

AHMEDABAD

Retail Q2 2020

CUSHMAN & WAKEFIELD

27.96% MALL VACANCY

3.45 msf MALL INVENTORY

2.49% VASTRAPUR MALL RENT INCREASE Y-O-Y

Retail activity on freeze mode, mall vacancy likely to rise amid COVID-19 crisis

Stringent lockdown measures imposed since March to contain the Covid-19 outbreak have had a severe impact on the retail sector in the city. Shopping malls, cinema theatres and public places of congregation have been shut since the lockdown commenced. Despite the Gujarat government allowing the reopening of malls, hotels and restaurants from 8th June with applicable social distancing norms, there is little sign of activity with customers choosing not to venture into malls and restaurants. Cinemas and multiplexes in shopping malls have been one of the hardest hit since they attracted a major proportion of footfalls but have stayed completely shut and no clear picture has emerged on when they will be allowed to resume operations. Till date, the mall vacancy has remained unchanged but may soon increase, as the scenario evolves further and retailers have taken stock of their business loss and subsequent measures for mitigating those losses. Select malls such as Himalaya Mall and Acropolis Mall were open during the lockdown because of essential stores operating out of these. Alpha One, which witnessed retailer activity in the form of churn during the previous quarter and is the most premium mall in the city, is also facing pressure to retain its tenants. Even before the COVID-19 outbreak, a number of malls were struggling to attract and keep brands within their premises, as the latter were choosing to open street front stores available in mixed-use office buildings. Mall owners continue to operate under a cloud of uncertainty due to social distancing requirements and lack of footfalls, possibly leading to higher exits by prominent retailers over the next few quarters.

Retailers vacating spaces on main streets

There was no major leasing activity on the main streets during the quarter as the lockdown prompted retailers to shut their stores amidst declining footfalls even as the lockdown allowed only essential items stores to operate. Although many property owners provided rent abatements to their tenants for April and May, retailers occupying mixed use retail spaces were still required to make timely rent payments. Many of the retailers have been unable to honour their rental payments or have refused to pay during the lockdown period. A number of such retailers have been served notice to vacate the premises. The lockdown more adversely affected non-essential retail activity such as apparel, jewellery & cosmetics retailers. Despite the RBI's notification on the loan moratorium for businesses, a number of smaller retailers continue to face financial distress. Currently, main streets are not part of micro-containment zones in Ahmedabad and it is anticipated that retail activity at these venues will reach normalcy by Diwali. Going ahead, mixed used retail complexes on prominent business locations are likely to find more favour with retailers and consumers.

Rental stability reigns but retailers increasing pressure

Rents in malls and high street locations were already under pressure before the COVID-19 outbreak and the lockdown has kept rents at the same levels in Q2. Currently, very few property owners are offering discount to retailers and fewer have agreed for revenue sharing models for a short term only. Rents may rationalise in the medium term with retailers pushing for lower rents, though landlords are only accommodating rental deferrals or waivers. Some high street locations may see downward pressure on rents due to over supply through office-Retail Complexes styled developments due for completion in the upcoming quarters.

ECONOMIC INDICATORS Q2 2020

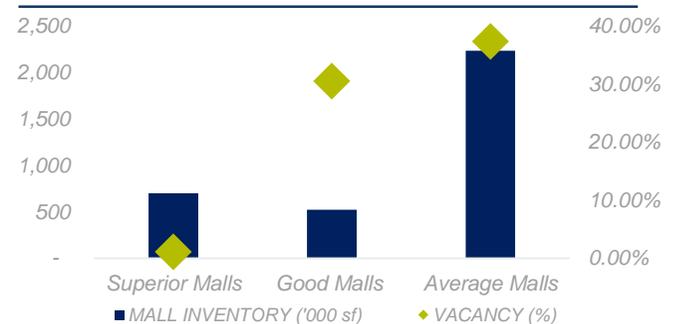
	2019	2020	2021 Forecast
GDP Growth	4.2%	-3.0%	6.2%
CPI Growth	3.4%	4.1%	4.2%
Consumer Spending	5.0%	-0.5%	5.8%
Govt. Final Expenditure Growth	13.2%	12.8%	11.5%

Source: Oxford Economics, IMF, RBI

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
C.G. Road	160	22.51	25.4	0.0%	0.0%
Law Garden	120	16.88	19.05	0.0%	0.0%
Satellite Road	150	21.1	23.81	0.0%	0.0%
Maninagar	145	20.4	23.02	0.0%	0.0%
Prahladnagar	150	21.2	23.81	0.0%	1.35%
S.G. Highway	117	16.46	18.57	0.0%	0.0%
PRIME RETAIL RENTS - MALLS	INR SF/MTH	EURO SF/YR	US\$ SF/YR	Q-O-Q CHANGE	Y-O-Y CHANGE
Vastrapur	175	24.62	27.78	0.00%	2.49%
S.G. Highway	115	16.18	18.25	0.00%	0.00%
Drive-in Road	99	13.93	15.71	0.00%	0.00%
Kankaria Lake	67	9.43	10.63	0.00%	0.00%

Note: Asking rent (INR/sf/month) on carpet area of ground floor Vanilla stores is quoted
 US\$ = INR 75.6 AND € = INR 85.3

Note: #The above mentioned mall rentals are as of Q1 2020 quoted during pre-COVID times. These do not indicate the actual rental scenario prevailing in the city malls since negotiation discussions between developers and retailers continue to remain active, basis the day-to-day evolving conditions of the pandemic. Further with the city being in lockdown during the second quarter of the year resulting in negligible transactions being recorded, the on ground rentals could not be assessed. However, we will continue to monitor the retail rental scenario in the coming quarters with focus on the prevailing transaction momentum in the market.

SIGNIFICANT LEASING TRANSACTIONS Q2 2020

No transactions could be recorded in Q2, with malls being closed since beginning of the 2nd quarter followed by a countrywide lockdown resulting in closure of activity in main streets as well. However, post mid of June, discussions between landlords/developers and retailers have resumed though at a slower pace on sector specific demands for retail space.

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	SF	COMPLETION
Phoenix Mall	S G Highway	900,000	2021

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