

# MUMBAI

Retail Q2 2020

CUSHMAN & WAKEFIELD

**9.6%** MALL VACANCY IN Q2 2020

**2.2 msf** MALL SUPPLY EXPECTED BY 2021

**2.9%** Y-O-Y GROWTH IN MALL RENTS IN THANE

## Mall leasing activity on hold; vacancy rises marginally

The COVID-19 pandemic and the subsequent lockdown completely froze Mumbai's retail mall leasing activity in Q2. As the government implemented a strict lockdown, malls were completely shutdown in Q2. It was only hypermarkets that were allowed to operate along with other essential services. Obviously the footfalls disappeared and retailers felt the full impact on their business incomes. The current focus is solely on survival as the city has been one of the hardest hit in terms of the infection rates and the retail sector has come under intense pressure. Due to the lockdown over the past three months, which has resulted in negligible revenues, many retailers are finding it difficult to honour rent payments. Mall owners have generally been accommodating and offered rent abatements or payment deferrals and, in certain cases, also considered the retailer request for shifting to pure revenue share agreements over the short term. There is a constant engagement on contractual and rental renegotiations. However, given a few instances of retailer exits, vacancy level rose slightly to 9.6%, a q-o-q increase of 20 bps.

Despite the short-term initiatives of mall developers and retailers and the government's support for businesses, including small retailers, it will be an uphill task for normal business activity to resume and make up for loss of revenues in the next few quarters. Business and revenue projections will also be affected in the medium term by the prevailing uncertainty about normal resumption of mall operations. Footfalls will be impacted as there are no timelines when FECs and multiplexes will open and social distancing norms will ensure a limit on mall visitors. A major overhaul in retailers' business strategies with loss mitigation measures will continue to be the priority. Mall occupancies will be under pressure with retailers adopting a conservative approach and pushing for a higher digital presence in order to maintain customer outreach and rationalise costs. We expect overall leasing activity to remain sluggish over the next 1-2 quarters with major retailers putting expansion activities on hold.

## Main street retailers see some business recovery

Quite like retail malls, no leasing activity seen on prominent main street locations during the quarter, however, unlike malls, select retail activity was allowed as part of lockdown relaxations by the government. Apart from essential services such as grocery and pharma outlets, the government had partially permitted non-essential retailers to operate in early May after the second phase of the lockdown. This allowed large consumer electronic stores to resume operations on prominent main streets. Food & Beverage (F&B) outlets were operating with take-away facilities only. While the government hasn't allowed restaurants to reopen for dine-in, the operators need to ensure all safety precautions before opening restaurants in the coming quarters. Apparel, cosmetics and jewellery & accessories outlets suffered the most because they are not categorized as essential services and remained shut throughout the duration of the lockdown. They are either negotiating a rent waiver or revenue share model with landlords or else may be pushed towards either resizing or vacating the premises, to ensure they stay afloat.

## Rental payment flexibility / rent adjustments to be key discussion points

On a q-o-q basis, rental values in shopping malls remained range bound whereas, quoted rental values\* in all main streets have witnessed a decline of 5-10% on average. Rental growth was already seen in prime malls previously on the back of low vacancies. We expect that in the near term, a flexible approach will enable reworking of revenue share models and contracted rents for a fixed duration till normalcy is restored.

## ECONOMIC INDICATORS Q2 2020

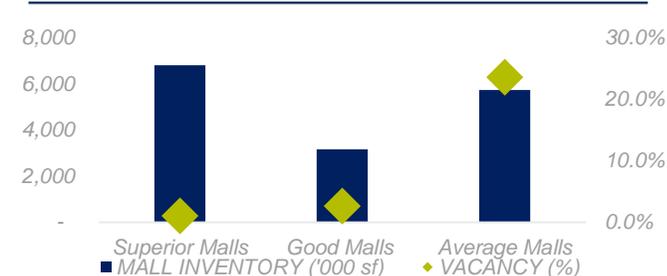
	2019	2020	2021 Forecast
GDP Growth	4.2%	-3.0%	6.2%
CPI Growth	3.4%	4.1%	4.2%
Consumer Spending	5.0%	-0.5%	5.8%
Govt. Final Expenditure Growth	13.2%	12.8%	11.5%

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
Linking Road	760*	107	121	-5.0%	-5.0%
Kemps Corner / Breach Candy	410*	58	65	-4.7%	-4.7%
Colaba Causeway	570*	80	90	-5.0%	-5.0%
Fort Fountain	380*	53	60	-5.0%	-5.0%
Lokhandwala Andheri	380*	53	60	-5.0%	-5.0%
Borivali LT Road	380*	53	60	-5.0%	-5.0%
Chembur	370*	52	59	-5.1%	-5.1%
Vashi	340*	48	54	-5.6%	-5.6%
Thane	245*	34	39	-5.8%	-5.8%

PRIME RETAIL RENTS – MALLS#	INR SF/MTH	EURO SF/YR	US\$ SF/YR	Q-O-Q CHANGE	Y-O-Y CHANGE
Lower Parel	890	125	141	0.0%	1.1%
Link Road – Andheri West	410	58	65	0.0%	0.0%
Malad	470	66	75	0.0%	0.0%
Goregaon	525	74	83	0.0%	2.9%
Kandivali	200	28	32	0.0%	0.0%
Kurla	180	25	29	0.0%	0.0%
Ghatkopar	260	37	41	0.0%	0.0%
Bhandup – Mulund	125	18	20	0.0%	0.0%
Vashi – Seawoods	360	51	57	0.0%	0.0%
Thane	310	44	49	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

No transactions could be recorded in Q2, with malls being closed since beginning of the 2<sup>nd</sup> 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	LOCATION	SF	COMPLETION DATE
Jio World Drive	BKC	450,000	Q1 2021
Jio World Plaza	BKC	475,000	Q2 2021
Oberoi Sky City Mall	Borivali East	1,000,000	Q1 2022

## Rohan Sharma

Director, Research Services

+91 124 4695555 / [rohan.sharma1@cushwake.com](mailto:rohan.sharma1@cushwake.com)

## Kapil Kanala

Associate Director, Research Services

+91 40 40405555 / [kapil.kanala@ap.cushwake.com](mailto:kapil.kanala@ap.cushwake.com)

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