MARKETBEAT

HYDERABAD

Retail Q4 2020

15.5% MALL VACANCY (Q4 2020)

~**60-65%** FOOTFALL IN MALLS POST LOCKDOWN

~**200,000 sq ft** OF LEASING ACTIVITY (Q4 2020)

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

Retail leasing slowly coming back, enquiries have increased in Q4

After two quarters of muted demand, Hyderabad's retail market has witnessed some momentum in Q4 as retailers have started coming back to the market. Nearly 200,000 sf of space was leased during the quarter, a 50% rise on a quarterly basis but significantly below (about 1/3rd) the pre COVID averages. High streets were the most active accounting for a 90% share. Lack of adequate options has been a deterrent for some brands that are evaluating space in superior and good quality malls. Apparel and consumer electronics together have leased more than 2/3rds of the space during the quarter. Some major transactions include popular brands such as White Crow, Wallie, Under Armour, John Jacobs, One Plus, Reliance Smart and Sketchers. Meanwhile, space enquiries totaling up to 250,000 sf largely from supermarket /hypermarket brands, consumer electronics and automobiles categories along established corridors of Kompally, Kukatpally, Banjara Hills and emerging high streets of Kokapet, Bachupally and Gachibowli are currently active in the market. Overall retail leasing activity for the year 2020 has dropped by about 50% compared to 2019 due to the pandemic related uncertainty during the year. Footfalls and trading densities (by the end of Q4) are back to 60-65% of pre-COVID levels across major malls and with multiplexes opening from early December, numbers are expected to rise further. We expect early signs 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.

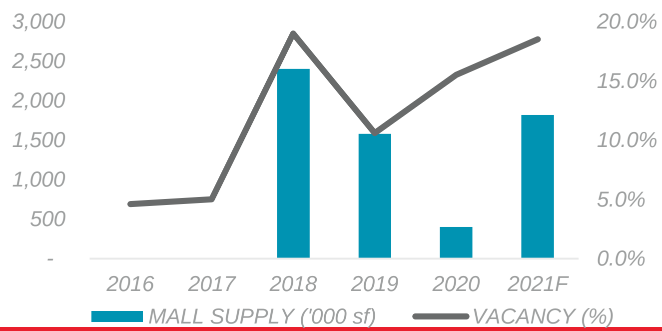
Rising vacancy levels across prominent high streets, some retailers leveraging market conditions

Vacancy levels across all prominent high streets have been on the rise since Q2 2020. 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 categories, specialty restaurants in the F&B segment, home furnishings as well as automobile categories across major main streets over the last 3-6 months. In addition, there has been a rise in new supply across major localities such as Banjara Hills, Jubilee Hills, Gachibowli, Uppal, LB Nagar etc. which is adding pressure on the landlords to lower rents and offer higher discounts, flexibility to attract / retain tenants. With consumer demand gradually coming back, retailers are now looking to leverage market conditions and are relocating to higher quality space while saving up on costs. Some examples that have recently relocated include Levis, Blackberry, Titan, Adidas and Reebok etc. Meanwhile, mall vacancy has also increased marginally by 30 bps q-o-q to 15.5% with some retailers downsizing and/or vacating smaller but expensive spaces.

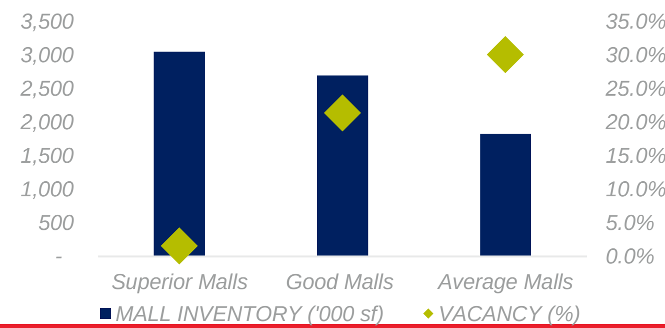
Rentals largely stable in Q4, new mall supply likely in H1 2021

Most malls had extended rental discounts, partial waivers, flexibility in payments and revenue sharing arrangements up to Q4 2020 to support retailers. With market activity coming back and footfalls steadily increasing, operators are now evaluating their strategies and modification in rental agreements and some reduction in discounts is likely in H1 2021. On high streets however, conditions are likely to remain tenant favourable for the next 6-12 months. Exceptions include localities with tight vacancy and higher demand such as Rao Nagar, Kompally, Gachibowli, Kokapet etc. Nearly 2.0 msf mall space that was due for completion in 2020 has been delayed due to weak business sentiment, lack of demand besides labour and supply chain constraints. We could expect some of it to enter the market over the next 6-9 months as construction has resumed and demand is gradually coming back.

MALL SUPPLY / VACANCY



CATEGORY-WISE STOCK / VACANCY



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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	16	20	0.0%	-14.3%
Abids	120	16	20	0.0%	-4.0%
Himayathnagar	160	22	26	0.0%	-13.5%
Punjagutta	120	16	20	0.0%	-14.3%
Ameerpet	110	15	18	0.0%	-18.5%
Jubilee Hills	120	16	20	0.0%	-14.3%
Kukatpally NH.9	120	16	20	0.0%	-14.3%
A.S. Rao Nagar	120	16	20	0.0%	-4.0%
Madhapur	110	15	18	0.0%	-8.3%
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	32	38	0.0%	0.0%
Panjagutta	140	19	23	0.0%	0.0%
Somajiguda	120	16	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 87.6

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 Q4 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Main street	Road No.2	White Crown	24,000	Lease
Main street	Bachupally	Reliance Smart	16,000	Lease
Main street	Kukatpally	Ratnadeep	8,000	Lease

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	LOCATION	SF	COMPLETION DATE
Praga Mall	Kavadiguda	250,000	Q3 2021
TNR Preston Mall	Karmanghat	400,000	Q3 2022

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