

Demand & Supply of Mall Space in India

RESEARCH STUDIES ON MALLS IN INDIA

October 2010

asipac

SHAPING THOUGHT. BUILDING VALUE.

Southern Metros - Chennai, Bangalore, Hyderabad

EXECUTIVE SUMMARY

Market surveys conducted by Asipac across the three metropolitan regions of South India (Chennai, Bangalore and Hyderabad) show that the demand and supply of mall space is very different in the three metros, with Bangalore in a huge oversupply position, Chennai still in an undersupply position and Hyderabad somewhere in between.

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% undersupply** in this Southern metro.

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 our research, this will lead to total mall space supply of 24.331 million square feet by 2014, covering only 85% of the city's geographical area, against an estimated demand of only 9.70 million square feet, leading to an alarming **60% 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% 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% oversupply**.

What is really unfortunate is that there is hardly any difference in the design or tenancy mix of most of the new malls under development across the three southern metros. 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. 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 2-3 years before their viability to survive in the long run is confirmed. If they are 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 more impacted, since (in the Indian context) 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, most of the mall developers/owners and property consultants (including most IPCs) don't realize this hard reality. It is even more disheartening to see even 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.

BACKGROUND

In any major (modern) city, retail shops/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.

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 m²= 10.764 sft

CHENNAI



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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 of October 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 13

UPCOMING MALLS IN CHENNAI (as of October 2010)

Sl.	Location	Name of the Mall	Opening	GLA in sft
1	OMR, Karapakkam	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 Crescent 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 13

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 13

As of now, as per the information that could be gathered, there are 14 upcoming malls in Chennai (refer table on page 7) 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

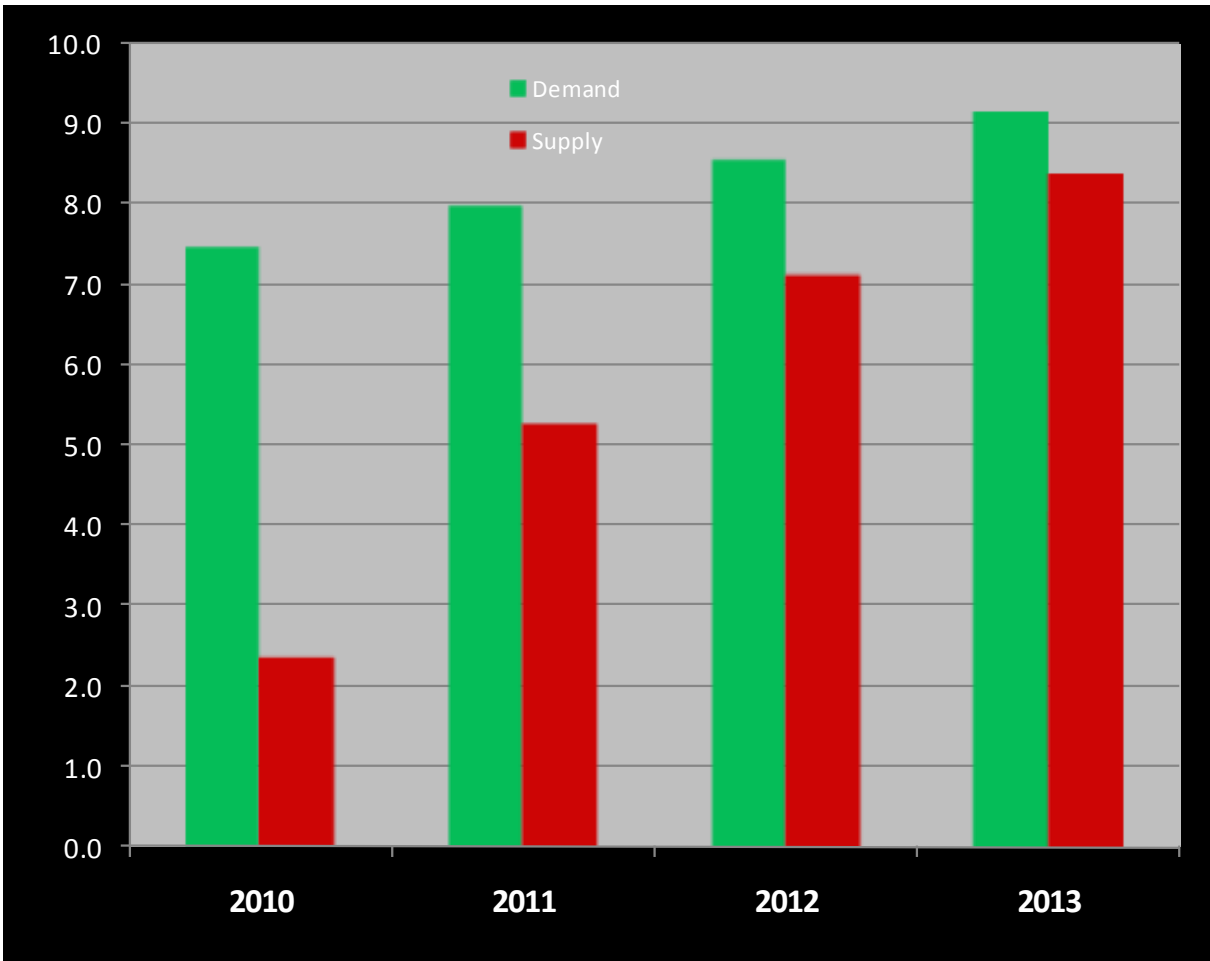
Note: Figures are in Million Square Feet except %

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)

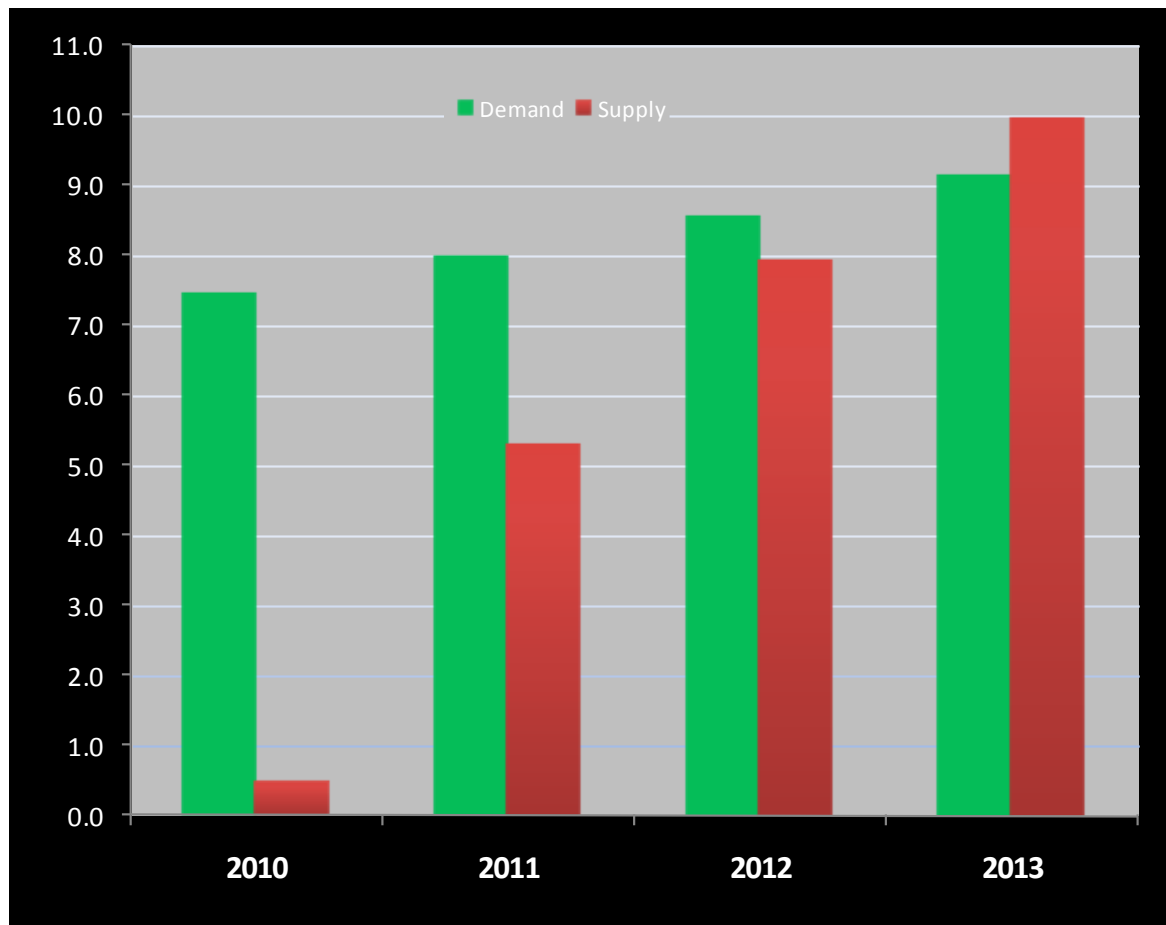
YEAR	2010	2011	2012	2013
Total Demand in Chennai	9.288	9.947	10.653	11.410
Adjusted Demand in 80% Geographical Area	7.430	7.958	8.523	9.128
New Supply during the year (Confirmed)	0.460	2.900	1.826	1.250
New Supply from projects on hold	0.000	0.000	0.800	0.800
Total Supply at year end (Confirmed and from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

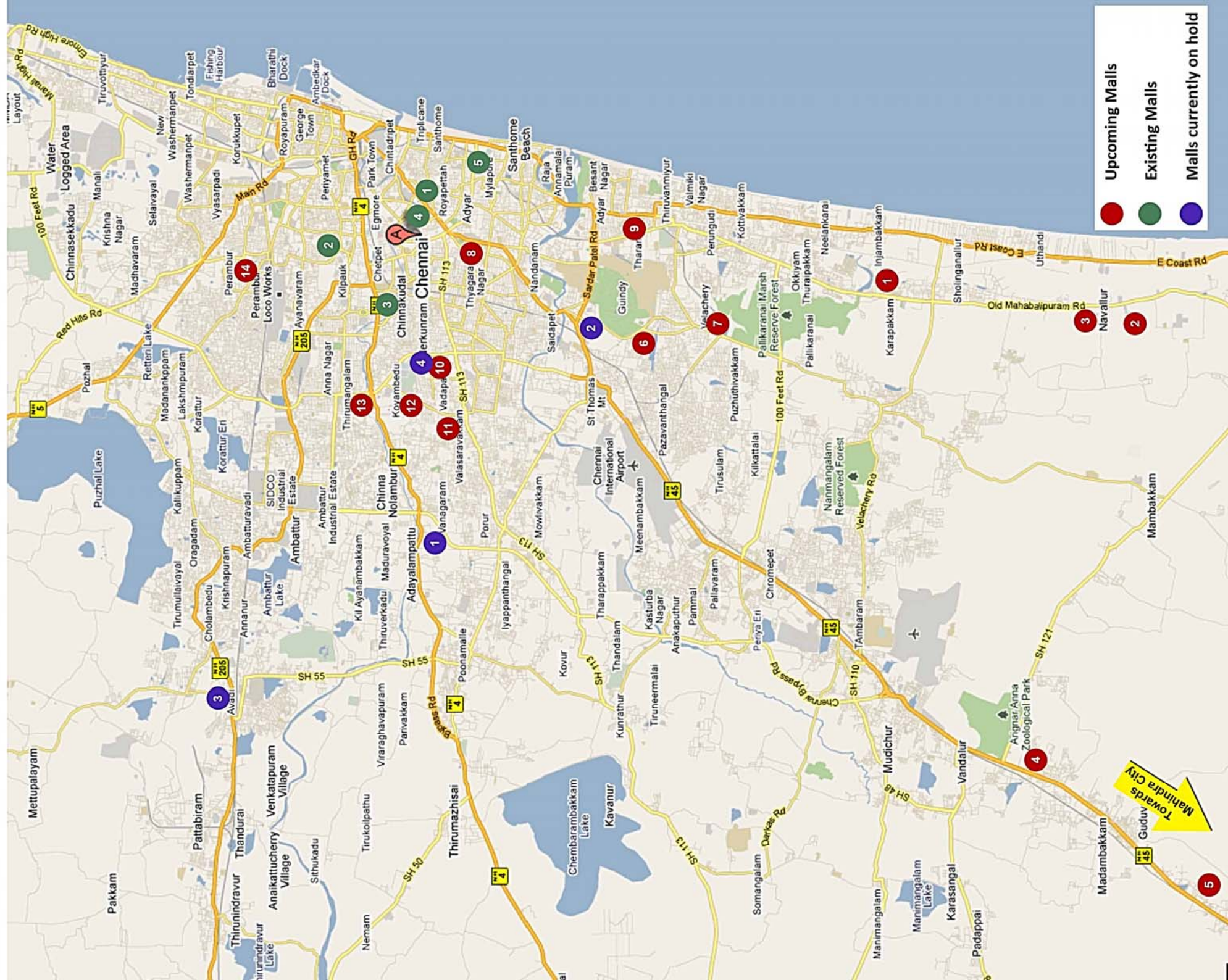
The same data presented in the previous Table (Chennai Mall Space Demand & Supply - II) is shown in the Chart below graphically, for those who are more inclined to analyze graphically represented data.

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.

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 is not much difference in the tenancy mix or the design.



BANGALORE

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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 sft per capita (*as explained in the BACKGROUND section of this Report*), the Greater Bangalore urban area can currently absorb total mall space of 8.672 million square feet in GLA (Gross Lettable Area).

Of this, the 17 operational malls in the city (*developments below 100,000 square feet not considered for this study*) have a total GLA of 3.904 million square feet. See Table below for Existing Malls and Table on the next page for Upcoming Malls.

EXISTING MALLS IN BANGALORE (as of October 2010)

Sl.	Name of the Mall	Location	GLA in sft
1	Mantri Square	Majestic	920,000
2	The Forum	Koramangala	365,000
3	The Forum Value Mall	Whitefield	300,000
4	Garuda Mall	CBD	286,000
5	Bangalore Central	Jayanagar	275,000
6	Total Mall	Hosur Road (Madivala)	225,000
7	Gopalan Mall	Mysore Road	180,000
8	Total Mall	Old Airport Road	170,000
9	Sri Garuda Swagath Mall	Jayanagar	170,000
10	Gopalan Arcade	Raja Rajeshwari Nagar	163,000
11	Cosmos Mall	Whitefield	145,000
12	The Collection @ UB City	CBD	130,000
13	Hypercity @ Embassy Paragon	Whitefield	125,000
14	Lido Mall	CBD	120,000
15	Sigma Mall	CBD	120,000
16	Leela Galleria	Old Airport Road	110,000
17	Bangalore Central	CBD	100,000
TOTAL			3,904,000

Please refer to Map on Page 21

UPCOMING MALLS IN BANGALORE (as of October 2010)

Sl.	Location	Name of the Mall	Opening	GLA in sft
1	ORR (Marathalli - Sarjapur Road stretch)	IDEB Grand Mall	2010	535,000
2	ORR (Marathalli - Sarjapur Road stretch)	SJR Spectrum Mall	2013	450,000
3	ORR (Marathalli - Sarjapur Road stretch)	FBD Mall	2012	350,000
4	ORR (Marathalli - Sarjapur Road stretch)	Soul Space Arena	2011	329,000
5	ORR (Marathalli - Sarjapur Road stretch)	Soul Space Spirit	2011	302,000
6	ORR (Marathalli - Sarjapur Road stretch)	Bulchee Mall	2013	300,000
7	Whitefield	Phoenix Market City	2011	900,000
8	Whitefield	Forum Mall @ Shantiniketan	2013	450,000
9	Whitefield	Park Square @ ITPB	2011	450,000
10	Whitefield	Xander Mall	2014	428,000
11	Whitefield	Inorbit Mall	2011	339,000
12	Bannerghatta Road	SJR Spectrum Mall	2013	510,000
13	Bannerghatta Road	Royal Meenakshi Mall	2011	422,000
14	Bannerghatta Road	Vega Mall	2011	419,000
15	Bannerghatta Road	Gopalan Innovation Mall	2012	180,000
16	Kanakpura Road	Iskcon Mall	2014	700,000
17	Kanakpura Road	Unitech Gardens Galleria	2013	414,000
18	OMR	Nitesh Mall	2013	750,000
19	OMR	Sattva Platinum Mall	2013	700,000
20	OMR	Gopalan Signature Mall	2011	300,000
21	Rajajinagar /Yeshwanthpur	Phoenix Market City	2013	1,200,000

Please refer to Map on Page 21

UPCOMING MALLS IN BANGALORE (as of October 2010)

Sl.	Location	Name of the Mall	Opening	GLA in sft
22	Rajajinagar /Yeshwanthpur	Brigade Orion	2011	800,000
23	Rajajinagar /Yeshwanthpur	Sattva Fortune Mall	2013	500,000
24	Yeshwanthpur	Tata Realty Mall	2014	300,000
25	Yeshwanthpur	Vaishnavi Sapphire	2012	255,000
26	Hebbal	Century Mall	2013	1,200,000
27	Hebbal	Karle Town Centre	2014	1,200,000
28	Hebbal	Kirloskar Mall	2014	1,000,000
29	Yelahanka	RMZ Galleria	2012	450,000
30	City (West)	Sobha Global Mall	2013	750,000
31	City (West)	ETA City Mall	2012	500,000
32	ORR Central Silk Board Junction	INXS Mall	2012	350,000
33	Banaswadi	Brigade Mall	2012	260,000
34	Banaswadi	Nandi Mall	2014	144,000
35	Electronics City	Neomall	2012	1,690,000
36	Lalbagh Road	G Corp Mall	2012	300,000
37	CBD (Cambridge Layout)	Suraj Mall	2013	120,000
38	Off M.G. Road	One M.G. Road	2011	180,000
			TOTAL	20,427,000

Please refer to Map on Page 21

In the previous two pages, the Table shows 38 new malls planned till 2014, totaling a GLA of 20.427 million square feet, for which we 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 38 projects (listed in the previous Table) 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%.

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

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%

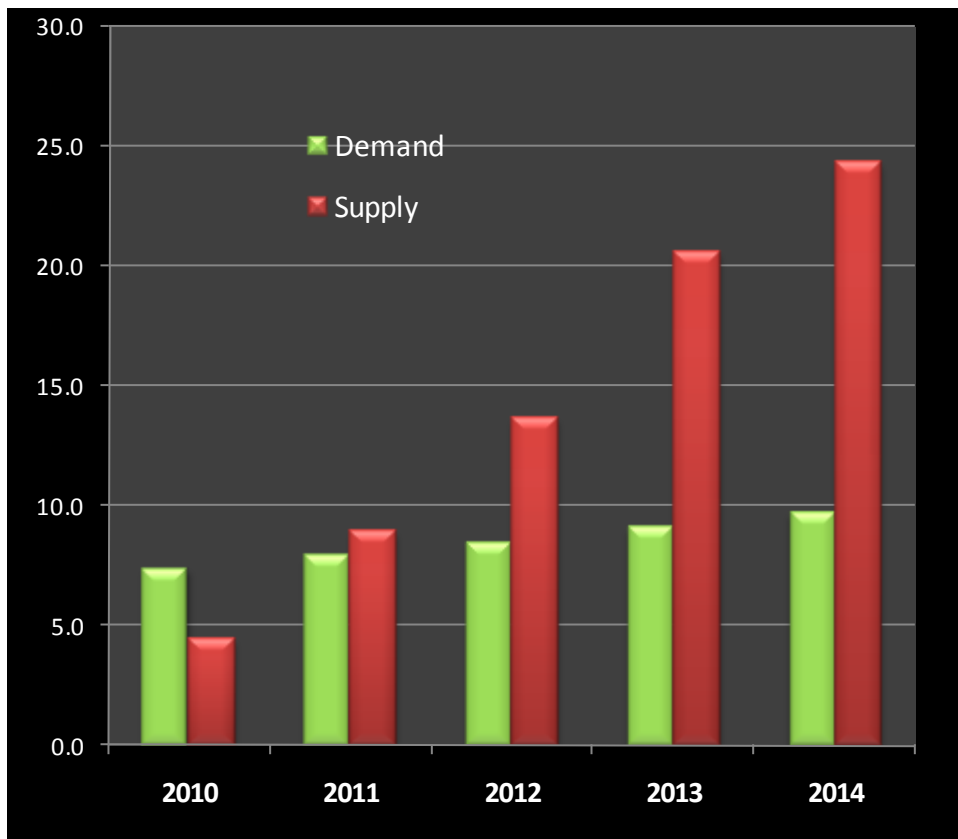
Note: Figures are in Million Square Feet except %

As is evident from the above Table, there is an estimated shortage of mall space of 2.932 million square feet in Bangalore by the end of 2010, resulting in 40% under-supply.

However, next year itself, the 40% undersupply turns into a 11% oversupply situation. The situation worsens in 2012 with a 38% oversupply. This situation may not change, as most of these malls are already under construction. The scenario is worse in 2014 with a 60% 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 presented in the previous Table (Bangalore Mall Space Demand & Supply) is shown in the Chart below graphically, for those who are more inclined to analyze graphically represented data.

BANGALORE MALL SPACE DEMAND & SUPPLY (2010 to 2014)



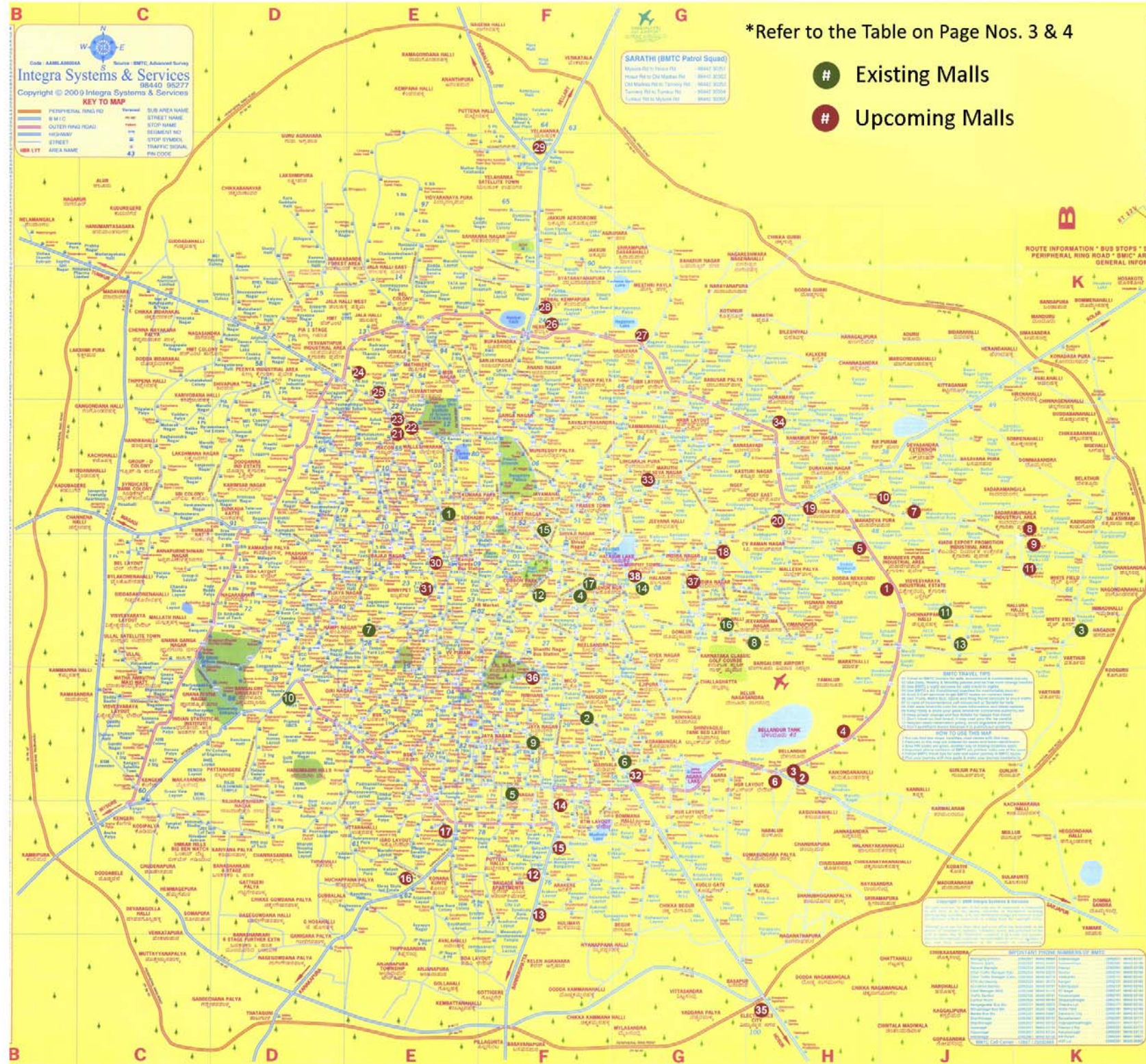
This means that, if all 38 mall projects in the offing were to come up, Bangalore is headed for an unhealthy retail property situation and a colossal waste of billions of rupees.

We hope that this report will 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

Research Studies on MALLS IN INDIA

Existing & Upcoming Malls in Bangalore City August 2010



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 this analysis, we have considered the catchment of any micro market 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 which are located closer to the consumer.

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

The case of Whitefield is as bad, if not worse. The planned supply of 2.567 million sft, added to the existing 570,000 sft, totals to 3.137 million sft. In our estimate, Whitefield (and its surrounding neighbourhoods) can absorb only about 900,000 sft, so we are headed for 71% over supply in this micro market.

The 9 km stretch of the Outer Ring Road between Marathalli and Sarjapur Road is not very different. Total supply of 2.266 million sft is planned here, against an estimated demand of about 1.25 million sft. Only three of the six malls will survive.

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

The Bannerghata Road and Kanakpura Road areas are no different. Six malls with GLA of 2.645 million sft are planned here, while the demand is no more than 1.40 million sft.

The stretch of Old Madras Road between the bottom of the 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 sft. 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 gross underserved. 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.

ANALYSIS BY FOOTFALLS

The total GLA of the 17 existing malls is 3.904 million sft. By end of the year 2014, 38 planned malls shall add another 20.427 million sft of GLA. Hence, by the end of 2014, there will be total mall GLA of 24.331 million sft. A few other projects may be announced in the coming months, which will further push the total GLA upwards.

SI No.	Name of the Mall	Location	Footfalls			GLA	Footfalls	
			Weekend and Holiday (WHF)	Weekday (WDF)	Monthly		Per sft per month	Avg per sft per month
1	Mantri Square	Majestic	83,400	55,000	1,945,083	919,516	2.12	2.16
2	Forum	Kormangala	40,000	15,000	695,833	365,000	1.91	
3	Garuda	CBD	40,000	15,000	695,833	280,000	2.49	

The average Footfalls Per Square Foot Per Month (FPSPM) for the three leading malls, namely Mantri Square, Forum (Kormangala), and Garuda, comes to 2.16.

By the year 2014, the GLA of confirmed malls shall exceed 24.431 million sft. At an average of 2.16 footfalls/SFT/month (as calculated above), the desired footfalls for sustainable operations of the mall would be around 52.555 million. The population of Bangalore will be 9.127 million in four years at an optimistic annual growth of 7%. If 54% (assumed to be the proportion of the population of SEC A and B) visit malls at least twice a month, the total footfalls per month in 2014 may barely cross 9.857 million creating a footfall shortage of 81%, which is even more than the projected oversupply of 60% in the table 'Bangalore Mall Demand & Supply' on page 19.

So, here's the big question, "Where will the footfalls come from, to make all of these malls successful?"

MALL MANIA

One of the most shocking findings of our survey is that as many as 13 of the upcoming malls have a GLA of 0.5 million square feet or more. Currently, there are only 12 malls in the entire country above this size. If this is not mall mania, what is?

And this is despite the fact that, of the 16 existing malls in Bangalore, as many as seven are considered to be failures.

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 realize is that, while there are nine national Hypermarket players and eight (now seven, with the impending buyout of Fame by Inox) Multiplex operators, there are only five national players in the Home Megastore and Leisure Megastore categories, four in Small Department Store and CDIT Megastore and only three in the all-important Large Department Store and FEC categories. Even of these national players, some are averaging lower trading Densities than others.

What is the differentiation amongst all these 38 new malls, or the 32 amongst them which have a GLA greater than 300,000 square feet?

Asipac reviewed the architectural plans of 22 of these malls. Most have five floors or more. Almost all have a hypermarket planned in the Lower Ground Floor and a 4 screen (or larger) Multiplex and Food Court on the top 2 levels. All have 2-4 other anchor spaces. Even blind men can walk through these malls (when built) and find their way around easily. Most of these malls will die crawling, before they learn how to stand or walk.

The one exception that stands out is Neomall. This mall is being built on the theme of a lifestyle centre, with roads and parking on all four sides. It 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 will drive footfalls from not just other parts of the city, but from the entire southern region.

This is one of the things that malls have to do in order to succeed. They have to differentiate. They have to stand out from the competition. Because only **40%** of the malls will survive.

HYDERABAD



asipac

SHAPING THOUGHT. BUILDING VALUE.

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 sft per capita (*as explained in the BACKGROUND section of this Report*), the Greater Hyderabad urban area can currently absorb total mall space of 8.375 million square feet in GLA (Gross Lettable Area).

Of this, the seven operational malls in the city (*developments below 100,000 square feet not considered for this study*) have a total GLA of 1.275 million square feet. See 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 HYDERABAD (as of August 2010)

Sl	Name of the Mall	Location	GLA in sft
1	Inorbit Cyberabad	Hitec City	576,000
2	GVK One	Banjara Hills	350,000
3	Prasad Imax	Khairatabad	235,000
4	Hyderabad City Center	Banjara Hills	210,000
5	MPM Mall	Abids Centre	180,000
6	Ashoka Metropolitan Mall	Banjara Hills	150,000
7	Hyderabad Central	Panjagutta	150,000
TOTAL			1,275,000

Please refer to Map on Page 33

UPCOMING MALLS IN HYDERABAD (as of August 2010)

Sl.	Location	Name of the Mall	Opening	GLA in sft
1	Kukatpally	Phoenix Mall	2013	1,000,000
2	Kukatpally	Forum Crystal Mall	2013	800,000
3	Kukatpally	Manjeera Trinity Mall	2012	450,000
4	Kukatpally	Serene Estate (NSL)	2011	220,000
5	Hafeezpet	Jewel Box (Phoenix)	2012	600,000
6	Chanda Nagar	Tapadia Maruti Heights	2011	300,000
7	Hitec City	City Capital Mall	2014	1,828,000
8	Banjara Hills	AP Gems Park (Gitanjali)	2011	190,000
9	Nagarjuna Hills	MPM Times Square	2012	200,000
10	Somajiguda	Mahavir Mall	2013	150,000
11	Secunderabad	Club 4 Mall	2012	200,000
12	Karkhana	Vajra Maruti Mall	2010	140,000
13	Abids	Prajay Celebrity Mall	2012	150,000
14	RTC X - Roads	Soma Mall	2013	1,000,000
15	Basheerbagh	Urban Entertainment Center	2012	1,300,000
16	Himayatnagar	MPM Bonsai Mall	2010	120,000
17	LB Nagar	Prajay Princeton Towers	2011	180,000
18	Habsiguda	Chorus	2014	600,000
19	Pocharam	MPM Mall	2013	150,000
TOTAL				9,578,000

Please refer to Map on Page 33

MALLS ON HOLD IN HYDERABAD

Malls tabulated below are either on hold or reconsideration by the promoters. Around 75% of the malls on hold, are in the Cyberabad area. The total retail space on hold is more than 8.0 million sft (GLA of most of them are greater than 500,000 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 8.0 million sft are taken from third parties.

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

Please refer to Map on Page 33

The total number of upcoming malls in Hyderabad (refer table on page 27) planned till 2014 is 19, totaling a GLA of 9.578 million square feet, for which we could get information. In addition, there are around 11 malls on hold, with approximate retail space of 8.0 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 make the situation even worse. We shall now analyse the following two scenarios.

A) When only 19 malls come up by the end of 2014

B) When (or if) along with these 19 confirmed malls, the 11 malls on hold come up by the year 2014

Scenario A

If all the 19 projects (listed in the Table on page 5) were to come up, Hyderabad will have more than 26 malls with total GLA of 10.82 million square feet by 2014, leading to an oversupply of 19%.

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

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	NA	2%	19%

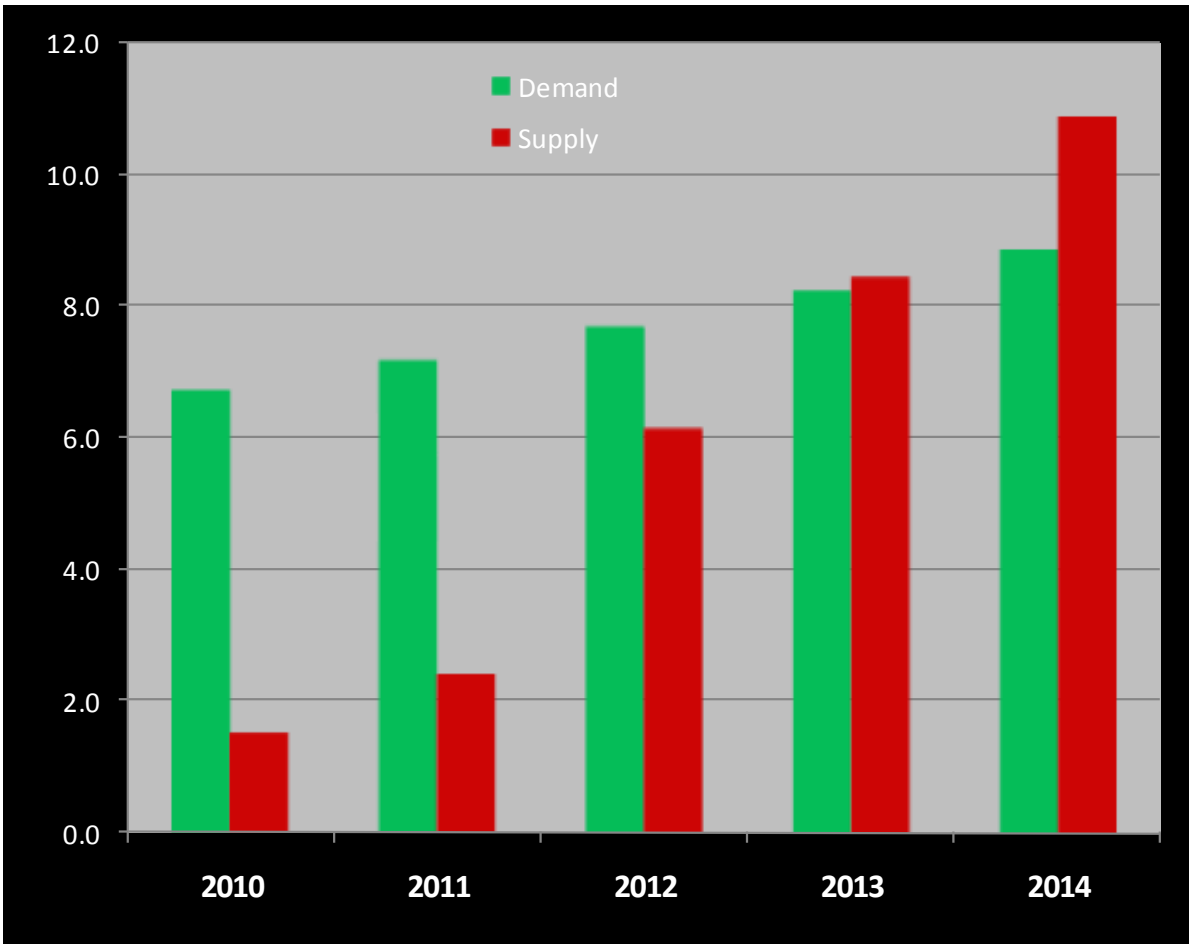
Note: Figures are in Million Square Feet except %

As is evident from the previous Table (Hyderabad Mall Space Demand & Supply - I) there is an estimated shortage of mall space of 5.165 million square feet in Hyderabad by the end of 2010, resulting in 77% under-supply.

However, in the year 2012, the 77% undersupply reduces to 20% undersupply situation due to supply of 3.7 million sft. The situation demands attention in 2014 with a 19% oversupply. This situation may not change, as most of these malls are already under construction. Apart from these, there are definitely bound to be some more projects that we do not know about as yet.

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

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



Scenario B

Along with 19 confirmed malls, if all of the 11 Malls on hold come up by 2014 (we have assumed 3.0 million sft supply in 2013 and 5.0 million sft in 2014), Hyderabad will have more than 37 malls with total approximate GLA of 18.853 million sft by 2014, leading to an oversupply of 53%.

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

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

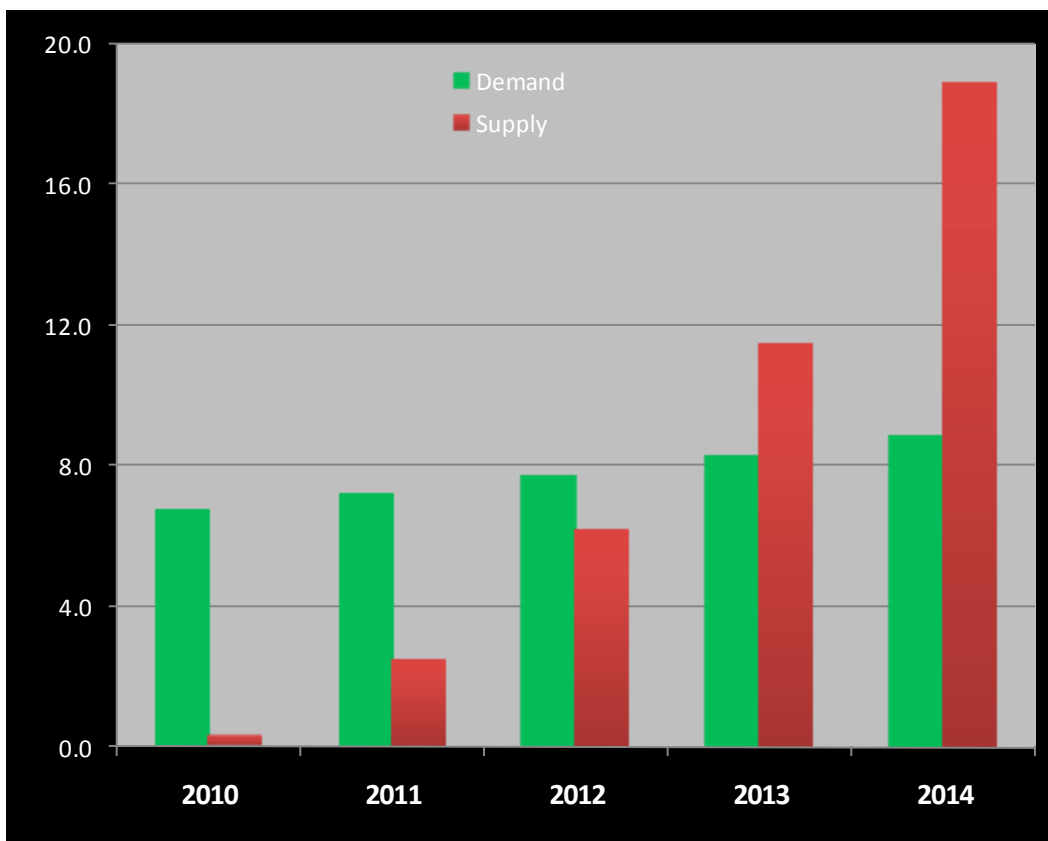
YEAR	2010	2011	2012	2013	2014
Total Demand in Hyderabad	8.375	8.970	9.606	10.289	11.019
Adjusted Demand in 80% Area	6.700	7.176	7.685	8.231	8.815
New Supply during the year (Confirmed)	0.260	0.890	3.700	2.300	2.428
New Supply from projects on hold	0.000	0.000	0.000	3.000	5.000
Total Supply at year end (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%

Note: Figures are in Million Square Feet except %

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% in 2012 will give way to 28% oversupply in 2013 and the situation worsens in 2014 with oversupply of 53%.

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

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

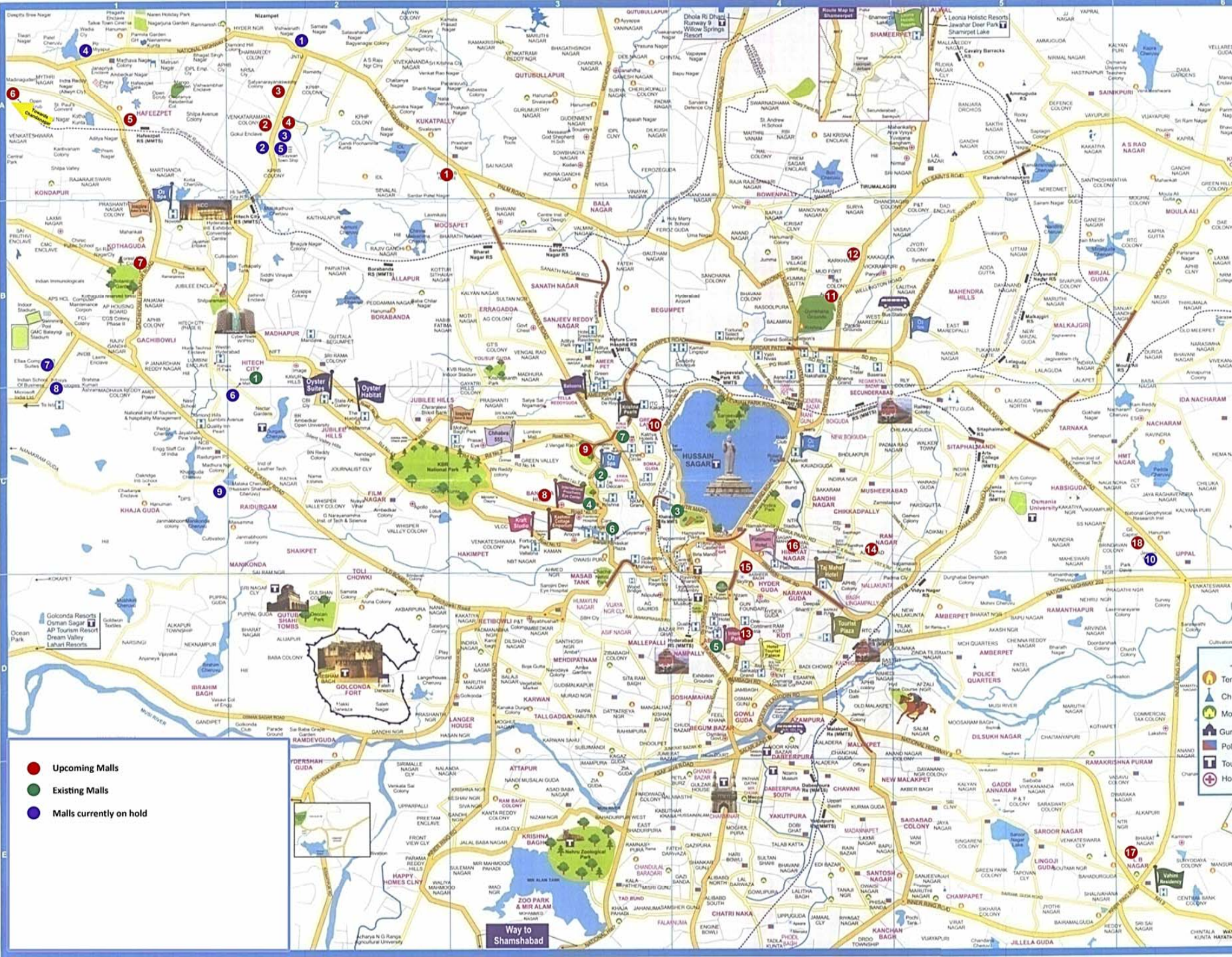


This means that, if all the mall projects in the offing were to come up, Hyderabad is headed for an unhealthy retail property situation. The projects on hold will further strengthen this argument and we may witness colossal waste of billions of rupees

We hope that this report will 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

Existing & Upcoming Malls in Hyderabad City August 2010



ANALYSIS BY MICRO MARKETS

From the Table of 'Upcoming Malls' in Hyderabad on page 27, it is evident that, while some micro markets (geographical areas) are headed for oversupply, some others may yet be safe. The Map on page 33 shows a much clearer picture.

For the purpose of this analysis, we have considered the catchment of any micro market 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 sft are planned here, against an estimated demand of about 1.25 million sft. Only 2-3 of the six malls will survive. To add to the misery, four additional malls were planned in this area, and are currently on hold.

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

The Hitec City–Gachibowli area accounts for >65% of white collar jobs in Greater Hyderabad and continues to be the fastest growing residential belt also. The under construction 1.828 million sft City Capital Mall (India's first Super Mall) along with the existing Inorbit Mall Cyberabad will together have a GLA of 2.4 million sft, against a projected demand of about 1.1 million sft in this micro market. Another 3-4 malls with combined GLA of >2.0 million sft 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. We see a huge potential for a super mall in this area.

ANALYSIS BY FOOTFALLS

The total GLA of the 7 existing malls is 1.275 million sft. By end of the year 2014, 19 planned malls shall add another 9.578 million sft of GLA. Hence, by the end of 2014, there will be total Mall GLA of 10.85 million sft. A few other projects may be announced in the coming months, which will further push the total GLA upwards.

SI No.	Name of the Mall	Location	Footfalls			GLA	Footfalls	
			Weekend and Holiday (WHF)	Weekday (WDF)	Monthly		Per sft per month	Avg per sft per month
1	Inorbit	Hitec City	35,000	12,000	585,417	576,000	1.02	1.17
2	GVK One	Banjara Hills	21,000	9,000	388,750	350,000	1.11	
3	Hyderabad City Center	Banjara Hills	15,000	6,000	268,750	210,000	1.28	

The average Footfalls Per Square Foot Per Month (FPSPM) for the three leading malls, namely Inorbit, GVK One and Hyderabad City Center comes to 1.17.

By the year 2014, the Gross Lettable Area of confirmed malls shall exceed 10.8 million sft. At an average of 1.17 footfalls/SFT/month (as calculated above), the desired footfalls for sustainable operations of the mall would be around 12.7 million. The population of Hyderabad will be 8.8 million in four years at an optimistic growth of 7% p.a. If 54% (assumed to be the proportion of the population of SEC A and B) visit malls at least twice a month, the total footfalls per month in 2014 may barely cross 9.5 million creating a footfall shortage of 25%, which is close to the projected oversupply (19%) in the table 'Hyderabad Mall Demand & Supply - I' on page 29.

If the 11 malls, currently on hold, also come up during this period, the leasable area would become 18.9 million sft. worsening the footfall shortage to 56% , which is very close to the projected oversupply (53%) in the table 'Hyderabad Mall Demand & Supply - II' on page 31.

So, here's the big question, "Where will the footfalls come from, to make all of these malls successful?"

MALL MANIA

One of the most shocking findings of our survey is that as many as 7 of the upcoming malls have a GLA of 0.5 million square feet or more. Currently, there are only 12 malls in the entire country above this size. Even more surprising is that, 3 of the 19 malls are of size greater than 1 million sft. 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 sft. If this is not mall mania, what is?

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 realize is that, while there are nine national Hypermarket players and seven multiplex operators, there are only five national players in the Home Megastore and Leisure Megastore categories, four in Small Department Store and CDIT Megastore and only three in the all-important Large Department Store and FEC categories. Even of these national players, some are averaging lower Trading Densities than others.

What is the differentiation amongst all these 19 new malls, and also the 11 which are on hold currently?

Ten of the 19 confirmed malls are too small (under 250,000 square feet) to make any significant impact. Most have five floors or more. Almost all have a hypermarket planned in the Lower Ground Floor and a 4 screen (or larger) Multiplex and Food Court on the top 2 levels. All have 2-4 other anchor spaces. Just like scores of other similar malls springing up all over the country, even blind men can walk through these malls (when built) and find their way around easily. Most of these malls will die crawling, before they learn how to stand or walk.

The one exception that stands out is the 1.83 million square feet City Capital Mall with 270,000 sft of Entertainment Space (14 distinct attractions), 61 F&B outlets, 3 Food Courts and more than 5000 parking spaces. This mall is in a fantastic location (a very important thoroughfare), caters to several catchments, and is already >60% leased, with 21 anchors.

This is one of the things that malls have to do in order to succeed. They have to differentiate. They have to stand out from the competition. Because only **47%** of the malls will survive (In case all of the malls on hold are completed by 2014).

ABOUT ASIPAC

Established in 1996, Asipac Group comprises India's largest shopping centre development consultant and letting manager, an award winning real estate marketing 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
- Research & Consulting
- Mall Management
- Mall Marketing
- Rental Yield Maximization
- Mall Energizing & Performance Improvement
- Conception of New Retail Formats
- Marketing Strategy and Programs for RE Projects

Asipac has advised on retail / mall projects of >16.61 million sft, including seven of the 15 largest malls in India; and have leased >8.18 million sft of retail real estate in five years. We have mall management contracts for >4.51 million sft.

We regularly undertake strategic research on the retail and retail RE sectors. Our Trading Density Study was featured twice in Economic Times and was cover story in Images Retail. Our study on India's Largest Malls featured in Economic Times, Times of India (twice), Indian Express, Business Today, Shopping Centre News. Our Revenue Share Study featured 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 The Times of India. One project broke a **Guinness World Record** and was a finalist in **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.

Our Chairman Amit Bagaria has anchored or been a panelist/speaker at >15 national or regional industry events and has authored more than 20 articles in leading newspapers and periodicals.

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

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We wish to acknowledge the contributions of all retailers, mall owners, mall managers and leasing professionals with other firms who have cooperated in sharing data with us.



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