



**Southern Cities to Face
Glut of Retail Space**

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Rents Plateau as Retail Space sees Oversupply

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A mismatch between demand for retail space and supply is growing worse in the south of India, with a projected increase of 100% by 2014, as developers continue to build malls in a saturated market. **Bangalore for instance will have 27.602 million sqft of operating space, an oversupply of 141% over the next two years. Similarly, Hyderabad will have 18.853 million sqft of mall space leading to a potential 114% oversupply by 2014. However, bigger markets like greater Mumbai and Delhi NCR will keep pace with the demand, says Aspac, retail planning consultancy firm.**

"The upcoming supply will outpace the demand with 30.053 million sqft of demand hitting the market as against supply of 56.399 million sqft by 2014," said Amit Bagaria, chairman, Aspac Projects. South India has about 50 million square feet of operational mall space across 130-odd malls.

Builders including Sobha Developers, Prestige Estates Projects, Suraj Developers, and Century Real Estate have either launched or are in the process of launching mall projects.

The mismatch has led to rental rates staying flat or increasing just marginally, going up between 4% to 9% for city centre locations in

Bangalore, Hyderabad and Chennai in 2012.

"There is pressure on rentals in malls that do not have footfalls," says Shrinivas Rao, CEO-Asia Pacific, Vestian Global.

The excess supply of retail space is further expected to benefit retailers who are looking at increasing their presence. "We are renegotiating rentals for stores where lease or lock-in periods are ending," said Mark Ashman, CEO HyperCITY Retail India. The company plans to take its store count to 20-24 by 2016 from 13 now spread over 30,000 to 50,000 sqft.

Louis Philippe, the apparel brand from Madura Fashion & Lifestyle is being choosy signing new properties and is looking to tie up with successful malls only. "Over supply will lead to failure of malls and brands. We are very selective in our approach and see brand mix, mall developers and catchment before signing the property," said Jacob John brand head at Louis Philippe. The brand will open half of its proposed 50 stores in malls in the current fiscal.

Aspac estimates that out of 175 operational malls across India; only 30 are performing, while the rest are running at a loss. It further says that top 20 cities in the country can absorb per capita mall space between 1 sqft and 1.5 sqft depending on the economic growth projections. However currently it is below 1 sqft for all metros.