

BENGALURU

Retail Q1 2021

CUSHMAN & WAKEFIELD

12.1% MALL VACANCY RATE
(Q1 2021)11.38 msf MALL INVENTORY
(Q1 2021)1.5 msf EXPECTED MALL
SUPPLY IN 2021

ECONOMIC INDICATORS Q1 2021

	2020	2021	2022 Forecast
GDP Growth	-7.7%	10.2%	7.0%
CPI Growth	6.1%	5.0%	4.3%
Consumer Spending	-8.5%	6.3%	7.2%
Govt. Final Expenditure Growth	5.7%	10.8%	9.7%

Source: Oxford Economics, RBI, IMF

Continued recovery in malls, spike in demand for quality space at main streets

Premium malls in Bengaluru recorded a 70-75% revival in footfalls, despite food courts and multiplexes not operating in full capacity, indicating a recovery in business for the organised retail sector in Q1 2021. While the number of mall trips per customer continued to remain restricted on the back of rising infection levels in the city since the middle of the current quarter, the conversion rates were much higher in the range of 85-90% as shopping remained largely need based. Increased retailer activity in malls has also been observed with space take-ups by brands like Toys "R" Us and IKEA, among others. Furthermore, with most of the return to office timelines being scheduled by end H1 2021, retailers like Chaayos, Westside, Star Bazaar and Shiv Sagar have shown interest in signing up spaces in few of the business parks in the city. While most of the well performing and superior malls have been witnessing market churn over the last few quarters, increased retailer interest for fresh space has also been noted in the upcoming malls (RCB Gastropub has leased approx. 100,000 sf space) in Q1 2021. This speaks of early signs of revival in the retail mall sector. Despite low footfalls and sales in average grade malls resulting in retailer exits and rise in city level mall vacancy from 11.74% in Q4 2020 to 12.1% in Q1 2021, we anticipate the vacancy to remain range-bound particularly in the superior grade malls which have been experiencing higher retailer interest rather than exits over the last two quarters. Main streets in the city, which have been enjoying rising consumer footfalls and better revenue performance since relaxation of lockdown norms during H2 2020, continue to witness a high proportion of retailer activity as well. Retailers across categories who have shown preference for space take ups in prominent main streets of Indiranagar, Church Street, JP Nagar, Jaya Nagar, HSR Layout and Sarjapur Road were Westside, Birkenstock, Starbucks, Berlynoak, Third Wave Café, Jaypore and Manyavar to name a few. Peripheral and less popular locations like Chikjalapur, Hennur Road and Tumkur Road have also been witnessing rising retailer interest with medium sized (5,000-10,000 sf) space take ups by brands like MAX, Girias, Nike, Reliance Trends, UCB and Asics noted during the quarter. With rising retailer activity in the existing malls backed by enhanced footfall levels and improved business performance, developers who have been holding back on new supply, are gearing up for scheduled completion of 1.5 msf of mall space by the end of 2021. However, with the retail sector expected to regain its pre-COVID momentum only gradually over the medium term, investor interest in the sector continues to remain low.

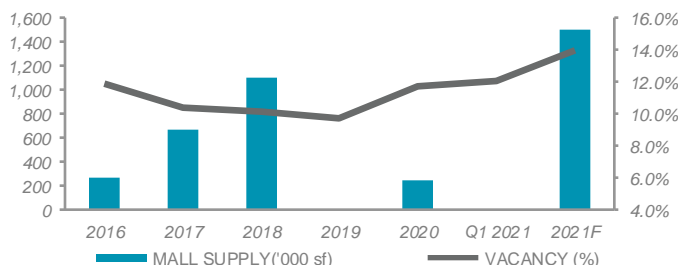
Revival across retail sectors backed by rising consumer demand

Rising demand for essential as well as non-essential items in the city had a positive impact on business recovery across most retail categories. While hypermarkets, CDIT and home décor & furnishing sectors have been witnessing high demand since reopening of the retail sector post lockdown, pent-up demand and consumers venturing out for both essential as well as lifestyle-based shopping helped in demand revival across sectors like fashion & apparel, sports goods, accessories & lifestyle, jewellery & automobile (dealer networks and pre-owned car companies). These retail sectors have recorded a 75-80% recovery in footfalls in the first quarter of the year. However, retailers in the formal apparel and ethnic wear segment continued to struggle with lower footfalls and sales conversion. The F&B segment which was one of the hardest hit during the pandemic, has experienced a recovery in business with rising traction and footfall (50-60% of pre-COVID levels) in QSRs as well as high-end branded F&B set-ups, across malls and main streets. A steady rise in online deliveries has also helped sustain the F&B business. Furthermore, space take-ups by prominent F&B brands like Starbucks, Third Wave Café, Taco Bell, Shiv Sagar among others further indicate a recovery in the retailer demand for space in the segment. Steady rise in footfalls in both malls and main streets in the city is likely to further boost demand for casual dine-outs at the restaurants.

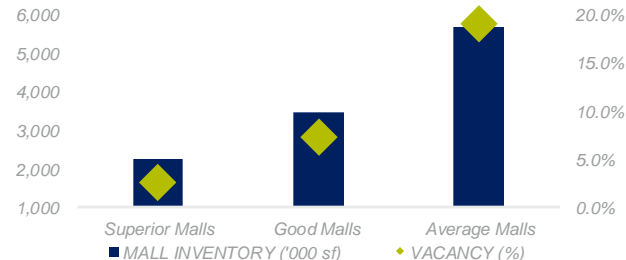
Rentals remain stable with marginal revision in post COVID rates

While rental discounts and benefits (flexible rental payment schemes, contract renegotiations and revised revenue sharing arrangements) were being offered by landlords/developers during 2020, no further discount or rental flexibility is being offered at present. With majority of existing retailers resuming business by end 2020, landlords are not agreeing to offer any discount and a marginal appreciation (2-4%) from post COVID rentals has also been observed in select main street locations experiencing a perceptible rise in consumer demand. However, since brands/corporate retailers continue to negotiate with landlords/developers on lock-in period and security deposit, commercial terms for ongoing transactions are taking time to get finalised even if rentals are being agreed upon by both the stakeholders.

MALL SUPPLY / VACANCY



CATEGORY-WISE STOCK / VACANCY



BENGALURU

Retail Q1 2021

CUSHMAN & WAKEFIELD

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	230	32	38	2.2%	-4.2%
Brigade Road	270	37	45	3.8%	-3.6%
Commercial Street	290	40	48	3.6%	-3.3%
Indiranagar 100 Feet Road	152	21	25	0.0%	-24.0%
Jayanagar 4th Block, 11th Main	252	35	42	0.0%	-23.6%
Sampige Road, Malleshwaram	110	15	18	1.9%	-8.3%
Koramangala 80 Feet Road	100	14	16	0.0%	-16.7%
Vittal Mallya Road	250	34	41	0.0%	-7.4%
New BEL Road	120	16	20	0.0%	-22.6%
Marathahalli Junction	138	19	23	2.2%	-13.8%
Kamanahalli Main Road	140	19	23	1.4%	-9.7%
HSR Layout 27th Main	127	17	21	1.6%	-9.3%
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	62	0%	0%
Cunningham Road	90	12	15	0%	0%
Mysore Road	65	9	11	0%	0%
Vittal Mallya Road	410	56	68	0%	0%
Whitefield	125	17	21	0%	0%
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 72.8 AND € = INR 87.5

Note: The above mentioned rentals in main streets are based on marginal recovery from the discounted ones that were being offered during H2 2020 to support the retail business in times of sluggish demand. While Q1 2021 witnessed a marginal recovery from post-COVID rentals in some of the main streets, rentals 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 Q1 2021

PROPERTY	LOCATION	TENANT	SF
Main Street	100 ft Road, Indiranagar	Westside	16,000
Main Street	Sarjapur Main Road	Westside	20,000
Sobha Global Mall / Lulu Mall	Rajaji Nagar	RCB Gastropub	100,000

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	LOCATION	SF	COMPLETION
Sobha Global Mall / Lulu Mall	Rajaji Nagar	700,000	Q3 2021
Bhartiya City Centre	Thanisandra Road	800,000	Q4 2021

Srija Banerjee

Senior Manager, Research Services

+91 080 40465555 / srija.banerjee@cushwake.com

Kapil Kanala

Senior Associate Director, Research Services

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

cushmanwakefield.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services.

©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.