

# CHENNAI



## Demand & Supply of Mall Space in India

RESEARCH STUDIES ON MALLS IN INDIA

Sep 2010

asipac

SHAPING THOUGHT. BUILDING VALUE.

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### BACKGROUND

In any major (modern) city, retail shops/outlets are usually spread across malls or shopping centres, 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 and the overall economy at large.

The table given below shows the per capita total retail space and the per capita mall space in different countries around the world.

Country	Per Capita Total Retail Space (sft)	Per Capita Mall Space (sft)
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

Globally, there is 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 sft and 6.8 sft.

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

Taking into account the above comparisons and considering India's current per capita income and spending power, together with estimated growth rates for the next 5 years, Asipac estimates that the ideal PCMS in India's top 20 urban centres is about 1.25 square feet per person, but this can fluctuate from 1.0 sft and 1.5 sft in different micro markets, based on the per-capita income of that particular micro market.

**sft = square feet; 1 sqm or m<sup>2</sup>= 10.764 sft**

### 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 (*as explained in the BACKGROUND section of this Report*), 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 sft in GLA (Gross Lettable Area) terms.

Of this, the five operational malls in the city (*developments below 100,000 square feet not considered for this study*) have a total GLA of 1.908 million square feet. Please see the Table below for Existing Malls and the two Tables on the next two pages for the Upcoming Malls and the Malls on Hold.

#### EXISTING MALLS IN CHENNAI (as in September 2010)

SI	Location	Name of the Mall	GLA in sft
1	Club House Road	Express Avenue	900,000
2	Anna Salai	Spencer Plaza	530,000
3	Egmore	Abirami Mall	325,000
4	Nelson Manickam Road	Ampa Sky Walk	315,000
5	Dr Radha Krishnan Salai	Chennai City Centre	117,500
TOTAL			1,907,600

Please refer to Map on Page 11

### UPCOMING MALLS IN CHENNAI (as of September 2010)

Sl.	Location	Name of the Mall	Opening	GLA in sft
1	OMR, Karapakam	Marg Junction Mall	2012	626,000
2	OMR, Siruchery	Marina Grand Mall	2012	540,000
3	OMR, Navalur	Coromandel Plaza	2011	200,000
4	NH 45, next to Cresent Engineering College	The Gold Souk Grande	2011	600,000
5	Chengelpet, Near MWC	The Laurel Mall	2012	160,000
6	Velachery	Market City	2011	1,000,000
7	Velachery	The Grand Velachery	2011	250,000
8	Anna Salai, Teynampet	Ramee Mall	2010	150,000
9	Adyar	TVH Mall	2012	500,000
10	Vadapalani	Forum Mall Chennai	2011	700,000
11	Virugambakkam	Chandra Mega Mall	2010	150,000
12	Near Koyambedu Bus Terminal	Ten Square Mall	2011	150,000
13	Anna Nagar (West)	Metrozone Mall	2013	1,250,000
14	Perambur	Grand Venus Mall	2010	160,000
TOTAL				6,436,000

Please refer to Map on Page 11

**MALLS ON HOLD IN CHENNAI**

The malls tabulated below are either on hold or under reconsideration by the promoters. The total retail space on hold is more than 1.6 million sft.

*Note: Some of the information for malls on hold was not provided by the promoter’s representatives (information regarding size and date of opening) hence the figures used to arrive at 1.6 million sft are taken from third parties.*

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

Please refer to Map on Page 11

As of now, as per the information that could be gathered, there are 14 upcoming malls in Chennai (refer table on page 5) planned till 2013, totaling a GLA of 6.436 million square feet. In addition, there are 4 malls on hold, with approximate retail space of 1.6 million sft. 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) When only 14 confirmed malls come up by the end of 2013

B) When (or if), along with these 14 confirmed malls, the 4 malls on hold come up by the year 2013

### **Scenario A**

If all the 14 projects (listed in the Table on page 4) 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 9%.

The Table below shows 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% of the city's geographical expanse, it is important to consider the Adjusted Demand rather than the total demand.

### **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

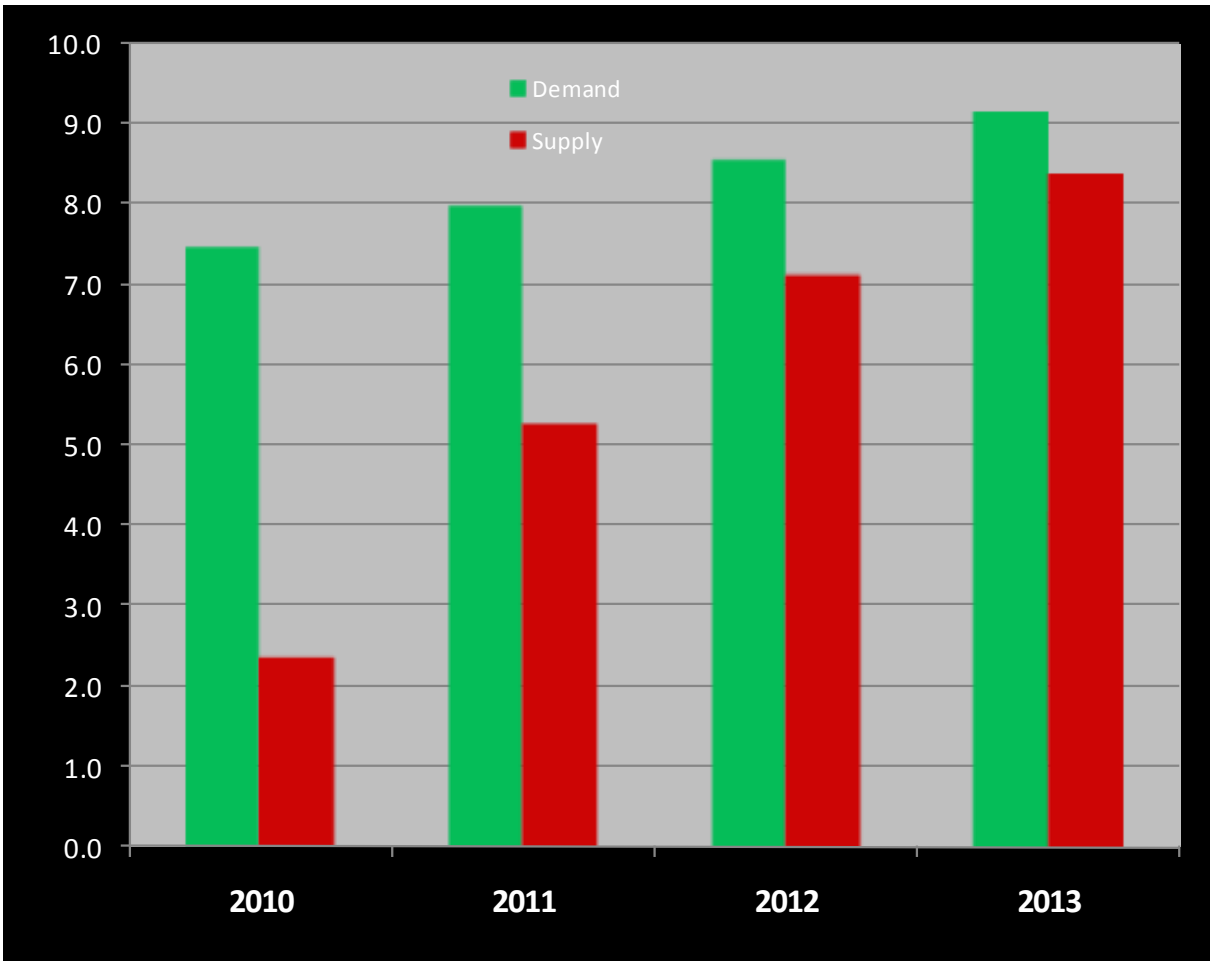
Note: Figures are in Million Square Feet except %

As is evident from the previous Table (Chennai Mall Space Demand & Supply - I) there is an estimated shortage of mall space of 5.062 million square feet in Chennai by the end of 2010, resulting in 68% under-supply.

However, in the year 2012, the 68% undersupply decreases to 17% due to a further supply of 4.726 million sft (total supply of year 2011 and 2012). Even in 2013, Chennai experiences a healthy situation of 9% undersupply. 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 3 to 4 years to open.

The same data presented in the previous Table (Chennai Mall Space Demand & Supply - I) is shown in the Chart below graphically, for those who are more inclined to analyze graphically represented data.

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



**Scenario B**

Along with 14 confirmed malls, if all of the 4 Malls on hold come up by 2013 (we have assumed 0.8 million sft supply in 2012 and 0.8 million sft in 2013), Chennai will have more than 23 malls with total approximate GLA of 9.944 million sft by 2013, leading to a very small oversupply of 8%, which is quite manageable.

The Table below shows 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% of the city's geographical expanse, it is important to consider the Adjusted Demand rather than the total demand.

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

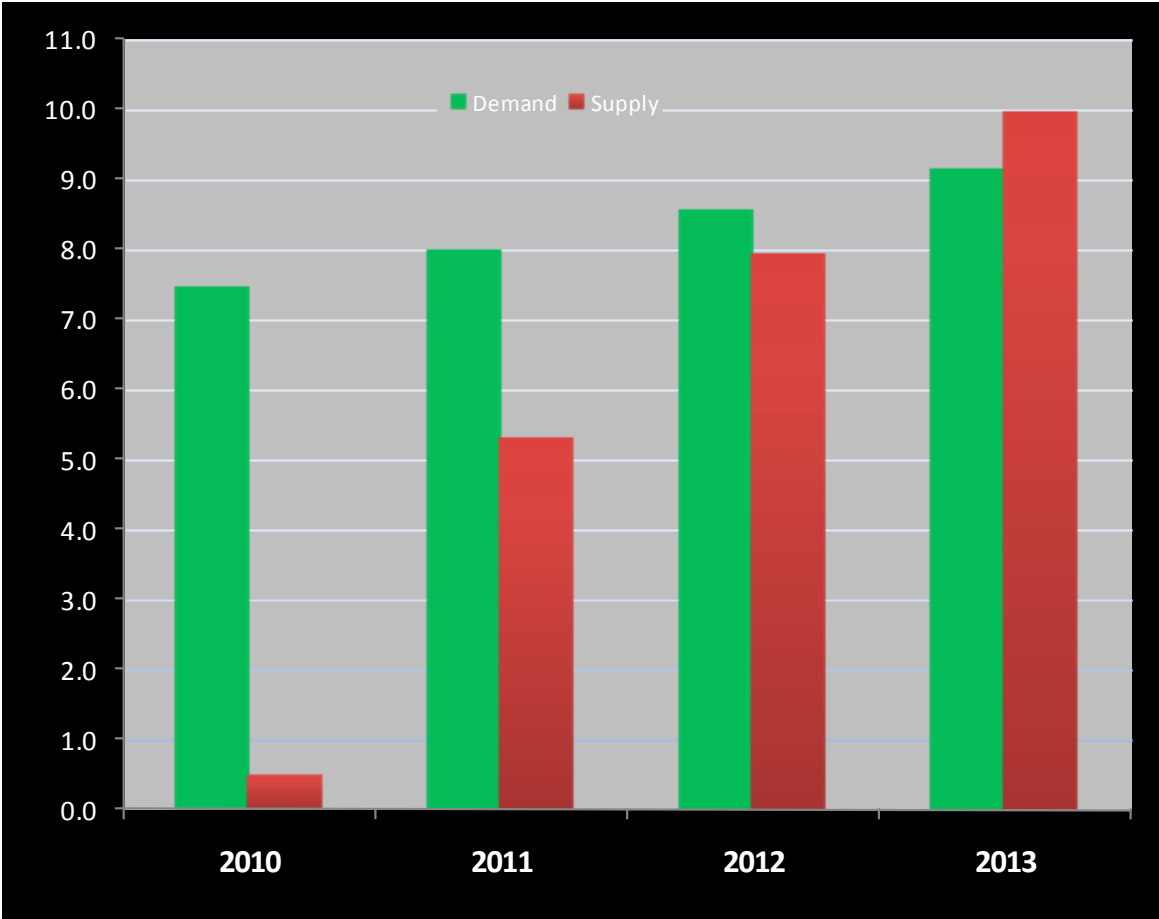
YEAR	2010	2011	2012	2013
Total Demand in Chennai	9.288	9.947	10.653	11.410
Adjusted Demand in 80% Geographical Area	7.430	7.958	8.523	9.128
New Supply during the year (Confirmed)	0.460	2.900	1.826	1.250
New Supply from projects on hold	0.000	0.000	0.800	0.800
Total Supply at year end (Confirmed and from 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%

Note: Figures are in Million Square Feet except %

It is quite evident from the table that the oversupply shall reach marginal levels, if the malls on hold are also kicked off and subsequently completed. The undersupply of 68% in 2010 will decrease to 7% in 2012 and the situation reverses in 2013 with oversupply of 8%.

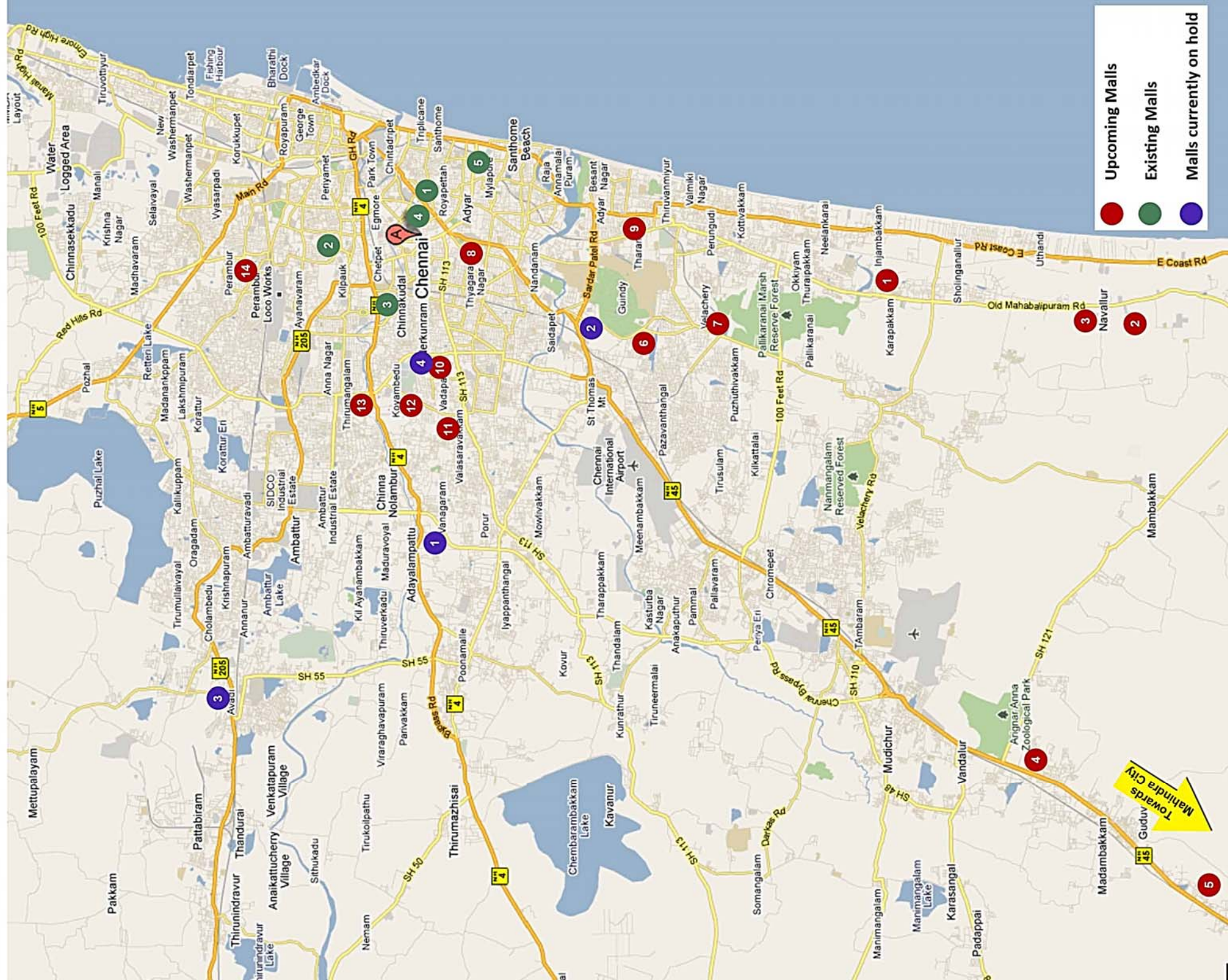
The same data presented in the previous Table (Chennai Mall Space Demand & Supply - II) is shown in the Chart below graphically, for those who are more inclined to analyze graphically represented data.

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



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.

This report will be helpful to developers to decide on the size and location of new malls which are still on the planning sheets or drawing board.



## 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, and has been the training ground for many senior retail industry professionals, including Suresh Singaravelu of K.Raheja Corp and Manoj Motta of SCAI.

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/or 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.

It has to be seen if there are any significant differences between the 14 new malls under development, and the 4 which are on hold currently? 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 square feet, there does not seem to be much difference in the tenancy mix or the design.

Most of these lack the wow factor to lure crowds and hope to delight with sheer size. They have not dedicated enough space for anchors, F&B or entertainment offerings. So what is the "shelf life" of these malls? Just like most other malls emerging all over the country, when built, these malls would provide the shoppers with nothing new. People can walk around them blind-folded and still, find their way around easily.

Malls require considerable investment of time and money. They have to be run for one or two years before their viability to survive in the long run is confirmed. If they are found to be unviable, it takes a few years and a lot of debate to take them out of operation and/or use the structures for other limited commercial purposes.

Malls decide the fate of each of their tenants' business and profitability. Small businesses are more impacted, since many are experimenting in a mall for the first time. If they don't do well, this could drive them completely out of business. Sadly, mall developers/owners and most property consultants don't realize this truth. It is even more disheartening to see some experienced developers repeating a cookie-cutter plan/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.

### METHODOLOGY

This is the third study in this series (the previous two being Bangalore and Hyderabad), with two more (NCR) and Pune currently underway. The data for this survey/study was collected by Asipac consultants through direct contact with executives working with most of the developers whose projects have been listed as well as through the developers' current websites in July and August 2010.

Further information was obtained from 30+ retailers who have either been contacted to take up retail spaces in one or more of the projects listed or were just aware of the project/s.

Retail real estate projects below a GLA of 100,000 square feet have not been considered for this study or for any of the studies in this series.

Most of the projects listed in the Upcoming Malls Table are under various stages of construction or are about to start excavation. Several of the malls which are on hold, have been listed separately, and developers are looking for the first possible opportunity to get them off the ground. Many others have been re-sized (mostly downsized). There are several others (on the planning tables or drawing boards) currently on hold which do not find a place on that Table also!

In any study of this nature, there are bound to be errors & omissions. While Asipac believes that the information presented herein is reasonably correct, Asipac does not make any warranty to that effect.

If anyone reading this report comes across any such errors or omissions, we will be happy to receive your comments on [corp@asipac.com](mailto:corp@asipac.com) and will incorporate necessary corrections after verifying its/their accuracy.

## PRESS PAGE

A survey done by Bangalore-based retail and real estate consultancy Asipac (the third such survey by Asipac this year, the first two covering Bangalore and Hyderabad) points out that Chennai may have more than 14 new malls in the next three years. Another four mall projects are currently on hold. The 14 new malls under construction in Chennai have a combined gross lettable area (GLA) of 6.436 million square feet. Combined with a GLA of 1.908 million square feet of the five existing malls, Chennai will have total mall space of 8.344 million square feet by 2013. Gross Lettable Area is the total area in a mall or shopping centre which can be rented to tenants.

While four mall projects are temporarily on hold, the promoters or developers of these projects are looking for the first possible opportunity to get them off the ground. There are several others (apart from the 18 covered by the Asipac Study) on the planning tables or drawing boards of city-based as well as outstation real estate developers.

According to Asipac's research, the total mall space supply of 8.344 million square feet will cover only 80% of the city's geographical area, against an estimated demand of 9.128 million square feet in this area. Therefore, Chennai will have 9% undersupply, even in 2013, compared to 60% oversupply in Bangalore and 6% oversupply in Hyderabad. If all the four projects currently on hold are relaunched and completed by 2013, the 9% undersupply turns into 8% oversupply.

The study shows that OMR will have three malls and Velachery two malls. By 2013, there will be 11 malls within an 8 km radius of Nungambakkam. The belt from Ennore to Korukkupet will not have any mall at all. The largest mall currently operating in the city is Express Avenue with a GLA of 900,000 square feet, followed by Spencer Plaza with a GLA of 530,000 square feet.

"While the supply position in Chennai is not as bad as Bangalore, Mumbai or the NCR region, we need to watch the situation very carefully from here on," says Asipac Chairman and well known retail industry expert Amit Bagaria, "as the undersupply could lead to greed, as it has done in other cities."

According to Asipac, seven of the 14 new malls, which are smaller than 250,000 square feet, don't stand much of a chance to compete with the nine larger malls with average GLA of 738,500 square feet, which will draw away most of the customers.

“Indian malls in the future have to be very different visibly and by experience, else consumers will get mall fatigue,” Bagaria commented, “there does not seem to be much difference in the tenancy mix or the design of most of the new projects. Most of them lack the wow factor to lure crowds and hope to delight with sheer size.”

Bagaria opines that malls require considerable investment of time and money. They have to be run for one or two years before their viability in the long run is confirmed. “Malls decide the fate of their tenants’ business and profitability. Small businesses are more impacted, since many are experimenting in a mall for the first time. If they don’t do well, this could drive them completely out of business. Sadly, mall developers/owners and most property consultants don’t realize this truth,” Bagaria added.

Asipac were the retail planning consultants and exclusive leasing agents for Mantri Square in Bangalore, currently India’s largest mall by GLA. The consultant is currently handling seven mall projects in five cities, with a GLA of 6.14 million square feet. These include the country’s largest mall project – City Capital Mall in Hyderabad, which has a GLA of 1.83 million square feet – and the country’s second largest mall project – Neomall in Bangalore, which has a GLA of 1.69 million square feet.

Neomall in Bangalore will have 605,000 square feet dedicated to leisure and entertainment (many of them will be experienced for the first time in India) and another 140,000 square feet dedicated to food and beverage outlets. This is like two full malls by itself.

City Capital Mall in Hyderabad will have 253,000 square feet for leisure and entertainment, a whopping 203,000 square feet for food and beverages (58 F&B outlets), 66,000 square feet for services and 390,000 square feet for local and ethnic retailers.

## ABOUT ASIPAC

Established in 1996, Asipac Group comprises India's largest Mall Planning & Leasing Consultants (by volume of work), multiple award winning real estate marketing strategy consultant, a highly respected retail research & consulting firm and India's fastest growing mall management company.

Our services include:

- Project Conception
- Comprehensive Mall Planning
- Design Process Management
- Letting and Lease Management
- Retail Research and Consulting
- Mall Marketing Consultancy
- Mall Management
- Rental Yield Maximization
- Conception of New Retail Formats
- Marketing Strategy, Ideas and Programs for Real Estate Projects

In 14 years, we have provided high level strategic advice to RE developers on projects with a combined built-up area of 380 million square feet valued at more than US\$24 billion.

**In retail real estate, we have advised developers on retail / shopping centre projects of over 16.42 million square feet, including seven of the 15 largest shopping centres in India. We have leased more than 7.74 million square feet of retail real estate across India in just five years. We have leasing mandates for seven malls in five cities, with GLA of 6.14 million square feet. We also have Mall Management mandates of 3.77 million square feet.**

Asipac undertakes strategic research on the retail as well as the retail real estate sectors. Our study of trading densities of modern retail formats was featured twice in The Economic Times and was cover story of Images Retail's February 2010 issue. Our study on India's largest malls featured in The Economic Times, The Times of India (twice), The New Indian Express, Business Today and Shopping Centre News. Our study of Revenue Share Rent was published in Shopping Centre News.

Asipac was voted at GIREM as **Best Marketing Firm 2008** competing against 3 IPCs and has won **3 Remmy Awards** from Times of India. One of our projects broke a **Guinness World Record** and was a finalist in Mixed Use Project category of **Cityscape Asia 2008 RE Awards**. A project launch won a **Bronze at 2009 EEMAX Awards**. An unpublished campaign won **GOLD at the Big Bang Awards** of Ad Club, Bangalore.

With **225+ media articles** and **40+ TV features**, including **18 front page/cover stories**, our credentials are well known in Indian real estate.

## ACKNOWLEDGMENTS

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