

7.40% MALL VACANCY (Q2 2020)

6.76 msf MALL INVENTORY (Q2 2020)

0.44 msf UPCOMING MALL SUPPLY

ECONOMIC INDICATORS Q2 2020

	2019	2020	2021 Forecast
GDP Growth	4.2%	-3.0%	6.2%
CPI Growth	3.4%	4.10%	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

Malls still closed, clouds of uncertainty in the near-term

Malls in the city continue to remain shut following the state government order in an effort to curb the pandemic. Retailers have been unable to reopen stores and the impact on business is unprecedented. Leasing enquires have come to a virtual standstill, though mall operators are willing to offer lucrative terms. As such there has been no change in mall vacancy during the quarter. With the concerns surrounding the COVID-19 pandemic, there are currently no signs that the malls in Chennai will be allowed to reopen anytime soon. In fact, retailers are also worried about the return of footfalls going forward and are anticipating a major loss in revenue for rest of 2020. A similar situation exists on the main streets of Adyar, Anna Nagar, Pondy Bazaar, Velachery and Ambattur etc., where restrictions have eased but revenues and footfalls have more than halved over the last few weeks. Meanwhile, some tenants across F&B, apparel, fast fashion, jewellery, health & wellness categories in these main streets have decided to reduce their footprint. F&B segment has been the worst hit among others and with continued uncertainty and business volatility, some restaurants and smaller establishments on the main streets and food courts are preparing to shutdown operations indefinitely.

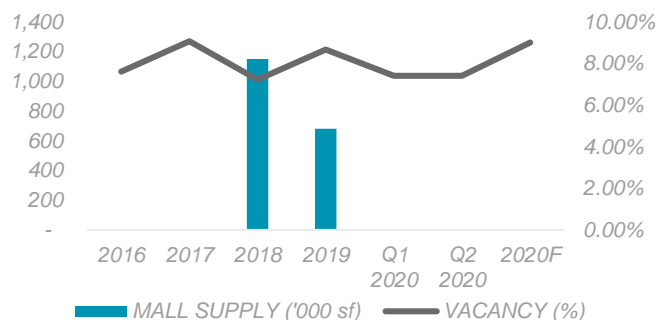
Headlines rents yet to correct; landlords offering rental waivers, deferrals and flexibility in payments

Quoted rents across malls have broadly been unchanged during the quarter as retailers and operators are yet to reopen. However, mall owners/landlords/developers have been flexible with retailers in offering rental waivers for the duration of lockdown and deferred payment schedules going forward. Developers and individual landlords followed suit in offering similar rental discounts on the main streets. Besides rental negotiation, they are also flexible in negotiations on the minimum guarantee or revenue share model and percentages in the short term. In select main streets where space options are ample, currently landlords are offering a 5-10%** discount on quoted rentals and going forward they are likely to offer higher discount of up to 15-25% on the headline rents, for a fixed term to secure the retailer. Space requirements spread across a few ongoing transactions before the lockdown have reduced by 30-50% and these retailers are looking for longer term rental discounts in the 10-18 month range.

Construction stalled; upcoming supply deferred by 3-6 months

Construction activity came to a standstill for more than 3 months and landlords are not in a hurry to resume work anytime soon amidst a rising COVID-19 tally besides labour and resource constraints. Nearly 0.44 msf of upcoming mall supply scheduled for completion early in 2021 has been deferred by about 3-6 months. Construction of another 0.2 msf of smaller, standalone properties on the main streets is delayed for the time being. With the fifth round of lockdown ongoing from 19th June to 31st July 2020, retail revival in Chennai is quite some time away, though strategic space take-up discussions are underway for some hypermarket retailers.

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
Nungambakkam High Road	130	18	21	-3.7%	-3.7%
Khadar Nawaz Khan Road	145	20	23	0.0%	0.0%
Cathedral Road – R.K. Salai	118	17	19	0.0%	2.6%
Usman Road - South	100	14	16	0.0%	5.3%
Usman Road - North	110	15	17	0.0%	4.8%
Adyar Main Road	145	20	23	0.0%	7.4%
Anna Nagar 2 nd Avenue	150	21	24	-6.3%	0.0%
Purasawalkam High Road	115	16	18	0.0%	4.5%
Pondy Bazaar	150	21	24	0.0%	0.0%
Velachery	105	15	17	-4.5%	-4.5%
Ambattur (MTH Road)	95	13	15	-5.0%	0.0%
PRIME RETAIL RENTS – MALLS#	INR SF/MTH	EURO SF/YR	US\$ SF/YR	Q-O-Q CHANGE	Y-O-Y CHANGE
Chennai - CBD	225	32	36	0.0%	0.0%
Chennai - Western	190	27	30	0.0%	2.7%
Chennai - South	190	27	30	0.0%	0.0%

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

Negligible transaction activity 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 with sector specific demand for retail space.

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	LOCATION	SF	COMPLETION DATE
Chennai Airport MLCP	Meenambakkam	238,101	Q2 2021
Esthell Mall	Velachery	200,000	Q4 2021

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