

BENGALURU

Retail Q4 2020

CUSHMAN & WAKEFIELD

11.74% MALL VACANCY RATE (Q4 2020)

11.38 msf MALL INVENTORY (Q4 2020)

0.7 msf MALL SUPPLY DEFERRED TO 2021

ECONOMIC INDICATORS Q4 2020

	2019	2020	2021 Forecast
GDP Growth	4.2%	-7.5%	8.8%
CPI Growth	3.4%	6.1%	4.5%
Consumer Spending	5.0%	-8.5%	7.2%
Govt. Final Expenditure Growth	13.2%	5.7%	10.5%

Source: Oxford Economics, RBI, IMF

Footfalls rising on main streets, mall recovery more gradual but on the right track

Main streets have always played a pivotal role in Bengaluru's retail market and were the first to witness green shoots in terms of consumer footfalls in the previous quarter. They continued to record perceptible traction with onset of the festive season in Q4 and lowering of infection numbers. Better revenue performance as a result of rising footfalls and demand for essential as well as non-essential items helped retailers in Q4 as festive season saw people move out of their homes and throng main streets. Retailer confidence also improved, as evidenced from new space take-ups. While retailers in the formal apparel and ethnic wear segment continued to struggle with sales, popular brands across apparel, sports goods, F&B, accessories & lifestyle and home décor and furnishing categories have recorded a 70-75% recovery in footfalls with gradual restoration of normal life resulting in growing demand for discretionary products as well. Retailers who took up space during Q4 at prominent main streets of Indiranagar, JP Nagar, Rajaji Nagar, McGrath Road were Taproom by Sherlock, Bhima Jewellers, Simphi Namdharis, Khmer, Starbucks and Reliance Fresh to name a few while less popular locations like Bellary Road, Banashankari, Tumkur Road too have witnessed space take ups by brands like Nike, Under Armour and Reliance Digital. Consumer interest in main streets was further enhanced through pilot projects like the weekend traffic ban on Church Street, which was implemented since November to boost retail demand at the location. While less pollution and relief from traffic woes allowed shoppers, more flexibility allowing them to come out, outdoor open-air dining at restaurants was also quite popular and pushed the footfall numbers as eating out started gaining traction again. Malls too experienced a recovery in business during the quarter with a 55-60% revival in footfalls where despite the number of mall trips per customer being low, the conversion rates were much higher as shopping was need based and focused. Space take-ups by brands like Mango, Kama Ayurveda, Kompanero and One Plus in the superior and good quality malls also indicate that select retail brands were again out scouting for quality mall space. However, low footfalls and sales in average grade malls have resulted in retailer exits, causing a rise in overall city level mall vacancy from 10.16% in Q3 to 11.74% in Q4. We anticipate the vacancy to remain range-bound particularly in the well performing, superior malls which have seen market churn rather than exits. With low retailer activity in the existing malls and with developers focussing less on new supply, only 0.25 msf of mall space got added during entire 2020 (in Q1 2020), while few of the scheduled completions have been postponed till H2 2021 with their operational timelines to be firmed up as per evolving business scenario.

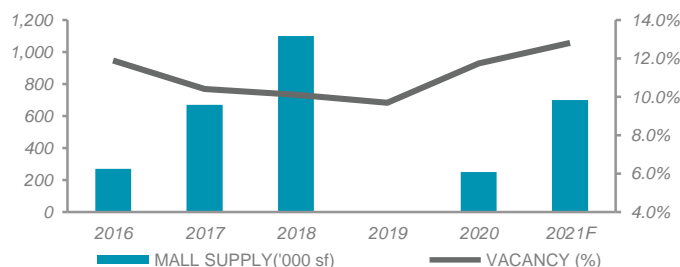
F&B segment shows signs of improvement

With pent-up demand and consumers venturing out for both essential as well as lifestyle-based shopping aiding the overall recovery in the retail sector, the F&B segment which was one of the hardest hits is also showing some early signs of recovery in business. While local restaurants and start-up players continue to experience reduced footfalls with visitors being cautious about social distancing and hygiene measures being practiced, a rise in online deliveries has helped to sustain business. The high-end and branded F&B set-ups both in malls and main streets have witnessed better traction with surge in casual dine-outs during the festive season. Space take-ups by few F&B brands like Starbucks, Cold Stone Creamery, Dry Fruits House further indicate a gradual recovery in the segment. While the dine-in restaurants are experiencing a 45-50% footfall as compared to pre-COVID levels, F&B sector in the city is surviving the slowdown through setting up of cloud kitchens in order to support the rising demand for online takeaway orders. Many restaurants are also introducing all-day dining options to overcome business slowdown in the previous quarters.

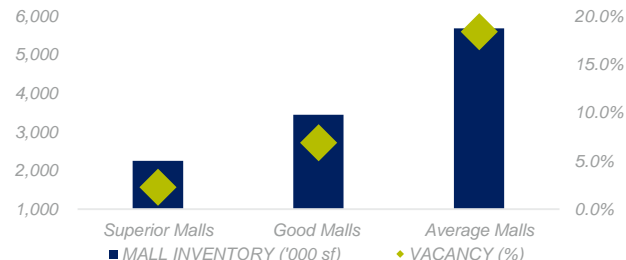
Rentals remain stable at post COVID rates with no further decline

Rental discounts by main street landlords (5-20% across markets), flexible rental payment schemes, contract renegotiations and revised revenue sharing arrangements have been in practice since Q2 2020, enabling the retailers to meet their fixed cost obligations in absence of adequate revenue inflow. However, no further drop in rentals was recorded across malls and main streets in the city during the last quarter of the year. With majority of existing retailers resuming business in Q4, these benefits are likely to cease in tandem with a more sustained market recovery.

MALL SUPPLY / VACANCY



CATEGORY-WISE STOCK / VACANCY



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MARKET STATISTICS

PRIME RETAIL RENTS-MAIN STREETS	INR SF/MTH	EURO SF/YR	US\$ SF/YR	Q-O-Q CHANGE**	Y-O-Y CHANGE
MG Road	225	31	37	0%	-6.3%
Brigade Road	260	36	42	0%	-7.1%
Commercial Street	280	38	46	0%	-6.7%
Indiranagar 100 Feet Road	152	21	25	0%	-24.0%
Jayanagar 4th Block, 11th Main	252	35	41	0%	-23.6%
Sampige Road, Malleshwaram	108	15	18	0%	-10.0%
Koramangala 80 Feet Road	100	14	16	0%	-16.7%
Vittal Mallya Road	250	34	41	0%	-7.4%
New BEL Road	120	16	20	0%	-22.6%
Marathahalli Junction	135	18	22	0%	-15.6%
Kamanahalli Main Road	138	19	23	0%	-11.0%
HSR Layout 27th Main	125	17	20	0%	-10.7%
PRIME RETAIL RENTS - MALLS	INR SF/MTH	EURO SF/YR	US\$ SF/YR	Q-O-Q CHANGE**	Y-O-Y CHANGE
Koramangala	420	58	69	0%	0%
Magrath Road	375	51	61	0%	0%
Cunningham Road	90	12	15	0%	0%
Mysore Road	65	9	11	0%	0%
Vittal Mallya Road	410	56	67	0%	2.5%
Whitefield	125	17	20	0%	4.2%
Rajarajeshwari Nagar	80	11	13	0%	0%
Malleshwaram	280	38	46	0%	0%
Bannerghatta Road	195	27	32	0%	0%

Note: Asking rent (INR/sf/month) on carpet area of ground floor Vanilla stores is quoted
US\$ = INR 73.5 AND € = INR 87.6

Note: The above mentioned rentals in main streets were discounted ones that have been offered during Q3-Q4 to support the retail business in times of sluggish demand. This is however a limited period trend and such measures are likely to be re-calibrated to normal levels when business scenario improves for the better. We shall continue to monitor the retail rental scenario in the coming quarters with focus on the prevailing transaction momentum in the market

SIGNIFICANT LEASING TRANSACTIONS Q4 2020

PROPERTY	LOCATION	TENANT	SF
Main Street	JP Nagar	Khmer	6,500
Main Street	CMH Road, Indiranagar	Starbucks	3,000
Mall	UB City Mall	Mango	2,000

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	LOCATION	SF	COMPLETION
Sobha Global Mall	Rajaji Nagar	700,000	Q3 2021

Rohan Sharma

Director, Research Services

+91 124 4695555 /rohan.sharma1@cushwake.com

Kapil Kanala

Senior Associate Director, Research Services

+91 40 40405555 /kapil.kanala@ap.cushwake.com

cushmanwakefield.com

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