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THE VOICE OF REAL ESTATE



THE GREAT INDIAN RETAIL STORY

Despite economic slowdown, the investors have reacted very positively to the Indian retail real estate sector. The segment saw focused Private Equity (PE) inflows touching \$970 million in 2019. Post COVID, retailers are hopeful of better times, especially by aggressively integrating online retailing with brick & mortar stores.

TEXT: LEANDRA MONTEIRO

Global investors are betting big on select Grade-A mall projects that have high probabilities of profitability. Despite the consumption slump, many malls are doing excellent business, and investors are keenly vying for such projects.

NEW FORMATS = BETTER ROIS

The main reason for positivity in retail real estate in India is the emergence of multiple formats for retail, such as large wholesale shopping centres, outlet malls, discount stores, high street shopping to luxury retail malls.

Giving an insight on the mall owner's strategy, **Pushpa Bector, Executive Director, DLF Shopping Malls** said, "Mall owners are laser-focused in ensuring a diverse tenant mix and not merely focusing on space fill-up by just any brand for better ROI. It's more about curating the malls for an enhanced shopping experience with the presence of mixed brands and positioning the mall in an appropriate



PUSHPA BECTOR



UDDHAV PODDAR

manner. Latest example is DLF Avenue where the focus is on integrated experience of Shopping, Dining and Culture."

Developers now have retail as part of their large mixed use developments. This not only helps increase the ROI, but offers a sales potential to the other assets of the development," explained **Uddhav Poddar, MD, Bhumika Group**.

Concurring on the thought, **Kunal Moktan, Co-Founder and CEO at PropShare Capital** stated, "Retail real estate provides higher yields than office and residential investments and are capable of providing higher upside through revenue shares. If the tenant does well, a retail investor can make significant upside by getting a share of its revenues which is not available in a plain vanilla office or residential investment."



KUNAL MOKTAN

THE DEVELOPERS APPROACH TO RETAIL REALTY

Presently, most of the housing real estate projects being developed contain retail, as people are more willing



WHY IS RETAIL FAVORABLE?

- **Large and Favourable Demographics:** India has a very large population with a median age of 28, and 66.66% of our population being in the age of 15 to 60, which has a propensity to spend more
- **Rise in Income and Purchasing Power:** India's per capita GDP has gone up from INR 98,405 in FY15 to INR 142,719 in FY19, and Per capita disposable income up from INR 100,439 in FY15 to INR 144,429 in FY19
- **Change in Consumer Preferences:** Indian consumers are now willing to pay more for premium products and services, from necessities to luxury (Brand consciousness)
- **Easy Consumer Credit:** The growing use of 'plastic money' i.e. credit and debit cards has resulted in an increased spending amongst consumers, Credit card transactions witnessed CAGR of 30% & Debit card transactions witnessed CAGR of 16%
- **Government Policies:** Government has relaxed FDI rules for single brand retail, and allowed 100% FDI in single brand retail, and that too under automatic route - this has resulted in multiple global retail giants entering India and offering Indian consumers multiple options. Also many Indian brands have been able to raise capital and grow their businesses across India.
- **Low Share of Organised Retail:** In 2017 Organised retail only had a 9% share of the overall retail business in India, this shows the opportunity the sector presents, in a short span of 4 years, this share is expected to rise to 18% in 2021.

to purchase homes where day to day and emergency services and products as well as entertainment avenues are easily available. The same goes true for commercial projects. Apart from furnished & equipped workspaces, availability of F&B and shopping has led to Shopping cum Commercial developments across the country.

"The supply of Grade A malls has decreased, because to maintain such a property is not an easy task. Only the developers who have the wherewithal to handle the nuances of intricate planning are coming up with these properties. For example, Gaur City Mall at Greater Noida West which is being touted to be the first and largest mall of Greater Noida West has taken a lot of research and brainstorming to create," said **Manoj Gaur, MD, Gaur Group and Chairman, Affordable Housing Committee, CREDAI (National)**,



MANOJ GAUR



ABHISHEK BHARDWAJ

Abhishek Bhardwaj, Chief Marketing Officer, Shristi Infrastructure Development Corporation Ltd added, "For better ROI's retail developers are coming up with minimum guarantee or fixed percentage share of revenue (whichever is higher) from the retailer, where the developers have the opportunity to get higher rentals when there is growth in the sales of the retailers. Plus the developers are taking direct initiative in brand promotion and advertising along with the retailers."

"Malls are not typical real estate project which can be sold like a residential project. They require proper planning while building so that the stores opening in the mall functions successfully, and most importantly it requires patience and long term capital which is scarce in India, as the exit for mall developers is only after the mall is up and running," explained **Uddhav Poddar**.

In 2019, Delhi-NCR received the maximum PE inflows of about \$610 million – a massive 63 per cent share of the total retail funds into Indian realty during this period.

Between 2015 and 2019, Delhi-NCR received retail-focused inflows at over \$750 million. MMR was second with \$410 million, followed by Pune at nearly \$150 million.

At least 36 per cent (nearly \$1 billion) retail-focused funds went to cities like Ahmedabad, Amritsar, Bhubaneswar, Chandigarh, Nagpur and Mohali.

Anarock Capital

TIER-II & III CITIES-THE NEW HUBS

With the metros getting saturated with a number of retail estate projects, it is now the aspirational tier 2 and 3 cities that are the hubs of retail growth story. Cities such as

Tier II and III cities have slowly become the hotspot of real estate activities in recent times. With increasing population and increased industrial activities, these cities have been in the thick of things in recent times. As a fall out of that, the retail industry had developed a lot and in turn retail real estate is booming. Lucknow, Jaipur, Chandigarh, Kochi, Patna, Bhubaneswar among others, are the next retail destinations in the country.

"The location for the mall spaces have always been a matter of debate between investors and realtors. The smaller cities consumer market size and the purchasing capacity of consumers has changed over time. The

Tier II and III cities in India have benefited significantly from large scale urbanization which in turn has created wealth and increased spending capacity. This has led to prolific growth in the entry of new domestic and international brands into these cities which in turn has led to strong growth in retail real estate.



TRANSIT RETAIL

The total retail opportunity across various transport hubs in India, such as airports, highways and bus stations, metro, railways, will grow manifold in new decade. Backed by a potentially healthy growth in passenger traffic and transport infrastructure, this Transit Retail opportunity is estimated to grow to USD 21.6 billion by 2030.

While the retailing potential is best tapped at airports, it is still at a nascent stage for other modes like metros, railways, highways and bus stations. A large part of the retail opportunity at transit hubs is currently untapped due to lack of retail infrastructure at these nodes. The large retail potential translates into lease rental opportunity of USD 1 billion, currently which is estimated to grow to USD 3.2 billion by 2030. This will also open a new revenue stream for future infrastructure developments.

KnightFrank

markets are more connected and there has been a rise in aspirational citizens, which has addressed the challenge of dispersed catchment population in smaller cities to a great extent," said **Avneesh Sood, Director – Eros Group**.

WHAT'S NEW IN RETAIL?

Emerging trends in retail industry include, having a customer-centric approach, a brick and click solution for customers, an increased experiential retail experience and a growing focus on socially conscious consumers driving ethical retail. Additionally, consumers are looking for personalisation from their retail destinations.



TOP 3 LARGEST INDIAN SHOPPING MALLS

1. **World Trade Park, Jaipur**
The massive mall has a space of 2.4 million sq ft and has 11 floors and the parking spot can fit up to 1,100 cars. There are hotels, health clubs, eateries, business office spaces and extraordinary stimulation spots.
2. **Mall of India, Noida**
The shopping mall across 2 million sq ft has seven stories. Mall of India was planned and designed by the British architectural firm Benoy, with six customized shopping levels including international and Indian fashion, dedicated kids zone, entertainment, international cafes, food court and restaurants with a race track atrium. It is a popular hub for shopping, entertainment and dining.
3. **Lulu International Shopping Mall, Kochi**
The shopping mall is 1.5 million sqft big and has around 215 retail stores five of them being anchor tenants. It contains more than 225 outlets, including food courts, restaurants, family entertainment zones, a multiplex, ice skating rink and bowling alley.

According to **Manoj Gaur** the latest trend is the development of high street retail areas in various commercial real estate projects. "The consumer has evolved after getting the best of retail experience in other countries and they want the same or better experience here in India. Such developments are in demand and hence assure better ROI than the run-of-the-mill products that are being churned out without going into market research before launching the project. Reputed developers always have their ears to the ground and this has proved that they are always ready with the newer formats that have the potential of getting good returns."

EMERGENT TRENDS

- Traffic management inside the malls includes crowd management so as to avoid congestion of heavy footfalls.
- Footfall management where shopping trends, store visits are being analysed and customers buying preferences are being observed via technologies.
- Advertising on vacant shops via hi-tech digital displays to promote mall, its retailers and retailers' products.
- Building shopping malls via optimum utilization manner to avoid dead real estate space with low visibility.