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Quality retail space will sell

Mall developers, having learnt from mistakes of the past, hope to do better.

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The market for retail space may be going through a rough patch but the demand for quality space is persistent and there cannot be better options than a well-managed mall, say retail space developers.

The market for quality mall space is beginning to look up and mall developers too, who have learnt from the mistakes, are going the extra mile to keep their occupants happy. While projects in the initial development stage have been put on the back-burner, projects under development are seeing increasing demand for quality space. Leasing activity and rates are looking up, they say.

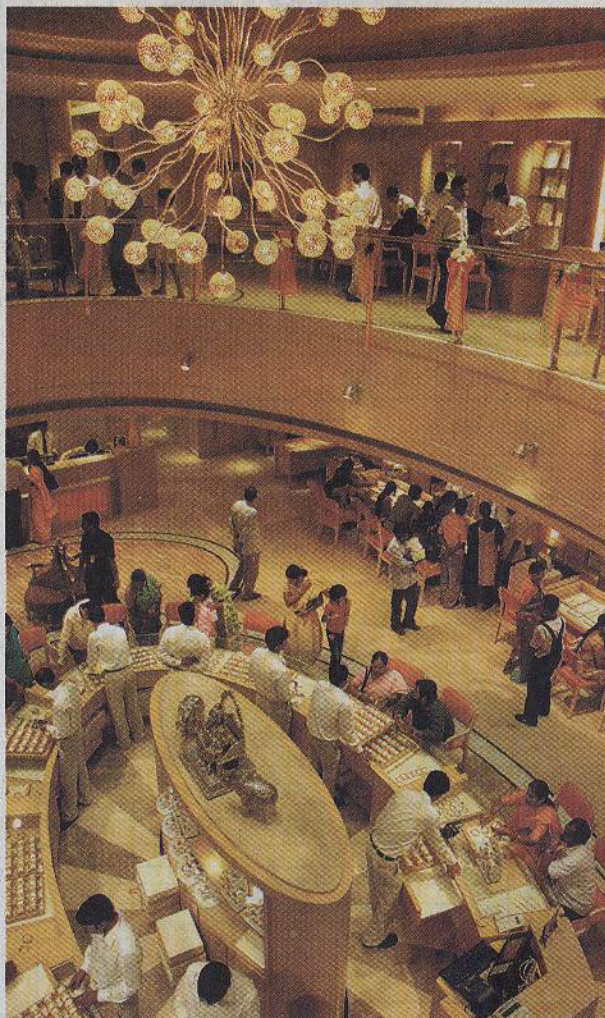
Location is the primary factor, and the first step to success. Other factors are also equally important, basic among them — allow the retailers to make money. Keep occupancy costs at viable levels and follow that up with proper mall management to keep footfalls high, say experts.

MOMENTUM PICKING UP

Mr Susil Dugarwal, Chief Mall Mechanic, Beyond Square Feet Advisory Pvt Ltd, an end-to-end solution provider for mall business, says the momentum is picking up across cities.

Retailers are in an expansion mode and the mood is certainly on the upswing, particularly with the proposed entry of FDI in retail. But the expansion is happening cautiously as retailers are still wary of overreaching themselves after the recent downturn.

Beyond Square Feet is handling five mall projects, including the million sq.ft Neptune Magnet Mall in Mumbai and the high-end Bergamo Mall for premium brands in Chennai, apart from malls in Lonavla and Qatar.



Store truths: Malls need to help retailers make money.

Leasing activity has perked up and retailers in good mall spaces have achieved a level of comfort as footfalls are on the increase, he says.

Of course, developers are sharing more with their tenants as the lease is based on minimum guarantees and revenue sharing.

Fixed rentals are a thing of the past. This arrangement puts a greater responsibility on the mall developers who need to ensure footfalls by making the mall attractive. This is happening as developers have moved further up the learning curve in mall management.

Projects that had been put on the back-burner are being revived and enquiries are on the increase, says Mr Dugarwal.

In Chennai itself, where two major projects, Express

Avenue and Ampa Mall, have made an entry in recent months, there are a handful of projects in the pipeline in the heart of the city. These include two planned in Velachery, the southern part of Chennai, and two that are under implementation by major brands, the Prestige Group and Ozonegroup from Bangalore, in the heart of the city.

A marketing head of a leading mall in Chennai pointed out that mall space supply has to increase. Look at Gurgaon, it has 31 malls for a population of 19 lakh and Chennai with a population of more than one crore has four. Mall space supply will inevitably happen.

Demand for mall space has picked up markedly over the last year and lease rents are on the increase. Mall developers in the city are learning

from experience and ironing out the initial glitches.

WHAT MATTERS?

Mr Irfan Razack, Chairman and Managing Director, Prestige Group, at a recent meeting of realtors said malls need to balance pricing to ensure retailers make money. The cost of occupancy cannot be more than 10 per cent of their income. Lease terms can be short to take advantage of market swings, he said.

Based on the experience of operating one of the leading malls in Bangalore, the Forum Mall, Mr Razack shared some of his experience with an audience of leading developers and real-estate industry representatives.

Some of the tips he had to share included: Mall location is the key considering that more than half the footfalls will be from the residential catchment in the vicinity with the money to spend, transport infrastructure must be good to provide good connectivity. Do not sell the mall, he said. Multiple ownership leads to neglect and poor maintenance.

Balancing the usage of space and giving all occupants a fair deal is key. If 50-60 per cent of the space may be taken over by anchor tenants, but the smaller players are also equally important.

The former may bring in footfalls but the latter, the "vanilla stores", are ones that pay more in terms of rent per sq.ft, he said.

KEY FACTORS

Parking space is a key factor in comfort, as much as cleanliness in giving customers a good experience, he said.

Mall size is a difficult question to answer but in most cities about half a million sq.ft at least is needed, and often the ideal is "bigger the better", he said.

Space efficiency can be around 65 per cent. Too much common area means the retailers are paying out for the expensive maintenance but too little would mean loss of comfort and experience for the shoppers, he said.