounting for nearly 62% of the space leased (on main streets) during the quarter. While brands like Starbucks, Tonique, Swiss Castle, Adidas, Westside and Taruni among others have expanded their presence, others such as Ealingmom, Huber & Holly, Cold Stone Creamery and 99panckaes have entered the city by taking up space across prominent main streets. Kompally has emerged as a major retail corridor with significant leasing activity (~100,000 sf) in H2 2019. It continues to remain a bright spot in Q1 as well, with several F&B and Apparel retailers taking up nearly 30,000 sf during the first two months. Meanwhile, Krispy Kreme has leased space for a central kitchen while exploring options for a main street store.

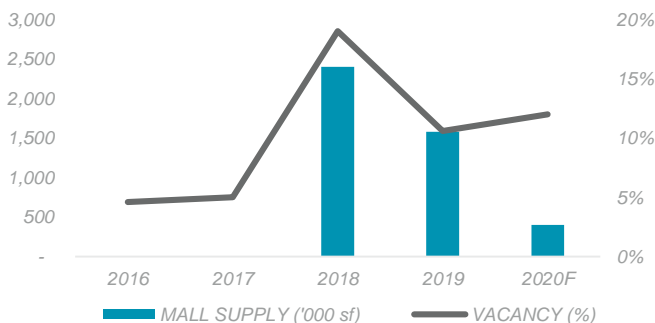
Limited new supply during Q1, delays likely in upcoming supply

Atrium Mall, with leasable area of about 0.4 msf became operational during the quarter with Decathlon and PVR Cinemas as anchor tenants. On the other hand, brands such as Shopper Stop, BlueStone, Enamor and Stadium have opened stores in Sharat City Capital mall. As such, overall mall vacancy in the city has inched up to 14% with the addition of vacant space from new completions. We expect vacancy to tighten during the year as new supply scheduled for completion during H2 2020 could be delayed. Given the impact of COVID-19 on resource mobilization, sourcing of raw materials and expected reduction in mall consumption, upcoming supply of about 0.85 msf is likely to get deferred by about 3-6 months. Going forward, we expect mall operators as well as stores to exert focus on hygiene, air quality and integrating social distancing as part of business operations. We expect luxury as well as F&B brands to go slow on expansion plans but those in the value category, especially groceries and essential items are likely to resume business plans as the market recovers gradually from the ongoing pandemic. We expect mall supply to pick up again from 2021 with growing demand for quality retail space, especially in the underserved suburban / peripheral locations.

Stable mall rents, main street rental growth to halt in the short term

Mall rentals across the city have remained stable amidst a declared pandemic that has resulted in revenue loss both for operators and the retailers with mall closures and the subsequent national lockdown. Similar is the case with main streets too as business closures were unplanned. Rentals in select main streets such as Kompally, Madhapur, Ameerpet, Himayat Nagar, Uppal, LB Nagar, Nagole and Gachibowli witnessed an upward trend early in Q1 but failed to sustain the rise as tenants were quick to re-negotiate the terms. Going forward, rentals across malls and main streets are expected to hold steady with market being neutral both for landlords and retailers, though a reworking of rent agreements and intense negotiations by retailers are ongoing exercises amid a demand for rent abatement in the wake of business shutdowns. A modest rental growth may be expected in main streets such as Kompally and the IT corridor where tight vacancies and higher demand are expected to sustain in line with market recovery in the next 2-3 quarters.

MALL SUPPLY / VACANCY



CATEGORY-WISE STOCK / VACANCY



MARKET STATISTICS

PRIME RETAIL RENTS – MAIN STREETS	INR SF/MTH	EURO SF/YR	US\$ SF/YR	Q-O-Q CHANGE	Y-O-Y CHANGE
M.G. Road	130	19	20	0.0%	8.3%
S.P. Road/Begumpet	110	16	17	0.0%	0.0%
Raj Bhavan Road/Somajiguda	100	15	16	0.0%	11.1%
Banjara Hills	140	21	22	0.0%	7.7%
Abids	130	19	20	0.0%	8.3%
Himayathnagar	180	26	28	0.0%	9.1%
Punjaqutta	140	21	22	0.0%	0.0%
Ameerpet	130	19	20	0.0%	4.0%
Jubilee Hills	145	21	23	0.0%	11.5%
Kukatpally NH.9	140	21	22	0.0%	0.0%
A.S. Rao Nagar	130	19	20	0.0%	8.3%
Madhapur	120	18	19	0.0%	9.1%
PRIME RETAIL RENTS – MALLS	INR SF/MTH	EURO SF/YR	US\$ SF/YR	Q-O-Q CHANGE	Y-O-Y CHANGE
NTR Gardens	100	15	16	0.0%	0.0%
Himayathnagar	150	22	24	0.0%	0.0%
Banjara Hills	260	38	41	0.0%	0.0%
Madhapur	235	34	37	0.0%	0.0%
Panjaqutta	140	21	22	0.0%	0.0%
Somajiguda	120	18	19	0.0%	0.0%
Kukatpally	180	26	28	0.0%	0.0%

Note: Asking rent (INR/sf/month) on carpet area of ground floor Vanilla stores is quoted

US\$ = INR 76.30 AND € = INR 81.85

SIGNIFICANT LEASING TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Main street	Chanda Nagar	Westside	18,000	Lease
Atrium Mall	Gachibowli	Decathlon	38,000	Lease
Sarath City Capital Mall	Kondapur	Stadium	15,000	Lease

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	LOCATION	SF	COMPLETION DATE
Praga Mall	Musheerabad	450,000	Q2 2021

SIGNIFICANT PROJECTS COMPLETIONS

PROPERTY	LOCATION	SF	COMPLETION DATE
Atrium Mall	Gachibowli	400,000	Q1 2020

Rohan Sharma

Director, Research Services

+91 124 4695555 / rohan.sharma1@cushwake.com

Kapil Kanala

Associate Director, Research Services

+91 40 40405555 / kapil.kanala@ap.cushwake.com

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