

8.21% MALL VACANCY (Q4 2020)

2.8 msf SUPERIOR MALLS INVENTORY (Q4 2020)

0.44 msf UPCOMING MALL SUPPLY

## ECONOMIC INDICATORS Q4 2020

	2019	2020	2021 Forecast
GDP Growth	4.2%	-7.5%	8.8%
CPI Growth	3.4%	6.1%	4.5%
Consumer Spending	5.0%	-8.5%	7.2%
Govt. Final Expenditure Growth	13.2%	5.7%	10.5%

Source: Oxford Economics, RBI, IMF

## Early signs of recovery, market activity gradually coming back

Chennai retail market exhibited early signs of recovery in Q4 2020 with leasing activity gradually coming back in the festive season. Nearly 200,000 sf of retail space was leased this quarter (a 3X rise compared to Q3) led by mainstreets such as MTH Road, Red Hills Road, Anna Nagar 2nd Avenue, Purasawakam High Road, Nungambakkam High Road, etc. where retailers were exploring space options looking to leverage market conditions. While leasing in malls was muted over the last two quarters, deals which were in the last leg of discussions prior to the lockdown, witnessed closure in Q4. In addition to the flexibility (in rental terms), a speedy recovery in consumer demand and steady growth in footfalls have pushed retailers to come forward. Some major transactions in malls include popular fast fashion brands like Mango, Lätt Liv, Taneira, Zivame etc. and jewellery brands such as Mia, Bluestone and Malabar Gold & Diamonds etc. Birkenstock, a global footwear brand which entered the Indian market recently has opened their first store in Palladium Mall this quarter. Overall leasing activity for the full year 2020 has nearly halved as compared to 2019 due to pandemic related uncertainty. However, we expect green shoots of recovery witnessed this quarter would be sustained next year on the back of speedy economic recovery and consumer sentiment bouncing back to pre-COVID levels.

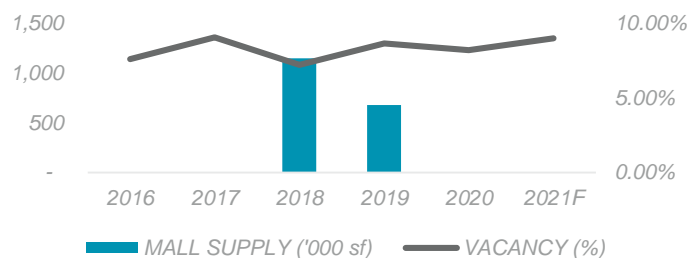
## Mall rentals remain largely stable, minor correction witnessed in select mainstreets

In Q4, mall rentals continued to remain stable whereas select high streets such as Khader Nawaz Khan Road, Purasawakam High Road, Velachery witnessed rentals declining by 3-5% on a q-o-q basis. Mall vacancy has increased marginally by 13 bps q-o-q to 8.2% with some retailers downsizing and/or vacating smaller but expensive spaces. Despite the prevalent uncertainty, malls across the city continue to remain accommodating in terms of rental payments. Despite flexibility, behavioral shift towards online purchases and the challenging business conditions are compelling some retailers to re-align with new strategies like 'Phygital', which integrates online and offline models and is highly relevant in the current times. Popular retail brands such as Adidas, Neerus, Pantaloons, Van Heusen, Basics have reduced their footprint this quarter as part of their consolidation/optimal store count strategy. Vacancy across popular main streets of Anna Nagar 2nd avenue, Adyar and ECR is gradually increasing with exits attributed to the plunge in sales and lease expiries.

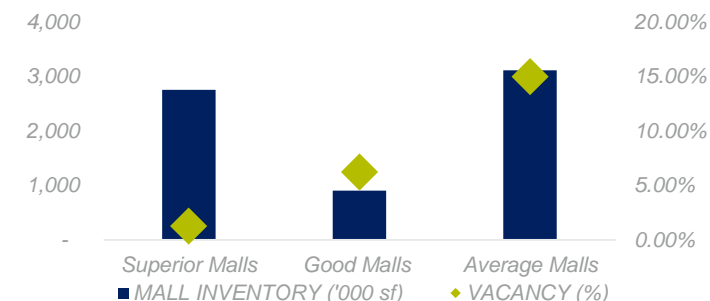
## Revenue sharing models only for the short term; flexibility coming down gradually

Rental discounts, renegotiations, partial waivers and revenue sharing arrangements have helped retailers to stay afloat in 2020 but they have severely impacted developers / landlords. With footfalls and trading densities coming back to 55-60% of pre-COVID levels and considering the demand recovery in 2021, landlords are revisiting their strategies and are re-evaluating flexibility offered to retailers. For instance, tenants in Express Avenue will have to pay full rent if stores reach 80% of their annual sales in 2021. Revenue sharing models devised in Q2 and Q3 2020 may not last longer (beyond H1 2021) and flexibility in payments may be rolled back depending on market conditions over the next 3-6 months. Some landlords in popular main streets such as MTH Road, Purasawakam High Road, Nungambakkam High Road and Velachery have selectively rolled back rental discounts for consumer electronics, apparel and hypermarkets categories over the last 1-2 months. Revised contractual obligations from 2020 will no longer hold true when normalcy returns in 2021 and mall operators / developers are likely to go back to pre-COVID terms. We could expect both landlords and retailers to discuss and come up with new arrangements as the market recovers in 2021.

## MALL SUPPLY / VACANCY RATE



## 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	0.0%	-3.7%
Khadar Nawaz Khan Road	135	18	22	-3.6%	-6.9%
Cathedral Road – R.K. Salai	115	16	19	0.0%	-2.5%
Usman Road - South	100	14	16	0.0%	2.0%
Usman Road - North	110	15	18	0.0%	1.9%
Adyar Main Road	135	18	22	-3.6%	-3.6%
Anna Nagar 2 <sup>nd</sup> Avenue	145	20	24	-3.3%	-6.5%
Purasawalkam High Road	110	15	18	-4.3%	-4.3%
Pondy Bazaar	150	21	24	0.0%	0.0%
Velachery	95	13	16	-5.0%	-13.6%
Ambattur (MTH Road)	95	13	16	0.0%	-5.0%
PRIME RETAIL RENTS – MALLS	INR SF/MTH	EURO SF/YR	US\$ SF/YR	Q-O-Q CHANGE	Y-O-Y CHANGE
Chennai - CBD	215	29	35	0.0%	-4.4%
Chennai - Western	180	25	29	0.0%	-2.7%
Chennai - South	185	25	30	0.0%	-2.6%

Note: Asking rent (INR/sf/month) on carpet area of ground floor Vanilla stores is quoted  
 US\$ = 73.5 INR AND € = 87.6 INR

## SIGNIFICANT LEASING TRANSACTIONS Q4 2020

PROPERTY	LOCATION	TENANT	SF
Independent Building	Ambattur	West Side	18,000
Independent Building	Anna Nagar	Malabar Gold	10,000
Independent Building	Ambattur	Vasanth & Co	10,000

## 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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