

BENGALURU

Retail Q2 2021

CUSHMAN & WAKEFIELD

12.1% MALL VACANCY RATE (Q2 2021)

11.38 msf MALL INVENTORY (Q2 2021)

0.79 msf EXPECTED MALL SUPPLY IN 2021

ECONOMIC INDICATORS Q2 2021

	2020	2021	2022 Forecast
GDP Growth	-7.3%	9.5%	7.0%
CPI Growth	6.1%	5.3%	4.5%
Consumer Spending	-8.5%	7.2%	6.3%
Govt. Final Expenditure Growth	5.7%	10.8%	9.7%

Source: Oxford Economics, RBI, IMF

Leasing momentum gets impacted despite signs of recovery witnessed during Q1

Just as the city's retail sector was starting to witness recovery early on in 2021, the second wave and subsequent lockdown restrictions adversely impacted the market activity during the second quarter of the year. While enquiries for retail space were negligible, some of the ongoing deals from the previous quarter too were cancelled or deferred over the short term. However, despite retailer exits being recorded in few of the average grade malls over the last few quarters and the city's retail sector being at a standstill during Q2, quarterly mall vacancy at the city level remained stable at 12.1%. We anticipate the vacancy to remain range-bound over the short term, particularly in the well performing, superior malls which have been recording market churn rather than exits during the post COVID period. Furthermore, a mall supply of approx. 1.0 msf, which was expected to get operational during the year, being deferred by 3-6 months due to slowdown in demand and overall subdued business sentiments, shall also keep the vacancy levels within limits. Unlike malls which were shut for the whole of Q2, main streets resumed business starting June, with footfalls much lower compared to Q1 2021. Prominent main streets such as Indiranagar, Koramangala, Church Street, JP Nagar, Jaya Nagar and Commercial Street among others, which had negligible vacancies in pre-COVID times have started to witness space availabilities, on the back of low demand and continued high rentals.

Main streets witness gradual revival in demand, malls to follow

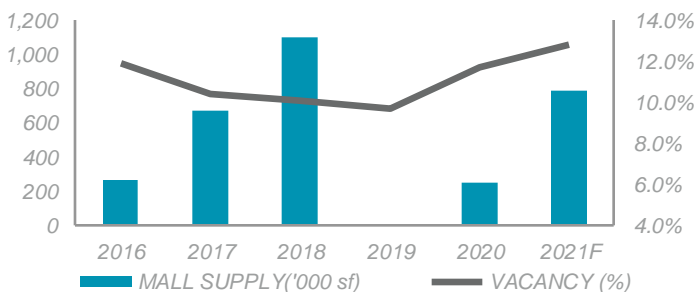
With gradual relaxation in lockdown restrictions in Bengaluru since June, main streets, which have always been the focal point of retailer and consumer activity in the city has started witnessing moderate traction. Though the traction has been lower than witnessed during last two quarters, SOPs are being followed at all the retail outlets to encourage customers who are looking forward to shopping at physical stores. Moreover, recent infrastructure initiatives like redevelopment of Brigade Road, a prime main street in the city, is also expected to attract retailers and generate higher footfalls and revenue at this location, over the short term. Prominent main streets of the city such as Indiranagar, Koramangala, Church Street and MG Road to name a few, which also act as socio-cultural and entertainment hubs are the ones witnessing a faster revival in consumer footfalls than other main streets at peripheral locations.

Malls in the city which resumed business since July while are yet to regain the momentum, have started witnessing gradual increase in footfalls, amid discounts and freebies being offered by brands across retail categories. While completion of approx. 1.0 msf of upcoming mall space got deferred due to current slowdown in leasing activity at select micro-markets, another 0.8 msf of mall space is scheduled for completion by end 2021 with major share of its retail space being pre-leased. This speaks about steady retailer interest for fresh and quality retail space in the city. Thereby, while online shopping shall continue at various digital platforms, with consumers showing preference for physical visits to retail stores, demand for retail space in malls and prominent main streets shall revive in the short term backed by lowering of infection levels in the city.

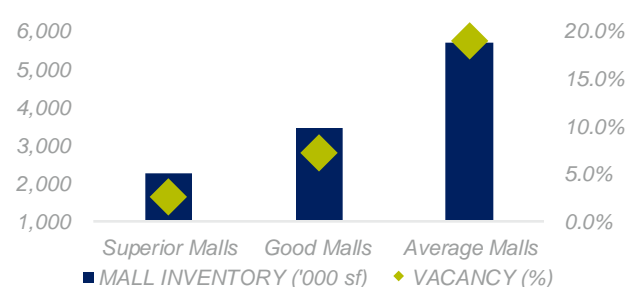
Rentals remain stable, landlords on a wait-and-watch

Landlords and developers in the city have been quite flexible in offering rental waivers and concessions to retailers in H2 2020, thereby supporting them in resuming their operations post the first wave of the pandemic. With majority of existing retailers resuming business by end 2020 landlords disagreed to offer any rental flexibility, while a marginal appreciation (2-4%) from post COVID rentals was also recorded in select main street locations of the city during Q1 2021. Amidst the second wave and continued impact, retailers are re-negotiating with landlords / developers on revenue sharing with lower minimum guarantees. However, landlords are approaching the requests strategically while showing preference for fixed rental arrangements, especially across prominent main streets of the city. In several prominent high streets such as Indiranagar, Koramangala, Brigade Road and Malleshwaram to name a few, landlords are cautiously waiting for the market to revive in the short term and are unwilling to lease at lower / discounted rental rates, thus delaying some of the ongoing transactions. Despite a downward pressure in the short term, rentals are likely to be re-calibrated promptly to normal levels when business scenario improves and demand bounces back later in H2 2021 / early 2022.

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	230	31	37	0%	0.9%
Brigade Road	270	37	44	0%	1.5%
Commercial Street	290	39	47	0%	1.8%
Indiranagar 100 Feet Road	152	21	25	0%	-20.0%
Jayanagar 4th Block, 11th Main	252	34	41	0%	-19.6%
Sampige Road, Malleshwaram	110	15	18	0%	-3.5%
Koramangala 80 Feet Road	100	14	16	0%	-12.3%
Vittal Mallya Road	250	34	41	0%	-2.5%
New BEL Road	120	16	19	0%	-18.5%
Marathahalli Junction	138	19	22	0%	-9.2%
Kamanahalli Main Road	140	19	23	0%	-4.9%
HSR Layout 27th Main	127	17	21	0%	-4.5%
PRIME RETAIL RENTS - MALLS	INR SF/MTH	EURO SF/YR	US\$ SF/YR	Q-O-Q CHANGE**	Y-O-Y CHANGE
Koramangala	420	57	68	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	66	0%	0%
Whitefield	125	17	20	0%	0%
Rajarajeshwari Nagar	80	11	13	0%	0%
Malleshwaram	280	38	45	0%	0%
Bannerghatta Road	195	26	32	0%	0%

Note: Asking rent (INR/sf/month) on carpet area of ground floor Vanilla stores is quoted
 US\$ = INR 74.07 AND € = INR 88.38

Note: The above mentioned rentals of Q1 2021, remained stable during the current quarter post the outbreak of the 2nd wave. These rentals indicated a marginal recovery from the discounted ones that were being offered during H2 2020 to support the retail business in times of sluggish demand. Though these rentals remained stable in Q2, 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 Q2 2021

PROPERTY	LOCATION	TENANT	SF
Main Street	MG Road	Kalyan Jewellers	~18,000
Main Street	Hennur Main Road	Adidas	2,000

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	LOCATION	SF	COMPLETION
Sobha Global Mall / Lulu Mall	Rajaji Nagar	790,000	Q4 2021
Bhartiya City Centre	Thanisandra Road	800,000	Q1 2022

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