India Retail, H2 2017

# Supply of 2.0 million sq. ft.; 100% automatic FDI for single brand retail

| Rents Up | Rents Stable | Rents Down | Consumer Confidence | Supply (Y-O-Y) |
|---|---|---|---|---|
| 4 Markets | 25 Markets | 1 Market | | 5% |

*Arrows indicate change over H1 2017 rentals in high streets.

While 2016 was a year of policy announcements, 2017 saw their implementation. Last year, the government finally implemented several policies, initiatives and reforms it had announced over the past two years, infusing positivity in the real estate landscape. We expect 2018 to be a year of fructification as these initiatives are likely to bear fruit in the coming year.

The Indian economy grew by 6.3% during the quarter ended September 2017, compared with 5.7% in the previous quarter. However, despite the recovery of the quarterly GDP, the RBI has retained its growth projection for 2017-18 at 6.5%.

The upward momentum in quarterly GDP growth was largely attributed to the fact that the manufacturing sector grew by 7.0% following the implementation of the GST. In addition, sectors such as trade, hotels and transport (9.9%), and electricity, gas, water supply and other utility services (7.6%) contributed to the economic growth. The construction sector continued to perform well as it grew by 2.6%, compared with 2.0% in the previous quarter. However, the real estate services (along with financial, insurance and professional services) sector posted a marginal slowdown in growth from 6.4% to 5.7%.

After witnessing a dip in June, retail inflation (measured by consumer price inflation or CPI) rose to 4.9% in November 2017, driven by food and fuel prices. In August 2017, the Monetary Policy Committee (MPC) revised its inflation estimates to about 3% for Q3 2017 and 4.0-4.5% for Q1-Q2 2018. Due to the increase in inflation, the central bank decided to keep the lending rates constant at 6% in their fifth bimonthly policy review.

## ADDITIONAL 2 MILLION SQ. FT. OF FRESH SUPPLY, KOLKATA AND PUNE LEAD SUPPLY

The Indian retail real estate market witnessed continuous foray of international brands, launch of new retail developments and robust demand for space in H2 2017. The second half of 2017 saw an addition of about 2 million sq. ft. of fresh supply across the seven key cities; majority of which was concentrated in Kolkata, Delhi National Capital Region (NCR), Chennai, Pune and Bangalore. The review period witnessed the launch of Downtown Mall, Star Mall and Astra Mall (totalling 0.6 million sq. ft.) in Kolkata, DLF Chanakya (0.2 million sq. ft.) in Delhi, Palladium (0.2 million sq. ft.) in Chennai, The Pavilion (0.6 million sq. ft.) in Pune and Vega city Mall (0.4 million sq. ft.) in Bangalore. Supply on an annual basis was around 3.4 million sq. ft., almost in line with the supply that entered the key cities in 2016.

## MORE THAN EIGHT GLOBAL RETAILERS/ OPERATORS ENTER IN H2 2017; ROBUST DEMAND FOR QUALITY REAL ESTATE

The demand for retail space remained strong as international brands such as ToysRUs, Tom Tailor, Miniso, Simon Carter, Women' Secrets and Jo Malone opened their first outlets in the country; while others such as H&M, Mango, Adidas and Starbucks continued to expand operations. Merlin Entertainments' Madame Tussauds museum opened their first door in India at Connaught place, New Delhi in October and IKEA brought in their experience center format 'Hej Homes' in Hyderabad. Department Store chains such as Westside, Lifestyle, and Pantaloons and fashion retailers such as Max and Zudio continued to expand across top market of Bangalore, NCR, Mumbai, Hyderabad and Chennai.

A key noticeable trend in 2017 was retailers adopting an 'omni-channel' strategy to connect with their consumers; whereby leading e-commerce players such as Urban Ladder, Craftsvilla, Jaypore, Pepperfry and Nykaa forayed into the brick-and-mortar space and set up their experience centers, while established retailers such as Zara launched their online channel in India in October.

The F&B landscape was vibrant with international operators such as Starbucks, Nando's, Burger King, Cold Stone Creamery opening more outlets and domestic chains such as Mamagoto, Soda Bottle Openerwala expanding in the second half of the year. The Government's provision for allowing micro-breweries in Delhi is expected to boost the demand for space from these operators.

## SELECT PRIME AREAS WITNESS RENTAL APPRECIATION

Rental trends varied across key high-streets in major cities during H2 2017. High-street markets such as Commercial street, Brigade Road, Jayanagar and Kamnahalli in Bangalore observed an appreciation in rentals, while rents maintained stability across most of the other high-streets in the country.

## CHEERS TO REFORMS- NEW FDI POLICY FOR RETAIL; 100% FDI IN SINGLE BRAND RETAIL UNDER THE AUTOMATIC ROUTE

The second half of 2017 was upbeat from a policy perspective with further easing of the FDI norms (as discussed in the table below).
The key initiative to further encourage FDI inflows in the Retail sector came in January 2018 when the Government allowed up to 100% FDI in Single-brand Retail through the automatic route. The policy imitative would further ease the entry of international retailers in India. Adidas opened its first company-owned store in India at DLF Promenade in New Delhi; they secured the nod for 100% FDI in Single-brand retail earlier in 2017.

| Segment | Previous Provision (June 2016 Policy) | Revised Provision (August 2017) |
|---|---|---|
| **Wholesale Cash and Carry** | Earlier, a wholesale/cash & carry trader was not allowed to undertake retail trading in the same entity. | The FDI Policy -2017 replaces the reference to "single brand retail trading" by "retail trading", thereby allowing a wholesale/cash and carry trader to undertake both single brand and multi-brand retail trading under the same entity. |
| **Sourcing Norms** | Single Brand Retail Trading (SBRT) entities undertaking trading of products having 'state-of-art' and 'cutting-edge' technology and where local sourcing is not possible, were allowed to seek exemption from these sourcing norms for a period of 3 years from opening of its first store. Thereafter, the sourcing norms would become applicable. However, the definition of "state of the art" technology remained unclear. | The FDI Policy 2017, clarifies on this clause and provides that a committee of DIPP would examine claims and suggest relaxations for products being in the nature of 'state-of-art' and 'cutting-edge' technology, where local sourcing is not possible. |
| **E- Commerce Sales** | The government came out with guidelines on FDI in the e-commerce sector in 2016 which restricted an e-commerce entity from permitting more than 25% of the sales affected through its marketplace from one vendor or their group companies. | The current policy has clarified as to how this 25% of the sales will be calculated – the policy has defined it as 25% of value of sales, on a financial year basis. |
| **Single-Brand Retail Trading** | Indian Manufacturer: An Indian manufacturer is permitted to sell its own branded products in any manner i.e. wholesale, retail, including through e-commerce platforms.<br><br>Other Retailers: a single brand retail trading entity operating through brick and mortar stores, is permitted to undertake retail trading through e-commerce. This implied that while Indian manufacturers could trade in any manner, other companies needed to have brick and mortar operations to sell their goods online. | Up to 100% FDI allowed under automatic route.<br><br>Relaxed sourcing norms.<br><br>The clause "Indian manufacturer is permitted to sell its own branded products in any manner i.e. wholesale, retail, including through e-commerce platforms" has been removed, thereby providing clarity to single brand retailers having FDI. |

Source: CBRE Research, H2 2017.

**Rents mentioned in the report are indicative rentals based on super / built-up area in both high street locations and mall developments.

| Segment | Previous Provision (June 2016 Policy) | Revised Provision (August 2017) |
|---|---|---|
| Single Brand Trading | The 70:30 Rule- An Indian manufacturer was defined as an investee company, which is the owner of the Indian brand and which manufactures in India, in terms of value, at least 70% of its products in house, and sources, at most 30% from Indian manufacturers. | The 70:30 rule has been done away, thereby bringing cheer to manufacturers that were under contract/outsourcing manufacturing. |

Figure 1: High Street and Malls -Annual and Six Monthly Average Rental Movement (%) Across Major Cities


Source: CBRE Research, H2 2017.

**Rents mentioned in the report are indicative rentals based on super / built-up area in both high street locations and mall developments.

## MARKET SUMMARY

Both domestic and international retailer were active in H2 2017, with Fashion brands and F&B operators leading the leasing activity. Retail stores of varied sizes opened outlets across prominent shopping centers and prime high streets, ensuring that retail activity in the region remained steady. In malls, key leasing transactions include the market re-entry of Mango in India with a flagship store at Select Citywalk and Hamleys and Only at DLF Mall of India, Noida. Pacific Mall in West Delhi saw a number of openings by leading fashion and apparel retailers such as GAP, Armani Exchange, Cover Story and Dune in H2 2017.

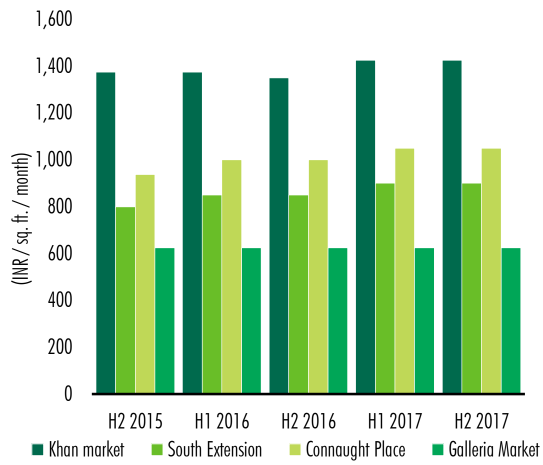
New store openings included Wok to Walk and Madam Tussauds in Connaught Place, Starbucks at Bharti Worldmark, and IHOP, United Coffee House and Pappa Roti in DLF Cyber Hub. In terms of fresh supply in NCR, the second half of 2017 saw the launch of DLF's newest luxury development - DLF Chanakya. Spanning 0.2 million sq. ft., the mall witnessed store openings by leading brands such as Hermès, Montblanc, Thomas Pink and Nicobar.

Fashion and apparel continued to dominate leasing activity with brands such as Adidas, Pantaloons, Decathlon and Westside continuing to expand in the region. F&B operators also remained active with Starbucks opening new stores in Delhi and Gurgaon.

## RENTAL TRENDS

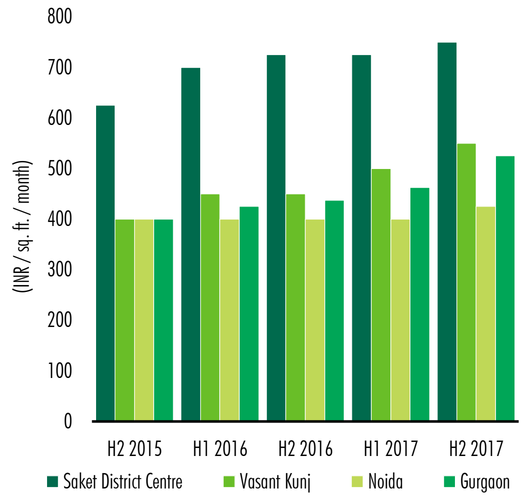
In H2 2017, prime mall developments across all micro-markets in the region (Saket District Center, Vasant Kunj, Gurgaon and Noida) witnessed a rental increase of 3-14% y-o-y, largely driven by limited vacancy and strong occupier interest in prime developments.

Figure 2: High Street Rental Value Movement




Source: CBRE Research, H2 2017.

Figure 3: Shopping Centre Value Movement




Source: CBRE Research, H2 2017.

Table 1: Key Brands Launched

| Brand | Category | Presence |
|---|---|---|
| Mango | Fashion | Select Citywalk |
| Adidas (First Company-owned Store) | Sports | DLF Promenade |
| Miniso | Accessories | Kamla Nagar, Great India Place, Pacific Mall, South Extension |
| Madame Tussauds | Entertainment | Connaught Place |
| Cold Stone | F&B | Ambience Mall, Delhi |

Source: CBRE Research, H2 2017.

On the other hand, rental values on high streets remained stable during the second half of the year.

Table 2: Selected Leasing Transactions

| Property | District | Size (in sq. ft.) | Tenant |
|---|---|---|---|
| Select Citywalk | Saket | 1,700 | Mango |
| Galleria | Gurgaon | 700 | Starbucks |

Source: CBRE Research, H2 2017.

Table 3: Key Retail Project Completions

| Property | Developer | District | Size ( Sq.Ft) |
|---|---|---|---|
| DLF Chanakya | DLF | Chanakyapuri, New Delhi | 200,000 |

Source: CBRE Research, H2 2017.

Table 4: Sub-market Key Stats

| High Streets | Average Rent in H2 2017 (INR/sq. ft. / month) | Average Rent in H1 2017 (INR/sq. ft. / month) | Half Yearly Change (%) | Y-o-Y Change (%) |
|---|---|---|---|---|
| Khan Market | 1,300-1,550 | 1,300-1,550 | 0.0 | 5.6 |
| South Extension | 800 - 1000 | 800 - 1000 | 0.0 | 5.9 |
| Connaught Place | 1000 - 1,100 | 1000 - 1,100 | 0.0 | 5.0 |
| Galleria Market, Gurgaon | 600-650 | 600-650 | 0.0 | 0.0 |
| Mall Clusters | Average Rent in H2 2017 (INR/sq. ft. / month) | Average Rent in H1 2017 (INR/sq. ft. / month) | Half Yearly Change (%) | Y-o-Y Change (%) |
| Saket District Centre | 700 – 800 | 675 - 775 | 3.4 | 3.4 |
| Vasant Kunj | 500 - 600 | 450 - 550 | 10.0 | 22.2 |
| Noida | 375 – 475 | 350 - 450 | 6.3 | 6.3 |
| Gurgaon | 500 – 550 | 450 - 475 | 13.5 | 20.0 |

Source: CBRE Research, H2 2017.

## MARKET SUMMARY

There was steady demand for established high street locations such as Fort, Colaba, Lower Parel, Bandra, Khar and Andheri in the western suburbs and Chembur, Powai, Palm Beach road and Ghodbunder Road in the eastern corridor. H&M undertook aggressive expansion in Mumbai market and leased space at Xperia Mall in Palava, R City mall in Ghatkopar, and Le Palazzo near Kemp's Corner. The automobile sector has returned to its strategy of developing large-format stores, with Mercedes recently opening a 10,000 sq. ft. facility in Thane.

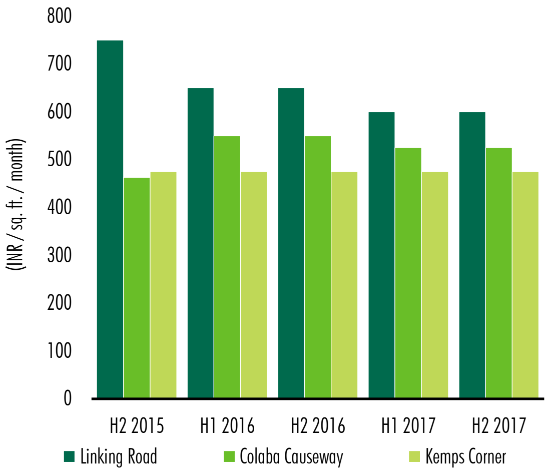
The churn in leasing has given shopping centres an opportunity to provide fresh space to new brands entering the retail sector. For instance, international brands such as Mango and Massimo Dutti opened their first stores in Mumbai at High Street Phoenix in Lower Parel. In addition, Marks and Spencer, Ethos and Aeropostle have leased space in Oberoi mall, Goregaon. Inox opened its new luxury format – Inox Insignia at Atria Mall in Worli, while retailers such as Vijay Sales and Pantaloons continued to expand their presence across the city.

F&B, leisure and wellness players continue to be active in the market. Popular F&B players have launched new brands such as Nara & Cin Cin, Hitchki (Bandra Kurla Complex), South High, Kode and Lady Baga (Kamla Mills) in Mumbai, while a number of cafés and all-day diners (such as Plenty and Tasse de The' in Fort) have opened outlets across the city.

## RENTAL TRENDS

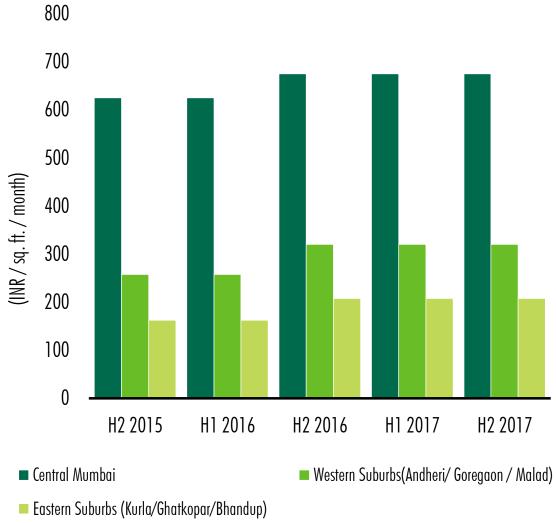
Rentals remained largely remained stable; both across high streets and malls due to steady demand.

Figure 4: High Street Rental Value Movement




Source: CBRE Research, H2 2017.

Figure 5: Shopping Centre Value Movement




Source: CBRE Research, H2 2017.

Table 5: Key Brands Launched

| Brand | Category | Presence |
|---|---|---|
| Massimo Dutti | Fashion | High Street Phoenix, Lower Parel |
| Mango | Fashion | High Street Phoenix, Lower Parel |

Source: CBRE Research, H2 2017.

Table 6: Selected Leasing Transactions

| Property | District | Size (in sq. ft.) | Tenant |
|---|---|---|---|
| Xperia Mall | Dombivali | 36,000 | Central |
| R City Mall | Ghatkopar | 22,000 | H&M |
| Phoenix Marketcity | Kurla | 15,000 | Home Center |

Source: CBRE Research, H2 2017.

Table 7: Sub-market Key Stats

| High Streets | Average Rent in H2 2017 (INR/sq. ft. / month) | Average Rent in H1 2017 (INR/sq. ft. / month) | Half Yearly Change (%) | Y-o-Y Change (%) |
|---|---|---|---|---|
| Linking Road | 500 – 700 | 500 – 700 | 0.0 | -7.7 |
| Colaba Causeway | 450 – 600 | 450 – 600 | 0.0 | 0.0 |
| Kemps Corner | 450 - 500 | 450 - 500 | 0.0 | 0.0 |
| **Mall Clusters** | **Average Rent in H2 2017 (INR/sq. ft. / month)** | **Average Rent in H1 2017 (INR/sq. ft. / month)** | **Half Yearly Change (%)** | **Y-o-Y Change (%)** |
| Central Mumbai | 600 - 750 | 600 - 750 | 0.0 | 0.0 |
| Western Suburbs (Andheri, Goregaon, Malad) | 250 - 390 | 250 - 390 | 0.0 | 0.0 |
| Eastern Suburbs (Kurla, Ghatkopar, Bhandup) | 125 - 290 | 125 - 290 | 0.0 | 0.2 |

Source: CBRE Research, H2 2017.

## MARKET SUMMARY

Leasing activity during H2 2017 remained stable, owing to the entry/expansion of both domestic and international brands across high streets and shopping centers. Leasing activity underwent significant traction across developments such as Orion, VR and Garuda malls.

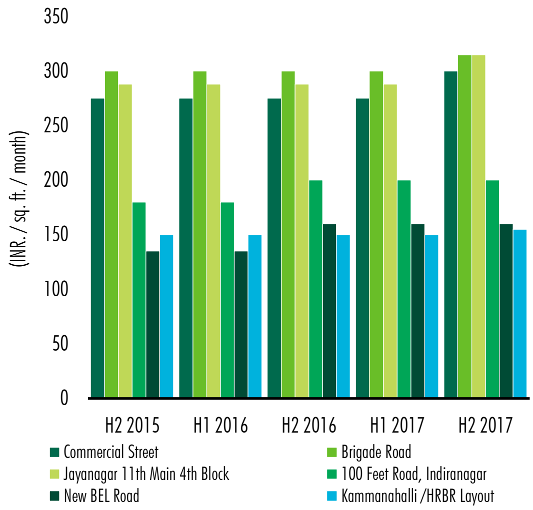
The second half of 2017 also witnessed the completion of the much-awaited Blue Horizon Group's Vega City mall on Bannerghatta Road; spread over 0.42 million sq. ft. of leasable area. Prominent international and domestic retailers such as H&M, Lifestyle, PVR, Max, Vero Moda, MAC, Burger King and Starbucks have opened outlets in the mall. In addition, Jack n Jones & W opened up in Garuda mall; Steve Madden and Nando's opened up in Brigade Orion mall, and Starbucks commenced operations at VR mall.

In terms of high street store openings, Skechers leased space on 100 feet road in Indira Nagar, Westside opened at Yelahanka Main Road, and Vapour Lounge opened in Jayanagar.

## RENTAL TRENDS

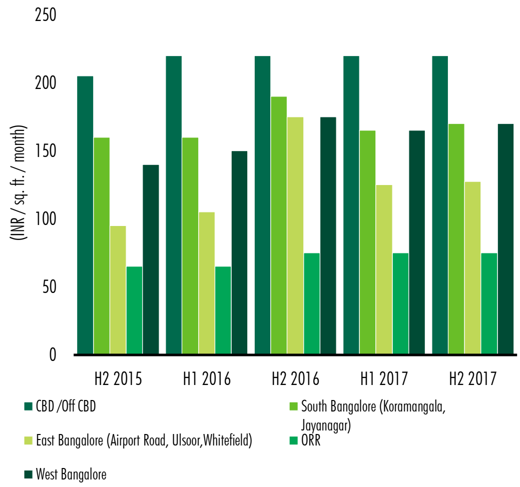
On a half-yearly basis, rental values across the high-street locations of Commercial Street, Brigade Road, and 11th Main, 4th Block, Jayanagar appreciated by about 9-12%, owing to increasing demand. Similarly, rents in Kammanahalli/HRBR Layout also increased by about 2-4% on a half-yearly basis. However, rental values at 100 Feet Road, Indira Nagar and New BEL Road remained stable during the review period. In terms of organized mall developments, rental values remained largely stable.

Figure 6: High Street Rental Value Movement




Source: CBRE Research, H2 2017.

Figure 7: Shopping Centre Value Movement




Source: CBRE Research, H2 2017.

Table 8: Key Brands Launched

| Brand | Category | Presence |
|---|---|---|
| ToysRUs | Kids | Phoenix Marketcity |
| Springfield | Fashion | Phoenix Marketcity |
| Mi | Electronics | Phoenix Marketcity and Brigade Orion |
| Zudio | Fashion | Commercial Street |

Source: CBRE Research, H2 2017.

Table 9: Selected Leasing Transactions

| Property | District | Size (in sq. ft.) | Tenant |
|---|---|---|---|
| Ascendas Park Square Mall | East Bangalore | 12,500 | Unlimited |
| Garuda Mall | CBD | 6,500 | Project Eve |
| Marathalli | East Bangalore | 12,000 | Joy Alukkas |
| Reliance trends | South Bangalore | 9,000 | Reliance Trends |
| Jayanagar 11th Main | South Bangalore | 6,000 | Centro Shoes |

Source: CBRE Research, H2 2017.

Table 10: Key Retail Project Completions

| Property | Developer | District | Size ( Sq.Ft.) |
|---|---|---|---|
| Vega City | Blue Horizon | South Bangalore | 420,000 |

Source: CBRE Research, H2 2017.

Table 11: Sub-market Key Stats

| High Streets | Average Rent in H2 2017 (INR/sq. ft. / month) | Average Rent in H1 2017 (INR/sq. ft. / month) | Half Yearly Change (%) | Y-o-Y Change (%) |
|---|---|---|---|---|
| Commercial Street | 275-325 | 250-300 | 9.1 | 9.1 |
| Brigade Road | 280-350 | 250-350 | 5.0 | 5.0 |
| Jayanagar 11th Main 4th Block | 300-330 | 275-300 | 9.4 | 9.4 |
| 100 Feet Road, Indiranagar | 175-225 | 175-225 | 0.0 | 0.0 |
| New BEL Road | 150-170 | 150-170 | 0.0 | 0.0 |
| Kammanahalli /HRBR Layout | 150-160 | 140-160 | 3.3 | 3.3 |
| **Mall Clusters** | **Average Rent in H2 2017 (INR/sq. ft. / month)** | **Average Rent in H1 2017 (INR/sq. ft. / month)** | **Half Yearly Change (%)** | **Y-o-Y Change (%)** |
| CBD /Off CBD | 180-260 | 180-260 | 0.0 | 0.0 |
| South Bangalore (Koramangala, Jayanagar) | 160-180 | 150-180 | 3.0 | 0.0 |
| East Bangalore (Airport Road, Ulsoor,Whitefield) | 125-130 | 120-130 | 2.0 | 0.0 |
| ORR | 70-80 | 70-80 | 0.0 | 0.0 |
| West Bangalore | 160-180 | 150-180 | 3.0 | 3.0 |

Source: CBRE Research, H2 2017.

## MARKET SUMMARY

Retail leasing activity in Hyderabad increased during the second half of 2017, with the high street locations of Himayath Nagar and Banjara Hills accounting for a majority of the leasing activity. The highlight of H2 2017 was the launch of the 'Hej Home', experience centre by Swedish home furnishing retailer IKEA in Forum Mall, Kukatpally. The city also witnessed the entry of American automobile brand Jeep and Bentley with both opening exclusive dealerships.

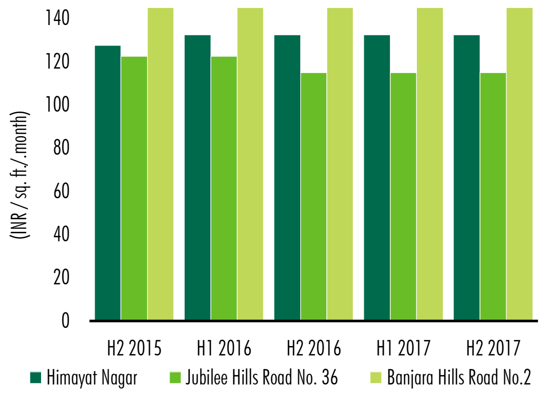
Retailers across categories continued to lease space on high streets; H&M opened its second store in Hyderabad in a standalone property at Jubilee Hills and Central leased a standalone outlet in Gachibowli. Additionally, Pantaloons, Unlimited and Sting opened doors in Himayath Nagar, Mebaz in Chanda Nagar, and Parklane and Max in Hyder Nagar during this period. F&B operators such as Farzi Café and Buffalo Wild Wings opened their first outlets in the city in Jubilee Hills, while Pizza Hut, KFC, Burger King and Paradise Biryani continued to expand their presence in the city. Croma and Pai Electronics opened new stores at Road No. 36 (Jubilee Hills) and Kompally respectively. Local grocery retailer Ratnadeep opened three new stores in the city.

Leasing activity in malls was largely driven by apparel brands with Armani Exchange opening its first store in Hyderabad in GVK One Mall. International toy retailer Hamley's expanded its presence in the city by inaugurating its third store in Inorbit mall.

## RENTAL TRENDS

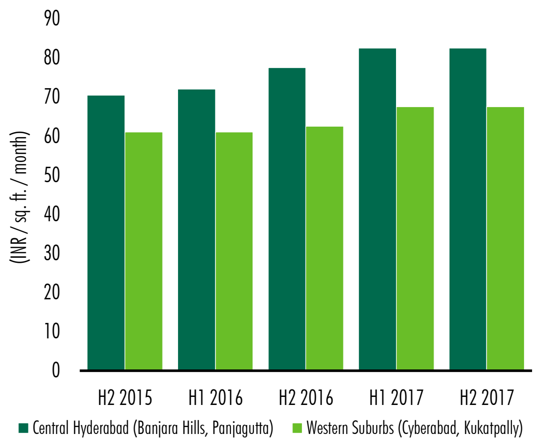
Rental values largely remained stable both in the high street and organized retail segment.

Figure 8: High Street Rental Value Movement




Source: CBRE Research, H2 2017.

Figure 9: Shopping Centre Value Movement




Source: CBRE Research, H2 2017.

Table 12: Key Brands Launched

| Brand | Category | Presence |
|---|---|---|
| IKEA Hej Home | Home Furnishing | Forum Mall |
| Jeep | Automobile | High Street |
| Bentley | Automobile | High Street |
| Armani Exchange | Fashion | GVK One Mall |
| Buffalo Wild Wings | F&B | High street |
| Farzi Café | F&B | High Street |

Source: CBRE Research, H2 2017.

Table 13: Selected Leasing Transactions

| Property | District | Size (in sq. ft.) | Tenant |
|---|---|---|---|
| Individual Building | Chandanagar | 10,500 | Mebaz |
| Individual Building | Kompally | 20,000 | Chennai Shopping mall |
| Alcazar Plaza | Jubilee Hills | 20,000 | H&M |
| GSM Mall | Gachibowli | 80,000 | Central |

Source: CBRE Research, H2 2017.

Table 14 Sub-market Key Stats

| High Streets | Average Rent in H2 2017 (INR/sq. ft. / month) | Average Rent in H1 2017 (INR/sq. ft. / month) | Half Yearly Change (%) | Y-o-Y Change (%) |
|---|---|---|---|---|
| Himayat Nagar | 130-135 | 130-135 | 0.0 | 0.0 |
| Jubilee Hills Road No. 36 | 110-120 | 110-120 | 0.0 | 0.0 |
| Banjara Hills Road No.2 | 140-150 | 140-150 | 0.0 | 0.0 |
| **Mall Clusters** | **Average Rent in H2 2017 (INR/sq. ft. / month)** | **Average Rent in H1 2017 (INR/sq. ft. / month)** | **Half Yearly Change (%)** | **Y-o-Y Change (%)** |
| Central Hyderabad (Banjara Hills, Panjagutta) | 80-85 | 80-85 | 0.0 | 6.5 |
| Western Suburbs (Cyberabad, Kukatpally) | 65-70 | 65-70 | 0.0 | 8.0 |

Source: CBRE Research, H2 2017.

## MARKET SUMMARY

Overall, Chennai witnessed increased retail activity across the high streets, with significant traction in the locations of Nungambakkam, Anna Nagar, OMR Road and GST Road. During the review period, Palladium (part of Phoenix Market City) was launched. With a leasable area of over 200,000 sq. ft., the mall will house leasing bridge-to-luxury brands such as Michael Kora, Canali, Coach, along with H&M as the anchor tenant (the same being H&M's second store in the city). Xiaomi Inc. (Mi Store), opened its outlet at Express Avenue mall. Meanwhile, domestic meat retailer Fipola launched three outlets at the high street locations of Anna Nagar, OMR Road and ECR Road. Peter England and Shoppers Stop opened stores in Phoenix Market City while sports and fitness retailer Decathlon launched a new outlet in Ramee Mall.

Apparel and electronics stores led leasing activity across high streets. For instance, apparel brand Pantaloons opened stores on GST and ECR roads, ethnic wear retailer Neeru's opened an outlet in Anna Nagar, Max launched its second outlet on OMR road, and Saravana Stores added one outlet each in Porur (0.2 million sq. ft.) and OMR (0.15 million sq. ft.); both suburban locations. In addition, electronics retailers such as Reliance Digital, Apple, Poorvika Mobiles and Satya, expanded their presence in the city.

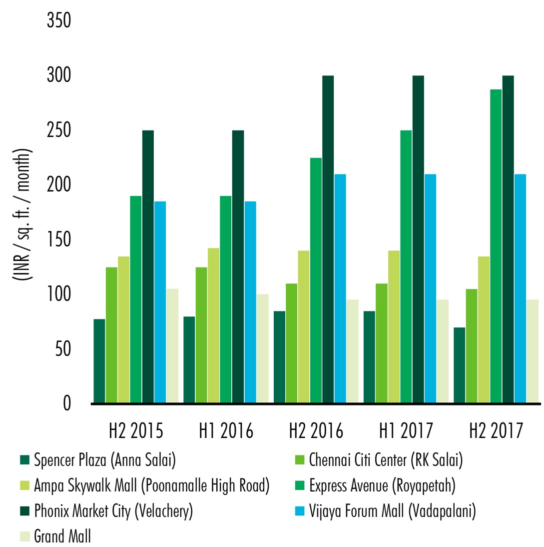
## RENTAL TRENDS

Despite growing retail activity, rental values across all high street locations largely remained stable during the review period, except in Velachery which witnessed a 10% half-yearly drop due to the ongoing flyover construction. However, the organised segment reported varying rental trends. While malls such as Citi Center, Spencer Plaza and Ampa Skywalk reported a drop of 3–17% on a half-yearly basis (attributable to ageing properties and dwindling footfalls), rental values in other organized developments remained largely stable.

Figure 10: High Street Rental Value Movement


Source: CBRE Research, H2 2017.

Figure 11: Shopping Centre Value Movement




Source: CBRE Research, H2 2017.

Table 15: Key Brands Launched

| Brand | Category | Presence |
|---|---|---|
| Mi | Electronics | Express Avenue |
| Fipola | Meat Retailer | Anna Nagar, OMR and ECR Road |

Source: CBRE Research, H2 2017.

Table 16: Selected Leasing Transactions

| Property | District | Size (in sq. ft.) | Tenant |
|---|---|---|---|
| Ramee Mall | Chennai | 16,000 | Decathlon |
| Phoenix Palladium | Chennai | 36,000 | H&M |
| Independent Building | Chennai | 8,000 | BMW |

Source: CBRE Research, H2 2017.

Table 17: Sub-market Key Stats

| High Streets | Average Rent in H2 2017 (INR/sq. ft. / month) | Average Rent in H1 2017 (INR/sq. ft. / month) | Half Yearly Change (%) | Y-o-Y Change (%) |
|---|---|---|---|---|
| Nungambakkam High Road | 140-160 | 140-160 | 0.0 | 0.0 |
| T Nagar - Pondy Bazzar | 170-190 | 170-190 | 0.0 | 0.0 |
| Anna Nagar - 2nd Avenue | 140-150 | 140-150 | 0.0 | 0.0 |
| Velachery | 80-100 | 80-120 | -10.0 | -10.0 |
| Adyar | 130-150 | 130-150 | 0.0 | 0.0 |
| Alwarpet | 125-150 | 125-150 | 0.0 | 0.0 |
| OMR | 90-110 | 90-110 | 0.0 | 0.0 |
| **Mall Clusters** | **Average Rent in H2 2017 (INR/sq. ft. / month)** | **Average Rent in H1 2017 (INR/sq. ft. / month)** | **Half Yearly Change (%)** | **Y-o-Y Change (%)** |
| Spencer Plaza (Anna Salai) | 60-80 | 70 - 90 | -17.6 | -17.6 |
| Chennai Citi Center (RK Salai) | 100-110 | 100 120 | -4.5 | -4.5 |
| Ampa Skywalk Mall (Poonamallee High Road) | 130-140 | 130-150 | -3.6 | -3.6 |
| Express Avenue (Royapettah) | 275 - 300 | 275 - 300 | 0.0 | 27.8 |
| Phoenix Market City (Velachery) | 275 - 325 | 275 - 325 | 0.0 | 0.0 |
| Vijaya Forum Mall (Vadapalani) | 190-230 | 190-230 | 0.0 | 0.0 |
| Grand Mall (Velachery) | 90 - 100 | 90 - 100 | 0.0 | 0.0 |

Source: CBRE Research, H2 2017.

## MARKET SUMMARY

Demand for retail space among F&B players recovered in H2 2017 after the ban on the sale of liquor around state and national highways impacted leasing sentiments in H1 2017. Strong demand for retail space was reported across prominent mall developments, as multiple pubs came up across the city (primarily in CBD and Off-CBD) in locations such as Koregaon Park, Kalyani Nagar, Aundh and Baner. The second half of 2017 also saw the completion of The Pavilion, which spans over 0.6 million sq. ft., on SB Road. Key retailers, including PVR Icon, Rare Rabbit, Tom Tailor, DC Shoes, Tag Heuer Boutique, Iconic and Dune, have set up shop in the development.

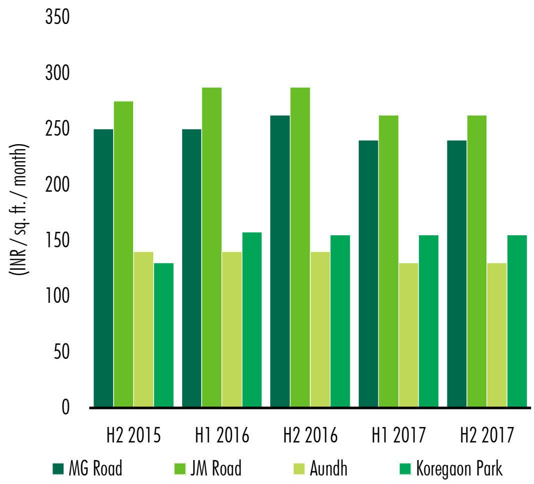
Pune also reported the entry of new F&B players such as Tales and Spirits, Cabaret, Poona Republic, Ales Brews and Ciders, Bombay Brasserie – all of which opened outlets across high-street locations such as Baner, Koregaon Park and Kalyani Nagar. In addition, F&B players such as Irish House and TGIF also expanded their presence in the city.

The organized retail segment witnessed activity with the entry of new brands such as Xiaomi at Seasons Mall. Xiaomi also opened its second store at Phoenix Market City. Bombay Brasserie opened its first outlet at Nitesh Hub in Koregaon Park and was followed by Irish House, which opened its second outlet in Pune at the mall. In addition, Reliance launched its first Project Eve store at the Nitesh Hub in October. Meanwhile, Westside's first high-street property was launched on FC road.

## RENTAL TRENDS

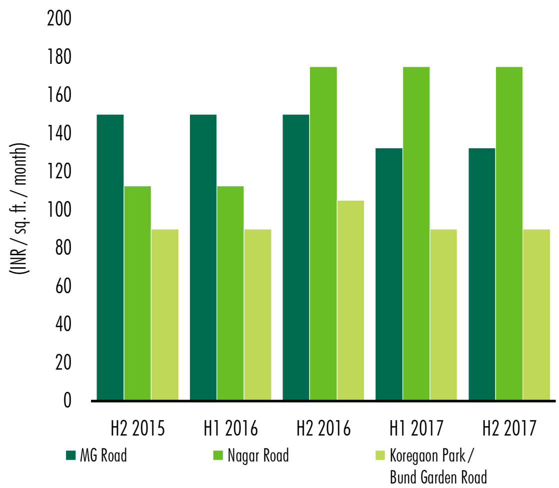
Unlike H1 2017, rentals across high streets and malls have remained stable. Rental values for Grade A properties across high-street locations such as Koregaon Park and Aundh were in the range of INR 120 – 150 / sq. ft. / month, while rents for established locations such as JM Road and MG Road were in the range of INR 230 – 270 / sq. ft.

Figure 12: High Street Rental Value Movement




Source: CBRE Research, H2 2017.

Figure 13: Shopping Centre Value Movement




Source: CBRE Research, H2 2017.

Table 18: Key Brands Launched

| Brand | Category | Presence |
|---|---|---|
| Bombay Brasserie | F&B | Nitesh Hub |
| PVR Icon | Multiplex | The Pavilion |
| Onesta | F&B | Mariplex |

Source: CBRE Research, H2 2017.

Table 19: Selected Leasing Transactions

| Property | District | Size (in sq. ft.) | Tenant |
|---|---|---|---|
| Krome Mall | SBD | 35,000 | Brand Factory |
| The Pavilion | SBD | 36,000 | PVR Icon |
| The Pavilion | SBD | 26,000 | Iconic |
| FC Road | CBD | 17,000 | Westside |

Source: CBRE Research, H2 2017.

Table 20: Sub-market Key Stats

| High Streets | Average Rent in H2 2017 (INR/sq. ft. / month) | Average Rent in H1 2017 (INR/sq. ft. / month) | Half Yearly Change (%) | Y-o-Y Change (%) |
|---|---|---|---|---|
| MG Road | 225 – 250 | 225 – 250 | 0.0 | -8.6 |
| JM Road | 250 – 275 | 250 – 275 | 0.0 | -8.7 |
| Aundh | 120 – 140 | 120 – 140 | 0.0 | -7.1 |
| Koregaon Park | 140 – 150 | 140 – 150 | 0.0 | -6.5 |
| **Mall Clusters** | **Average Rent in H2 2017 (INR/sq. ft. / month)** | **Average Rent in H1 2017 (INR/sq. ft. / month)** | **Half Yearly Change (%)** | **Y-o-Y Change (%)** |
| MG Road | 125 -140 | 125 -140 | 0.0 | -11.7 |
| Nagar Road | 150 - 200 | 150 -200 | 0.0 | 0.0 |
| Koregaon Park/ Bund Garden Road | 80 -100 | 80 -100 | 0.0 | -14.3 |

Source: CBRE Research, H2 2017.

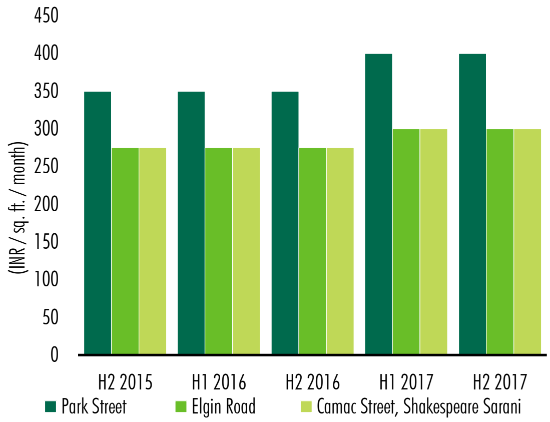
## MARKET SUMMARY

Retail leasing activity in Kolkata gained significant traction in H2 2017 with the launch of three malls; DownTown Mall, Star Mall and Astra Mall (all three totaling 0.6 million sq. ft.). F&B and apparel players accounted for a majority of leasing in the malls. Most high-street transactions were led by operators belonging to the F&B, apparel and hypermarket segments with an aim to either expand operations or enter the city. For instance, Hard Rock Cafe opened its flagship outlet in the city. It was followed by Indian food chains Fatty Bao and Ping's Café Orient. Swedish apparel brand H&M and American fashion retailer Forever 21 also opened flagship stores in the city.

## RENTAL TRENDS

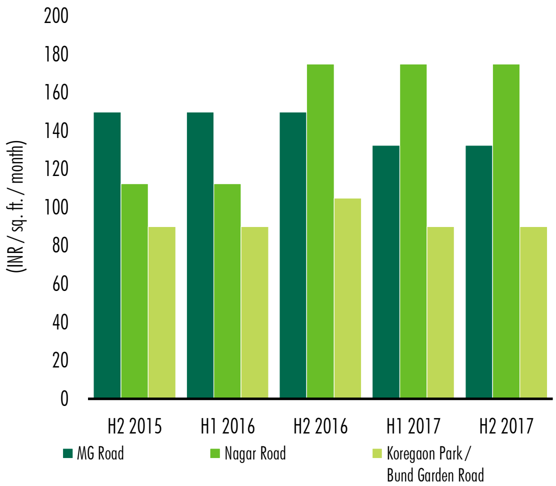
Rental values remained stable in both organised and high-street segments.

Figure 14: High Street Rental Value Movement




Source: CBRE Research, H2 2017.

Figure 15: Shopping Centre Value Movement




Source: CBRE Research, H2 2017.

Table 21: Key Brands Launched

| Brand | Category | Presence |
|---|---|---|
| H&M | Fashion | Woodburn Central |
| Forever 21 | Fashion | South City Mall |
| Scotch & Soda | Fashion | Quest Mall |
| Hard Rock Café | F&B | Park Street |

Source: CBRE Research, H2 2017.

Table 22: Selected Leasing Transactions

| Property | District | Size (in sq. ft.) | Tenant |
|---|---|---|---|
| South City | SBD | 10,000 | Marks & Spencer |
| South City | SBD | 10,000 | Forever 21 |
| High Street | CBD | 10,000 | Max |
| Acropolis Mall | SBD | 2,916 | Starbucks |

Source: CBRE Research, H2 2017.

Table 23: Key Retail Project Completions

| Property | Developer | District | Size ( Sq.Ft) |
|---|---|---|---|
| Downtown Mall | Unitech Group | PBD | 250,000 |
| Star Mall | Unimark & Bengal Shelter | PBD | 200,000 |
| Astra Mall | Bharti Realty | PBD | 150,000 |

Source: CBRE Research, H2 2017.

Table 24: Sub-market Key Stats

| High Streets | Average Rent in H2 2017 (INR/sq. ft. / month) | Average Rent in H1 2017 (INR/sq. ft. / month) | Half Yearly Change (%) | Y-o-Y Change (%) |
|---|---|---|---|---|
| Park Street | 350 – 450 | 350 – 450 | 0.0 | 14.3 |
| Elgin Road | 275 – 325 | 275 – 325 | 0.0 | 9.1 |
| Camac Street, Shakespeare Sarani | 275 – 325 | 275 – 325 | 0.0 | 9.1 |
| **Mall Clusters** | **Average Rent in H2 2017 (INR/sq. ft. / month)** | **Average Rent in H1 2017 (INR/sq. ft. / month)** | **Half Yearly Change (%)** | **Y-o-Y Change (%)** |
| EM Bypass | 160 – 200 | 160 – 200 | 0.0 | 0.0 |
| Salt Lake | 300 – 330 | 300 – 330 | 0.0 | 0.0 |
| Jadavpur | 275 - 300 | 275 – 300 | 0.0 | 0.0 |

Source: CBRE Research, H2 2017.

## OUTLOOK

The first half of 2018 is likely to be positive for retail with expected increase in quality supply primarily in the cities of Hyderabad and Bangalore. Even though we see a strong supply pipeline, the demand for quality retail space will continue to exceed the supply in most leading markets. With fresh supply on the radar, in addition to the easing of 100% FDI norms in single brand retail; it is expected that global and domestic brands will execute their entry and expansion strategy in across all key cities.

Retail assets are likely to remain attractive with the imminent launch of REIT's, as a result of which developers as well as PE players continue to grow their portfolio by venturing into Tier I/II markets. A significant percentage of these investments have been in the Tier II/ smaller cities, signaling towards the retail potential these cities hold. With investments in excess of USD 1.5 billion in the past two years, investments in quality retail developments are likely to remain high on the radar of investors.

The demand for retail space is likely to remain strong, as occupiers from retail categories such as Fast Fashion, Department Stores, Sports & Leisure, and Food & Beverages will continue to absorb space in H1 2018. While international retailers such as H&M, Max, Marks & Spencer, etc. are expected to dominate the Fashion segment, the F&B segment is expected to see demand from both the domestic as well as the global operators across the QSR, café, brewery and casual dining formats. The family entertainment centers and multiplex operators are also going to be active in leasing space, with the average space uptake (in sq. ft. terms) by these categories rising steadily.

Rental values are expected to witness a divergent trend during H1 2018. While leading high streets such as Galleria Market in Gurgaon, Connaught Place in Delhi appear promising, high street locations battling with shortage of right-sized space, parking woes, infrastructural constraints etc. are likely to witness limited demand. The completion of infrastructure initiatives is going to play a pivotal role in deciding the rental trajectory of markets. However, rental growth in most high streets across key cities is expected to be limited, as they have already reached their peak.

In terms of rental trends for organized supply (malls), the quality retail developments are better placed to leverage their position and command increased rentals. Most prominent developments are likely to witness a steady rental growth in 2018, however, the rate of growth is not expected to be uniform; with some malls having better bargaining power than the others due to their brand mix, footfalls and catchment areas.

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