

BENGALURU

Retail Q1 2020

10.16% VACANCY RATE (Q1 2020)

11.38 msf MALL INVENTORY (Q1 2020)

0.7 msf UPCOMING MALL SUPPLY (2020)

ECONOMIC INDICATORS Q1 2020

	2019	2020	2021 Forecast
GDP Growth	4.5%	2.5%	5.2%
CPI Growth	3.4%	4.1%	4.2%
Consumer Spending	5.0%	4.5%	6.3%
Govt. Final Expenditure Growth	13.5%	14.2%	12.8%

Source: Oxford Economics, Central Statistics Office, IMF, RBI

Q1 leasing marked by intense activity on main streets and city shutdown in the wake of COVID-19

The share of malls in the city's total retail transaction volume has remained low with vacancy levels in prime malls trending in low single digits. Main streets have supported the demand for retail space across both domestic and global retailers. Overall Q1 retail transaction volume was marginally lower by 1.2% q-o-q, with the COVID-19 response measures beginning from mall shutdowns and then extending in to the 21-day national lockdown. However, main streets continued to account for the highest share (94%) of the quarterly retail transactions, while the average vacancy in superior-grade malls remained steady at 1.9%. Retailer exits from average malls and moderate leasing activity in a mall completion in Q1 saw overall mall level vacancy rising by 47 bps q-o-q, further indicating a higher preference for key main streets among retailers. In addition to established main streets such as Indiranagar, HSR Layout and Jayanagar, emerging locations like Rajrajeshwari Nagar, Kanakapura Road, Banashankari and New BEL Road among others too attracted brands across various retail categories. BoConcept, a Danish furniture retailer marked its maiden entry in Bengaluru, with other retailers like Allen Solly, Louis Philippe and Puma also being active during the quarter. Retailer activity is likely to face further sluggishness in the prevailing COVID-19 situation as malls and public places like high streets may be opened gradually and the loss of revenue is expected to impact business strategy going forward. Deal activity of retailers/brands is likely to be pushed forward by at least 1-2 quarters based on expectations of return to normal operations and revised business projections.

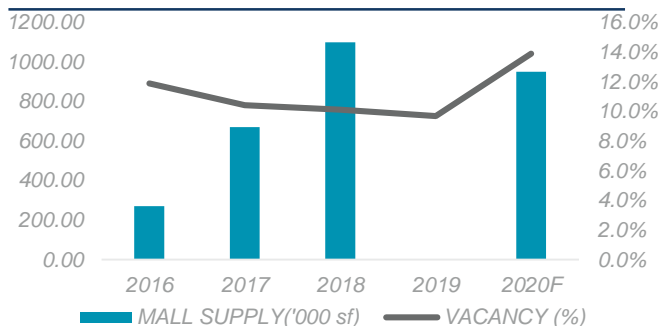
Solitary mall completion in Q1; supply deferments likely for rest of the year

Orion Uptown Mall (250,000 sf leasable area) became operational in the eastern peripheral corridor of the city and saw moderate leasing traction. Despite the tight vacancy levels across superior grade malls, we anticipate a further rise in the overall mall vacancy in the coming quarters of the year, with an expected supply of 0.7 msf getting added to city's mall inventory by end 2020 in a sluggish leasing environment going forward. However, taking into account the evolving situation in the wake of the COVID outbreak, we will continue to monitor the upcoming supply for potential deferment going forward.

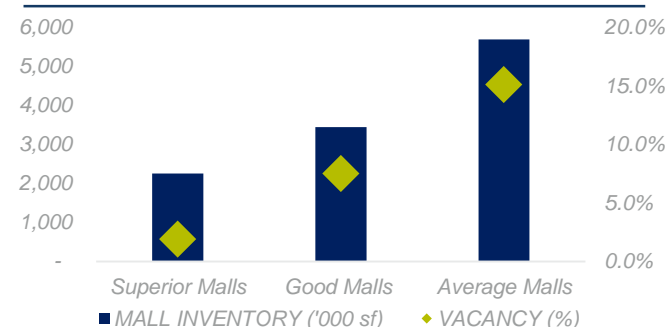
Rents witness marginal movement

The negligible vacancy levels in superior grade malls in the city resulted in jostling for quality retail space causing rents in some premium category malls to register a 2.5-4% q-o-q growth. Rents on main streets were largely range-bound. By the end of the quarter, the mall shutdowns had resulted in mall operators waiving of rents and CAM charges (fully or partial) for the duration. Anticipation of a longer shutdown and revenue loss is also pushing retailers to ask for longer rent abatements or re-working rent agreements for a short duration till a full recovery is visible.

MALL SUPPLY / VACANCY



CATEGORY-WISE STOCK / VACANCY



BENGALURU

Retail Q1 2020

MARKET STATISTICS

PRIME RETAIL RENTS-MAIN STREETS	INR SF/MTH	EURO SF/YR	US\$ SF/YR	Q-O-Q CHANGE	Y-O-Y CHANGE
MG Road	240	35	38	0%	0%
Brigade Road	280	41	44	0%	0%
Commercial Street	300	44	47	0%	0%
Indiranagar 100 Feet Road	200	29	31	0%	5.3%
Jayanagar 4th Block, 11th Main	330	48	52	0%	0%
Sampige Road, Malleshwaram	120	18	19	0%	0%
Koramangala 80 Feet Road	120	18	19	0%	0%
Vittal Mallya Road	270	40	42	0%	0%
New BEL Road	155	23	24	0%	3.3%
Marathahalli Junction	160	23	25	0%	0%
Kamanahalli Main Road	155	23	24	0%	3.3%
HSR Layout 27th Main	140	21	22	0%	0%
PRIME RETAIL RENTS – MALLS	INR SF/MTH	EURO SF/YR	US\$ SF/YR	Q-O-Q CHANGE	Y-O-Y CHANGE
Koramangala	420	62	66	0%	0%
Magrath Road	375	55	59	0%	0%
Cunningham Road	90	13	14	0%	0%
Mysore Road	65	10	10	0%	0%
Vittal Mallya Road	410	60	64	2.5%	2.5%
Whitefield	125	18	20	4.2%	4.2%
Rajarajeshwari Nagar	80	12	13	0%	0%
Malleshwaram	280	41	44	0%	0%
Bannerghatta Road	195	29	31	0%	0%

Note: Asking rent (INR/sf/month) on carpet area of ground floor Vanilla stores is quoted
 US\$ = INR 76.30 AND € = INR 81.85

SIGNIFICANT LEASING TRANSACTIONS Q1 2020

PROPERTY	LOCATION	TENANT	SF
Mantri Square	Malleshwaram	Zudio	6,500
Main Street	Indiranagar	Godrej Script	12,000
Sadashiv Nagar	Airport/ Bellary Road	BoConcept	4,000

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	LOCATION	SF	COMPLETION
Sobha Global Mall	Rajaji Nagar	700,000	Q4 2020

SIGNIFICANT PROJECTS COMPLETIONS

PROPERTY	LOCATION	SF	COMPLETION DATE
Orion Uptown Mall	Old Madras Road, Whitefield	250,000	Q1 2020

Rohan Sharma

Director, Research Services

+91 124 4695555 /rohan.sharma1@cushwake.com

Kapil Kanala

Associate Director, Research Services

+91 40 40405555 /kapil.kanala@ap.cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services.

©2020 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

cushmanwakefield.com