

DELHI NCR

Retail Q3 2020

CUSHMAN & WAKEFIELD

26.45 MSF MALL INVENTORY (Q3 2020)

16.1% MALL VACANCY (Q3 2020)

0.4 MSF UPCOMING MALL SUPPLY TILL 2021

Gradual pick-up in retail activity with reopening; active churn in malls and high streets

As malls reopened in a gradual manner, some retail activity was observed with new store openings of 0.39 msf across malls, which included new space take-up as well as retailer churn. Limited but still worth mentioning, around 0.03 msf of leasing was also recorded in key main streets. Usual retailer activity levels will take longer to return even as the existing stores which opened saw lower footfalls and consequently sluggish business volumes. Conversion rates were higher as need-based and specific purchase activity headlined customers venturing into malls. Leisure activities and impulse purchases have taken a hit as average time spent by visitors in a mall has reduced in comparison to the pre-COVID scenario. Khan Market saw transactions by designers including Ritu Kumar, Ranna Gill in a market scenario where closure of key F&B outlets has softened rents to some extent, thus allowing retailers to take advantage of this likely short-term disruption. Apparel and lifestyle segment retailers including American Eagle, Levi's, Madame, Meena Bazaar, Tommy Hilfiger, Aurelia opened new stores or reshuffled their spaces in some malls as part of space optimization and strategic store openings. Japanese retailer, Uniqlo continues its expansion in the city with three stores across Delhi, Gurugram and Noida scheduled to open in the coming quarter. A few F&B brands including Starbucks and Dominos opened new stores in Gurugram during the quarter. The upcoming festive season is likely to aid the recovery, even though the road forward for the sector is still difficult. This is an opportune time for retailers, especially supermarket and department stores who are looking to expand and acquire strategic spaces, to close transactions at attractive rents and on preferred terms.

No new supply added; mall vacancy declines during the quarter

The city did not record any new supply addition during the quarter and mall vacancy declined by 60 bps q-o-q to 16.1%. Even though retailer exits were recorded in some malls, especially in cases of inconclusive renegotiations and severe business losses, new stores becoming operational in a recently completed mall in Gurugram largely contributed to the fall in vacancy. Retailer churn was witnessed in a number of malls with reshuffling of spaces and even downsizing of existing occupied space in a few cases.

Rental negotiations continued amidst an uncertain business environment

Renegotiations continued to remain a key feature in retailer – developer conversations as the business activity in physical retailing has taken a severe hit due to the pandemic, and many retailers have explored the e-commerce route where success has been better. Partial rent waivers and staggered rental payments for different periods already offered to retailers by some large mall operators in the city are being agreed for new transactions as well, albeit with a short-term view. Liquidity challenges of retailers and financial obligations of landlords underscore the need to arrive at mutually agreed terms on both sides to tide over the challenging situation presented by COVID-19. While retailers continued to demand rental rebates and explore pure revenue share arrangements in a time of sluggish sales, mall owners are looking at this as short-term for the next 6-9 months, while also asking for increased rents beyond a certain time and a higher lock-in period commitment in return.

ECONOMIC INDICATORS Q3 2020

	2019	2020	2021 Forecast
GDP Growth	4.2%	-5.8%	6.5%
CPI Growth	3.4%	4.5%	4.2%
Consumer Spending	5.0%	-5.2%	6.3%
Govt. Final Expenditure Growth	13.2%	12.8%	11.5%

Source: Oxford Economics, 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	167	196	0%	-14%
South Extension I & II	600	83	98	0%	-14%
Lajpat Nagar	250	35	41	0%	0%
Connaught Place	900	125	147	0%	-14%
Greater Kailash I, M Block	375	52	61	0%	0%
Rajouri Garden	225	31	37	0%	0%
Punjabi Bagh	225	31	37	0%	0%
Karol Bagh	385	54	63	0%	0%
Kamla Nagar	380	53	62	0%	0%
DLF Galleria (Gurugram)	675	94	110	0%	0%
Sector 29 (Gurugram)	180	25	29	-23%	-23%
Sector 18 (Noida)	180	25	29	-28%	-28%

PRIME RETAIL RENTS – MALLS	INR SF/MTH	EURO SF/YR	US\$ SF/YR	Q-O-Q CHANGE	Y-O-Y CHANGE
South Delhi	600	83	98	0%	0%
West Delhi	325	45	53	0%	0%
Gurugram	350	49	57	0%	0%
Noida	250	35	41	0%	0%
Greater Noida	125	17	20	0%	0%
Ghaziabad	200	28	33	0%	0%

*Note: Asking rent (INR/sf/month) of ground floor Vanilla stores is quoted
 US\$ = INR 73.5 € = INR 86.3

SIGNIFICANT LEASING TRANSACTIONS Q3 2020

PROPERTY / MAIN STREET	SUBMARKET	TENANT	SF	TYPE
Airia Mall	Gurugram	Max	18,000	Lease
DLF Avenue	South Delhi	Nature's Basket	6,000	Lease
Khan Market	Central Delhi	Ritu Kumar	1,000	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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