

10.1% MALL VACANCY (Q3 2020)

7.1 msf MALL INVENTORY (Q3 2020)

1.4 msf UPCOMING SUPPLY TILL 2023

## 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, IMF, RBI

## Apparel, hypermarkets &amp; electronic segments drive leasing demand in Q3

The Maharashtra government allowed shopping malls and main streets in Pune to reopen in August in Q3 following the lockdown in the previous quarter, with strict COVID-19 health and safety guidelines. Evidence from the limited period the malls have opened indicate that overall footfalls across prominent malls and high streets remained low during the quarter, as customers remained cautious due to rising COVID cases. Considering the current uncertain market conditions, a few mall owners have continued to offer short-term discounts on rents including abatements, as well as flexibility in commercial terms by moving to pure revenue share arrangements for a limited period of time. Q3 was marked by limited leasing activity, mainly due to postponement or scaling down of expansion plans by many retail occupiers as part of their revamped business operations which have been hit hard by the prolonged lockdown. Leasing activity was concentrated mainly around main streets, driven by retailer categories in the hypermarkets, electronics & apparel segments. Key transactions concluded were MR. D.I.Y. at Kalyani Nagar & Aundh, Reliance Digital at Baner and Ritu Kumar at Koregaon Park. Electronics, hypermarkets and apparel retailers presently are the most active in Pune, as they try to tap into the pent up demand around these segments for the upcoming festive season and also changing buyer preferences as COVID has changed lifestyles at both personal and professional levels.

The F&B segment remained impacted in Q3, as restaurants and food courts across mall and main streets remained shut. However, the situation is expected to improve in the upcoming quarters, with Maharashtra government permitting hotels, restaurants and bars to open for dine-in services from 5th October albeit with strict safety norms in place and limited occupancy.

## Retailer exits on the rise; rental correction across submarkets

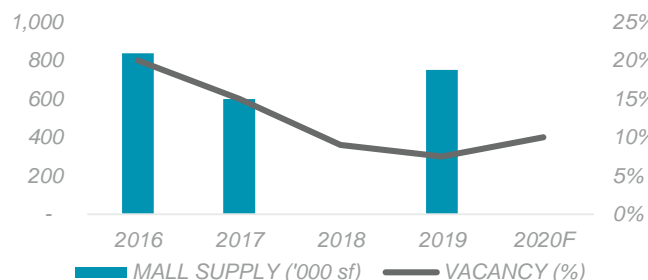
As a means to stay afloat and survive, retailers were looking at store count rationalisation which resulted in a few retailer exits being observed across major malls and main streets. Prominent occupiers who exited from main streets include Arrow, U.S. Polo Assn., Aurelia & Colorplus at JM Road, Biba at FC Road, Arrow at MG Road & Pizza Hut & Pepperfry at Koregaon Park. The overall vacancy rate across malls rose from 7.5% in Q1 to 10.1% in Q3, as muted demand and retailer shutdowns caused vacancy levels to rise. Even otherwise, the pressure on retailers and their unwillingness to commit to new stores or even vanilla rent arrangements has seen mall rents drop by 10-15% across most submarkets. A key trend being observed in the market is the push towards the omni-channel model with a number of brick-and-mortar retailers also exploring the e-commerce route to save real estate costs and keep business going. While it provides some support to retailers, leasing activity is expected to remain under pressure.

Pune did not witness any fresh mall supply in Q3. Upcoming malls like Global Highstreet at Hinjewadi and Phoenix Market City at Wakad continue to witness delays due to demand slowdown, labour shortage and raw material constraints.

## Rentals to remain under pressure in Q4

We expect future retail demand to be largely driven by apparel, hypermarket and electronics segments with the upcoming festive season crucial for business recovery. A further increase in vacancy levels is anticipated, as a few occupiers paying high rentals at prime malls and main streets are expected to make exits due to business losses. Rentals across malls as well as high streets are expected to remain under pressure with demand slowing due to an uncertain economic environment, retailer exits and intense negotiations from retailers for rent concessions and revenue share arrangements. In the festive season and with reopening of food courts, restaurants and multiplexes, we may see some recovery in consumer sentiment and improved footfalls going forward.

## 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	41	49	-15%	-15%
J.M. Road	315	44	51	-15%	-15%
F.C. Road	234	33	38	-15%	-15%
Koregaon Park	132	18	22	-12%	-12%
Aundh	158	22	26	-12%	-12%
Bund Garden Rd	128	18	21	-15%	-15%
Mumbai-Pune Highway – PCMC	106	15	17	-12%	-12%
Baner- Balewadi	153	21	25	-10%	-10%
Kothrud, Karve Road	141	20	23	-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	193	27	32	-10%	-10%
Koregaon Park	121	17	20	-10%	-10%
Nagar Road	220	31	36	-12%	-12%
Hadapsar	162	23	26	-10%	-10%
PCMC	161	22	26	-15%	-15%
Aundh	220	31	36	-12%	-12%
S. B. Road	203	28	33	-12%	-12%

Note: Asking rent (INR/sf/month) on carpet area of ground floor Vanilla stores is quoted

US\$ = INR 73.5 AND € = INR 86.3

## SIGNIFICANT LEASING TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Main Street	Kalyani Nagar	MR. D.I.Y.	4,000	Expansion
Main Street	Aundh	MR. D.I.Y.	8,000	Expansion
Main Street	Baner	Reliance Digital	6,000	Expansion

## SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	SELLER / BUYER	SF	COMPLETION
Phoenix Market City	Wakad	Phoenix Mills	1,100,000	Q1 2023
Global High Street	Hinjewadi	Global group	250,000	Q1 2021

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