

DELHI NCR

Retail Q2 2020

CUSHMAN & WAKEFIELD

26.45 msf MALL INVENTORY (Q2 2020)

16.7% MALL VACANCY (Q2 2020)

0.4 msf UPCOMING MALL SUPPLY (2020 – 21)

A tough quarter for retailers with massive hit to business and revenues

Retail activity in Delhi-NCR came to a standstill in Q2 due to the pandemic outbreak and the subsequent lockdown which lasted longer for malls. Retailers saw muted business activity even as malls reopened recently with footfalls at only 15-20% of normal, though conversion rates were better with buyers walking in with a specific purchase target. The quarter saw a large space take-up by Uniqlo in Gurugram (its second store in the city) even as a few large retailers like Big Bazaar and Reliance Digital have announced their exit or space reduction plans in both main streets and malls. A few large lifestyle brands are also contemplating reduction in store sizes with an expected shift in purchase behavior towards e-commerce, with the latter featuring heavily in their medium to long term plans. F&B was one of the hardest hit segments and prominent main streets across the city are witnessing an exodus by F&B brands with business becoming unviable due to higher rents and new operating guidelines. More such closures are anticipated as footfalls remain low due to strict social distancing guidelines and weak consumer demand. Most retailers are pinning their hopes on the upcoming festive season to recoup their losses, but it is a rather long road to recovery for the sector. However, some hypermarket and department stores are using this period to scout for strategic space deals at attractive rents as well.

Mall vacancy set to rise

Store closures and space reductions caused mall vacancy to rise marginally to 16.7% in Q2, a 24 bps q-o-q increase. No new completions were seen in the quarter. With lockdown restrictions on FECs and multiplexes still in place, mall business will take longer to turn positive. F&B will also likely face the brunt of low footfalls and restrictions on dine-in facilities. Strategic store shutdowns are likely in a low business environment unless mall developers offer concessions for the next 6-9 month period. Many will also likely explore the online medium as a means to control costs going forward. Expansion plans are likely to remain on hold for most of the retailers due to the prevailing uncertain business conditions.

Retailers offered rent waivers to tide over the crisis; renegotiations in process

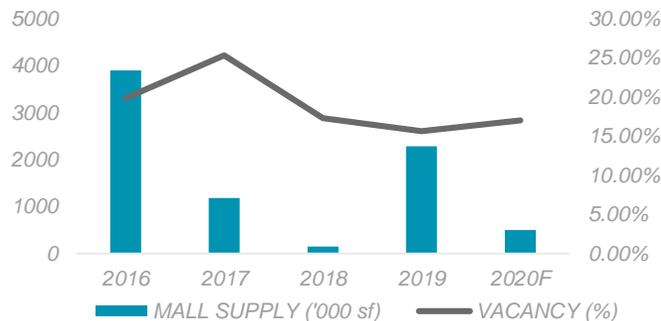
Partial rent waivers and staggered rental payments for different periods since the lockdown have been offered by a few large mall operators to help retailers through the current period of business uncertainty. Retailers are pushing for lower rents for a limited period while others are keen to switch to revised revenue share arrangements in the wake of dried up revenue streams, even as mall owners struggle with their own liquidity challenges and financial obligations. Renegotiations continue to be the main conversations. With retailer exodus, select main streets have already seen a 10-15% dip in rents* and others may see a similar trend. This is likely to be a temporary trend with rental reductions to abate as the situation improves.

ECONOMIC INDICATORS Q2 2020

	2019	2020	2021 Forecast
GDP Growth	4.2%	-3.0%	6.2%
CPI Growth	3.4%	4.1%	4.2%
Consumer Spending	5.0%	-0.5%	5.8%
Govt. Final Expenditure Growth	13.2%	12.8%	11.5%

Source: Oxford Economics, IMF, RBI

MALL SUPPLY / VACANCY



CATEGORY-WISE STOCK / VACANCY



MARKET STATISTICS

PRIME RETAIL RENTS – MAIN STREETS	INR SF/MTH	EURO SF/YR	US\$ SF/YR	Q-O-Q CHANGE	Y-O-Y CHANGE
Khan Market	1,200*	169	190	(14%)	(14%)
South Extension I & II	600*	84	95	(14%)	(14%)
Lajpat Nagar	250	35	40	0%	0%
Connaught Place	900*	127	143	(14%)	(14%)
Greater Kailash I, M Block	375	53	60	0%	0%
Rajouri Garden	225	32	36	0%	0%
Punjabi Bagh	225	32	36	0%	0%
Karol Bagh	385	54	61	0%	0%
Kamla Nagar	380	53	60	0%	0%
DLF Galleria (Gurugram)	675	95	107	0%	0%
Sector 29 (Gurugram)	235	33	37	0%	0%
Sector 18 (Noida)	250	35	40	0%	0%

PRIME RETAIL RENTS – MALLS#	INR SF/MTH	EURO SF/YR	US\$ SF/YR	Q-O-Q CHANGE	Y-O-Y CHANGE
South Delhi	600	84	95	0%	0%
West Delhi	325	46	52	0%	0%
Gurugram	350	49	56	0%	0%
Noida	250	35	40	0%	0%
Greater Noida	125	18	20	0%	0%
Ghaziabad	200	28	32	0%	0%

*Note: Asking rent (INR/sf/month) of ground floor Vanilla stores is quoted
 US\$ = INR 75.6 € = INR 85.3

Note: #The above mentioned mall rentals are as of Q1 2020 quoted during pre-COVID times. These do not indicate the actual rental scenario prevailing in the city malls since negotiation discussions between developers and retailers continue to remain active, basis the day-to-day evolving conditions of the pandemic. Further with the city being in lockdown during the second quarter of the year resulting in negligible transactions being recorded, the on ground rentals could not be assessed. However, we will continue to monitor the retail rental scenario in the coming quarters with focus on the prevailing transaction momentum in the market.

SIGNIFICANT LEASING TRANSACTIONS Q2 2020

PROPERTY / MAIN STREET	SUBMARKET	TENANT	SF	TYPE
Ambience Mall	Gurugram	Uniqlo	60,000	Lease
Sarita Vihar	South Delhi	Croma	8,500	Lease
South Extension	South Delhi	Orra Jewellery	3,000	Lease

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	SF	COMPLETION
IREO Grand Hyatt Retail	Gurugram	300,000	Q3 2021
Signature Global Mall	Ghaziabad	100,000	Q1 2021

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