

Shopping Centre

News

NOVEMBER-DECEMBER 2010

DEVELOPING RETAIL IN INDIA

VOL. 3 NO. 6 ₹100

Demand & Supply of Mall Space:

Chennai, Bangalore, Hyderabad

By Asipac

Three metropolitan regions of South India show very different demand and supply of mall space, with Bangalore in a huge oversupply position, Chennai still in an undersupply position and Hyderabad somewhere in between – as per market research conducted by Asipac.

Most of the new malls under development across the three southern metros show hardly any difference in the design or tenancy mix. While some are too small to make any significant impact, the larger ones lack the wow factor to lure crowds, and hope to delight customers only with sheer size. They have not dedicated enough space for anchor tenants, F&B or leisure/entertainment offerings. So, what is the “shelf life” of these malls? When built, these malls would provide shoppers with nothing new. Malls require considerable investment of time and money. They have to be run for two to

three years before their viability to survive in the long run is confirmed. If found to be unviable, it takes a few years to shut them down and use the structures for other limited purposes.

Malls decide the fate of their tenants’ business and profitability. Small businesses are impacted more, since (in the Indian context) many are experimenting in a mall setting for the first time. If they don’t do well, this could drive them completely out of business. Sadly, most of the mall developers, owners and property consultants (including most IPCs) don’t realise this hard reality. It is even more disheartening to see some experienced developers also repeating a cookie-cutter plan or design in one mall after the other.

Malls have to differentiate in order to succeed in a competitive market, anywhere in the world. This is even more important in a mall oversupply situation, as many malls will have to fight for success, or even survival.

Background

In any major city, retail shops or outlets are usually spread across shopping centres (malls), high streets (or main streets)

and neighbourhood strips. For the modern retail industry, and especially malls, to do well, the macro economic theory of demand and supply comes into play.

There is obviously limited demand for retail space anywhere in the world and any oversupply positions, especially in large percentages, are not just unhealthy for property owners, investors, occupants, consumers and other stakeholders, but also for the industry on the whole and the national economy at large.

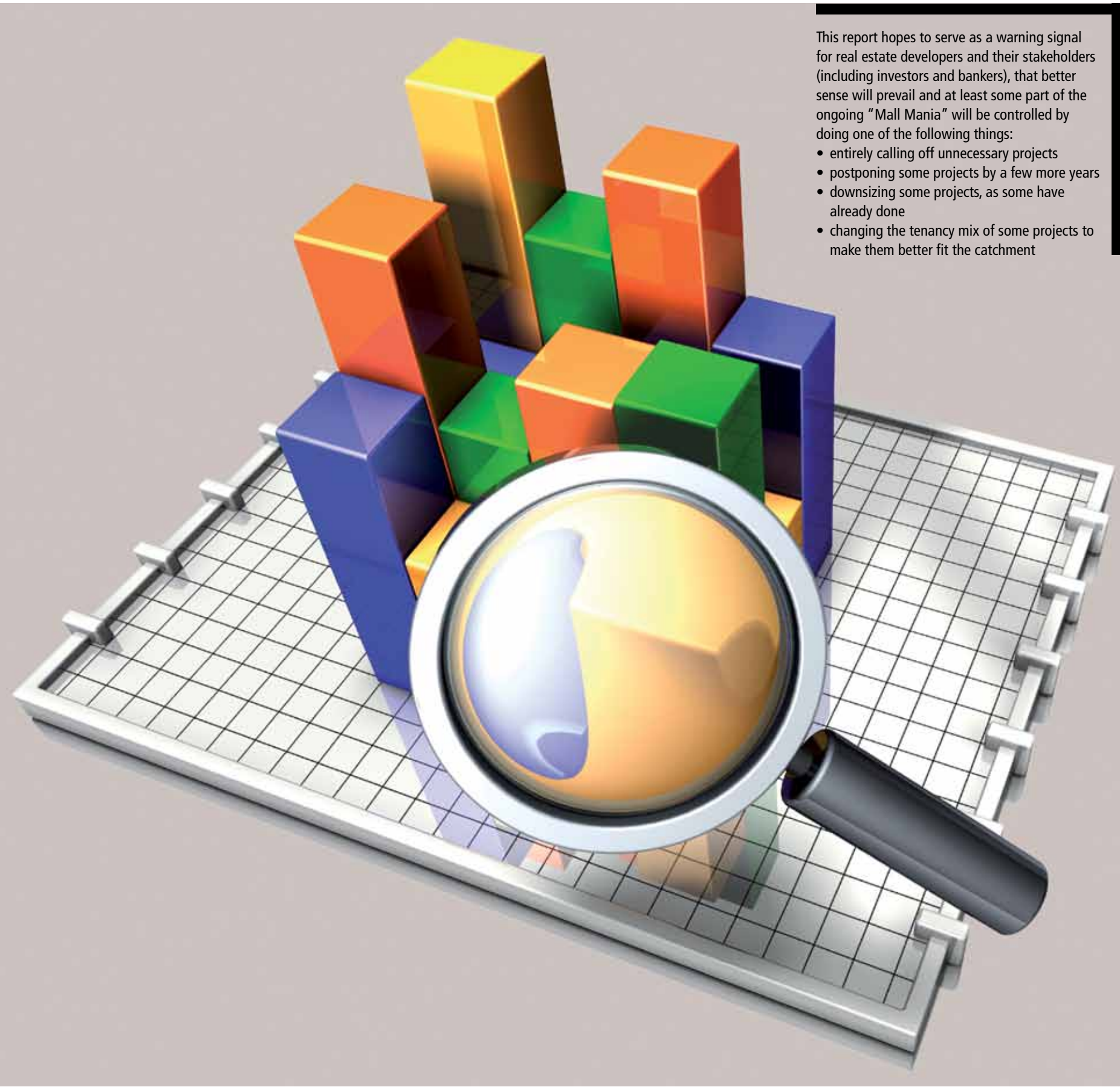
Globally, there is a broad consensus that the per capita mall space (PCMS) is in a huge oversupply position in markets such as Dubai, USA, China and Singapore. On the other hand, Japan, UK, Sweden, Netherlands, Australia and NZ are much better off with the PCMS ranging between 3.8 sq ft and 6.8 sq ft.

In any market, there has to be some correlation between the PCMS and the per-capita income. So while 3.8 or 3.9 sq ft may not be considered as oversupply in Japan or UK, the PCMS of 3.2 sq ft in South Africa is definitely in an oversupply position.

Taking into account the above comparisons and considering India’s

| Country | Per Capita Total Retail Space (sq ft) | Per Capita Mall Space (sq ft) |
|-------------------------|---------------------------------------|-------------------------------|
| Dubai | – | 25.3 |
| USA | 46.6 | 23.1 |
| Singapore | 15.7 | 7.2 |
| Australia, New Zealand | 24 to 31 | 5.5 to 6.8 |
| Sweden, Netherlands | – | 4.8 to 5.1 |
| UK | 16.7 to 18 | 3.9 |
| Hong Kong, South Korea | 14 to 16 | – |
| Japan | 12 to 13 | 3.8 |
| South Africa | – | 3.2 |
| Spain, France, Italy | – | 2.7 |
| Russia, Turkey, Belgium | – | 0.6 to 0.7 |

Sq ft = square feet; 1 sqm or m2= 10.764 sq ft



This report hopes to serve as a warning signal for real estate developers and their stakeholders (including investors and bankers), that better sense will prevail and at least some part of the ongoing “Mall Mania” will be controlled by doing one of the following things:

- entirely calling off unnecessary projects
- postponing some projects by a few more years
- downsizing some projects, as some have already done
- changing the tenancy mix of some projects to make them better fit the catchment

current per capita income and spending power, together with estimated growth rates for the next five years, Asipac estimates that the ideal PCMS in India’s top 20 urban centres is about 1.25 sq ft per person, but this can fluctuate from 1.0 sq ft and 1.5 sq ft in different micro markets, based on the per-capita income of that particular micro market.

CHENNAI: STILL UNTAPPED
Compared to its two competing metros in South India, Chennai, with a total of just 19 malls (existing + new) by 2014, is in a much better position. The 14 new malls under construction in Chennai have a combined GLA of 6.44 million square feet. This will lead to total mall space supply of 8.34 million square feet by 2013, against an estimated demand of 9.13 million square feet, thus leading to 9 per cent undersupply.

BANGALORE: CERTAIN DISASTER
Bangalore may have 55 malls by 2014. As many as 38 new malls are under construction or planning, with a GLA of 20.427 million square feet, to add to the 17 existing malls. According to Asipac’s research, this will lead to total mall space supply of 24.331 million square feet by 2014, covering only 85 per cent of the city’s geographical area, against an estimated demand of only 9.70 million square feet, pointing to an alarming 60 per cent oversupply.

HYDERABAD: NOT TOO BAD
Greater Hyderabad may have 26 malls by 2014. Another 11 malls are on hold. Thus, the total mall space (existing and upcoming) by 2014, covering about 80 per cent of the city by geographical spread, is expected to be 10.85 million square feet, against an estimated demand of only 8.815 million square feet in this area, a case of about 19 per cent oversupply .

MALLS IN CHENNAI

Chennai is the fourth largest metropolis in India and often considered as the uncrowned capital of the southern region. With an estimated current urban population of 7.43 million people and based on an ideal mall space ratio of 1.25 square feet per capita, the Greater Chennai urban area (include suburbs like Thiruvottiyur, Porur, Ambattur, Alandur, Sholinganallur and Madhavaram) can (currently) absorb total mall space of 9.288 million sq ft in GLA (Gross Lettable Area) terms. Of this, the five operational malls in the city have a total GLA of 1.908 million square feet. (Developments below 100,000 square feet have not been considered for this study across all the three cities.)

Malls on hold in Chennai

The malls tabulated alongside are either on hold or under reconsideration by the promoters. The total retail space on hold is

more than 1.6 million sq ft. Some of the information regarding size and date of opening for malls on hold was not provided by the promoter’s representatives, hence the figures used to arrive at 1.6 million sq ft are taken from third parties.

As of now, as per the information that could be gathered, there are 14 upcoming malls in Chennai planned till 2013, totaling a GLA of 6.436 million sq ft. In addition, there are four malls on hold, with approximate retail space of 1.6 million sq ft. There may be a few more projects on the planning sheets or drawing boards of developers which are not yet public information, and this would further close the demand supply gap.

We shall now analyse the following two scenarios.

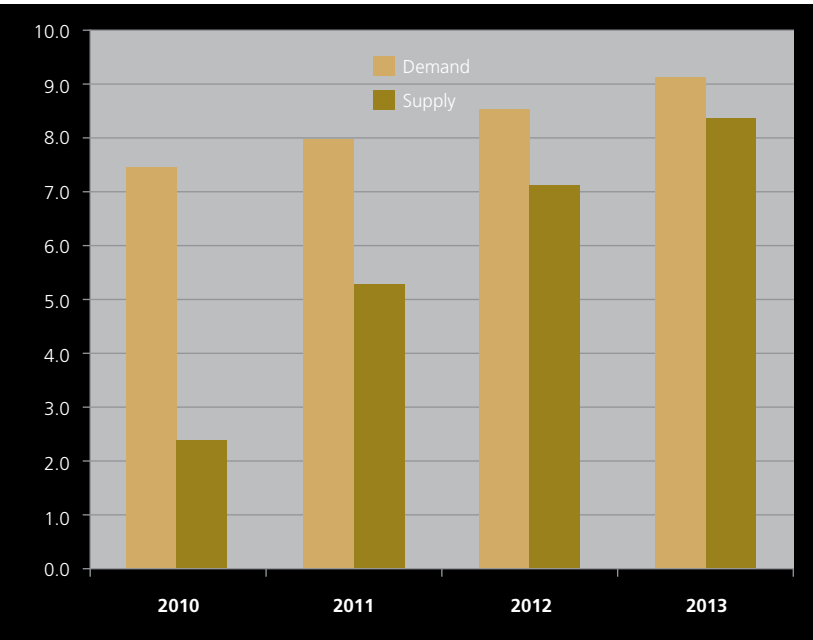
- A) If only 14 confirmed malls come up by the end of 2013
- B) If along with these 14 confirmed malls, the four malls on hold come up by the year 2013

| EXISTING MALLS IN CHENNAI (as of October 2010) | | | |
|--|-------------------------|---------------------|--------------|
| SI | Location | Name of the Mall | GLA in sq ft |
| 1 | Club House Road | Express Avenue | 900000 |
| 2 | Anna Salai | Spencer Plaza | 530000 |
| 3 | Egmore | Abirami Mall | 325000 |
| 4 | Nelson Manickam Road | Ampa Sky Walk | 315000 |
| 5 | Dr Radha Krishnan Salai | Chennai City Centre | 117500 |
| Total | | | 1907600 |
| (developments below 100,000 square feet not considered for this study) | | | |

| UPCOMING MALLS IN CHENNAI (as of October 2010) | | | | |
|--|--|----------------------|---------|--------------|
| SI | Location | Name of the Mall | Opening | GLA in sq ft |
| 1 | OMR, Karapakam | Marg Junction Mall | 2012 | 626000 |
| 2 | OMR, Siruchery | Marina Grand Mall | 2012 | 540000 |
| 3 | OMR, Navalur | Coromandel Plaza | 2011 | 200000 |
| 4 | NH 45, next to Cresent Engineering College | The Gold Souk Grande | 2011 | 600000 |
| 5 | Chengelpet, Near MWC | The Laurel Mall | 2012 | 160000 |
| 6 | Velachery | Market City | 2011 | 1000000 |
| 7 | Velachery | The Grand Velachery | 2011 | 250000 |
| 8 | Anna Salai, Teynampet | Ramee Mall | 2010 | 150000 |
| 9 | Adyar | TVH Mall | 2012 | 500000 |
| 10 | Vadapalani | Forum Mall Chennai | 2011 | 700000 |
| 11 | Virugambakkam | Chandra Mega Mall | 2010 | 150000 |
| 12 | Near Koyambedu Bus Terminal | Ten Square Mall | 2011 | 150000 |
| 13 | Anna Nagar (West) | Metrozone Mall | 2013 | 1250000 |
| 14 | Perambur | Grand Venus Mall | 2010 | 160000 |
| Total | | | | 6,436,000 |

| CHENNAI MALL SPACE DEMAND & SUPPLY - I (2010 to 2013) | | | | |
|---|-------|-------|--------|--------|
| YEAR | 2010 | 2011 | 2012 | 2013 |
| Total Demand in Chennai | 9.288 | 9.947 | 10.653 | 11.410 |
| Adjusted Demand in 80% of the Geographical Area | 7.430 | 7.958 | 8.523 | 9.128 |
| New Supply during the year (Confirmed) | 0.460 | 2.900 | 1.826 | 1.250 |
| Total Supply at year end (Confirmed) | 2.368 | 5.268 | 7.094 | 8.344 |
| Shortfall or (Oversupply) | 5.062 | 2.690 | 1.429 | 0.784 |
| Shortfall % | 68% | 34% | 17% | 9% |
| Oversupply % | NA | NA | NA | NA |

CHENNAI MALL SPACE DEMAND & SUPPLY - I (2010 to 2013)



| MALLS ON HOLD | | |
|---------------|----------------------|------------------|
| Sl. | Location | Name of the Mall |
| 1 | Poonamalee High Road | Skycity Mall |
| 2 | Anna Salai | Forum |
| 3 | Anna Nagar | Orchid Mall |
| 4 | Vadapalani | Matrix Mall |

Scenario A

If all the 14 projects were to come up, Chennai will have 19 malls with total GLA of 8.344 million square feet by 2013, leading to an undersupply of nine per cent. As is evident from the Table (Chennai Mall Space Demand & Supply – I), there is an estimated shortage of mall space of 5.062 million sq ft in Chennai by the end of 2010, resulting in 68 per cent under-supply.

However, in the year 2012, the 68 per cent under-supply decreases to 17 per cent due to a further supply of 4.726 million sq ft (total

supply of year 2011 and 2012).

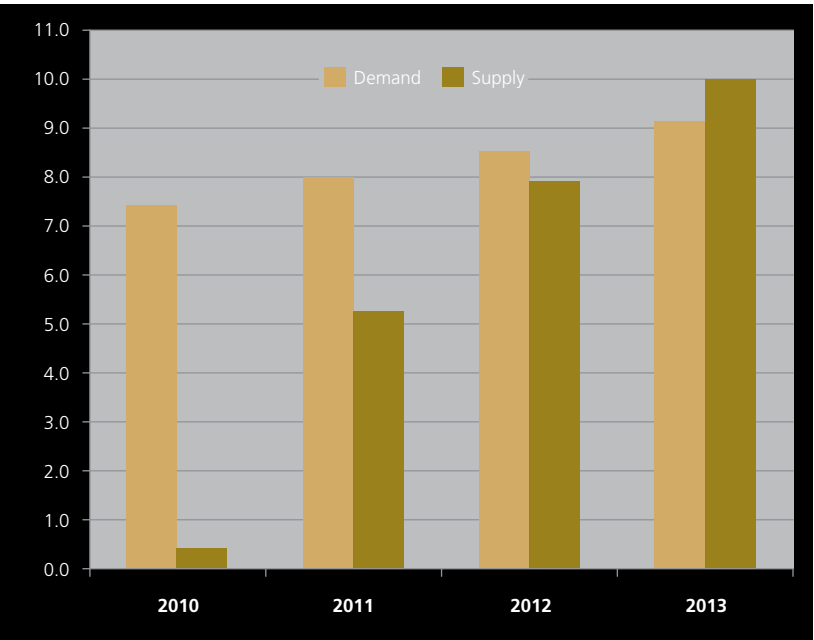
Even in 2013, Chennai experiences a healthy situation of nine per cent under-supply. This situation may not change much, as most of these malls are already under construction and even if there are new malls, these would easily take three to four years to open. The same data is also graphically represented in the Chart below the table.

Scenario B

Along with 14 confirmed malls, if all of the four malls on hold come up by 2013 (assuming 0.8 million sq ft supply in 2012 and 0.8 million sq ft in 2013), Chennai will have more than 23 malls with total approximate GLA of 9.944 million sq ft by 2013, leading to a very small oversupply of eight per cent, which is quite manageable.

| CHENNAI MALL SPACE DEMAND & SUPPLY - II (2010 to 2013) | | | | |
|--|-------|-------|--------|---------|
| YEAR | 2010 | 2011 | 2012 | 2013 |
| Total Demand in Chennai | 9.288 | 9.947 | 10.653 | 11.410 |
| Adjusted Demand in 80% Geographical Area | 7.430 | 7.958 | 8.523 | 9.128 |
| New Supply during the year (Confirmed) | 0.460 | 2.900 | 1.826 | 1.250 |
| New Supply from projects on hold | 0.000 | 0.000 | 0.800 | 0.800 |
| Total Supply at year end (Confirmed and from on hold projects) | 2.368 | 5.268 | 7.894 | 9.944 |
| Shortfall or (Oversupply) | 5.062 | 2.690 | 0.629 | (0.816) |
| Shortfall % | 68% | 34% | 7% | NA |
| Oversupply % | NA | NA | NA | 8% |

CHENNAI MALL SPACE DEMAND & SUPPLY - II (2010 to 2013)



It is quite evident from the Demand & Supply - II table that the oversupply shall reach marginal levels, if the malls on hold are also kicked off and subsequently completed. The undersupply of 68 per cent in 2010 will decrease to seven per cent in 2012 and the situation reverses in 2013 with oversupply of eight per cent. The same data is also graphically represented in the chart below.

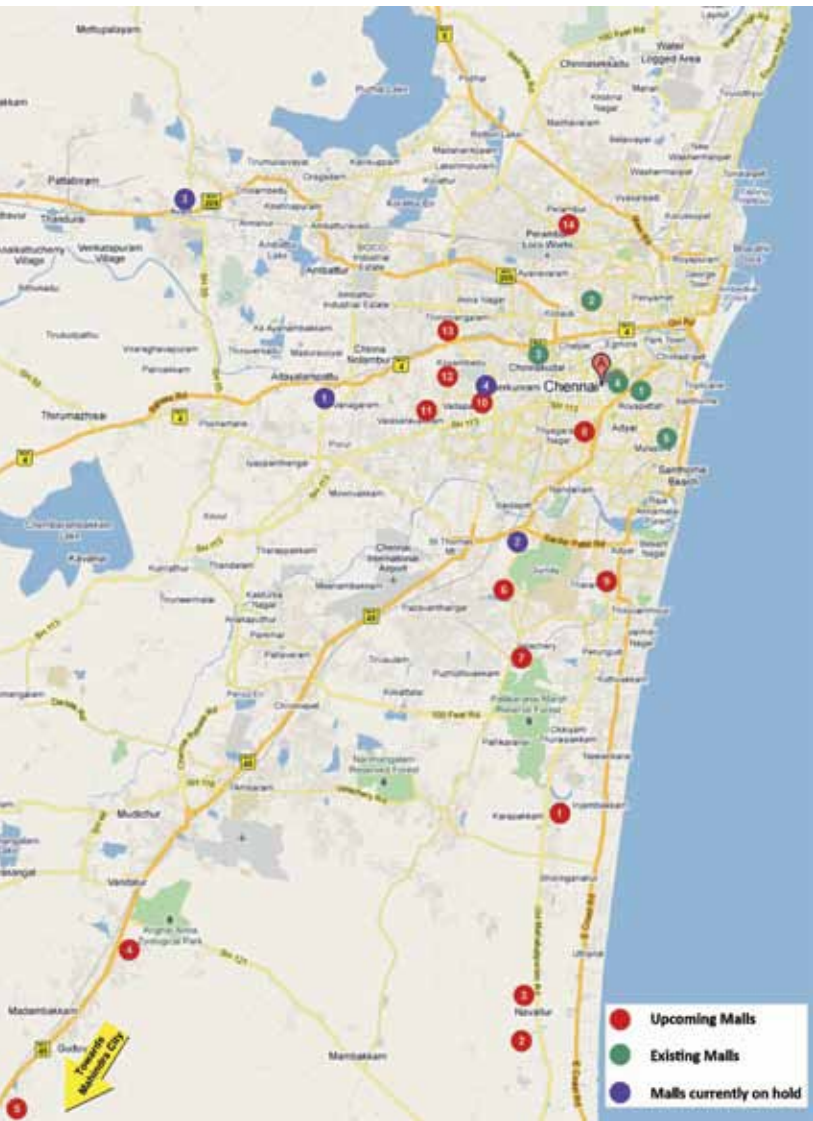
This means that, if all the mall projects in the offing were to come up, Chennai is headed for a marginal oversupply situation which is nothing to worry about.

Both the Tables (Mall Space Demand & Supply – I & II) show the total serviceable demand (based on population) and the expected supply (including existing operational malls) for the next

four years. Since all the existing and planned/upcoming malls put together only cover about 80 per cent of the city’s geographical expanse, it is important to consider the adjusted demand rather than the total demand.

Demand & Supply Analysis

For several years now, Chennai has been experiencing an acute shortage of modern mall space. This is very surprising, since Chennai’s iconic Spencer Plaza is often cited as the first modern mall of India. This prevailing undersupply has nurtured, among other things, a collective feeling on the streets of Chennai that any mall emerging here in the next five years would be successful. With ADFs of more than 68,500, average Sunday footfalls of 170,000 and phenomenal sales



numbers, the newly opened Express Avenue has confirmed this thought.

Even with a few new malls coming into the market, the mall space demand-supply ratio will remain healthy till the year 2013 and will most likely keep the existing malls thriving. What happens post 2013, only time will tell.

Data for upcoming (or planned) malls beyond 2013 has not been considered for the purpose of this study. However, the pace at which new malls have been announced in last few years, one cannot rule out the possibility of oversupply, just like the other metropolitan city-regions, especially Bangalore, NCR, Mumbai and Hyderabad.

It is always an advantage to open a mall in a city which has an undersupply of mall space.

However, demand is not the only factor responsible for a mall’s success in any city. Many other factors also need to be considered. Bad functional design and poor tenancy mix can result in the failure of a mall in any market, despite unmet demand. Sigma Mall and Lido Mall in Bangalore, Crossroads and Atria Mall in Mumbai, amongst other malls across the country, are good examples of malls having failed even during the years when there was undersupply in those cities.

Seven of the 14 new malls are too small (less than 250,000 square feet) to make any significant impact. Of the other seven, which have an average GLA of 745,000 sq ft, there is not much difference in the tenancy mix or the design.

MALLS IN HYDERABAD

With an estimated current urban population of 6.7 million people and based on an ideal mall space ratio of 1.25 sq ft per capita, the Greater Hyderabad urban area can currently absorb total mall space of 8.375 million sq ft in GLA . Of this, the seven operational malls in the city have a total GLA of 1.275 million sq ft.

Malls on hold in Hyderabad

The 11 malls tabulated on the next page are either on hold or reconsideration by the promoters. Around 75 per cent of the malls on hold, are in the Cyberabad area. The total retail space on hold is estimated at more than 8.0 million sq ft (GLA of most of them are greater than 500,000 sq ft) based on figures taken from third parties because some of the information

regarding size and date of opening for malls on hold was not provided by the promoter’s representatives. The total number of upcoming malls in Hyderabad planned till 2014 is 19, totaling a GLA of 9.578 million sq ft, for which information could be managed. In addition, there are around 11 malls on hold, with approximate retail space of 8.0 million sq ft. There may be a few more projects on the planning sheets or drawing boards of developers which are not yet public information, and this would make the situation even worse. Here is an analyse of two scenarios: A) if only 19 malls come up by the end of 2014 B) if along with these 19 confirmed malls, the 11 malls on hold come up by 2014

| EXISTING MALLS IN HYDERABAD (as of August 2010) | | | |
|--|--------------------------|---------------|--------------|
| SI | Name of the Mall | Location | GLA in sq ft |
| 1 | Inorbit Cyberabad | Hitec City | 576,000 |
| 2 | GVK One | Banjara Hills | 350,000 |
| 3 | Prasad Imax | Khairatabad | 235000 |
| 4 | Hyderabad City Center | Banjara Hills | 210,000 |
| 5 | MPM Mall | Abids Centre | 180000 |
| 6 | Ashoka Metropolitan Mall | Banjara Hills | 150000 |
| 7 | Hyderabad Central | Panjugutta | 150000 |
| | | Total | 1,275,000 |
| (developments below 100,000 square feet not considered for this study) | | | |

| UPCOMING MALLS IN HYDERABAD (as of August 2010) | | | | |
|---|-----------------|----------------------------|---------|--------------|
| SI | Location | Name of the Mall | Opening | GLA in sq ft |
| 1 | Kukatpally | Phoenix Mall | 2013 | 1000000 |
| 2 | Kukatpally | Forum Crystal Mall | 2013 | 800000 |
| 3 | Kukatpally | Manjeera Trinity Mall | 2012 | 450000 |
| 4 | Kukatpally | Serene Estate (NSL) | 2011 | 220000 |
| 5 | Hafeezpet | Jewel Box (Phoenix) | 2012 | 600000 |
| 6 | Chanda Nagar | Tapadia Maruti Heights | 2011 | 300000 |
| 7 | Hitec City | City Capital Mall | 2014 | 1828000 |
| 8 | Banjara Hills | AP Gems Park (Gitanjali) | 2011 | 190000 |
| 9 | Nagarjuna Hills | MPM Times Square | 2012 | 200000 |
| 10 | Somajiguda | Mahavir Mall | 2013 | 150000 |
| 11 | Secunderabad | Club 4 Mall | 2012 | 200000 |
| 12 | Karkhana | VajraMaruti Mall | 2010 | 140000 |
| 13 | Abids | Prajay Celebrity Mall | 2012 | 150000 |
| 14 | RTC X - Roads | Soma Mall | 2013 | 1000000 |
| 15 | Basheerbagh | Urban Entertainment Center | 2012 | 1300000 |
| 16 | Himayatnagar | MPM Bonsai Mall | 2010 | 120000 |
| 17 | LB Nagar | Prajay Princeton Towers | 2011 | 180000 |
| 18 | Habsiguda | Chorus | 2014 | 600000 |
| 19 | Pocharam | MPM Mall | 2013 | 150000 |
| | | TOTAL | | 9578000 |

Scenario A

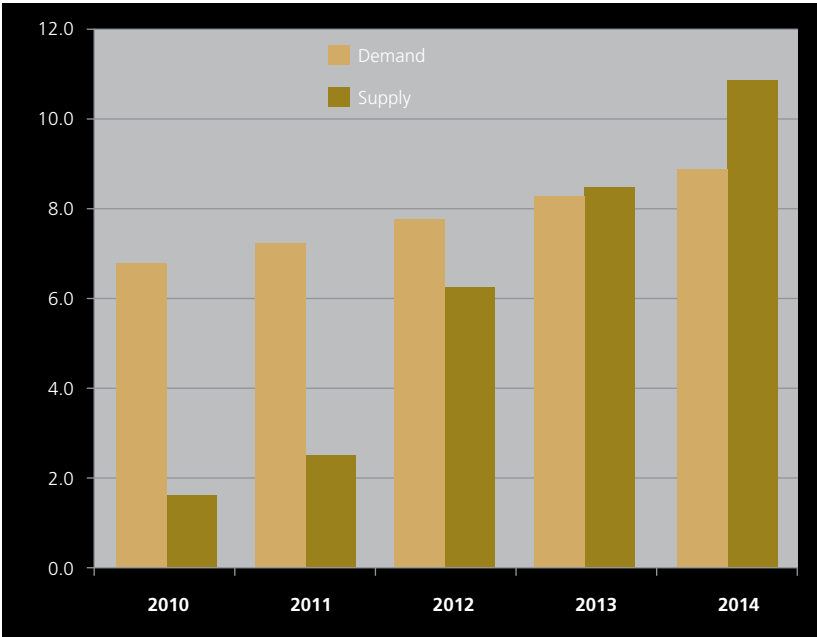
If all of the listed 19 projects were to come up, Hyderabad will have more than 26 malls with total GLA of 10.82 million sq ft by 2014, leading to an oversupply of 19 per cent. The Table (Demand & Supply – I) shows the total serviceable demand (based on population) and the expected supply (including existing operational malls) for the next five years. Since all the existing and planned/ upcoming malls put together only cover about 80 per cent of the city’s geographical expanse, it is important to consider the adjusted demand rather than the total demand.

Scenario B

Along with 19 confirmed malls, if all of the 11 malls on hold come up by 2014 (assuming 3.0 million sq ft supply in 2013 and 5.0 million sq ft in 2014), Hyderabad will have more than 37 malls with total approximate GLA of 18.853 million sq ft by 2014, leading to an oversupply of 53 per cent. The Table (Demand & Supply – II) shows the total serviceable demand (based on population) and the expected supply (including existing operational malls) for the

| HYDERABAD MALL SPACE DEMAND & SUPPLY - I (2010 to 2014) | | | | | |
|---|-------|-------|-------|---------|---------|
| YEAR | 2010 | 2011 | 2012 | 2013 | 2014 |
| Total Demand in Hyderabad | 8.375 | 8.970 | 9.606 | 10.289 | 11.019 |
| Adjusted Demand in 80% Area | 6.700 | 7.176 | 7.685 | 8.231 | 8.815 |
| New Supply during the year (Confirmed) | 0.260 | 0.890 | 3.700 | 2.300 | 2.428 |
| Total Supply at year end (Confirmed) | 1.535 | 2.425 | 6.125 | 8.425 | 10.853 |
| Shortfall or (Oversupply) | 5.165 | 4.751 | 1.560 | (0.194) | (2.038) |
| Shortfall % | 77% | 66% | 20% | NA | NA |
| Oversupply % | | NA | NA | 2% | 19% |

HYDERABAD MALL SPACE DEMAND & SUPPLY - I (2010 to 2014)



next five years. Since all the existing and planned/ upcoming malls put together only cover about 80 per cent of the city’s geographical expanse, it is important to consider the adjusted demand rather than the total demand.

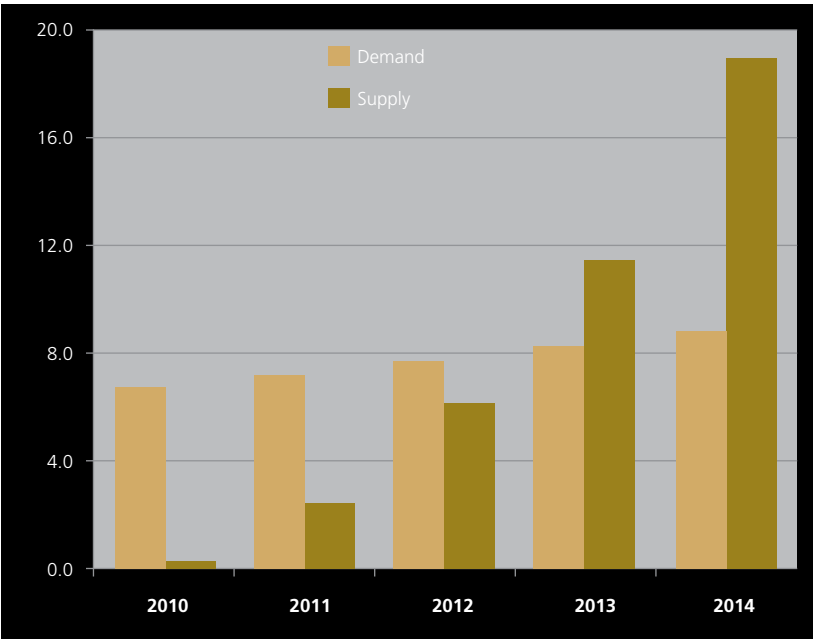
It is quite evident from the table that the oversupply shall reach alarming levels, if the malls on hold are completed. The undersupply of 20 per cent in 2012 will give way to 28 per cent oversupply in 2013 and the situation worsens in 2014 with oversupply of 53 per cent. The same data is shown in the chart below graphically.

| MALLS ON HOLD | | |
|---------------|------------|---------------------------|
| Sl. | Location | Name of the Mall |
| 1 | Kukatpally | Mega Mall |
| 2 | Kukatpally | Raintree Mall |
| 3 | Kukatpally | Parsvanath Hotel cum Mall |
| 4 | Kukatpally | Ashoka Golden Square Mall |
| 5 | Madhapur | RMZ Esplanade |
| 6 | Madhapur | Market City |
| 7 | Gachibowli | IVRCL |
| 8 | Gachibowli | Mall of Hyderabad |
| 9 | Manikonda | Lanco Mall |
| 10 | Uppal | Arena Town Centre |
| 11 | Pocharam | Inorbit-Village |



| HYDERABAD MALL SPACE DEMAND & SUPPLY - II (2010 to 2014) | | | | | |
|--|-------|-------|-------|---------|----------|
| YEAR | 2010 | 2011 | 2012 | 2013 | 2014 |
| Total Demand in Hyderabad | 8.375 | 8.970 | 9.606 | 10.289 | 11.019 |
| Adjusted Demand in 80% Area | 6.700 | 7.176 | 7.685 | 8.231 | 8.815 |
| New Supply during the year (Confirmed) | 0.260 | 0.890 | 3.700 | 2.300 | 2.428 |
| New Supply from projects on hold | 0.000 | 0.000 | 0.000 | 3.000 | 5.000 |
| Total Supply at year end (Confirmed and from on hold projects) | 1.535 | 2.425 | 6.125 | 11.425 | 18.853 |
| Shortfall or (Oversupply) | 5.165 | 4.751 | 1.560 | (3.194) | (10.038) |
| Shortfall % | 77% | 66% | 20% | NA | NA |
| Oversupply % | NA | NA | NA | 28% | 53% |

HYDERABAD MALL SPACE DEMAND & SUPPLY - II (2010 to 2014)



Analysis by micro markets

From the table of Upcoming Malls, it is evident that, while some micro markets (geographical areas) are headed for oversupply, some others may yet be safe.

For the purpose of this analysis, the catchment of any micro market have been considered to be areas within a 20-25 minute drive time, as consumers will generally not drive longer than this, unless a particular Mall has striking features that makes it differentiate from others located closer to the consumer.

The worse case is in the Kukatpally-Hafeezpet-Chandanagar belt. Six malls totaling a GLA of 3.37 million sq ft are planned here, against an estimated demand of about 1.25 million sq ft. Only two or three of the six malls are likely to survive. To add to the misery, four additional malls were planned in this area, and are currently on hold.

In the Banjara Hills-Panjugutta-Somajiguda area, the planned supply of 540,000 sq ft added to the existing 860,000 million sq ft, totals up to 1.4 million sq ft. In our estimate, this belt can absorb all of this mall space.

The Hitec City–Gachibowli area accounts for more than 65 per cent of white collar jobs in Greater Hyderabad and continues to be the fastest growing residential belt also. The under construction 1.828 million sq ft City Capital Mall (India’s first Super Mall) along with the existing Inorbit Mall Cyberabad will together have a GLA of 2.4 million sq ft, against a projected demand of about 1.1 million sq ft in this micro-market. Another three to four malls with combined GLA of more than 2.0 million sq ft are currently on hold in this belt and there is clearly no demand for these.

The densely populated area between Malakpet and LB Nagar is deprived not only of existing malls, but also of future malls. This pocket offers a good opportunity in terms of catchment size and spending power.

The Begumpet and Ameerpet areas also do not have a mall, now or in the near future, despite being home to several retail establishments, including almost all of India’s large format retailers. There appears to be a huge potential for a super mall in this area.

MALLS IN BANGALORE

With an estimated current urban population of 6.94 million people and based on an ideal mall space ratio of 1.25 sq ft per capita, the Greater Bangalore urban area can currently absorb total mall space of 8.672 million square feet in GLA. Of this, the 17 operational malls in the city have a total GLA of 3.904 million square feet.

The Table shows 38 new malls planned till 2014, totaling a GLA of 20.427 million square feet, for which Asipac could get information. There may be a few more projects on the planning sheets or drawing boards of developers which are not yet public information, and this would make the situation even worse.

If all of the listed 38 projects were to come up, Bangalore will have more than 55 malls with total GLA of 24.331 million square feet by 2014, leading to an oversupply of 60 per cent.

The Mall Space Demand & Supply table shows the total serviceable demand (based on population) and the expected supply (including existing operational malls) for the next five years. Since all the existing and planned/upcoming malls put together only cover about 85 per cent of the city's geographical expanse, it is important to consider the adjusted demand rather than the total demand.

As is evident from the Table, there is an estimated shortage of mall space of 2.932 million sq ft in Bangalore by the end of 2010, resulting in 40 per cent under-supply. However, next year itself, the 40 per cent undersupply turns into a 11 per cent oversupply situation. The situation worsens in 2012 with a 38 per cent over-supply. This situation may not change, as most of these malls are already under construction. The scenario is worse in 2014 with a 60 per cent expected oversupply. The scariest part is that, apart from these, there are definitely bound to be some more projects that we do not know about as yet.

The same data is also graphically

represented in the chart below. This means that, if all 38 mall projects in the offing were to come up, Bangalore is headed for an unhealthy retail property situation and a colossal waste of billions of rupees.

Analysis by micro-markets

From the Table of Upcoming Malls in Bangalore, it is evident that, while some micro markets (geographical areas) are headed for a drastic over-supply, some others may yet be safe. The Map shows a much clearer picture. For the

purpose of analysis, the catchment of any micro market has been considered to be areas within a 20-25 minute drive time, as consumers will generally not drive longer than this, unless a particular mall has striking features that makes it differentiated from others which are located closer to the consumer.

The worse case seems to be the Hebbal-Yelahanka belt, with a supply of 3.85 million sq ft, against a demand of only about 815,000 sq ft.

The case of Whitefield is as bad, if not worse. The planned supply

of 2.567 million sq ft, added to the existing 570,000 sq ft, totals to 3.137 million sq ft. In our estimate, Whitefield (and its surrounding neighbourhoods) can absorb only about 900,000 sq ft, so we are headed for 71per cent over supply in this micro market.

The nine kilometre stretch of the Outer Ring Road between Marathalli and Sarjapur Road is not very different. Total supply of 2.266 million sq ft is planned here, against an estimated demand of about 1.25 million sq ft. Only three of the six malls will survive.

| UPCOMING MALLS IN BANGALORE (as of October 2010) | | | | |
|--|--|----------------------------|---------|--------------|
| SI | Location | Name of the Mall | Opening | GLA in sq ft |
| 1 | ORR (Marathalli - Sarjapur Road stretch) | IDEB Grand Mall | 2010 | 535000 |
| 2 | ORR (Marathalli - Sarjapur Road stretch) | SJR Spectrum Mall | 2013 | 450000 |
| 3 | ORR (Marathalli - Sarjapur Road stretch) | FBD Mall | 2012 | 350000 |
| 4 | ORR (Marathalli - Sarjapur Road stretch) | Soul Space Arena | 2011 | 329000 |
| 5 | ORR (Marathalli - Sarjapur Road stretch) | Soul Space Spirit | 2011 | 302000 |
| 6 | ORR (Marathalli - Sarjapur Road stretch) | Bulchee Mall | 2013 | 300000 |
| 7 | Whitefield | Phoenix Market City | 2011 | 900000 |
| 8 | Whitefield | Forum Mall @ Shantiniketan | 2013 | 450000 |
| 9 | Whitefield | Park Square @ ITPB | 2011 | 450000 |
| 10 | Whitefield | Xander Mall | 2014 | 428000 |
| 11 | Whitefield | Inorbit Mall | 2011 | 339000 |
| 12 | Bannerghatta Road | SJR Spectrum Mall | 2013 | 510000 |
| 13 | Bannerghatta Road | Royal Meenakshi Mall | 2011 | 422000 |
| 14 | Bannerghatta Road | Vega Mall | 2011 | 419000 |
| 15 | Bannerghatta Road | Gopalan Innovation Mall | 2012 | 180000 |
| 16 | Kanakpura Road | Iskcon Mall | 2014 | 700000 |
| 17 | Kanakpura Road | Unitech Gardens Galleria | 2013 | 414000 |
| 18 | OMR | Nitesh Mall | 2013 | 750000 |
| 19 | OMR | Sattva Platinum Mall | 2013 | 700000 |
| 20 | OMR | Gopalan Signature Mall | 2011 | 300000 |
| 21 | Rajajinagar /Yeshwanthpur | Phoenix Market City | 2013 | 1200000 |
| 22 | Rajajinagar /Yeshwanthpur | Brigade Orion | 2011 | 800000 |
| 23 | Rajajinagar /Yeshwanthpur | Sattva Fortune Mall | 2013 | 500000 |
| 24 | Yeshwanthpur | Tata Realty Mall | 2014 | 300000 |
| 25 | Yeshwanthpur | Vaishnavi Sapphire | 2012 | 255000 |
| 26 | Hebbal | Century Mall | 2013 | 1200000 |
| 27 | Hebbal | Karle Town Centre | 2014 | 1200000 |
| 28 | Hebbal | Kirloskar Mall | 2014 | 1000000 |
| 29 | Yelahanka | RMZ Galleria | 2012 | 450000 |
| 30 | City (West) | Sobha Global Mall | 2013 | 750000 |
| 31 | City (West) | ETA City Mall | 2012 | 500000 |
| 32 | ORR Central Silk Board Junction | INXS Mall | 2012 | 350000 |
| 33 | Banaswadi | Brigade Mall | 2012 | 260000 |
| 34 | Banaswadi | Nandi Mall | 2014 | 144000 |
| 35 | Electronics | City Neomall | 2012 | 1690000 |
| 36 | Lalbagh Road | G Corp Mall | 2012 | 300000 |
| 37 | CBD (Cambridge Layout) | Suraj Mall | 2013 | 120000 |
| 38 | Off M.G. Road | One M.G. Road | 2011 | 180000 |
| | | TOTAL | | 20427000 |

| EXISTING MALLS IN BANGALORE (as of October 2010) | | | |
|--|-----------------------------|-----------------------|--------------|
| Sl. | Name of the Mall | Location | GLA in sq ft |
| 1 | Mantri Square | Majestic | 920000 |
| 2 | The Forum | Koramangala | 365000 |
| 3 | The Forum Value Mall | Whitefield | 300000 |
| 4 | Garuda Mall | CBD | 286000 |
| 5 | Bangalore Central | Jayanagar | 275000 |
| 6 | Total Mall | Hosur Road (Madivala) | 225000 |
| 7 | Gopalan Mall | Mysore Road | 180000 |
| 8 | Total Mall | Old Airport Road | 170000 |
| 9 | Sri Garuda Swagath Mall | Jayanagar | 170000 |
| 10 | Gopalan Arcade | Raja Rajeshwari Nagar | 163000 |
| 11 | Cosmos Mall | Whitefield | 145000 |
| 12 | The Collection @ UB City | CBD | 130000 |
| 13 | Hypercity @ Embassy Paragon | Whitefield | 125000 |
| 14 | Lido Mall | CBD | 120000 |
| 15 | Sigma Mall | CBD | 120000 |
| 16 | Leela Galleria | Old Airport Road | 110000 |
| 17 | Bangalore Central | CBD | 100000 |
| | TOTAL | | 3904000 |
| (developments below 100,000 square feet not considered for this study) | | | |

| BANGALORE MALL SPACE DEMAND & SUPPLY (2010 to 2014) | | | | | |
|---|-------|---------|---------|----------|----------|
| YEAR | 2010 | 2011 | 2012 | 2013 | 2014 |
| (Figures below in Millions of Square Feet except %) | | | | | |
| Total Demand in Greater Bangalore | 8.672 | 9.288 | 9.947 | 10.653 | 11.410 |
| Adjusted Demand in 85% Area | 7.371 | 7.894 | 8.455 | 9.055 | 9.698 |
| New Supply during the year | 0.535 | 4.441 | 4.399 | 7.380 | 3.77 |
| Total Supply at year end | 4.439 | 8.880 | 13.279 | 20.659 | 24.431 |
| Shortfall or (Oversupply) | 2.932 | (0.986) | (4.824) | (11.604) | (14.733) |
| Shortfall % | 40% | NA | NA | NA | NA |
| Oversupply % | NA | 11% | 36% | 56% | 60% |

In the Rajajinagar-Yeshwantpur belt, the supply of 3.055 million sft is almost three times the demand of about 1.10 million sq ft.

The Bannerghata Road and Kanakpura Road areas are no

different. Six malls with GLA of 2.645 million sq ft are planned here, while the demand is no more than 1.40 million sq ft.

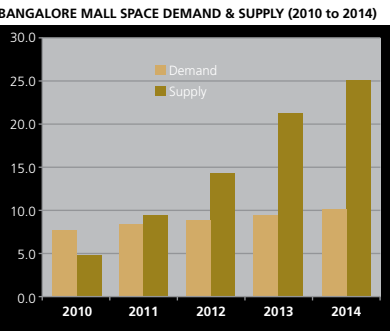
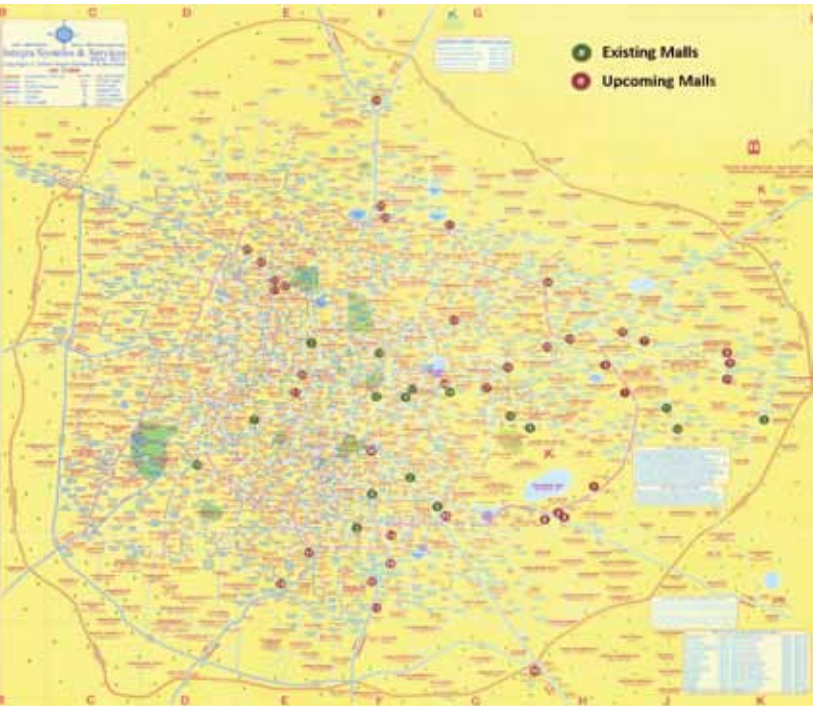
The stretch of Old Madras Road between the bottom of the

MALL MANIA

One of the most shocking findings of the survey is that as many as seven of the upcoming malls in Hyderabad have a GLA of 0.5 million sq ft or more. Currently, there are only 12 malls in the entire country above this size. Even more surprising is that, three of the 19 malls are of size greater than one million sq ft. Moreover as many as 11 malls are on hold and a couple of them are slated to be super malls with a GLA more than 1.5 million sq ft.

While in Bangalore, as many as 13 of the upcoming malls have a GLA of 0.5 million sq ft or more. And this is despite the fact that of the 16 existing malls in Bangalore, as many as seven are considered to be failures.

If this is not mall mania, what is it? Developers in Hyderabad are still confident of the success of their own upcoming malls, but this may be because there is a huge undersupply currently. What may be a boon in disguise for many developers is the fact that many of the new planned malls will be stillborn, because they will not find tenants. Developers get excited when they sign up a hypermarket anchor or a multiplex anchor, or both. They think that they're well on their way to leasing success. What they fail to realise is that, while there are nine national hypermarket players and seven multiplex operators, there are only five national players in the home



KR Puram ROB and Indiranagar's 80 Feet Road will get three new malls, in addition to the Big Bazaar Supercentre already operating here.

The western part of the old city is getting two malls, totaling 1.25

million sq ft. Only one of these will really take off.

While there is a clear case of over-supply in many micro markets, the CBD is still expected to remain grossly under-served. One must note that, as more malls come up in the various micro-markets, consumers will simply stay closer home and tend not to visit the CBD if their needs are met within the micro-market itself.

Other under-served areas is the belt comprising Indiranagar, Domlur and Cambridge Layout, and also most of the Jayanagar and JP Nagar areas.