



among all major economies. The US today has more than 40,000 malls and shopping centres – almost 100 malls for every one million people. In India, even when we have 400 operating malls, it will be one mall for every three million people – the US has 300 times more malls than India. Even though the US economy is 10 times bigger than India, the numbers still don't add up. This analysis only proves the point that India has the potential to absorb thousands of malls in the coming years.

When we look at the ground reality, though, we realise the number of new mall projects in the pipeline is shrinking. The reason is quite simple – most mall developers today are real estate companies who look at the commercial feasibility of each project independently. For a real estate developer, the most precious resource

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**MOST MALL DEVELOPERS TODAY ARE REAL ESTATE COMPANIES WHO LOOK AT THE COMMERCIAL FEASIBILITY OF EACH PROJECT. FOR A REAL ESTATE DEVELOPER, THE MOST PRECIOUS RESOURCE IS THE PIECE OF LAND THAT THE COMPANY OWNS.**

So, it is a tricky situation for mall owners – if your mall isn't successful, you have the space but no takers and vice versa.

In such a scenario, I won't blame real estate companies for not considering their precious land plots for building yet another mall. Given the real estate scarcity and premium related to it, I don't see the situation changing in the near future. The only respite could have come in if there were mall developers and management companies whose focus was on developing and managing malls.

Unfortunately, India doesn't have any serious mall companies, and many domestic real estate players who had ventured in that direction have either changed their models or shrunk their plans. FDI rules are restrictive for international mall companies who would be really keen to take over some distressed assets and revive them to create a reasonable size business really quickly. However, FDI is allowed only in greenfield projects and that limits the options for international players. Also, they end up taking projects in partnerships with local partners who hold the land banks that come to a joint venture at a stupendous premium and that again discourages international players.

Malls have brought quality retail space to the Indian market and this has really fuelled the growth of modern retail, and somewhere both of these have become intertwined with each other. However, now that the development and growth of malls seems to be fading away, it seems we are likely to witness its impact on the growth of modern retail in the coming years. I hope pragmatic policies by the government and practical thinking by market players may save the day for modern retail and the overall consumption story of India. ❏

#### ABOUT THE AUTHOR



Harminder Sahni is managing director of Wazir Advisors Pvt Ltd.



# Shopping centres: Not such a hot deal!

By Harminder Sahni

WHILE INDIA CAN STILL ABSORB THOUSANDS OF MALLS, THE FACT REMAINS THAT MALL DEVELOPMENT HAS SUFFERED A JOLT SINCE REAL ESTATE DEVELOPERS FIND MORE LUCRATIVE OPTIONS IN COMMERCIAL AND RESIDENTIAL PROJECTS.

→ With almost 200 malls in operation and another 200 in the pipeline and expected to open in the next two years, it is hard to believe that it was only a little over 10 years ago when Delhi and Mumbai had their first mall openings. While as a structure a mall may not be more than an air-conditioned market place, its impact on the consumer psyche and consumption patterns is far reaching. The core idea is to put a lot of stores for shopping, entertainment and eating together at a conveniently accessible place, and a mall is only a modern manifestation of that idea. As anyone would have expected, malls have become the most favourite place for hanging out, if not yet for shopping.

In this article, I want to explore and understand how the malls have helped the growth of organised/

modern retail and how in future the growth of malls will determine the success of the modern retail sector. Let us now revisit when and how the malls arrived only a decade ago?

Somewhere during the first decade of the opening of Indian economy, the sense of consumerism took its roots in the minds of Indians and the market players, too, started sensing the potential of mass consumption. While consumer product companies, both domestic and multinational players, were around and thriving for a while, the last point of consumer connection – the point of sales (POS) – was always a challenge because of the 'unorganised' nature of Indian retail. With more than 10 million retail outlets offering a variety of merchandise, India was and still remains a country with lowest square foot of retail space per million people

is the piece of land that the company owns. The options before them are many – commercial, residential, hospital, hotel, educational institution or a mall. I have spoken to numerous developers and, in their views, the most lucrative option is either residential or commercial, depending on the location. However, the consensus is that the mall is the least preferred option in the present-day scenario. The reasons for considering malls as the worst possible option were always obvious, but the recent economic slowdown and its impact has further strengthened this view.

From the time when individual investors were willing to buy mall square feet at premium rates to retailers outbidding each other for taking any store in a mall to rents going higher than the sales realised, mall owners have learnt to live with the extreme reality of zero rent for the first year to revenue share with some minimum rent at best. The successful malls, and there are still only a few of them, are in a position to enjoy a waiting list of retailers to get in. The only trouble is that they don't have space available that can be offered to monetise their well-earned success.