

Approx. 4.5 Mn sq. ft. New Mall Supply to Come Up in 2021 Across Indian Cities

By : Editor Published On : 4 Oct, 2021 02:36 PM IST

- *New pan-India retail mall supply to be more than double of 2020 (approx. 2.1 mn sq. ft.)*
- *Of the total, at least 1.22 mn sq. ft. new mall supply to come up at Bengaluru & approx. 1.1 mn sq. ft. each in Mumbai & Noida*
- *Organized Indian retail market growing at an annual CAGR of 20-25%*
- *Future expectations index (FEI) as per the RBI's Aug 2021 consumer confidence survey turns optimistic*

INVC NEWS

Mumbai,

To say that COVID-19 cast a shadow on the Indian retail sector is an understatement, and any hopes for a swift comeback in 2020 fell flat. New mall completions – a lead indicator of the sector's prospects – were phenomenal in 2019, with around 8.5 Mn sq. ft. added across the top 7 cities. This was a staggering 73% growth over the previous year.

However, with complete and then intermittent lockdowns laying a serious jinx on the sector from March 2020, consumers were under house arrest and buying only essentials via ecommerce portals. Also, construction took a major hit during the lockdowns. There were severe supply constraints as well as a shortage of semi-skilled and unskilled construction workers.

As a result, new mall completions in 2020 dropped by 75% over the previous year, clocking in at approx. 2.1 Mn sq. ft.

With the second COVID-19 wave receding gradually and the vaccination drive picking up pace, consumer confidence is once again heading northwards. Due to a substantial improvement in the general economic situation and employment scenario outlook, the future expectations index (FEI) of RBI's latest Consumer Confidence Survey returned into the optimistic territory.



After a severely rough patch in 2020 due to the unprecedented lockdowns, the overall growth prospects for shopping malls remain intact:

- Organized retail penetration in India is less than 10% compared to the developed nations such as the US and UK at 85% and 80%, respectively.
- Per capita organized retail space in India is approx. 2 sq. ft per person compared to the US at 23 sq. ft. per person and Dubai at 16 sq. ft. per person.
- India's per capita income is USD 1,961 and has grown 12% in the past 5 years.

✘ **Pankaj Renjhen, COO & Jt. MD - ANAROCK Retail** says, "Improving consumer confidence and a resilient long-term retail growth story translates into higher shopping spending, which reflects in the mall space scheduled for deployment in 2021. As per ANAROCK research, approx. 4.5 Mn sq. ft. of new supply is planned for 2021. This new supply will be spread across tier I and tier II cities of India, with tier I cities accounting for around 90% of the space. Approx. **85% of the upcoming malls are likely to be added in tier I cities**, and 15% in tier II & tier III cities."

- **Noida in NCR** has around 1.1 Mn sq. ft. of new space planned for 2021, across 3 malls. NCR – the region where the mall story kicked off in a big way more than a decade ago – is back in action with new malls planned for this year. The sheer geographic spread and the population of this region support the mall development here.
- **Bengaluru** – the prominent city of South India - is likely to witness new space completion of 1.22 Mn sq. ft., spread across 2 malls. This city is primarily driven by IT-ITeS companies whose business hasn't been negatively impacted by the pandemic outbreak. As a result, the consumption pattern in the city is likely to improve in future periods.
- **Mumbai**, the financial and commercial capital of India, is likely to add only 1.1 Mn sq. ft. of new space spread across 3 malls. The city has witnessed significant mall supply addition in the recent past and so it seems to be going slow for now. Also, COVID has rampaged the lives and livelihoods of many in the city and as a result, the real estate developers seem to be cautiously treading ahead.
- **Lucknow and Amravati** are among the tier II cities which collectively have nearly 4.7 Lakh sq. ft. of mall space addition planned for 2021, across 2 malls.



Investors Upbeat on Retail

Considering that the long-term future of organized retail in India looks secure, investments continue to flow into the segment. Some highlights:

- In June 2021, Phoenix Mills Ltd and GIC partnered to establish a USD 733 Mn investment platform for retail-led mixed-use assets in India.
- In March 2021, Blackstone concluded Prestige's retail & commercial assets' acquisition for USD 1.5 Bn
- During the pandemic, Reliance Retail raised INR 47,265 Cr by selling a 10.09% stake to investors such as Silver Lake Partners, KKR, ADIA, and others.

Retail Real Estate in 2021 - No Looking Back

“A Pan-India comparison of retail mall supply additions planned for 2021 depicts more than double growth over the previous year,” says Pankaj Renjhen. “The Indian economy is likely to regain its growth trajectory as the COVID-19 effect recedes. As per IMF estimates, India is likely to grow at 9.5% in FY22 - the fastest globally.”

The Indian retail sector is witnessing accelerated organization. As per industry estimates, organized retail is growing at a 20-25% CAGR per year, and the comeback of new retail mall supply bodes well for the sector.

Overall, there are good times ahead for Indian retail real estate after a subdued slowdown inorganically cast by the COVID-19 outbreak.

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