

HYDERABAD

Retail Q3 2020

CUSHMAN & WAKEFIELD

15.3% MALL VACANCY (Q3 2020)

APPROX **30%** SPACE REDUCTION BY F&B OPERATORS

APPROX **2 msf** SUPPLY DELAYED BY 6-9 MONTHS

ECONOMIC INDICATORS Q3 2020

	2019	2020	2021 Forecast
GDP Growth	4.2%	-5.8%	6.5%
CPI Growth	3.4%	4.5%	4.2%
Consumer Spending	5.0%	-5.2%	6.3%
Govt. Final Expenditure Growth	13.2%	12.8%	11.5%

Source: Oxford Economics, RBI

Leasing activity stalled, high street vacancy rising

Retail demand continued to remain muted across all major malls in the city during the third quarter. While overall mall vacancy has largely remained stable (15% in Q3, up by 40 bps q-o-q), there has been a rise in vacancy across major retail high streets across the city such as Miyapur-Chanda Nagar-BHEL, Banjara Hills, Jubilee Hills, Madhapur, Kondapur – Gachibowli and Begumpet. Space reductions and exits (in some cases) were witnessed from stand-alone as well as a chain of establishments in the Apparel and lifestyle retail chains such as Arvind, World of Titan, Spencer's, Levis, BlackBerry; some specialty restaurants in the F&B segment, home furnishings, VLCC, YLG in health & wellness and Harley Davidson, Nexa in the automobile category across major main streets over the last 3-4 months. Some large fast food chains and fine-dining restaurants have also reduced operational footprint by more than 30% over the past quarter or so, even as they have been forced to reduce the covers in their premises due to the strict social distancing norms.

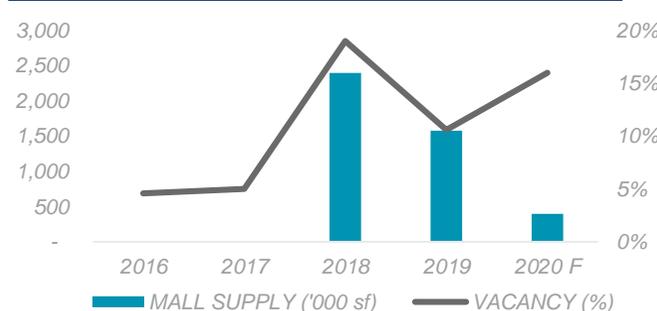
Stable headline rents but landlords are more accommodating; retailers exploring alternative business models

Headline rentals across the city have largely remained stable while there is growing support from landlords who are looking to offer short-term relief and retain tenants. Most landlords in general are already offering 15-25% reduction in rents besides agreeing to pure revenue share models while working with retailers. However, landlords themselves facing cashflow constraints especially in the case of newer properties in high streets with high land values such as Banjara Hills, Jubilee Hills, Madhapur, Kondapur - Gachibowli are not willing to negotiate leading to retailer exits from such properties. Several malls / shopping centers that were completed over the last 6-9 months are unable to attract new retailers who are more concerned with space and cost optimisation and in certain cases keeping their businesses afloat. Such vacancy is likely to persist over the next 6-9 months as well. Many retailers are also cancelling deals which were agreed upon before the pandemic as liquidity remains tight for working capital while new store openings will entail large size investment towards capital expenditure on store fitouts and security deposits. Some retailers including KFC, Pantaloons, More Hyper, Croma besides some specialty restaurants such as Mainland China, Sigree, OccuPola are exploring investor and franchise models to mitigate this risk as well.

Further delays in mall completions; select retailers are expanding on high streets

New malls totalling to approx. 2.0 msf that were scheduled for completion over the next two quarters have been delayed by 6-9 months due to the weak business sentiments, lack of demand besides labour and supply chain constraints. With retailers shying away from signing new leases and recalibrating business strategies, landlords of upcoming malls are finding it increasingly difficult to lock-in and retain anchor tenants. Meanwhile, amidst the COVID uncertainty, many native brands such as Balaji Grand Bazar, Polimeraas and Pronatural and supermarket chains such as More, DMart, Star Bazaar and Ratnadeep and consumer electronics /durables brands such as Croma and Vijay sales are exploring space options in Kompally, Miyapur, Gachibowli, Nallagandla, AS Rao Nagar, Kharkhana etc. to expand their footprint. Growing high street vacancies and weak market conditions are helping retailers who are looking to expand to get great rental deals.

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	18	0.0%	-12.0%
S.P. Road/Begumpet	95	13	16	0.0%	-13.6%
Raj Bhavan Road/Somajiguda	85	12	14	0.0%	-10.5%
Banjara Hills	120	17	20	0.0%	-14.3%
Abids	120	17	20	0.0%	-4.0%
Himayathnagar	160	22	26	0.0%	-11.1%
Punjaqutta	120	17	20	0.0%	-14.3%
Ameerpet	110	15	18	0.0%	-15.4%
Jubilee Hills	120	17	20	0.0%	-14.3%
Kukatpally NH.9	120	17	20	0.0%	-14.3%
A.S. Rao Nagar	120	17	20	0.0%	-4.0%
Madhapur	110	15	18	0.0%	-4.3%
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	36	42	0.0%	0.0%
Madhapur	235	33	38	0.0%	0.0%
Panjaqutta	140	19	23	0.0%	0.0%
Somajiguda	120	17	20	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 73.5. AND € = INR 86.3

Note: The above-mentioned asking rentals across malls and main streets have remained stable during the quarter. These do not indicate the actual transacted rental scenario since negotiations between developers/landlords and retailers continue to remain active, basis the day-to-day evolving conditions of the pandemic. Landlords in several cases are willing to offer concessions up to 15-25% on asking rents besides agreeing to revenue share models. We will continue to monitor the rental scenario in the coming quarters with focus on the prevailing transaction momentum in the market.

SIGNIFICANT LEASING TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Main street	Road No.36	VRK Silks	9,000	Lease
Main street	Gachibowli	Madura Garments	14,000	Lease
Main street	Ameerpet	Maangalya Shopping Mall	20,000	Lease

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	LOCATION	SF	COMPLETION DATE
Necklace Pride Mall	Kavadiguda	250,000	Q3 2021
Dundoo Mall	Secunderabad	475,000	Q2 2021
Ashoka Golden Mall	Kukatpally	300,000	Q3 2021

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