

**7.5%** MALL VACANCY (Q2 2020)

**7.1 msf** MALL INVENTORY (Q2 2020)

**1.4 msf** UPCOMING SUPPLY TILL 2022

### Retailers in survival mode amid greater business uncertainty

The impact of the COVID-19 pandemic outbreak and the subsequent lockdown was felt in Q2 with no new retail transaction activity recorded in the quarter. Most of the transactions across malls and main streets, which were under discussion pre-COVID, were either put on hold or cancelled, as most retailers went into cost cutting and survival mode in the short-term. As malls & main streets remained shut for a major period of Q2 and footfalls and revenues virtually disappeared, many retailers approached mall owners and landlords for possible rent waivers and rebates. Asset owners were quite accommodating and basis negotiations, short term discounts on rentals ranging from 20% to 50% and also flexibility in rent repayment period in some cases were offered as mitigating measures. Weak demand conditions and low footfalls are likely to persist in the near term as most retailers have shelved their expansion plans due to revenue losses and an uncertain outlook on business recovery. Food and beverage (F&B) demand was one of the hardest hit during the quarter, as dine-in options were shuttered completely. Currently some prominent major apparel, electronics and hypermarket retailers are active in the Pune market, hoping to strike bargain deals in strategic locations. The overall mall vacancy was stable at 7.5% in Q2, with no leasing activity recorded, while quoted rentals across key malls remained range-bound during the quarter. The quoted rentals across major main streets\* have witnessed a correction of around 10-15% during the quarter.

### Mall supply deferred

Around 1.4 msf of retail space spread across two malls (Global Highstreet & Phoenix Market City), which was expected to become operational by 2022, is now expected to get deferred by 3 to 9 months on account of the uncertain market conditions, labour shortage and resource constraints. Near-term completions like the Global Highstreet Mall at Hinjewadi, which was anticipated to be operational in the last quarter of 2020 is now expected to get pushed to 2021. Going forward, mall developers are likely to be cautious about the widening demand-supply mismatch and uncertainty surrounding retail market dynamics, which may lead to longer delays in upcoming projects.

### Hypermarkets, electronics and large format apparel stores to drive future demand

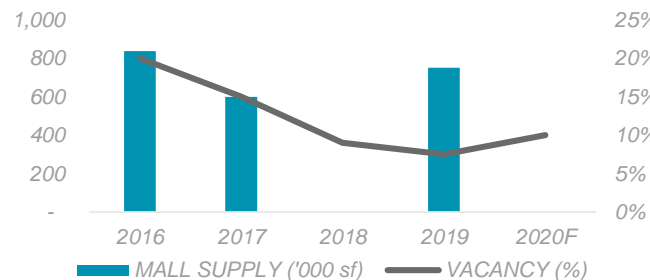
While the mall inventory is expected to remain stable in 2020 with no new supply, overall vacancy levels are expected to rise in the short-term as some retailers may look at strategic store exits from prominent malls and main streets as a means to cut costs and mitigate their losses. Rentals across most of the main streets are likely to face increased pressure with sluggish demand and exits forcing landlords to be more amenable. Hypermarkets, electronics and large format apparel stores are expected to drive the expected gradual recovery for Pune's retail sector over the medium term as footfalls may begin to pick up by end of 2020. Key residential locations such as Wagholi, Wakad, Hinjewadi and Undri are expected to recover the fastest given captive demand that will spur retail activity in these corridors. In the near term, most mall owners will take an accommodating stance towards contractual rent renegotiations and reworking revenue share models for a fixed duration until there are definite indications of sustained recovery. Omni channel retail models will find greater traction among retailers as shopping habits will evolve in the post-COVID world even as the mall experience will transform in the 'new normal'.

### ECONOMIC INDICATORS Q2 2020

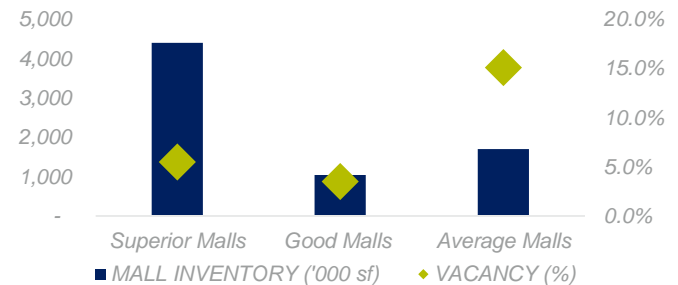
	2019	2020	2021 Forecast
GDP Growth	4.2%	-3.0%	6.2%
CPI Growth	3.4%	4.1%	4.2%
Consumer Spending	5.0%	-0.5%	5.8%
Govt. Final Expenditure Growth	13.2%	12.8%	11.5%

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
M.G. Road	298*	42	47	-15%	-15%
J.M. Road	315*	44	50	-15%	-15%
F.C. Road	234*	33	37	-15%	-15%
Koregaon Park	132*	19	21	-12%	-12%
Aundh	158*	22	25	-12%	-12%
Bund Garden Rd	128*	18	20	-15%	-15%
Mumbai-Pune Highway – PCMC	106*	17	15	-12%	-12%
Baner- Balewadi	153*	22	24	-10%	-10%
Kothrud, Karve Road	141*	20	22	-12%	-12%
Pune Satara Road	113*	16	18	-10%	-10%
PRIME RETAIL RENTS – MALLS	INR SF/MTH	EURO SF/YR	US\$ SF/YR	Q-O-Q CHANGE	Y-O-Y CHANGE
Camp	215	30	34	0%	0%
Koregaon Park	135	19	21	0%	0%
Nagar Road	250	35	40	0%	0%
Hadapsar	180	25	29	0%	0%
PCMC	190	27	30	0%	0%
Aundh	250	35	40	0%	0%
S. B. Road	230	32	37	0%	0%

Note: Asking rent (INR/sf/month) on carpet area of ground floor Vanilla stores is quoted  
US\$ = INR 75.6 AND € = 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

No transactions could be recorded in Q2, with malls being closed since beginning of the 2<sup>nd</sup> quarter followed by a countrywide lockdown resulting in closure of activity in main streets as well. However, post mid of June, discussions between landlords/developers and retailers have resumed though at a slower pace on sector specific demands for retail space.

## SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	SELLER / BUYER	SF	COMPLETION
Phoenix Market City	Wakad	Phoenix Mills	1,100,000	Q4 2022
Global High Street	Hinjewadi	Global group	250,000	Q1 2021

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