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At malls, luxury still to come of age

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The onset of the long festive season and improving consumer sentiment has brought some cheer to malls and retail stores. For the luxury market, however, there is no succour.

India has only three large format luxury malls — that exceed 2 lakh sq ft of retail space — UB City in Bangalore, DLF Emporio and Select City Walk in Delhi.

Another luxury mall project called Bergamo by KKA Buildtech is scheduled to open in Chennai in June 2010 and is more on the lines of a luxury shopping complex of about 40,000 sq ft.

Mumbai's first luxury mall — Palladium, at High Street Phoenix — is starting operations on September 26, 6 months behind the original plan to launch in March, and that too with only 20% operational capacity.

"It took longer than expected," said Gayatri Ruia, business development director, Palladium at High Street Phoenix. "There was a business plan to be met — in terms of rates, correct mix of retailers, etc."

Palladium has 4.5 lakh sq ft mall space, in addition to 3 lakh sq ft of car park. The mall will be 50% operational by November and 100% operational by February.

Analysts say the luxury market in India is at a very nascent stage with a lot of entry barriers for retailers and malls, but that there definitely is potential.

"There is a high-class community but there also is a lot of brand consciousness slowly emerging in the young earning consumers. In Delhi or other metros, A-list consumers know their Gucci and Louis Vuitton well. The luxury and super-luxury market may be very small currently but most of the malls that are coming up now are for a long term and definitely have a future," an industry analyst said.

Ruia concurs. "The luxury market has little depth in it. But we are here for longevity. This mall will be here and a leader in its segment for the next 15 years at least so there's no worry for us," she said.

Palladium, for example, will not break even until four years. But Ruia said one has to take calculated risks. "The retail and real estate sectors are emerging and also have risks involved. If you are a serious player, you have to take calculated risks," she said.

The concept of luxury malls is fairly new. When Select City Walk started leasing space to retailers in 2005, not many super luxury brands were keen on entering the mall.

"The super luxury brands were placed in the five star hotel lobbies, they were not keen to come to our mall then. As a result, most of our retailers are semi-luxury brands like Mango, Esprit, GAS, Calvin Klein," said Yograj Arora, director, Select Infrastructure. DLF's Emporio Mall came up later, in 2008-09, by when the super luxury brands were looking at malls.

However, common to other malls, the slowdown has forced luxury malls to lower rentals or opt for revenue-share model. Select City Walk has rolled out a revenue-share model with certain retailers. Palladium will also look at this model, Ruia said.

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