

KOLKATA

Retail Q2 2021

CUSHMAN & WAKEFIELD

6.3% MALL VACANCY RATE (Q2 2021)

0.28 msf MALL SUPPLY DEFERRED TO Q2 2022

4.71 msf MALL INVENTORY (Q2 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

Second COVID wave stalls Kolkata's retail momentum

Kolkata's retail sector witnessed negligible leasing activity, both in malls and main streets, as the second wave and subsequent lockdown-like restrictions impacted market recovery that had started to gain momentum during the first quarter. The improvement in demand for retail space as was observed during Q1 was once again impacted by the 2nd wave, as is evident from the negligible number of transactions that got recorded during Q2. With malls shutting down in order to curb transmission rates, footfalls declined sharply, and retail transactions suffered across the board. Despite the relaxation in lockdown norms towards the end of the quarter, like other cities, Kolkata's retail sector too has not seen much of revival in terms of retailer activity since majority of the brands/retailers across malls and main streets continue to be at status quo and have put their plans of store expansions on hold for the next 6-9 months. Space enquiries in some of the city's superior malls had picked up in the first quarter but saw a slowdown in the Q2 as retailers adopted a cautious approach amidst declining sales and rising business uncertainty. However, despite retailer exits being recorded in 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 6.3%. Moreover, with the superior grade malls witnessing more of churn rather than exits and with new mall completions being pushed by 6-9 months, we anticipate the city level mall vacancy to remain range bound over the short term.

Slowdown in sales, retailers hopeful of the upcoming festive season

Main streets in the city which have resumed business earlier than the malls witnessed moderate pick-up in footfalls towards the end of the quarter. However, with renewed restrictions on F&B, Entertainment and Multiplexes, gymnasiums, salon, spa & wellness centres during the 2nd wave, the footfall numbers in malls are yet to regain the earlier pace, as was being observed during the last two quarters. Despite hypermarkets, consumer durables, electronics and other necessary/essential item stores witnessing a gradual revival in demand from consumers, the severity of the 2nd wave has largely kept consumers home bound. Retailers/brands of varied scale and categories present across main streets and malls are however looking forward to the upcoming festive season, in the hope of improved sales, which might enable them to partially recover the revenue loss incurred during the pandemic. The F&B segment particularly the small-scale players and start-ups though had been largely affected during the first wave due to complete lockdown, has been able to sustain the impact of the 2nd wave to some extent, being backed by steady rise in online deliveries during the period. Electronics, consumer durables and apparel brands are likely to be at the forefront of the recovery over the next couple of quarters as the festive season begins and consumers increase their discretionary spending. The medium-term outlook for the retail sector in the city is likely to remain positive with consumers interested in superior retail experiences and leading developers looking to invest in new shopping malls.

Stable rentals and vacancy rates

City-wide rentals remained stable in Q2 though negotiations between tenants and landlords have re-surfaced with the former looking for discounts if not an outright waiver, post the 2nd wave of the pandemic. However, currently pure revenue share arrangements in place of fixed rentals continue as earlier negotiated, with no further drop in share of minimum guarantee. The scenario however might differ between prime core city and suburban/peripheral main street locations, where landlords of not so active main streets may be willing to offer some discount or waiver to support the existing retailers rather than keeping spaces vacant. However, amid negligible enquiries for retail space in the city post the outbreak of the 2nd wave, landlords/developers though extending necessary support to existing retailers are willing to wait and watch for the situation to evolve, instead of offering further discounts on quoted rentals. Superior grade malls which have not been offering discount on quoted rentals backed by tight vacancy levels, continue to do so during the last quarter of the year as well. Vacancy rates remained unchanged at 6.3% in Q2 even as some retailers are likely to have planned their exits, particularly from the smaller, average malls in the coming quarters. Superior malls have remained resilient with no exits recorded.

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
Park Street (CBD)	460	62	75	0%	-7%
Camac Street (CBD)	375	51	61	0%	-6%
Lindsay Street (CBD)	375	51	61	0%	-6%
Elgin Road (CBD)	270	37	44	0%	-2%
Theatre Road (CBD)	200	27	32	3%	0%
Gariahat (South)	250	34	41	0%	0%
Shyambazar (North)	125	17	20	4%	-11%
Hatibagan (North)	130	18	21	4%	-7%
Kankurgachi (North East)	165	22	27	0%	-11%
VIP Road (North East)	120	16	19	3%	-8%
PRIME RETAIL RENTS - MALLS	INR SF/MTH	EURO SF/YR	US\$ SF/YR	Q-O-Q ** CHANGE	Y-O-Y CHANGE
South Kolkata	440	60	71	0%	0%
East Kolkata	415	56	67	0%	0%
Rajarhat/New Town	130	18	21	0%	0%
Elgin Road	500	68	81	0%	-5%
Howrah	190	26	31	0%	-10%
Park Circus	600	81	97	0%	0%

Note: Asking rent (INR/sf/month) on carpet area of ground floor Vanilla stores is quoted
 US\$ 1 = INR 74.07, € 1 = INR 88.38

Note: The above mentioned asking rentals are similar to those that were prevalent during Q1 2021, post a marginal recovery from the discounted ones being offered during H2 2020. While Q1 2021 witnessed a marginal recovery from post-COVID rentals in some of the main streets, rentals largely remained stable during Q2 2021 with the outbreak of the 2nd wave. 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	Sreerampore	Reliance Footprint	3,000
Main Street	Chinsurah	MORE	21,000

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	LOCATION	SF	COMPLETION
Genexx Square	Joka	275,000	Q2 2022

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