

AHMEDABAD

Retail Q3 2020

CUSHMAN & WAKEFIELD

29.74% MALL VACANCY

3.45 msf MALL INVENTORY

0.9 msf MALL SUPPLY EXPECTED BY 2021

Mall vacancy rises even as malls resume operations rise

With the commencement of the Unlock from June 8, 2020 shopping malls also started their operations in Q3, with social distancing norms and health and hygiene provisions. The response from shoppers remained muted throughout the quarter. Malls have reported below average footfalls at only 30-40% of normal, forcing many retailers to enter in to protracted negotiations with landlords to restructure their rent agreements, at least for the short term. Additionally, cinema theatres and concert halls were still not operational, adding to the burden on the overall mall ecosystem as these were the main crowd-pullers for majority of malls. No new transactions have been reported in malls, instead few retailers have vacated their premises causing mall vacancy to rise by 178 bps on a q-o-q basis. Notably this rise in vacancy is only witnessed in the good and average category malls. Even before the COVID-19 outbreak, a number of malls were struggling to attract and retain brands within their premises, as the latter were choosing main street storefronts available in mixed-use office buildings. Mall owners continue to operate under a cloud of uncertainty due to the social distancing requirements and lack of footfalls, possibly leading to higher exits by prominent retailers over the next few quarters, as the latter look to stay afloat and ensure working capital for the business through store count rationalisation.

Retailers vacating spaces on main streets

There was no major leasing activity on the main streets during the quarter but few transactions have been reported from newly constructed mixed use commercial complexes along the SG Highway and Science City Road. One such case is of Royal Enfield showroom opening at Brooklyn Tower on SG Highway South. Otherwise high streets are dominated by local F&B brands as these were the first to recover and show some sign of activity, even though operating for limited hours. Majority of the retailers continue to struggle to meet rental obligations as business has reduced to a pittance. The un-accommodating behaviour of individual investors towards retailers has caused many retailers to vacate such premises. This trend was more visible in the apparel, jewellery & cosmetics segments. It is anticipated that high streets will likely return to normalcy so some extent by the festive season even as mixed-use complexes in prominent business locations will find more favour with retailers.

Rental stability reigns

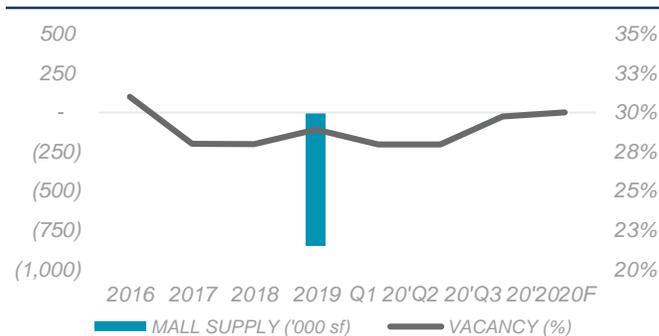
Rents in malls and high street locations were already under pressure before the COVID-19 outbreak, but despite the lockdown and disruption in activity, rentals have remain stable on a q-o-q basis, since most rent renegotiations and revenue share agreements are short term solutions and investors are expecting normal rental yields post the next 6-12 months. In the medium to long term, some high street locations may see downward pressure on rents due to over supply and existing vacancy in ORCs (Office-Retail Complexes).

ECONOMIC INDICATORS Q3 2020

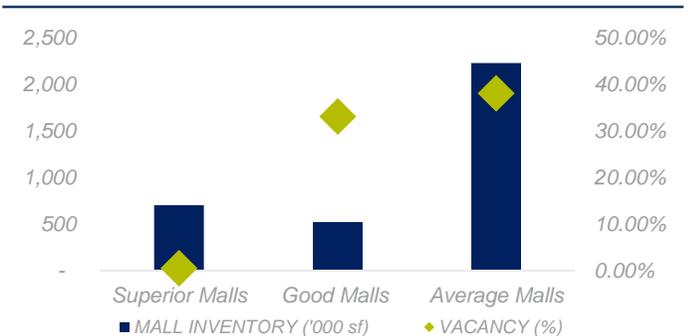
	2019	2020	2021 Forecast
GDP Growth	4.5%	-5.8%	6.5%
CPI Growth	3.4%	4.5%	4.2%
Consumer Spending	5.0%	-5.2%	6.3%
Govt. Final Expenditure Growth	13.5%	12.8%	11.5%

Source: Oxford Economics, Central Statistics Office, 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	26	0.0%	0.0%
Law Garden	120	17	20	0.0%	0.0%
Satellite Road	150	21	24	0.0%	0.0%
Maninagar	145	20	24	0.0%	0.0%
Prahladnagar	150	21	24	0.0%	0.0%
S.G. Highway	117	16	19	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	29	0.00%	2.49%
S.G. Highway	115	16	19	0.00%	0.00%
Drive-in Road	99	14	16	0.00%	0.00%
Kankaria Lake	67	9	11	0.00%	0.00%

Note: Asking rent (INR/sf/month) on carpet area of ground floor Vanilla stores is quoted
 US\$ = INR 73.50 AND € = INR 86.30

SIGNIFICANT LEASING TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Brooklyn Tower	SG Highway South	Royal Enfield	4,000	Lease

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

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

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