

INDIA

Cushman & Wakefield

Global Cities Retail Guide



Indian consumers' preferences have been constantly evolving because of growth in per capita income, rapid urbanization and a burgeoning and well-travelled middle class.

A noticeable change in consumer demand for a greater variety of products and services is evident from the changing consumption patterns that have generated immense interest among international brands and retailers. As per Cushman and Wakefield research, the size of the overall retail market in India is set to reach USD 1.1 trillion by 2020.

The Indian government has taken several steps to boost the growth of the retail sector with 100% foreign direct investment (FDI) in single brand retail and allowing 51% FDI in multi-brand retail. This has been met with varying degrees of success, as some states viewed it cautiously while others such as Maharashtra, Haryana and Uttarakhand welcomed the move. The government has also allowed 100% foreign direct investment in B2B e-commerce and 100% FDI under automatic route under the market place model of B2C e-commerce.

Organized retail has been gaining importance across all segments and as per Cushman and Wakefield research, it will attain a 10-11% share by 2020 from a current 9% of the total retail market in India. Enactment of the Goods and Services Tax (GST) has been a positive move for the retail sector as it introduced a uniform regime of indirect taxes and ensures price parity in the country.



INDIA

ECONOMIC OVERVIEW

ECONOMIC SUMMARY

ECONOMIC INDICATORS*	2017F	2018F	2019F	2020F	2021F
GDP growth	6.2	7.4	7.1	6.9	6.6
Consumer spending	6.8	8.0	7.6	6.8	6.8
Industrial production	2.9	5.5	6.7	6.6	6.5
Investment	2.1	5.0	5.8	7.7	8.0
Unemployment rate (%)	3.4	3.5	3.5	3.6	3.7
Inflation	3.3	5.3	5.5	5.6	5.5
INR/ € (average)	73.9	76.2	77.1	79.4	81.8
INR/ US\$ (average)	65.2	63.5	64.1	65.9	67.6
Interest rates Short term (%)	6.1	6.3	6.8	7.2	7.3
Interest rates 10-year (%)	6.7	7.3	7.7	7.7	7.5

ECONOMIC BREAKDOWN

Population	1.3 Billion (2017F)
GDP (nominal)	US\$ 2.49 Trillion (2017F)
Public Sector Balance	-3.6% of GDP (2017F)
Public Sector Debt	45.2% of GDP (2017F)
Parliament	BJP
President	Mr Ram Nath Kovind
Prime Minister	Mr. Narendra Modi
Election Date	May 2019

RETAIL SALES GROWTH: % CHANGE ON PREVIOUS YEAR

INDIA	2017F	2018F	2019F	2020F	2021F
Retail Volume*	8.2%	10.3%	7.8%	7.9%	7.7%

NOTE: *annual % growth rate unless otherwise indicated. Figures are based on local currency and real terms. E estimate F forecast.

CITY	POPULATION
Mumbai	18,394,912
Delhi (NCR)	16,349,831
Kolkata	14,035,959
Chennai	8,653,521
Bengaluru	8,520,435
Hyderabad	6,809,970
Ahmedabad	6,352,254
Pune	3,115,431

SOURCE: 2011 Census



INDIA LARGEST CITIES

INDIA

RETAIL OVERVIEW

MAJOR DOMESTIC FOOD RETAILERS

Big Bazaar, Nilgiris, More, Reliance, Star Bazar

MAJOR DOMESTIC NON-FOOD RETAILERS

Madura, Future group, Shoppers Stop, Westside, Reliance Trends, Titan

INTERNATIONAL RETAILERS IN INDIA (Selection)

Mango, Zara, Ed Hardy, Marks & Spencer, Diesel, Gap, Guess, Sephora, H&M, Hamleys, Muji

FOOD AND BEVERAGE OPERATORS

Burger King, Starbucks, The Coffee Bean & Tea Leaf, Krispy Kreme, Dunkin' Donuts, Hard Rock Café, Costa Coffee, McDonalds, Pizza Hut, Nirulas, Haldirams, Bikanerwala, Slice of Italy, Nando's, KFC, etc.

TYPICAL HOURS

LOCATIONS	MONDAY-FRIDAY	SATURDAY	SUNDAY
HIGH STREETS	10.00-20.00	10.00-20.00	10.00-20.00
SHOPPING CENTRES	10.00-22.00	10.00-23.00	10.00-23.00

NEW ENTRANTS TO MARKET

Sephora H&M Muji Asics



INDIA

RETAIL SCENE

India is one of Asia's largest markets with a population of 1.3 billion. The rising middle class is well-travelled and influenced by changing global environments that is, in turn, reshaping their consumption patterns and priorities.

As a result, organized retail is also gaining importance, as evident from the increasing presence of the brands and retailers across all segments.

Total existing stock of shopping centres in India is estimated to be approximately 78 million square feet (msf) across the top eight cities as of March 2018 with an overall vacancy rate of 15%. Most of these developments range between 200,000 and 550,000 sqft. Currently, the Indian retail market is undergoing a metamorphosis with established shopping centres and main streets becoming more sophisticated, and with the emergence of many new locations.

Whilst the penetration of organized retail is growing in India, e-commerce is fast gaining acceptance and its share is steadily increasing. The entry of players in this domain has been on the rise since the last few years. Many retailers have capitalized on this great opportunity to establish their omni channel presence. Integrating online channels with brick and mortar stores has provided an unparalleled and unique shopping experience to buyers. The Government of India's policies and regulatory frameworks such as 100 per cent foreign direct investment (FDI) in B2B e-commerce and 100 per cent FDI under automatic route under the market place model of B2C e-commerce are expected to further propel growth in the sectors.

With 100% FDI allowed in single-brand retail, an additional route for international retailers to enter the Indian retail market has opened. Thus far, they were restricted to only franchise or joint venture options. The FDI relaxation is further paving way for the Make in India initiative.





INDIA

SHOPPING CENTRES

TOP TEN SHOPPING CENTRES BY SIZE

NAME	CITY	SIZE (GLA SQM)	YEAR OPENED
DLF Mall of India	Noida, NCR	171,000	2016
Phoenix Market City	Mumbai	106,838	2011
Lulu Centre	Kochi	97,084	2013
Ambience Mall	Gurgaon, Delhi-NCR	95,690	2007
R City Mall	Mumbai	93,553	2011
Mantri Square	Bangalore/Bengaluru	85,471	2012
Express Avenue	Chennai	83,613	2010
Highstreet Phoenix	Mumbai	78,000	2009
Brigade Orion	Bangalore/Bengaluru	74,000	2012

INDIA

KEY FEATURES OF LEASE STRUCTURE

KEY FEATURES OF LEASE	
ITEM	COMMENT
Lease Terms	Traditionally, leases in India have been for a term of 5-9 years and could be higher, with 35 years often seen in parts of the retail market (e.g. for an anchor tenant). Leases are now more typically for 9 years. Break options were rare in the past but now increasingly negotiable. Typically the retailer will have to lock itself for a period of 3 years. The authorized use will depend on the terms of the lease. Many states have also introduced Leave & License (L&L). L&L gives the occupier only the right to operate from the premises and does not give them any tenancy rights. Under L&L, landlords always remain in possession of the premises and the occupier only has the license to operate from the space occupied.
Rental Payment	Rents are typically payable a month in advance. A security deposit is normally required for a tenant with a strong covenant and, in some cases even a parent company guarantee is required. (or less frequently a bank guarantee). The retailer pays a deposit of 6 months' rent equivalent commonplace.
Rent Review	Indexation is not common practice but is being seen on an increasing basis, together with fixed uplifts and can be particularly prevalent in the supermarket sector. The basis of rental review open market rental value (upward only even where rents generally have decreased) usually every 5 years. This is done typically when the retailer cannot sustain the rentals, and the landlord had built as per requirement of the retailer.
Service Charges, Repairs and Insurance	A service charge is usually payable in multi-tenanted buildings and covers management fees, security, cleaning, landscaping, internal maintenance of common parts, external maintenance and insurance, servicing of elevators, water, heating, air conditioning, management fees and property taxes. It excludes internal maintenance and insurance of rented accommodation, utility charges and VAT. The landlord is responsible for external /structural matters in shopping centres (charged back via service charge) or tenant (except in multi-let buildings). The tenant is responsible for internal matters. The landlord usually insures the main structure and external fabric but will charge this back to the tenant. Insurance for common parts is also paid by the landlord and charged back. The tenant usually pays for internal insurance directly.
Property Taxes and other costs	The local government authority charge the "rates," the local property tax, which is payable on commercial property in most cases is paid by the developer, but in many cases the developer transfers this payment to the occupier. In some cases the initial amount is paid by the developer and any future increase is paid by the occupier.
Disposal of a Lease	Sub-letting is usually possible under the terms of the lease, subject to landlord's approval. Assignment rights are not normally barred in the lease but will also be subject to consent, which should not be unreasonably withheld. Early termination is only by break clause, to be negotiated at outset of lease by mutual consent upon negotiation. At lease end, the tenant is responsible for re-instating the premises to the same condition as at the start of the lease, subject to normal wear and tear. All tenant improvements must be approved by the landlord subject to the alteration covenant in the lease and the fact that approval should not be unreasonably withheld.
Valuation Methods	Shops are valued on a sales comparable approach. Here, the shop is compared to the other similar shops in the vicinity and relevant premium/ discount is applied on various attributes to arrive at the value of the shop. These attributes include the shop frontage, accessibility, visibility, the profile of the neighbouring shops, unit size and floor, and other such parameters. The percentage of premium/ discount applicable would vary depending on the local market dynamics and the location of the shop (high street or shopping centre).
Legislation	Leases must be in writing and the lease document forms the standard documentation required. A mandatory standard form of lease does not exist although a market standard is in place. All leases should be registered for it to be recognized under the law.

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