MARKETBEAT

KOLKATA

Retail Q2 2020

5.94% Mall Vacancy Rate (Q2 2020)^

0.28 msf Mall Supply Deferred to 2021

4.71 msf Mall Inventory (Q2 2020)

^same as in Q1 2020

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

Select retailer categories resuming operations

While majority of the retail sectors have resumed their business during Unlock 1.0, few of the others like F&B, Entertainment and Multiplex, gymnasiums, salon, spa & wellness centres have experienced a major setback with government continuing to impose strict regulations on their re-opening at an early stage. Even though all the retail sectors have experienced loss of business and supply chain disruptions, the ones mentioned above are the worst hit and are likely to remain sluggish in terms of growth in the coming quarters as well. On the contrary, hypermarkets, consumer durables, electronics and other necessary/essential item stores have been witnessing a much higher demand from consumers. Revenge shopping in response to retailers offering large scale discounts to ward off the existing inventory, particularly in case of apparel brands, is the major driver for footfalls in the prominent malls post lockdown. In addition, retailers in the city are also being optimistic in overcoming some proportion of the business loss from Q3 onwards, since it marks the onset of the festive season in the city. However, the cases have risen in the city and the measure of control exercised on the spread will go a long way in bringing back customers and shoppers in a big way.

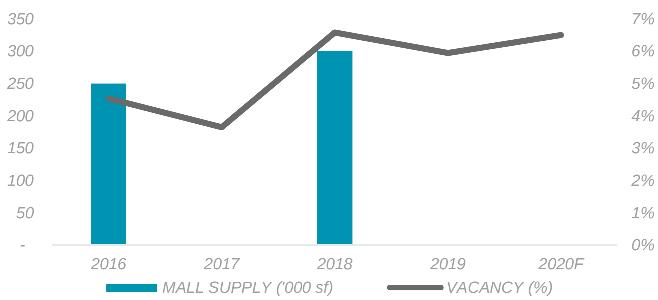
Malls witnessing retailer churn as developers are flexible; vacancy levels remain largely stable

Inability to sustain the revenue loss incurred during lockdown along with imposition of social distancing norms post COVID outbreak, has resulted in reduced footfalls. It has forced a few small retailers across sectors to remain closed even during Unlock 1.0 and is likely to result in permanent closure of few. However, vacancy levels are likely to remain range bound backed by simultaneous churning of these spaces mostly by hypermarket and banking sector retailers. Landlords/developers are also showing preference for offering space to such secured tenants in these uncertain times. Furthermore, developers/landlords particularly of good and superior grade malls are trying to hold back retailers by re-structuring their rental agreements and offering rental waivers and discounts. With fresh expansion demand from retailers likely to remain subdued in the coming 6-9 months, malls are looking to restrict any increase in vacancy levels. New mall completions too have got pushed by 9-12 months, thereby ensuring the mall inventory remains unchanged in the short term. There has been a significant uptick in e-commerce sales and that has paved the way for small and medium sized retailers to adopt an omni-channel approach to retail sales for mitigating the lower footfalls in their physical stores.

Commercial terms getting reworked with short term rental discounting

Despite different levels of ability to hold back retailers, developers/landlords across the city are revisiting their cost structures and lease commercial terms in order to extend support to their tenants while maintaining steady occupancy levels. While a 50% discount in CAM charges was offered in select malls of the city during the lockdown, developers have however, refrained from increasing CAM charges even with additional expenses being borne on asset and facility management during Unlock 1.0. With negligible enquiries for retail space, landlords across main streets have been offering a 10-15% discount on quoted rents, a trend that may solidify to a higher range over the next 6-9 months. While anchor and vanilla retailers have been pushing for a revenue share driven model instead of fixed rentals, hypermarket brands with higher negotiating power are pushing for a pure revenue share with 2-2.5% minimum guarantee, which is much lower than pre-COVID levels.

MALL SUPPLY / VACANCY



CATEGORY-WISE STOCK / VACANCY

MARKETBEAT

KOLKATA

Retail Q2 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
Park Street (CBD)	495	70	79	-10%	-1%
Camac Street (CBD)	400	56	63	-11%	-11%
Lindsay Street (CBD)	400	56	63	-11%	-11%
Elgin Road (CBD)	275	39	44	-15%	-15%
Theatre Road (CBD)	200	28	32	-13%	-13%
Gariahat (South)	250	35	40	0%	0%
Shyambazar (North)	140	20	22	-13%	-13%
Hatibagan (North)	140	20	22	-13%	-13%
Kankurgachi (North East)	185	26	29	-12%	-8%
VIP Road (North East)	130	18	21	-13%	-13%
PRIME RETAIL RENTS - MALLS					
South Kolkata	440	62	70	0%	10%
East Kolkata	415	58	66	0%	4%
Rajarhat/New Town	130	18	21	0%	4%
Elgin Road	525	74	83	0%	-5%
Howrah	210	30	33	0%	-7%
Park Circus	600	84	95	0%	0%

Note: Asking rent (INR/sf/month) on carpet area of ground floor Vanilla stores is quoted
US$ 1 = INR 75.6, € 1 = 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's retail sector since negotiation discussions between developers/landlords 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	LOCATION	TENANT	SF
Main Street	Narendrapur	IndusInd Bank	1,200
Main Street	Theatre Road	Decathlon	16,000

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	LOCATION	SF	COMPLETION
Genexx Square	Joka	275,000	Q3 2021

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

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