MUMBAI RETAIL REAL ESTATE
MAY - 2009

ASIA RETAIL

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Market Outlook

- Recession has hit the retail sector bad. Currently there are around 33 malls operational in Mumbai.
- In the year 2009 around 10 malls were supposed to be operational but developers have stopped their projects and only one mall is upcoming i.e. R City by Runwal at Ghatkopar and Dreams mall by Satra Group in Bhandup.
- The occupancy in R City Mall (1.2 million sq. ft) at Ghatkopar is approx. 90% and it is a completely lease model.
- R Mall in Thane, a 400000 sq. ft. project is expected to be complete in October '09.
- Retail is a myth and not a rental business. Real driver is the revenue that one earns.
- Shop owners are negotiating for the lease rates and are being corrected to an extent. For e.g.: A well known youth brand wanted corrections in lease rates but did not get so because that particular brand is earning a rent revenue ratio of 25%.
- Mega Mall which got operational last December is doing good business and has been able to bring in some foreign brands for the first time in the country. E.g.: Sisley, Lerros.
- Premium brands like Tommy Hilfiger, Espirit are the ones that are hit bad.
- One big retail chain who had 10 retail chain in Mumbai of approx. 10000 sq. ft. each has shut down to 3 stores.
- Demand is still alive where demand for retail spaces is coming in malls where there is a hypermarket or a supermarket. They are the crowd pullers in the mall.
- A reputed food chain is looking for a retail space of approximately 300-400 sq. ft. in a mall which has a hypermarket or a supermarket.
- A well known developer who was supposed to come to up with a retail project of approx. 2.5 million sq. ft. in Dahisar has changed the plan to a residential project .

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- Big retail chains like Subhiksha, and India Bulls have come down with very few stores.
- Malls like Nirmal Lifestyle Mall in Mulund are coming with new concepts to attract customers. E.g.: they are looking for a Hobby ideas store in their mall so as to pull crowd.
- Demand is coming up to an extent of approx. 80000 sq. ft. in Lokhandwala road.
- Occupancy in different malls is as follows:
    - Evershine Mall in Malad (W) has an average occupancy of 35-50%
    - R City Mall has an average occupancy of 90%.
    - Raghuleela Mall in Kandivali has 100% occupancy.
    - Raghuleela Mall in Vashi has occupancy to an extent of 94%.
    - Dreams Mall, Bhandup has occupancy to an extent of 80%.
- One of the developers of Oberoi Constructions highlighted the fact there are footfalls in malls but the revenue is being made by food courts and not by shop owners.
- Hypermarket retailers like Big Bazaar have emerged as major crowd pullers and thus they occupy major area in malls at rentals varying from Rs. 30-35 per sq. ft.

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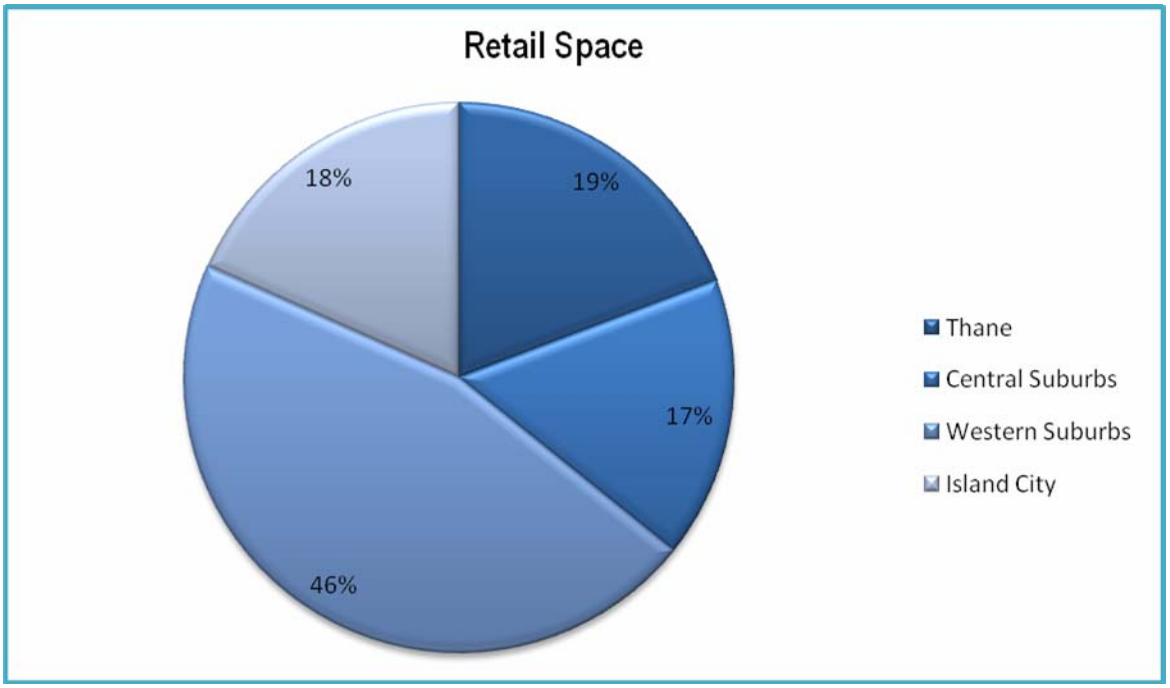
Distribution of Current Retail Space in Mumbai



New Retail Supply Year Wise

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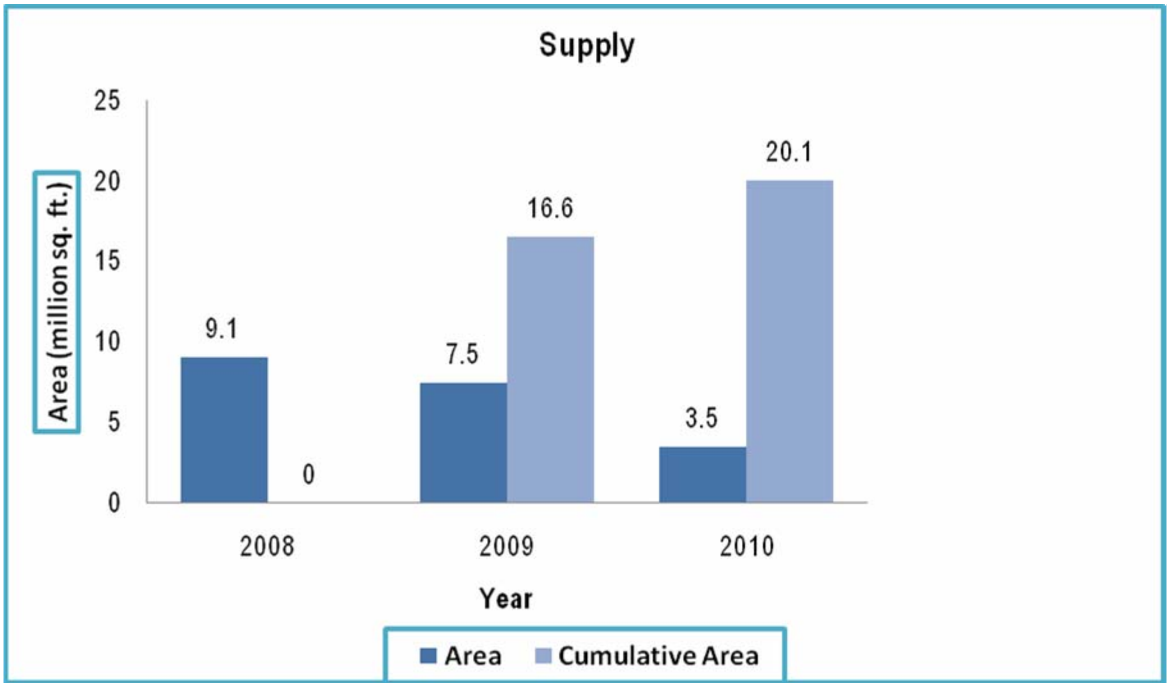

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DEMAND and SUPPLY

South Mumbai

Major malls in the Island City presently comprises of CR2. The anchor clients for CR2 are Omega, Biba, Hidesign, Zodiac.

Currently there is no major supply coming up in this region hence no sign of threat for the Oberoi Mall. There is High Street Phoenix Mill at Lower Parel which is 98% occupied.

Approximately 2.8 million sq. ft. of retail space was supposed to enter this market this year but all major constructions have been put on a hold.

Western Suburbs

Retailing in the western suburbs has always been a favorite spot for buyers with malls like Inorbit at Malad, Infiniti at Andheri .These malls enjoy high footfalls due to the presence of multiplexes and food and beverages as well as they have hypermarkets and supermarkets in their Mall.

Mega Mall has Big bazaar, Infinity has Food bazaar, Inorbit has Spencers as one of their hypermarkets.

One of the malls which became operational recently is the Mega Mall at Oshiwara and is doing good business with most of the foreign brands for the first time in the country. For e.g.: Sisley, Watch it! Lerros.

Raghuleela Mall in Kandivali being one of the old malls is 100% occupied.

Central Suburbs

Large percentage of retail development in Central Suburbs is in the areas of Ghatkopar, Mulund. These locations will expect an overall supply of around 4 million sq. ft. in the year ‘09-‘10.

Ghatkopar is coming up with R City mall with an average occupancy of 90%.

New Bombay

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Some of the good malls in Mumbai are located in New Bombay and areas of Vashi, Thane.

Vashi has 4 malls next to each other and each one is doing good business with the maximum footfalls. R Mall is coming up in Thane with an area of 400000 sq. ft. Hence we see there is commendable supply but demand is less which is leading to fall in lease rates.

High Street Lease Rentals

Restrained expansion plans by major retailers in setting up standalone stores on main streets has led to fall in leasing activity and had a direct effect on the average high street rentals. As a result average rentals in Linking Road, Colaba Causeway has witnessed a drop of approx. 50%. With Kemps Corner/Breach Candy witnessed a drop of approx. 30%, Lokandwala (Andheri West) witnessed a drop of approx. 10%. Rentals in Fort Fountain witnessed a drop of 8%. Due to negligible amount of leasing transactions happening in this region, developers have been forced to make an overall correction in order to boost demand.

Meanwhile western suburban locations like Andheri, Malad exhibit rentals ranging from Rs. 200-250 per sq. ft.

Central suburban locations like Goregaon, Kandivali, Borivali, Ghatkopar, and Mulund charge a rental ranging from Rs. 150-175 per sq. ft.

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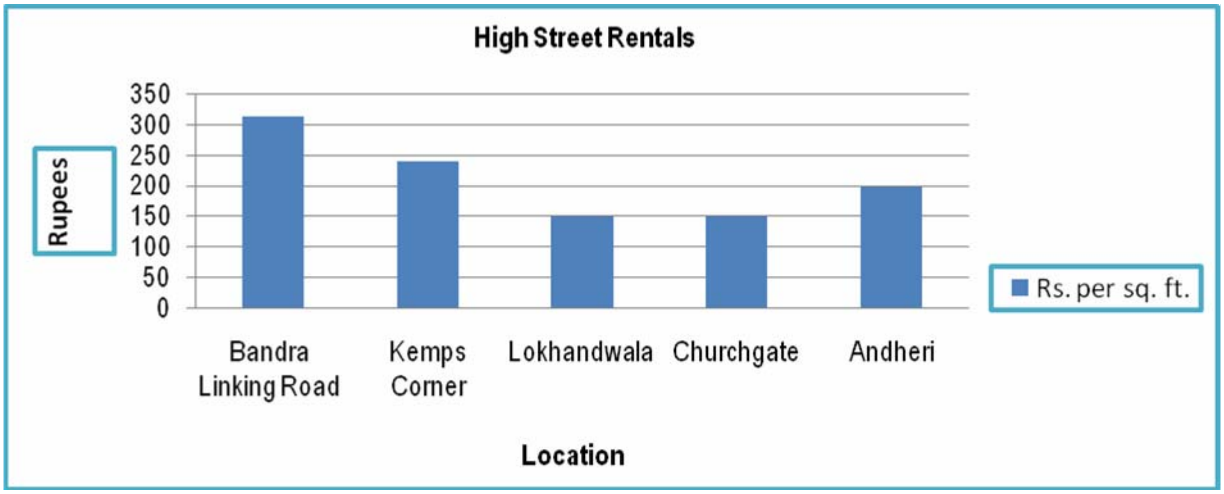

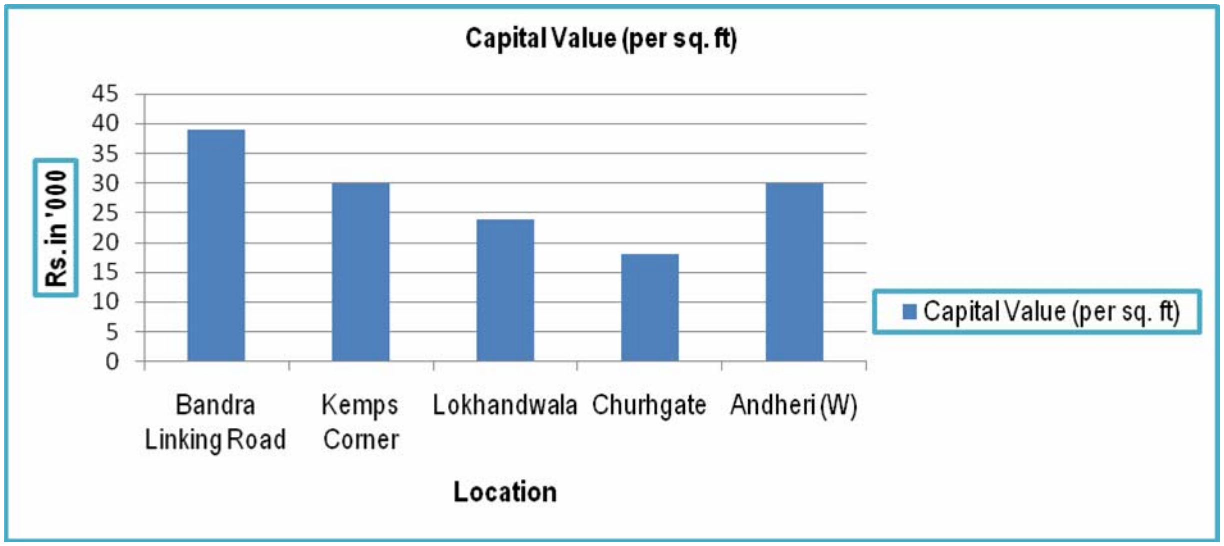

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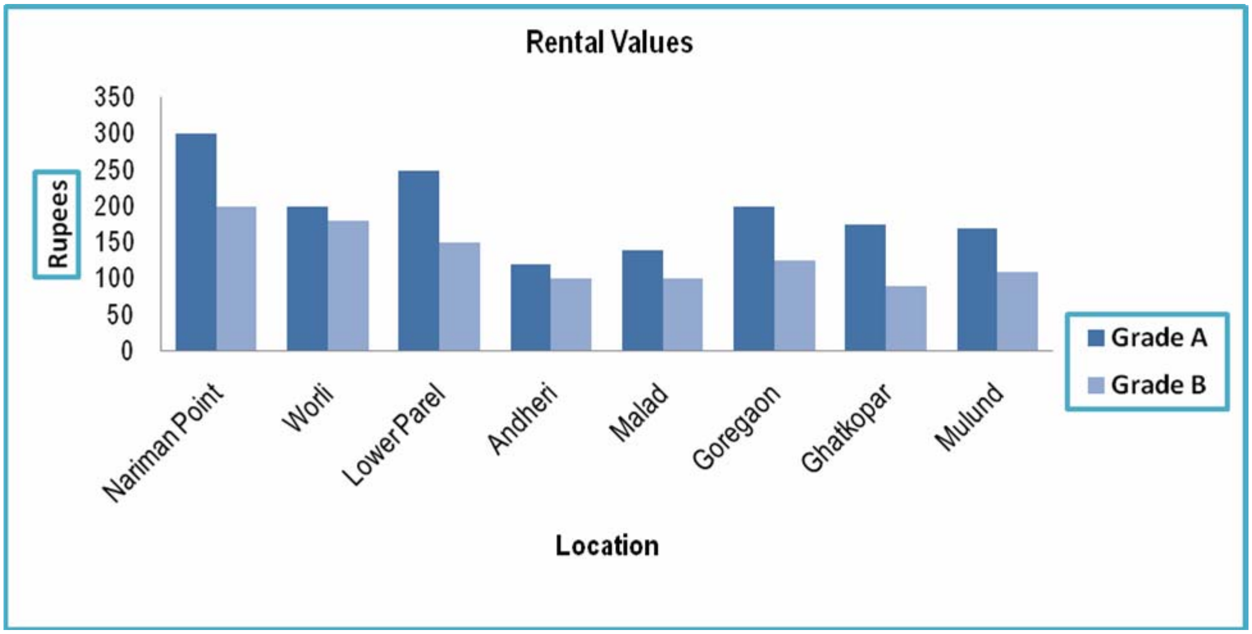
Mall Rental Values in Mumbai

Three malls are supposed to be operational this year i.e. R City, Dreams Mall and R Mall adding a total supply of approx. 2 million sq. ft. Crystal Point in Andheri (W) became fully operational this year. Though Crystal Point has an average occupancy of 50% with Star Bazaar as its major clients.

Mumbai has witnessed an overall vacancy of approx. 20% in secondary market as well as primary market. Lack of demand from retailers has led to fall in lease rates at Lower Parel by 30%. Rental values at Vashi has seen a drop of approx. 10%.

Malls in Andheri and Mulund saw an average drop of 6-7%.



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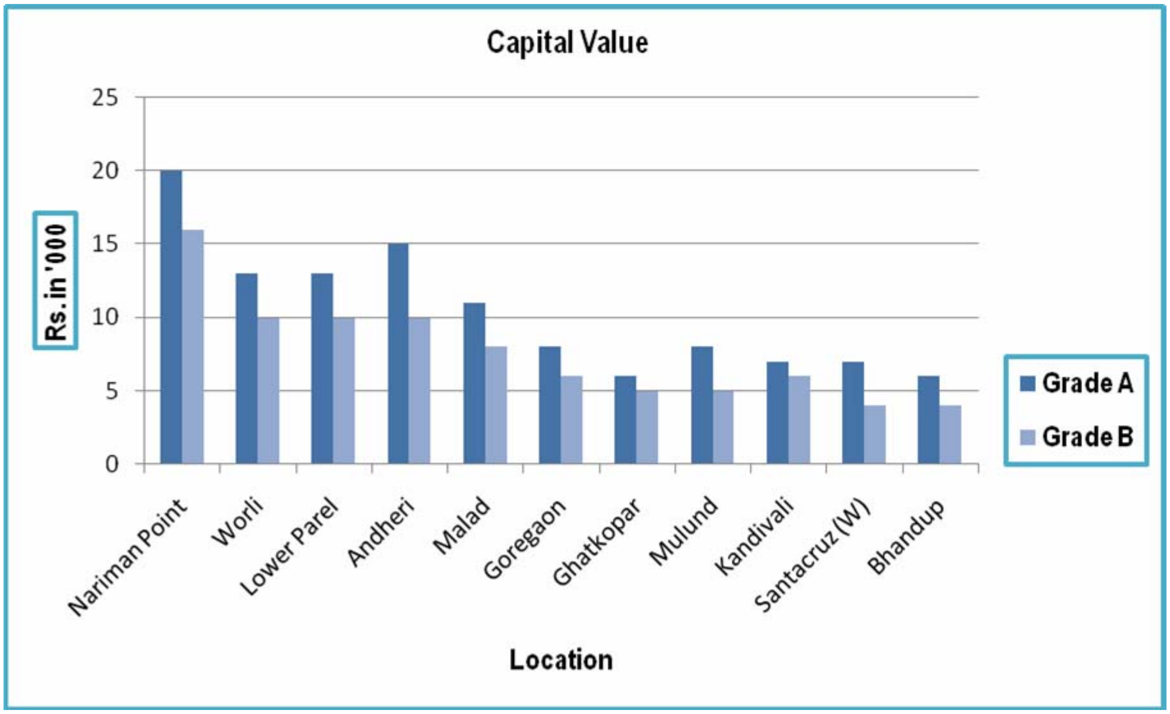
Mall Capital Value in Mumbai



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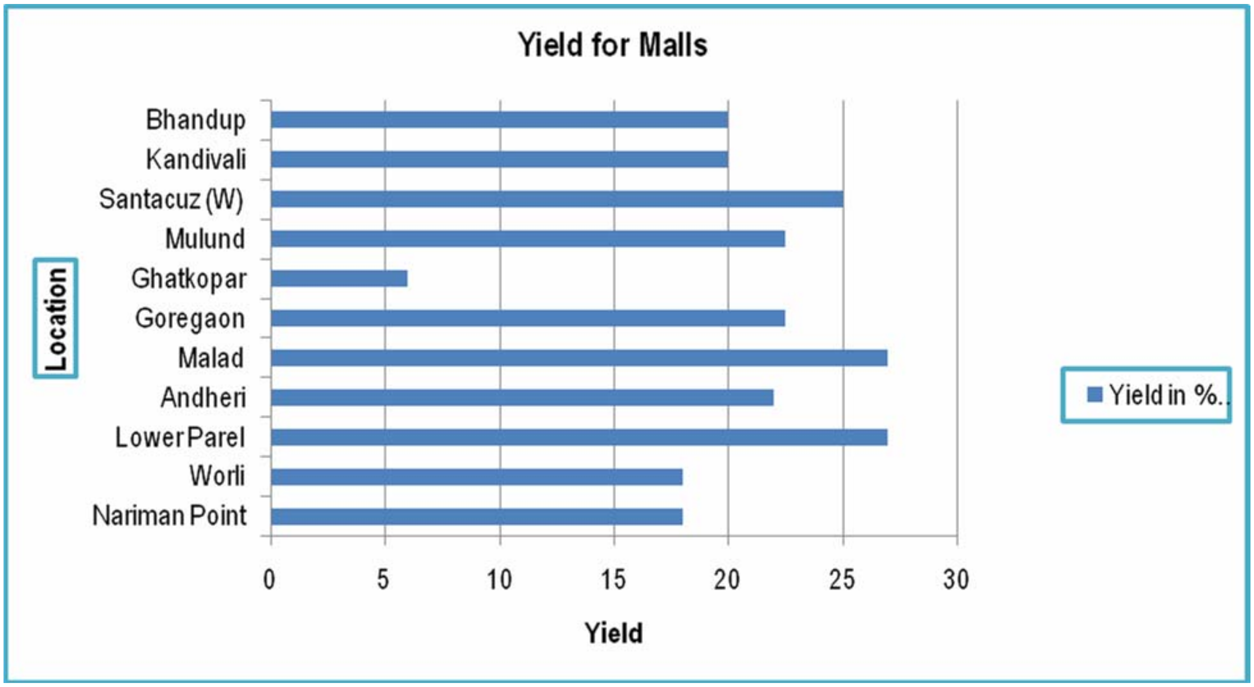
YIELD

Yield of a company is directly related to the lease rental and capita value. With lease rental and capital value ht hard, it is directly affecting the yield of a company. Earlier the yield was to an extent of 10-12% but it has come down to an extent of 8-9% in areas of Kemps Corner and Andheri.



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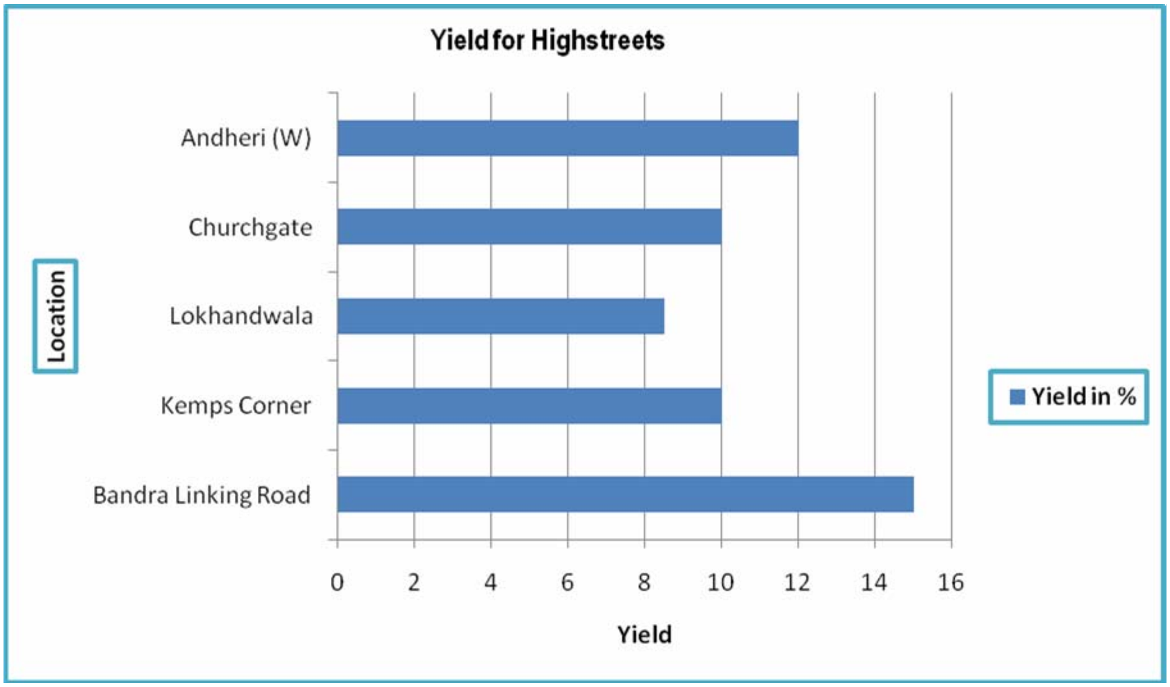

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Upcoming Malls in Different Locations

MALL/Developer	LOCATION
Oberoi Mall	Goregaon
Sheth Developers	Thane
Dreams Mall (Satara Properties)	Bhandup
Koram Mall (Kalpataru)	Thane
Neptune Mall	Bhandup
R Mall (Runwal Group)	Ghatkopar

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Opinion

With the presence of about 30 malls in Mumbai itself and 8-10 proposed to come up will lead to an over supply as demand is not popping up. Now the rental values will totally depend upon the success of these malls. As already stated by one of the leading developers, Oberoi Constructions, malls which have come up in the last quarter in the recession period have been paying rentals on business sharing model. Malls such as Mega Mall at Oshiwara are running at a huge loss hence paying rentals on business sharing model i.e. they pay 15-20% of their revenue as rentals.

There were around 7-8 malls proposed to come up this year of which work has been shifted to next year when situation stabilizes.

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