

HYDERABAD

Retail Q2 2020

CUSHMAN & WAKEFIELD

14.9% MALL VACANCY IN Q2 2020

1.0 msf MALL SUPPLY DEFERRED TO 2021

APPROX 200,000 sf TENANT EXITS IN Q2 2020

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

Muted leasing activity in malls and main streets; vacancies rising in main streets

Retail activity came to a grinding halt with the lockdown imposed to prevent the spread of COVID-19. Malls and main streets were shut until the first week of June, resulting in loss of revenue and consumer behaviour has also changed as a result, with e-commerce gaining ground. Leasing activity both in malls and main streets was muted as retailers largely stayed away from signing any new contracts during the lockdown. Transactions across malls and main streets which were under discussion before COVID were either put on hold or have been cancelled, as retailers were waiting to assess the impact on cashflows and business volatility going forward. Meanwhile, brands such as Spencer's, YLG, Centro, Heritage Fresh, Brand Factory and few other brands of Reliance and Future retail etc. have decided to reduce their footprint on the main streets. Nearly 200,000 sf of space has been surrendered by retailers on the main streets over the last 2-3 months. Space reductions and exits (in some cases) were also witnessed from smaller stand-alone establishments in the F&B, apparel, home furnishings, health & wellness and automobile categories across major main streets such as Jubilee Hills, Banjara Hills, Himayat Nagar, Ameerpet, Panjagutta, LB Nagar and Uppal. However, retailers are still working on space strategies for their mall-based stores and no space reductions have been reported so far.

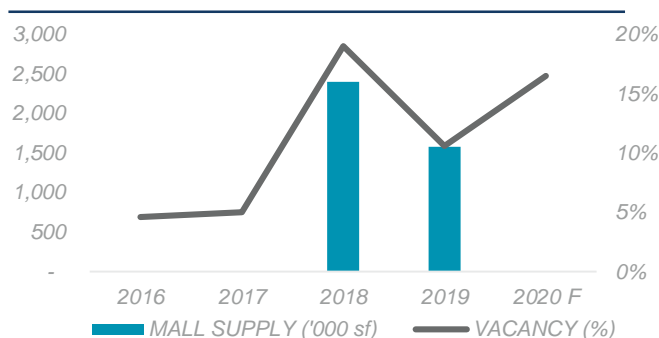
Stable mall rents, main street rentals are reducing, landlords flexible

Mall rentals across the city have remained stable amidst a lockdown that has resulted in revenue loss both for mall operators and the retailers. Mall operators across the city have largely waived off rentals in the short term to support the retailers while safeguarding their occupancy levels. In addition to rental waivers and deferrals extending up to December, most have agreed to flexible payment schedules and short term revisions in revenue share agreements. During the quarter, landlords in select main streets such as Jubilee Hills, Banjara Hills, Miyapur - Chandanagar, Nallagandla and LB Nagar etc. were flexible to offer a 10-15% reduction in quoted rentals** for new space requirements. Landlords across city's main streets have been flexible with major retail brands agreeing to pure revenue share agreements in the short term and willing to offer 20-25% reduction on fixed rentals as well. Some popular electronics brands have been able to get landlords to agree to pure revenue share agreements for up to one year for all their stores in the city.

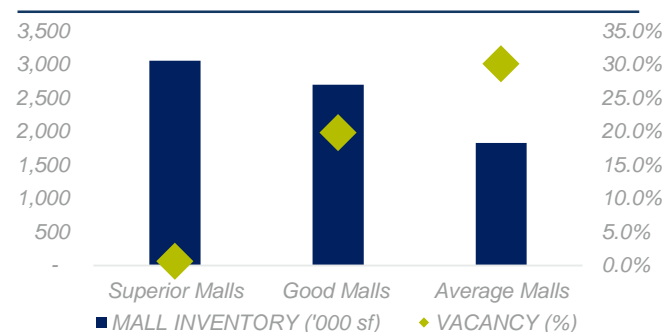
Supply deferred, vacancies to rise in the short term

Nearly 1.0 msf of new mall supply expected to become operational during the year has been deferred to 2021. Landlords are yet to resume construction due to labour and resource constraints. Malls nearing completion are awaiting retailer commitments and are working towards introducing elements of health and hygiene as a part of the new normal. However, in the popular main streets of Banjara Hills and Jubilee Hills, landlords are cautious about retailers reducing space footprint, possible rise in vacancy levels and the imminent demand-supply mismatch. Overall mall vacancy has remained stable at 15% during Q2 and is likely to go up in the short term with retailers optimizing space requirements. It would be challenging to lease the upcoming mall supply at least over the next 6-12 months.

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	110	15	17	-15.0%	-8.3%
S.P. Road/Begumpet	95	13	15	-14.0%	-13.6%
Raj Bhavan Road/Somajiguda	85	12	13	-15.0%	-5.6%
Banjara Hills	120	17	19	-14.0%	-11.1%
Abids	120	17	19	-8.0%	0.0%
Himayathnagar	160	23	25	-11.0%	-8.6%
Punjaqutta	120	17	19	-14.0%	-33.3%
Ameerpet	110	15	17	-15.0%	-12.0%
Jubilee Hills	120	17	19	-17.0%	-11.1%
Kukatpally NH.9	120	17	19	-14.0%	-14.3%
A.S. Rao Nagar	120	17	19	-8.0%	0.0%
Madhapur	110	15	17	-8.0%	0.0%
PRIME RETAIL RENTS – MALLS	INR SF/MTH	EURO SF/YR	US\$ SF/YR	Q-O-Q CHANGE	Y-O-Y CHANGE
NTR Gardens	100	14	16	0.0%	0.0%
Himayathnagar	150	21	24	0.0%	0.0%
Banjara Hills	260	37	41	0.0%	0.0%
Madhapur	235	33	37	0.0%	0.0%
Panjaqutta	140	20	22	0.0%	0.0%
Somajiguda	120	17	19	0.0%	0.0%
Kukatpally	180	25	29	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's retail sector since negotiation discussions between developers/landlords 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
Vaishnavi Asian Mall	R C Puram	180,000	Q3 2021
SMR Vinay Metro Mall	Miyapur	220,000	Q3 2021

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