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First, Faint Signs of Optimism Emerge as India Inc Feels the Worst is Over **CEO SURVEY ►► Page 4**

"I don't think it (economic situation) is going to get worse than this"

AJAY PIRAMAL, Chairman, Piramal Group

"Yes there is volatility, but I think India is in a much stronger place today"

SONJOY CHATTERJEE, Chairman, Goldman Sachs India

"Govt must see downturn as a chronic disease & heal through long-term steps"

RAJIV BAJAJ, MD, Bajaj Auto

Brands Desert High Streets to Beat Slowdown Blues

Rentals at Mumbai's Link Road, Delhi's South Ex, Bangalore's Brigade Road drop by 13-18%

Going Downhill

City	High street	Average Rentals*	Y-o-Y% Change
Bangalore	Brigade Road	330	-18%
	Vittal Mallya Road	300	-8%
Chennai	Adyar Main Road	150	-6%
	Anna Nagar 2nd Avenue	140	-18%
Mumbai	Link Road	750	-12%
Delhi	South Extension	600-700	-13.3%
	Basant Lok	225-250	-27%

* in ₹/sq feet

SOURCE: CUSHMAN & CBRE

SOBIA KHAN
BANGALORE

Rents for street-front shops in upmarket localities across India have taken a plunge as brands scout for cheaper spots to beat the slowdown.

Traditional shoppers' haunts like Mumbai's Link Road, Delhi's South Extension and Bangalore's Brigade Road have seen rentals plummet by 13-18% in the first half of 2013, according to data from property consultancy firm Cushman & Wakefield. Infrastructure development activities and the resultant traffic congestion around some of these markets have also made shopping an irksome task, driving away brands to malls where footfalls remain high.

"Not many brands are looking to

open stores on the high street. In fact many well known brands are exiting high streets," says Rajat Wahi, partner, consumer and retail, at KPMG India. "High streets like Khan Market (in Delhi) are mostly used from a branding perspective and are seeing a huge churn as not many brands are able to afford the high rentals and sustain their business there."

Brands like Reebok, United Colors of Benetton, Reliance Trends, KFC, Ezone, More, Puma and Pavers England and relocating to nearest catchment area or evolving shopping locations.

As a result, builders have started renegotiating rentals, says Sanjay Dutt, executive managing director for South Asia at Cushman & Wakefield. "Landlords are also offering better terms like extended period of no

rental escalation clause to keep the tenancy," adds Dutt.

Herzogenaurach, Germany-based sport lifestyle company Puma is renegotiating rentals with landlords for stores across India to bring down costs.

"We were able to reduce rental by 33% for one of our stores on the high street in Mumbai," says Rajiv Mehta, managing director at Puma India. "The current economic volatility and rupee depreciation has put pressure on margins of retailers who import goods. Also, consumers are mostly buying at discount seasons impacting retailer's profitability."

Brands are also rationalising existing stores. "Brands have to compromise on the store size to drive maximum profit on the high streets in metros," says Har- kirat Singh, managing director at

Woodland Shoes. "We are trying to maintain prices of merchandise but will increase if rupee continues to depreciate."

Vivek Kaul, head of retail services at commercial real estate services firm CBRE South Asia, says the effect of the slowdown will be more visible in the next quarter. "The economic condition is not good and we will see the effect in the next quarter. If there were three brands earlier per store, now there is only one. Some landlords are also willing to give 10-20% discounts on rent to attract brands."

Agrees Amit Bagaria of retail planning consultancy firm Asi-pac Projects. "First half of 2013 was good for retailers due to huge growth in discounted sales. However, sales may drop in coming quarters, but it will still grow."