

Economic recovery drives retail realty growth, rentals revive

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Mumbai, Jun 30: Improved economic sentiments in the country is slowly driving recovery in the retail real estate sector. While developers are yet to re-negotiate their rentals with the existing retailers, newer malls have already seen a revival in their rentals, almost to the early 2008 levels.

“Excess supply in retail real estate will be absorbed by 2012. Rentals in newer malls or the ones under construction have already witnessed an upswing by almost 20-25%. In coming times, we clearly see a dearth of quality retail

space which will drive the demand for this section,” said Susil Durgarwal, chief mall mechanic, Beyond Square feet.

A report by real estate consultant CB Richard Ellis has mentioned that the fourth quarter of the previous financial year saw Haagen-Dazs and Zara enter the country's retail sector. Luxury brands, including DKNY and Versace have opened their flagship stores at DLF Emporio at Vasant Kunj in New Delhi. DLF Emporio is the first luxury mall in India. Khan Market, one of Asia's most expensive retail destinations, continued to attract new tenants, including several restaurants, de-



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signer boutiques and international brands such as L'Occitane and Celio.

“At the same time, companies in the food and beverage sector became more active in taking up retail space as consumers continued to gravitate to affordable eating outlets, triggering a climb in the

number of fast food restaurants, as evidenced by KFC's rapid expansion,” the report added.

Spencer's Retail, which is part of the RP Goenka Group, is on an expansion spree. The retailer is planning to open 15-20 hypermarkets this year across the country with a capex of Rs 100 crore.

Anurag Rajpal, vice president (apparel brands), Spencer's Retail, said: “Till last year, retailers had the power to negotiate rentals because of excess retail space. But the scenario this year is not the same.” Rajpal expressed his concern over the low quality of retail space available in malls. “For a vanilla retailer, it is extremely difficult to get the right location. The anchor tenants are given more preference,” said Rajpal.

It would be difficult to state the current per square feet rate as it varies according to the city and location. However, on an average, rentals, which were hovering at around Rs 150 per sqft, have now

gone up to Rs 250-300. “On specific well established high streets, rentals are picking up. Bandra Linking Road and Colaba Causeway have returned to their pre recession rates. On high streets, we are expecting a 15% hike by the year-end,” said Rituraj Verma, national director, retail agency, Knight Frank India. “In specific malls like Inorbit or Forum, rentals for new leases will be up by 25%. Malls like Inorbit, Phoenix Mills, Select City Walk and Forum, continue to do well.”

Vikas Oberoi, chairman & MD of Oberoi Realty, said the company has observed improvements in the performance of its retailers over the last quarter.