

Think India Think Retail 2024



Shopping Centre and High Street Dynamics Across 29 Cities

2024

Knight Frank's ultimate guide to real estate market performance and opportunities in the world's most exciting continent.

knightfrank.co.in/research



Maps are for representational purpose not to scale.

Foreword



► Shishir Baijal

Chairman and Managing Director - Knight Frank India

India's retail landscape is a fascinating amalgamation of factors, shaped by its vast population, strides in digital literacy, and economic expansion. These elements converge to propel the growth of the retail sector, with particular emphasis on the evolution of retail spaces into multifaceted hubs of commerce and entertainment. What was once merely a realm of transactions has evolved into an immersive experiential domain, reflecting the changing dynamics of consumer behaviour and aspirations.

However, amidst this narrative of growth lies a nuanced reality. While the retail sector has witnessed remarkable strides, it has also encountered challenges, notably manifested in the fluctuating fortunes of shopping centres. Suboptimal planning and utilization have rendered many such centres unsustainable over time, underscoring the imperative for strategic recalibration.

In our previous report, we highlighted the latent value embedded within underperforming malls, initiating a discourse on their potential repurposing and rejuvenation. This edition builds upon that foundation, delving deeper into the intricacies of India's retail landscape, with a focus on the structural nuances of shopping centres and high streets across the nation.

The momentum of consumption, fuelled by rising disposable incomes, a youthful demographic profile, and urbanization dynamics, bodes well for the organized retail sector. Notably, smaller cities are emerging as vibrant markets, mirroring the consumption patterns witnessed in metropolitan centres.

It is against this backdrop that our publication assumes significance, offering a comprehensive analysis encompassing 29 Indian cities, 340 shopping centres, and 58 high streets, rooted in primary survey data.

Our findings underscore intriguing trends, such as the burgeoning potential of Tier 2 cities for shopping centre development, and the ascendancy of indigenous brands in the retail landscape. Concurrently, international brands are reinventing their presence in India, attuned to the nation's robust appetite for branded goods.

Moreover, our examination of trading densities unveils compelling insights, highlighting the revenue dynamics between shopping centres and high streets. While the former exhibit superior revenue potential overall, the latter outstrip shopping centres on a per square meter basis, reflecting the divergent dynamics of retail formats.

In presenting the "Think India Think Retail 2024" report, I extend my gratitude to all stakeholders whose contributions have enriched this endeavour. As India's retail ecosystem continues to evolve, I am confident that this report will serve as a valuable resource for developers and retailers alike, guiding strategic decision-making in a dynamic marketplace. I invite you to delve into its contents, and I eagerly anticipate your feedback.

www.knightfrank.co.in/research

Mumbai HO

Knight Frank (India) Pvt. Ltd.
Paville House, Near Twin Towers,
Off. Veer Savarkar Marg, Prabhadevi,
Mumbai 400 025, India
Tel: 022 6745 0101 / 4928 0101;

Bengaluru

Knight Frank (India) Pvt. Ltd.
204 & 205, 2nd Floor, Embassy Square,
#148 Infantry Road,
Bengaluru 560001, India
Tel: 080 40732600 / 22385515

Pune

Knight Frank (India) Pvt. Ltd.
Unit No.701, Level 7, Pentagon Towers P4,
Magarpatta City, Hadapsar,
Pune 411 013, India
Tel: 020 67491500 / 30188500;

Chennai

Knight Frank (India) Pvt. Ltd.
1st Floor, Centre block, Sunny Side,
8/17, Shalee Mohammed Road,
Nungambakkam, Chennai 600 006, India
Tel: 044 4296 9000

Gurgaon

Knight Frank (India) Pvt. Ltd.
Office Address: 1505-1508, 15th Floor, Tower B,
Signature Towers South City 1,
Gurgaon 122 001, India
Tel: 0124 4782700;

Hyderabad

Knight Frank (India) Pvt. Ltd.
Western Dallas Centre, 5th floor, Office #3,
Hyderabad Knowledge City,
Survey No. 83/1, Raidurg, Serilingampally Mandal,
Ranga Reddy District, Telangana Hyderabad - 500032
Tel: 040 44554141;

Kolkata

Knight Frank (India) Pvt. Ltd.
PS Srijan Corporate Park
Unit Number - 1202A, 12th Floor,
Block - EP & GP, Plot Number - GP 2,
Sector - V, Salt Lake, Kolkata 700 091, India
Tel: 033 66521000

Ahmedabad

Knight Frank (India) Pvt. Ltd.
Unit Nos. 407 & 408, Block 'C', The First,
B/H Keshav Baugh Party Plot,
Vastrapur, Ahmedabad - 380015
Tel: 079 48940259/ 40380259

Contents

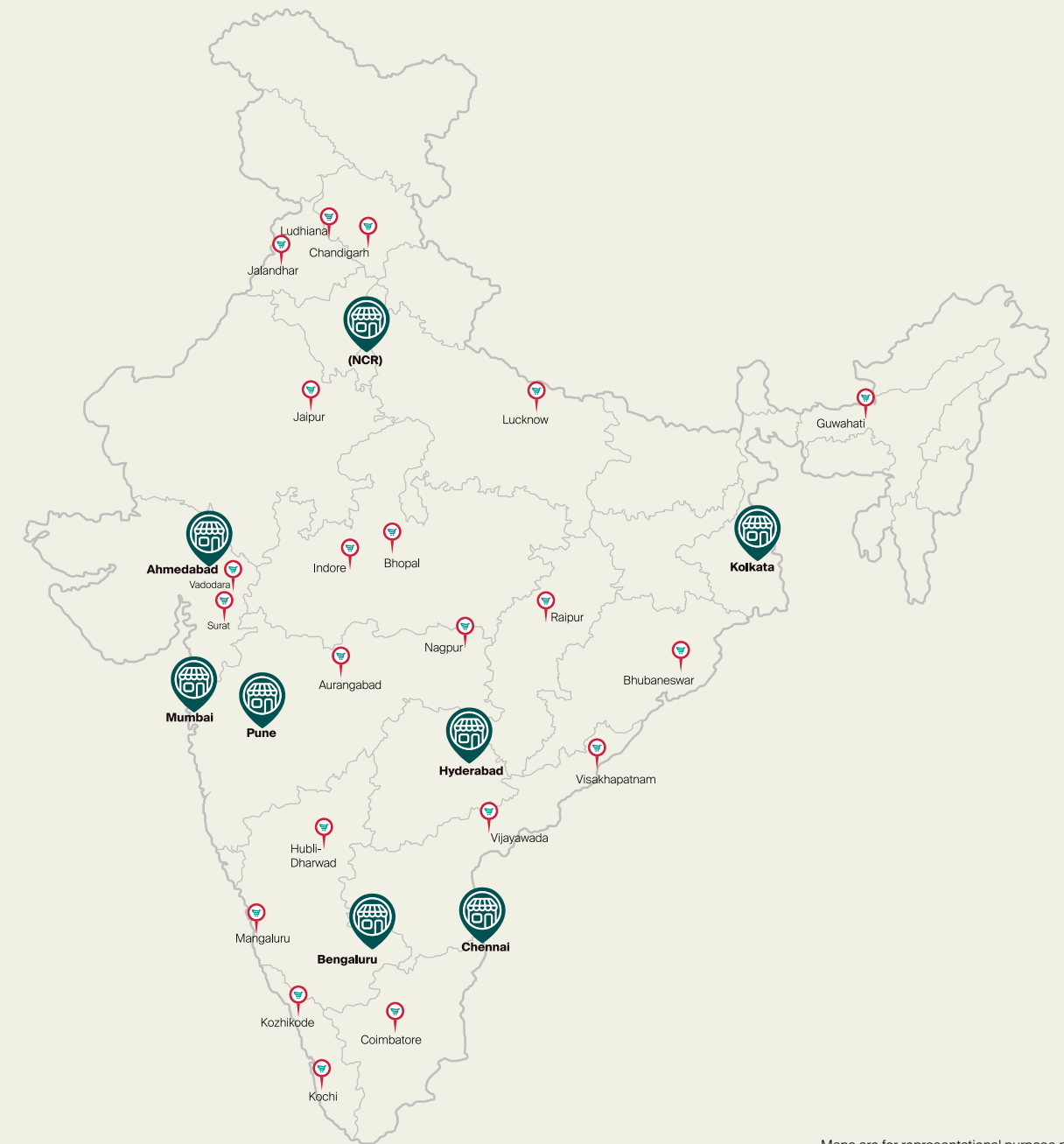
FOREWORD	03
ABOUT THE STUDY	06
Organised Retail Sector Survey Data Methodology	
RETAIL LANDSCAPE OVERVIEW	12
Geographic spread of shopping centre stock Grade Wise Stock Analysis Shopping Centre Health Geographic spread of high streets in Tier 1 and Tier 2 cities Number of high street stores in top 8 markets	
TIER I AND TIER II CITIES OVERVIEW	23
Operational Shopping Centre Stock in Tier 1 & Tier 2 Cities Analyzing Shopping Centre Density – Contrasting Retail Landscapes in Tier 1 and Tier 2 Cities Retailer Category Comparison across both retail formats in Tier 1 and Tier 2 cities Analyzing Brand Presence: A Comparative Study of Retail Formats in Tier 1 and Tier 2 Cities Emerging Trends: Growing Presence of International Brands in Tier 2 Cities	
COMPARISON BETWEEN SHOPPING CENTRES AND HIGH STREETS	31
Total Number of Stores Retailer Category Comparison Brand Origin Comparison across Retail Formats Key Insights	
OUTLOOK	36
Projected revenue potential across shopping centres and high streets in FY 2024-25	

About The Study

India's retail sector dynamics have been continually evolving leading to the growing popularity of organised retail formats beyond the contours of the Tier 1 cities. As consumption in Tier 2 cities expands, the class of aspirational shoppers have paved the way for construction of contemporary shopping centres and modernization of shopper friendly infrastructure for the existing stock. With growing institutional investor interest in many Indian cities, Tier 2 cities have been witnessing the development of new shopping centres since the dawn of the millennium. Similarly, high streets in Tier 2 cities have witnessed a huge influx of retailers in the past decade, even as Tier 1 city high streets continue to attract massive retailer interest to establish footprint and benefit from high footfalls due to their legacy and recall value.

Organised Retail Sector Survey

With a view to providing a detailed overview of the retail sector, Knight Frank India has expanded its annual primary survey coverage of our top 8 markets to include 21 Tier 2 cities in this edition. Through this comprehensive study, we have captured 340 operational shopping centres and 58 high streets spread across the length and breadth of these cities. The selection of 29 cities is based on economic and demographic parameters such as contribution to state gross domestic product, population and availability of a critical mass of shopping centres and the presence of high streets. The list of all Tier 1 and Tier 2 cities covered in the study is given below:



Maps are for representational purpose not to scale

Data Methodology

Akin to the previous two editions of our 'Think India Think Retail' series in 2022 and 2023, the physical survey of all retail stores under our coverage has helped us map the organised retail landscape precisely across both formats.

Through this extensive study, we are able to uncover key market themes and also bust several myths around shopping centres and high streets in both Tier 1 and Tier 2 cities.

We have considered the stores to be a part of the modern retail stock on the basis of the following characteristics:

- The store retails recognised International/Indian brands
- The store provides a purchase invoice

Our survey encompasses all stores that are occupied and operational. Vacant retail spaces on high streets have not been considered. This report captures the real estate footprint of more than 7,200 retail stores present on 58 high streets on key parameters such as store size, tenant profile, retailer category and origin. The list of the high streets considered for coverage is given below.



City	High Street
Ahmedabad	Chimanlal Girdharlal Road (CG Road)
	SG Highway
Bengaluru	Brigade Road
	Church Street
	Commercial Street
	Hennur Main Road
	Indira Nagar - 100 Ft Road
	Jayanagar - 4th Block
	Koramangala - 100 Ft and 80 Ft Road
Mahatma Gandhi Road (MG Road)	
Chennai	Anna Nagar
	Nungambakkam High Road
Hyderabad	Ameerpet
	Banjara Hills
	Gachibowli
	Jubilee Hills
Kolkata	Somajiguda
	Park Street & Camac Street
Mumbai	Colaba Causeway Market
	Linking Road
	Lokhandwala Market
	Lower Parel
	Bunglow Road, Kamla Nagar
NCR	Connaught Place
	Greater Kailash 1 - M Block Market
	Khan Market
	Lajpat Nagar
	Rajouri Garden
	South Extension - I & II
	DLF Galleria - Gurugram
Sector 18 Market - Noida	

City	High Street
Pune	Baner Road
	Koregaon Park
	Mahatma Gandhi Road (MG Road)
Aurangabad	API Road
Bhopal	Narmadapuram Road
	Raisen Road
Bhubaneswar	Janpath Road
Chandigarh	Sector 17 Market
Coimbatore	NSR Road
Guwahati	Guwahati-Shillong Road
Hubli-Dharwad	Coen Road
	Gokul Road
Indore	AB Road
Jaipur	Malviya Nagar
Jalandhar	Model Town Road
Lucknow	Faizabad Road
	Hazratganj
Ludhiana	Ferozepur Road
Mangaluru	Light House Hill Road
Nagpur	Mount Road
Raipur	Dharam Nagar, Tagore Nagar
Surat	Dumas Road
Surat	Citylight Road
Vadodara	Alkapuri Road
	Old Padra Road
Vijayawada	Mahatma Gandhi Road (MG Road)
Visakhapatnam	Waltair Road

[1] Nungambakkam High Road includes Khadar Nawaz Khan Street, Rutland Gate and Wallace Garden streets nearby

[2] Ameerpet includes Ameerpet-Punjagutta Road

[3] Gachibowli includes Gachibowli-Miyapur Road

[4] Park Street and Camac Street includes Shakespeare Sarani area

[5] Bandra (West) includes Linking Road and Turner Road

Both Bengaluru and Pune have a high street named Mahatma Gandhi (M G) Road

For the store-level field survey of shopping centres, all stores in operational shopping centres were considered and include more than 16,800 stores. Further, for shopping centres, key success parameters such as asset size, vacancy rate, anchor tenant profile, zoning, mall management, parking facilities and quality of public transportation have been considered to categorize them into 3 broad grade categories as below:

Criteria	Grade A	Grade B	Grade C
Size Category (GLA sq ft)	>500,000 sq ft	100,000 – 500,000 sq ft	< 100,000 sq ft
Vacancy	0 - 9%	10 – 40%	More than 40%
Anchor Tenants	Department Store/ Hypermarket/Gourmet Store	Department Store or Hypermarket	No anchor tenants
Floor-wise Zoning of Brands	Strict Implementation	Part Implementation	No Implementation
Frontage and Visibility	Excellent	Good	Poor
Mall Management*	Excellent	Good	Poor
Parking Facilities	300 vehicles and above	200-300 vehicles	Limited or no parking facilities in the area
Quality of Public Transportation	Direct and easy access from all modes of public transport like cabs, buses and metro stations	Easy access from all modes of public transport like cabs, buses and metro stations	Weak access from all modes of public transport like cabs, buses and metro stations

* Includes Safety and Health protocols (Washrooms/Common Area Maintenance/Safety Equipment Awareness/Security Staff for consumers at every crucial mall check point)
Note: Mall grading is a combination of all the above criteria and not one parameter alone



Retail Landscape Overview

- ▶ With the retail sector firmly emerging from the shadow of the pandemic, the past couple of years have witnessed revenge shopping, influencer marketing, Generation Z focused marketing by retailers, and the creation of unique and immersive shopping environments as redefining themes for the brick-and-mortar formats. Today, the retail sector in India boasts a diverse landscape and a vast geographic spread of brick-and-mortar stores. Economic growth, employment opportunities, increasing disposable incomes and the wider reach of e-commerce to smaller cities has brought them under the spotlight as the next growth fulcrum for the real estate sector. The retail sector in Tier 2 cities has been relatively under penetrated compared to Tier 1 cities and this scenario is gradually changing as the sector enters the next phase of growth in India.



Geographic spread of shopping centre stock

As of 2023, India has a total shopping centre stock of 11.6 mn sq m (125.1 mn sq ft) across 340 operational assets in 29 Indian cities. These 29 cities include the top eight markets – Ahmedabad, Bengaluru, Chennai, Hyderabad, Kolkata, Mumbai, the National Capital Region (NCR) and Pune. The shopping centres are inclusive of institutionally owned assets across all grades. As Tier 1 cities have been leading the real estate development in India – whether residential, office or retail, the top 8 cities constitute 75% of the total gross leasable area of the 11.6 mn sq m (125.1 mn sq ft) cited above across 263 shopping centres. Of the top 8 cities, NCR, Mumbai and Bengaluru are the top three in the pecking order of gross leasable area available in shopping centres.

The tables below depict the Gross Leasable area (GLA) constituted by the operational shopping centre stock in all 29 cities based on our primary retail store survey.



Maps are for representational purpose not to scale

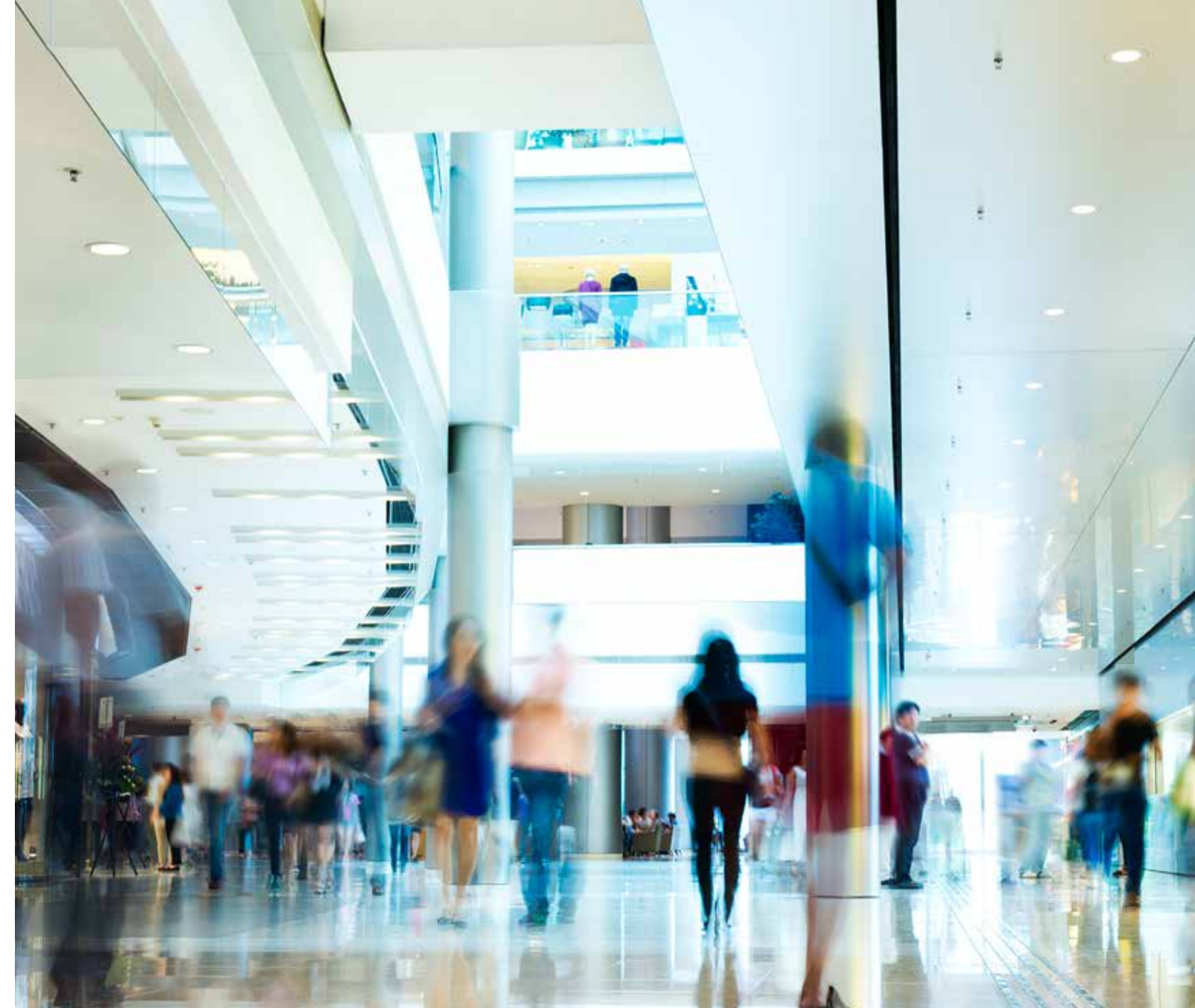


Shopping Centre Stock in Tier 2 cities

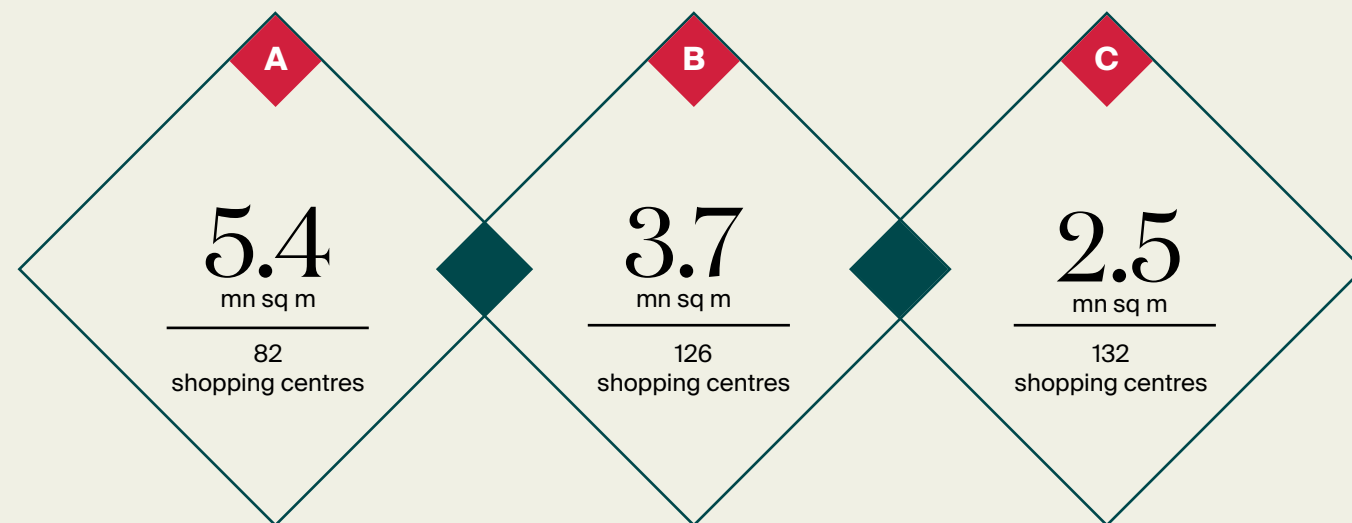
Shopping centre development in Tier 2 cities has panned out differently from the Tier 1 markets. Unlike Tier 1 markets, where shopping centres became operational in the early 1990s, Tier 2 cities witnessed their advent only at the dawn of the millennium. Owing to this phenomenon, most Tier 2 cities are populated with relatively smaller shopping centres. While 16 Tier 2 cities still have shopping centres sized less than 0.1 mn sq m (1.1 mn sq ft), only 5 Tier 2 cities have shopping centres admeasuring above this threshold.

Gross Leasable Area in mn sq m (mn sq ft)	No. of Cities	Name
Up to 0.1 mn sq m (Up to 1.1 mn sq ft)	16	Aurangabad, Bhopal, Bhubaneswar, Chandigarh, Coimbatore, Guwahati, Hubli-Dharwad, Jalandhar, Ludhiana, Mangaluru, Nagpur, Raipur, Surat, Vadodara, Vijayawada, Visakhapatnam
0.1-0.2 mn sq m (1.1 – 2.2 mn sq ft)	4	Indore, Jaipur, Kochi, Kozhikode
Above 0.2 mn sq m (Above 2.2 mn sq ft)	1	Lucknow

Source: Knight Frank Research



Grade Wise Stock Analysis



Since the advent of the mall culture in India in early 1990s, the shopping centre stock development began rampantly. While the 29 cities under our review are in various stages of shopping centre development, the underlying theme across all of them remains the same – unavailability of institutional-grade retail assets despite the increase of new supply in this category.

As of 2023, Grade A shopping centre stock, with enviable occupancy, strong tenant mix, good positioning, and active mall management, contributed 47% to the overall shopping centre space with 5.4 mn sq m (58.2 mn sq ft) across the country. Grade B shopping centre stock, with decent occupancy and tenant mix, contributed 31% with 3.7 mn sq m (39.7 mn sq ft). Grade C stock, on the other hand, with high vacancy rates, inferior tenant mix, poor mall management, contributed the lowest with 22%, as 2.5 mn sq m (27.2 mn sq ft) leasable space is locked in these assets. In the current assessment period, we also observed that some Grade C shopping centre assets in Tier 1 cities such as the NCR, Mumbai and Pune were demolished to pave the way for construction of residential inventory to monetize the land parcels as demand for residential units has been strong since the pandemic.

While concerns around asset quality and revenue potential may put some of these struggling structures completely out of business, the future of Grade A assets in India remains bright as they continue to bustle with footfalls and remain hotspots for new retailer entry and expansion. Most of the new shopping centre supply in 2023 belonged to the Grade A category in cities such as the NCR, Mumbai, Bengaluru and Ahmedabad.



Source: Knight Frank Research
Note: Distribution represents number of shopping centres in 29 cities

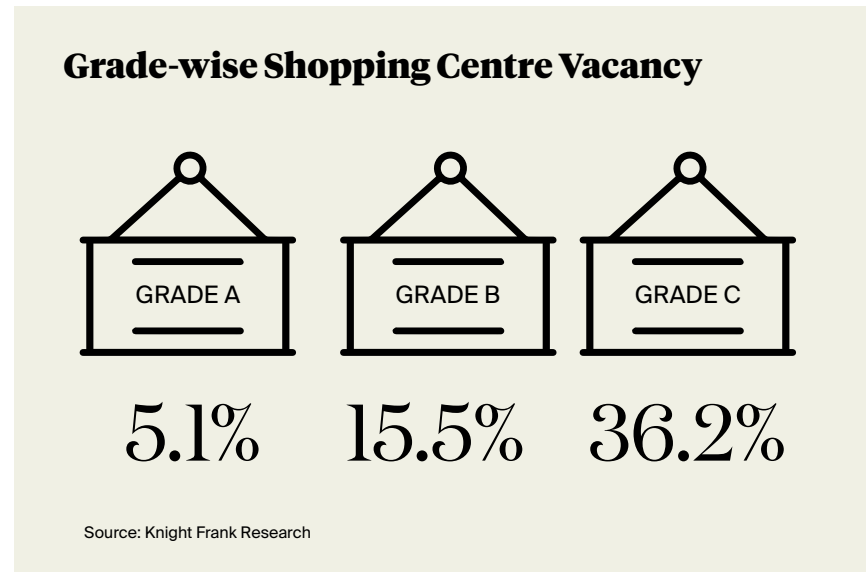


In particular, Tier 1 cities account for 263 or 77% of the total shopping centres in 2023. This represents a 3% year-on-year (YoY) degrowth over 2022 when the number of operational shopping centres in Tier 1 cities stood at 271. This degrowth is despite the addition of 8 new shopping centres in NCR, Bengaluru, Mumbai, Pune and Ahmedabad. Since our last primary survey in 2022, a few underperforming shopping centres were either demolished due to reasons such as developers undertaking residential or commercial developments or were permanently closed or auctioned to rebuild or repurpose them. Since such assets do not fit the definition of operational shopping centres, 16 such properties were removed from the stock. The above are examples of consolidation in the shopping centre space in Tier 1 cities where underperforming assets are being repurposed, and which will reflect in the overall shopping centre health over the long haul.



Shopping Centre Health

A key parameter to ascertain shopping centre health is its vacancy rate. However, given the unplanned construction in the early era of retail developments, its impact on mall health is visible across grades, irrespective of the tier of the city. As Grade A stock remains in short supply, it boasts of tight vacancy of 5.1% across the 29 cities, whereas Grade C vacancy remains the highest at 36.2%, largely due to the ubiquitous presence of strata sold properties. Cities with a high percentage of Grade A shopping centre stock or a lower base, typically have low overall vacancy at the city level.



Vacancy 2023	Grade A	Grade B	Grade C
Tier 1	4.2%	12.4%	36.5%
Tier 2	7.1%	22.2%	17.9%

It is important to understand the grade-wise vacancy in Tier 1 and Tier 2 cities separately, given the difference in the quality and growth of shopping centre stock. The lower vacancy in Grade C stock in Tier 2 cities is largely due to a lower stock base. The line chart below shows vacancy movement across Tier 1 cities in 2022 and 2023 across grades. The theme of flight to quality is clearly evident in Tier 1 cities as Grade C shopping centres are witnessing increased vacancy compared to the higher grade shopping centres that are seeing lowering vacancy compared to 2022.



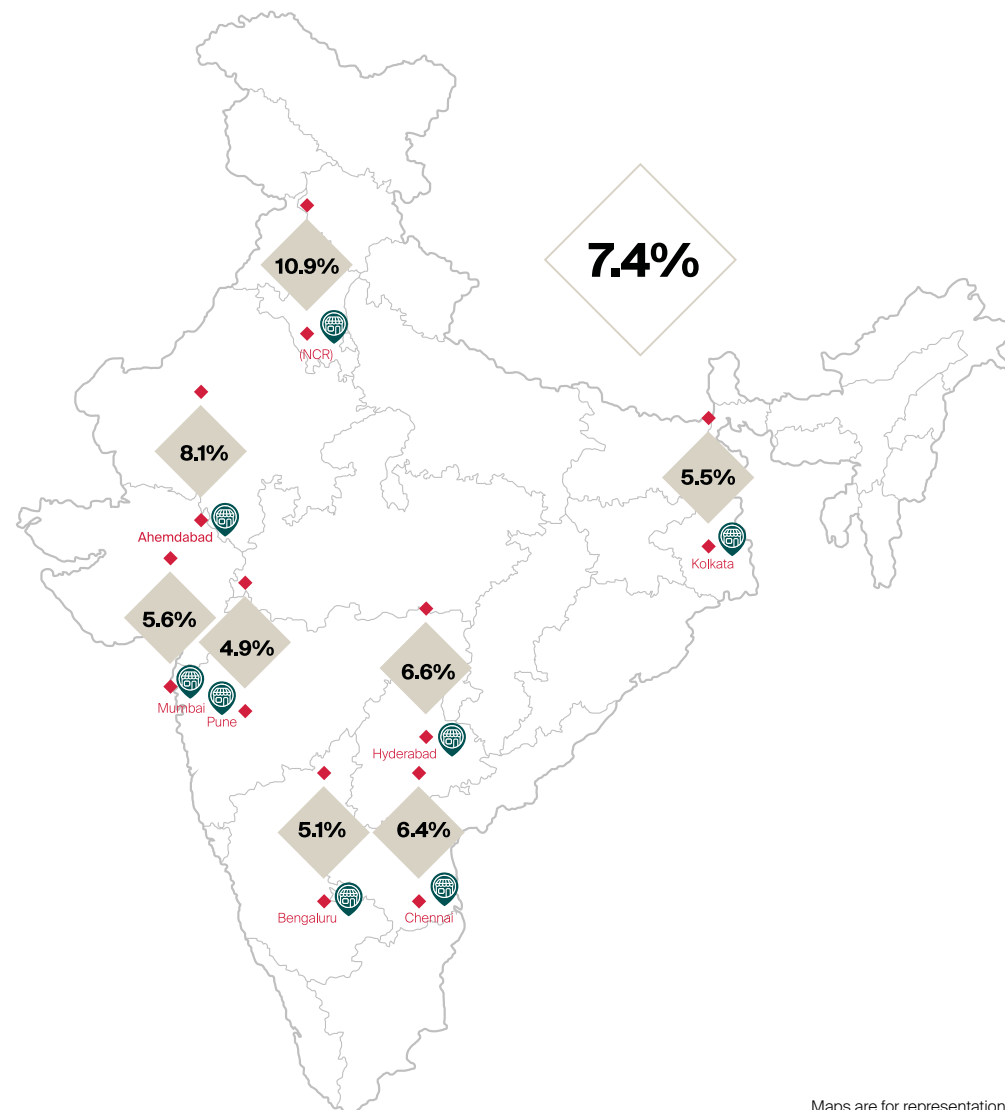
The table below provides a comparison of shopping centre vacancy in 2022 and 2023 at an India level, taking only Tier 1 cities into account.

City	Vacancy % in 2022	Vacancy % in 2023
Ahmedabad	21.2%	29.0%
Bengaluru	15.6%	13.6%
Chennai	9.9%	10.4%
Hyderabad	22.2%	17.4%
Kolkata	11.7%	16.1%
Mumbai	14.0%	14.3%
NCR	19.5%	19.1%
Pune	14.8%	7.8%
India	16.6%	15.7%

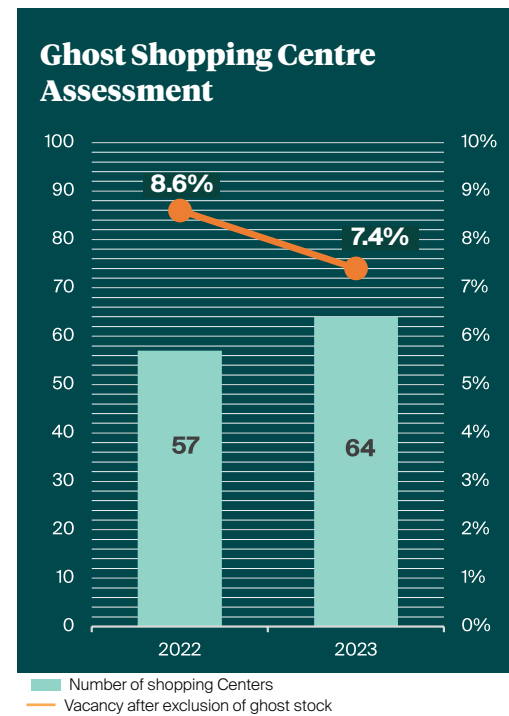
As per Knight Frank India's primary survey, it has been observed that with the advent of some new shopping centres in India, the retailer preference for Grade A assets is at an all-time high. Consequently, as the new shopping centres opened, many retailers made a beeline to expand its presence. This led to high double-digit vacancy in Grade C structures as performance and operational metrics of better performing malls improved. The high vacancy of such assets has invariably impacted the India vacancy percentage for the Tier 1 cities and provides a skewed picture despite an 87-basis points reduction in shopping centre vacancy from 16.6% to 15.7%. Ahmedabad and Kolkata have witnessed a sharp rise in vacancy compared to the last review period, as there is scope for infusion of institutionally owned shopping centre stock and development of premium properties when compared to the other cities.

To arrive at the precise estimate of shopping centre health, we have identified shopping centres with a vacancy of **more than 40% as ghost shopping centres**. It is prudent to exclude such assets as this stock does not attract widespread retailer interest due to various constraints such as bad location, obsolete design, strata sold arrangements in addition to dilapidation and unattractiveness of structures. Per our analysis, if these are removed from the stock, the overall shopping centre health in India improves dramatically. The differential vacancy arrived after such exclusions is a truer representation of shopping centre performance in top-tier markets. The pan India vacancy in the top 8 markets after this analysis reduces from 15.7% to 7.4%, and all the cities under coverage represent a healthier picture.

Shopping Centre Vacancy in Top 8 Markets after Exclusion of Ghost Stock



Maps are for representational purpose not to scale



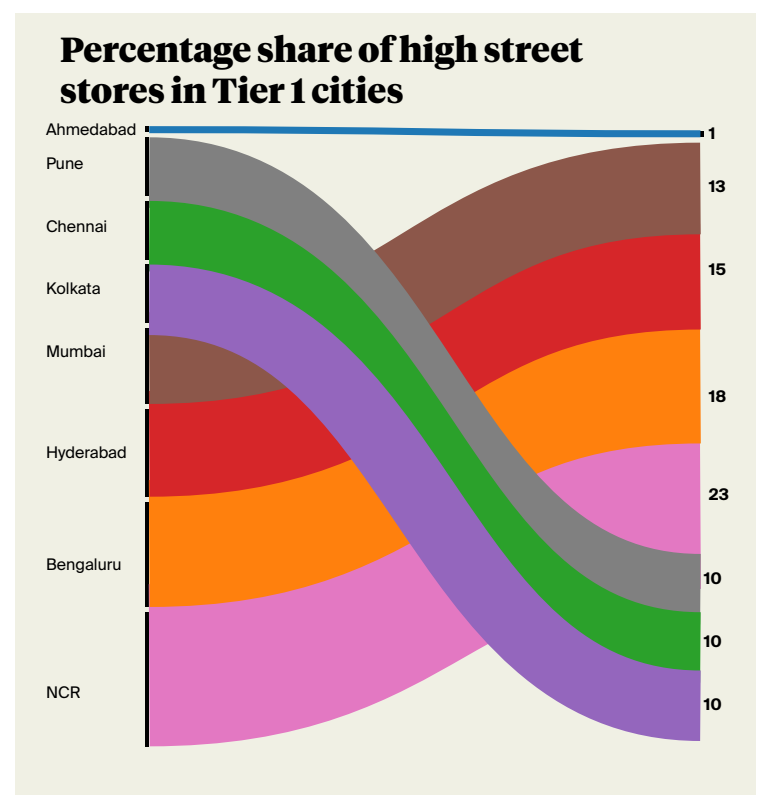
The disparity between well performing shopping centres and shopping centres with high vacancy comprising Grade C and ghost stock, has emerged even more starkly in 2023 as compared to our previous assessment. As Grade A shopping centres' operational metrics continue to improve, vacancy at an asset level has been trending lower than ever before. Similarly, the reverse is also true. Shopping centres that struggled previously continue to face perennial trouble as retailers exit and the new assets add to their woes, sharply increasing their already high double-digit vacancy. As a result, the number of shopping centres making the cut for ghost shopping centre stock has increased, improving mall health in the top 8 markets extensively as vacancy trends down.

It is only a matter of time before such structures pave the way for newer, fancier and relevant shopping havens for buyers in the long-term. As nearly USD 798 mn (INR 67 bn) is trapped in the gross leasable space of these non-performing shopping centres, consolidation of retail asset portfolios by institutional investors and proactive steps by mall developers to either repurpose or demolish these structures will provide new opportunities for interested players for land monetisation.

The expanse of the 58 high streets include 59% listed in our top 8 markets, comprising 82% of the total retail stores surveyed.

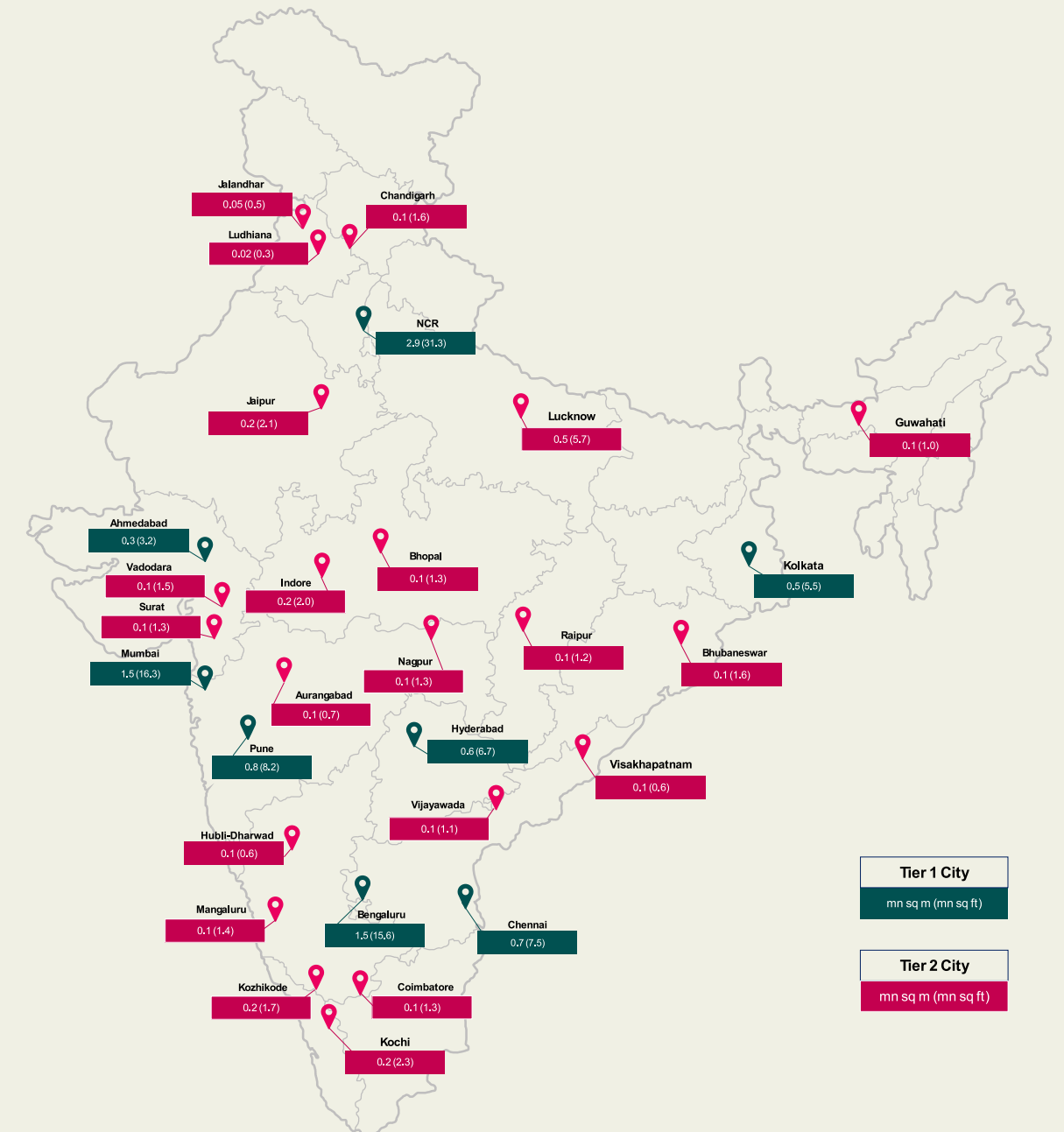
Number of high street stores in top 8 markets

Of the 82% stores located in top 8 cities, NCR with 23%, Bengaluru with 18%, and Hyderabad with 15%, account for the top 3 cities with the maximum number of stores. Mumbai comprised 13% share in the total number of stores in the top 8 cities. There is a certain kind of shopping experience that some high streets in Bengaluru, Mumbai and NCR provide, which shopping centres cannot match. Early advent of modern retail, participation in organised retailing and mega retailer expansion across the length and breadth of these cities offer a unique character to high streets in locations such as Brigade Road, Indiranagar, Colaba Causeway, Connaught Place and Khan Market. These high streets are famous for their mix of regional and international showrooms and have a loyal customer base. In these three cities, the real estate footprint of international origin brands ranges between 13-15% which is much higher compared to the other cities.





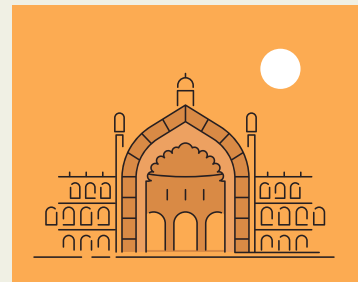
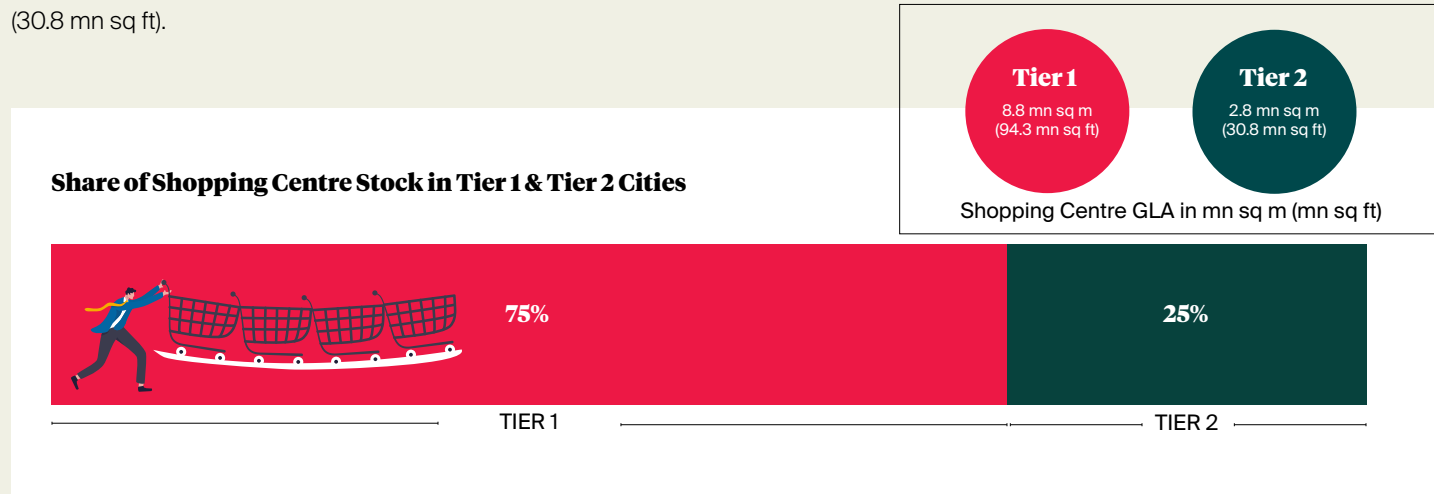
Tier I And Tier II Cities Overview



Maps are for representational purpose not to scale

Operational Shopping Centre Stock in Tier 1 & Tier 2 Cities

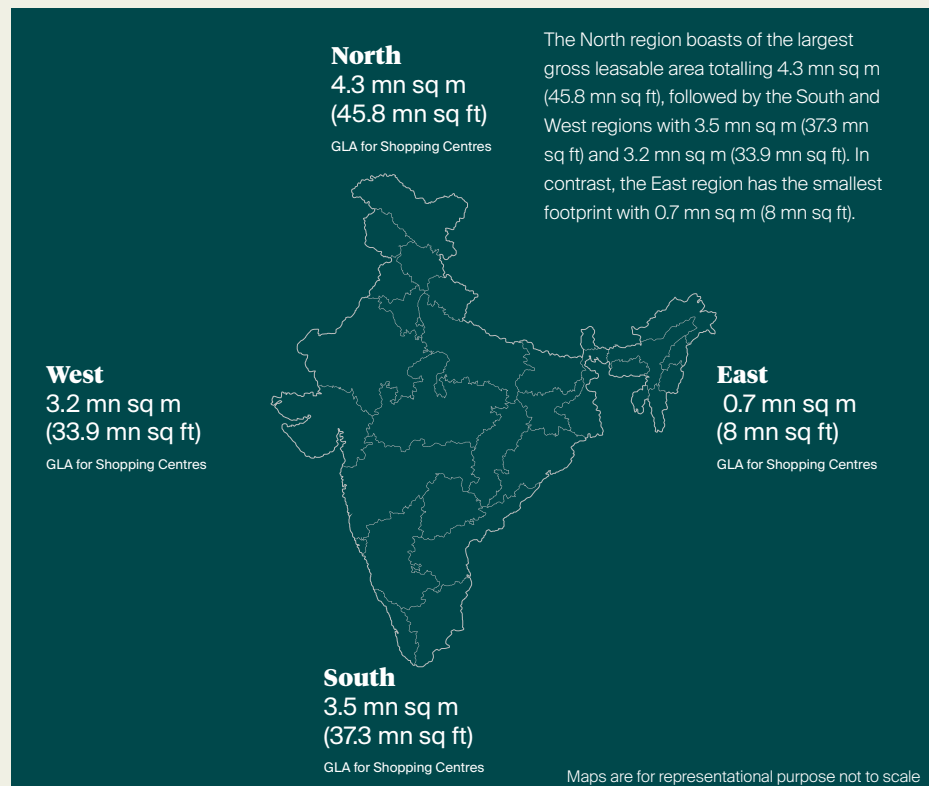
Serving as vital hubs for economic and commercial activities in Tier 1 cities, the availability of stock across different segments, shopping centres and high streets plays a pivotal role in shaping the retail sector in India. Currently, Tier 1 cities stand at 8.8 mn sq m (94.3 mn sq ft) with cumulative gross leasable area of shopping centre stock, while Tier 2 cities collectively offer a gross leasable area of 2.9 mn sq m (30.8 mn sq ft).



18.4%

Lucknow has emerged as a key player with an impressive share of 18.4% gross leasable area amongst its counterparts

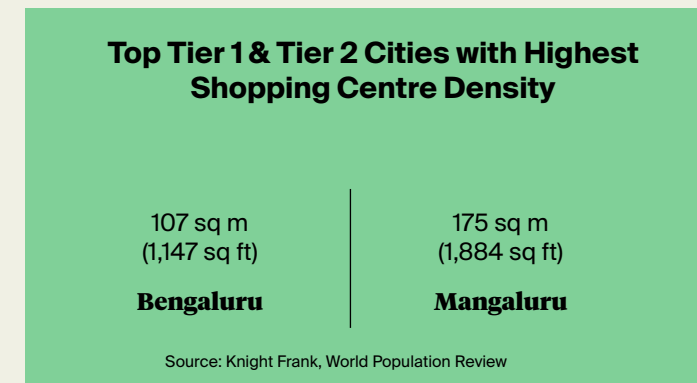
Within Tier 2 cities, Lucknow has emerged as a key player with an impressive share of 18.4% gross leasable area amongst its counterparts. Other Tier 2 cities which contributed significantly to the shopping centre stock were Kochi, Jaipur, Indore, and Kozhikode.



Analyzing Shopping Centre Density – Contrasting Retail Landscapes in Tier 1 and Tier 2 Cities

Shopping centre density is an important metric that shows the availability of shopping centres in relation to the population size. Among Tier 1 cities, Bengaluru stands out with a notable shopping centre density figure of 107 sq m (1,147 sq ft), reflecting its robust retail infrastructure and commercial vibrancy. Following closely, Pune and NCR also demonstrate substantial shopping centre density values of 106 sq m (1,142 sq ft) and 88 sq m (949 sq ft) respectively, indicative of well-developed retail landscapes catering to their sizable urban populations. Conversely, Kolkata appears at the bottom among Tier 1 cities, with a shopping centre density of 33 sq m (357 sq ft), suggesting a relatively lower concentration of shopping centre stock compared to its counterparts.

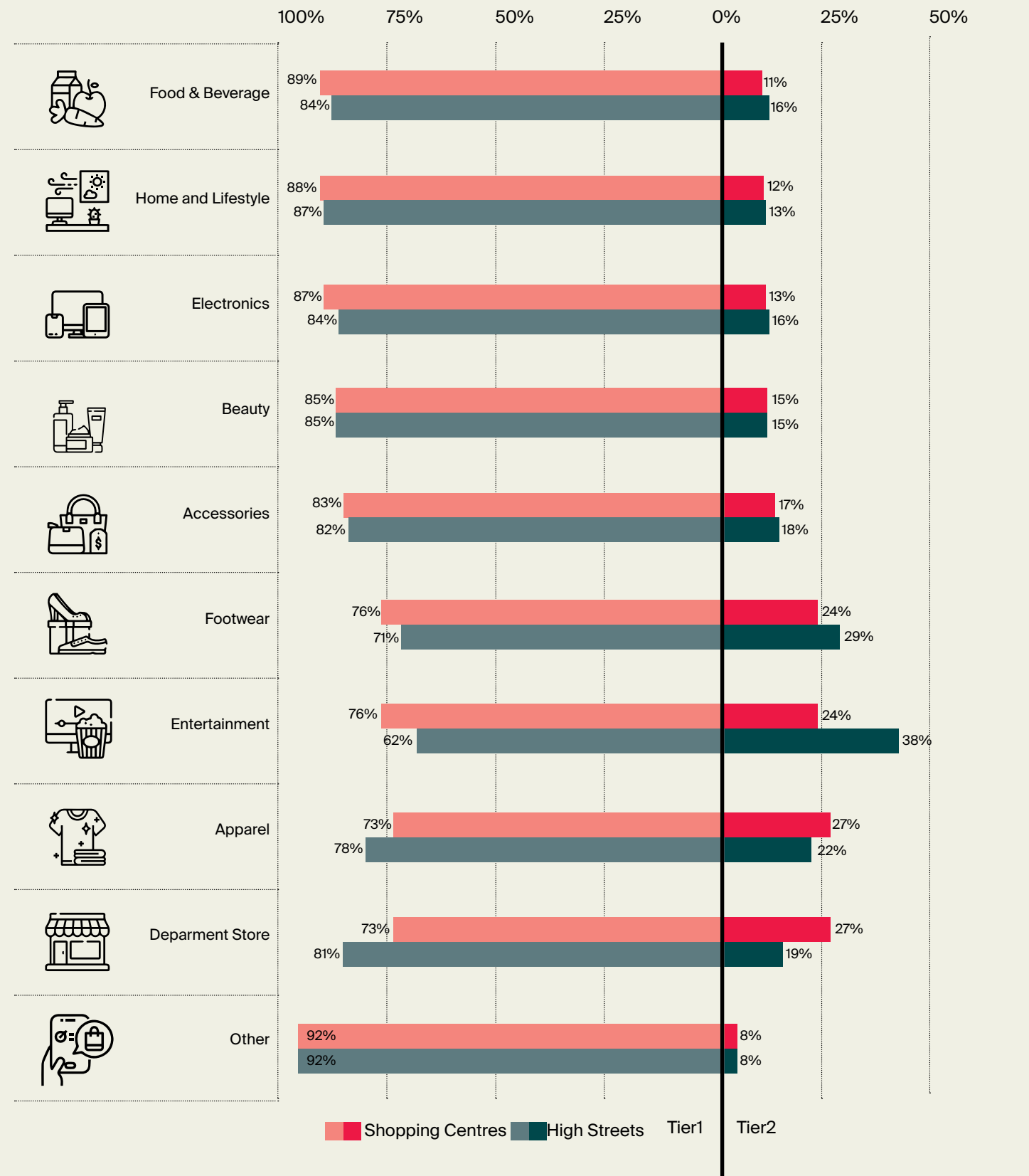
Moving to Tier 2 cities, Mangaluru emerges as the leader in shopping centre density, amongst all city types, with a striking figure of 175 sq m (1,884 sq ft), indicating a high penetration of organized retail space of shopping centres relative to its population size. This is followed by Lucknow with a significant shopping centre density value of 134 sq m (1,439 sq ft), underscoring its robust commercial infrastructure catering to urban demands. Outstandingly, Chandigarh and Bhubaneswar also showcase a notable shopping centre density figure of 123 sq m (1,325 sq ft) and 116 sq m (1,250 sq ft) which is higher than all the Tier 1 cities, reflecting a thriving retail landscape. In contrast, Ludhiana, Surat and Visakhapatnam appear at the bottom among Tier 2 cities with a shopping centre density of less than 30 sq m (323 sq ft). These cities exhibit relatively lower concentrations of shopping centre stock compared to their Tier 2 counterparts, signalling varying degrees of commercial development and retail accessibility within their urban domains.



Shopping Centre Density: Shopping Centre density refers to the availability of shopping centre stock within a specific urban area relative to its population size in thousands. It is typically measured by the overall shopping center stock available per 1,000 inhabitants in a city. This metric provides insights into the accessibility and availability of retail spaces and consumer services within a community, reflecting the level of commercial development and retail infrastructure relative to the population's needs and demands.

Retailer Category Comparison across both retail formats in Tier 1 and Tier 2 cities

Store Distribution in Tier 1 & 2 Cities by Shopping Centre and High Streets



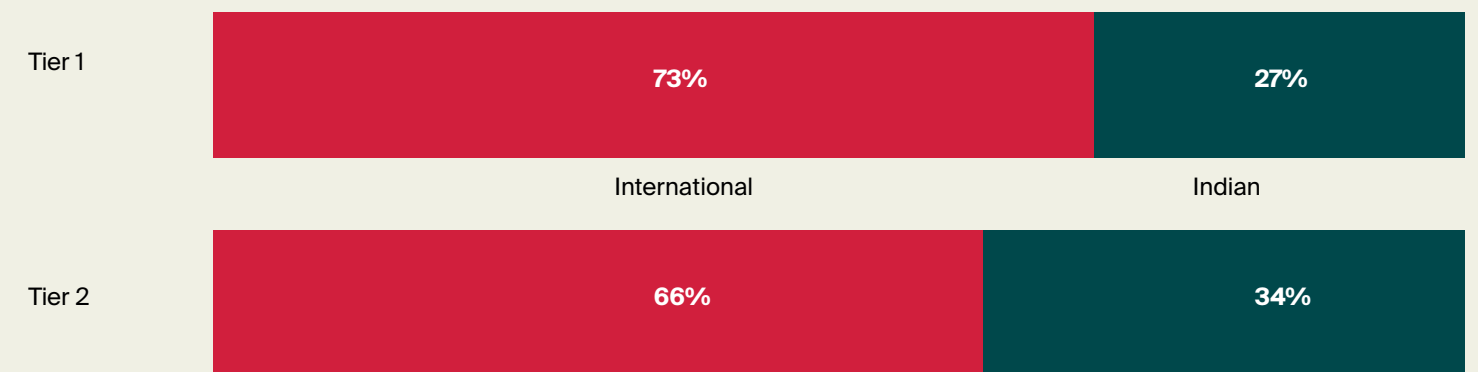
Across Shopping Centres and High Streets, food and beverage, home and lifestyle, electronics, beauty, and accessories dominate as the most prevalent retail categories, occupying over 80% share of stores in Tier 1 Cities, while footwear and entertainment exhibit the most diversified presence in the organized retail space amongst all the city type and retail formats. In high street settings, particularly in Tier 2 cities, footwear and entertainment outlets are more prominent suggesting a preference for these categories in open-air retail environments as compared to the other categories. Additionally, apparel and department stores, although prevalent in both tiers, show slight fluctuations in their distribution between shopping centres and high streets.

Analyzing Brand Presence: A Comparative Study of Retail Formats in Tier 1 and Tier 2 Cities

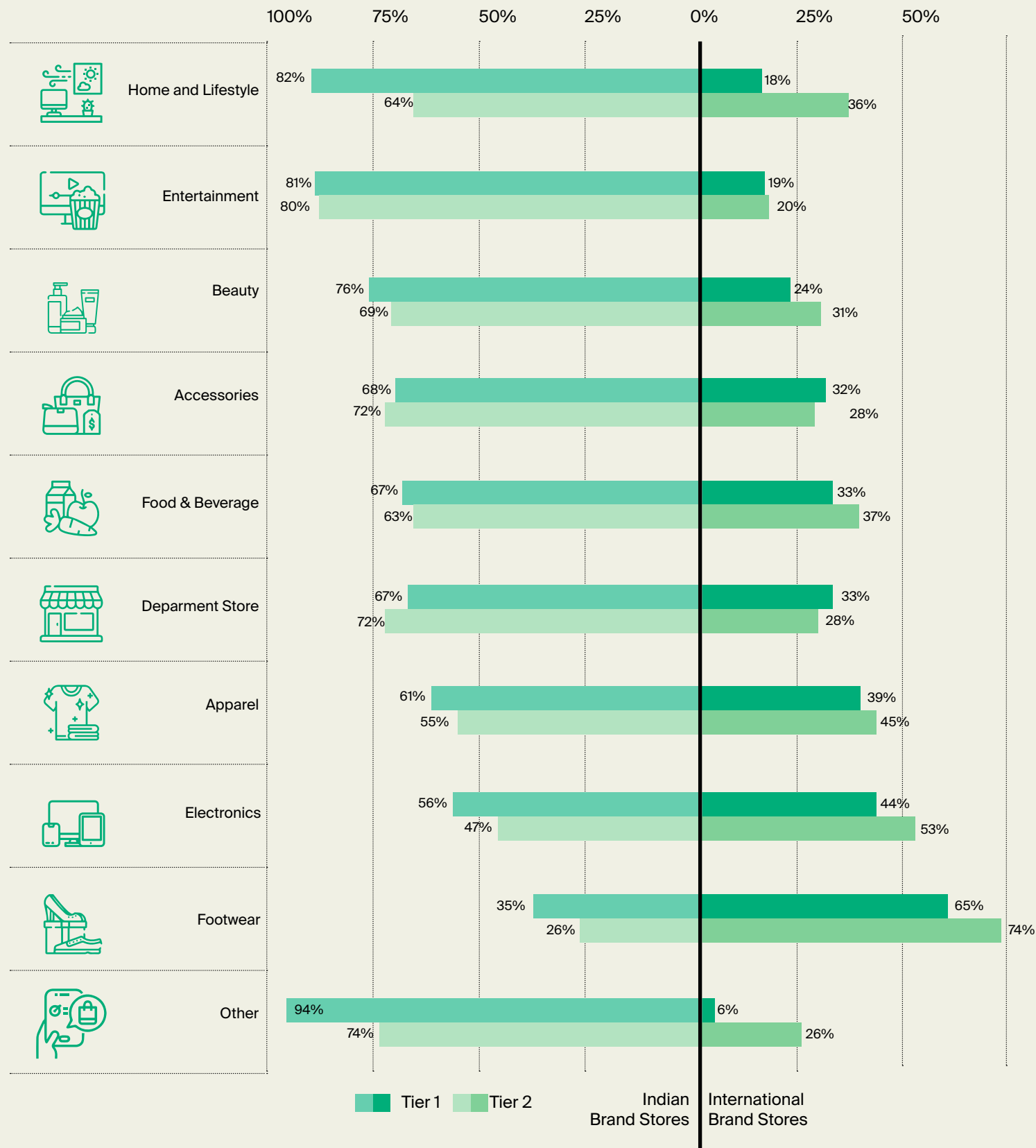
Emerging Trends: Growing Presence of International Brands in Tier 2 Cities

Tier 1 cities typically have a larger population, higher income levels, and more developed infrastructure compared to Tier 2 cities. These factors create a more conducive environment for international brands to establish a presence. In Tier 1 cities, it is expected that they will have more stores featuring brands with international origin in an organized retail space compared to Tier 2 cities. However, Tier 2 cities such as Lucknow, Jaipur, and Indore have shown a significant presence of brands with international origin, indicating an increasing demand for international brands in these cities. Amongst all the cities with the highest share of brands with international origin in the organized retail space, the top 5 cities belong to Tier 2 with more than 40% share of brands with international origin. This reflects the evolving retail landscape and consumer preferences in these cities. Amongst Tier 1 cities, Bengaluru leads with the highest share of 32% of stores featuring brands with international origin, followed by Mumbai and Kolkata with 29% share.

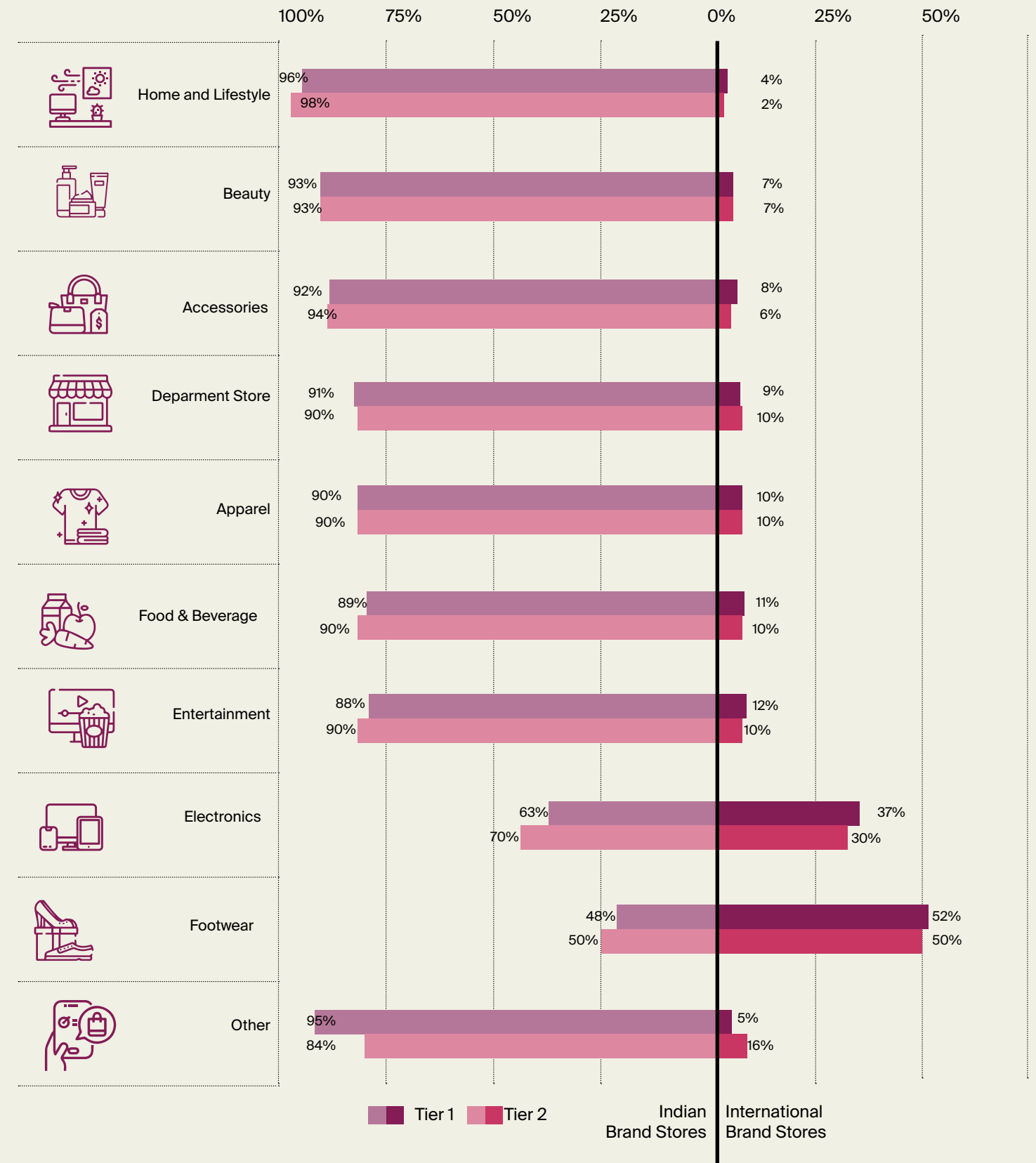
Share of Store in Tier 1 & 2 Cities by Brand Origin



1.1. Diversity in Brand Origins within Different Retail Categories in Tier 1 & 2 Cities for Shopping Centres



1.2. Diversity in Brand Origins within Different Retail Categories in Tier 1 & 2 Cities for High Streets

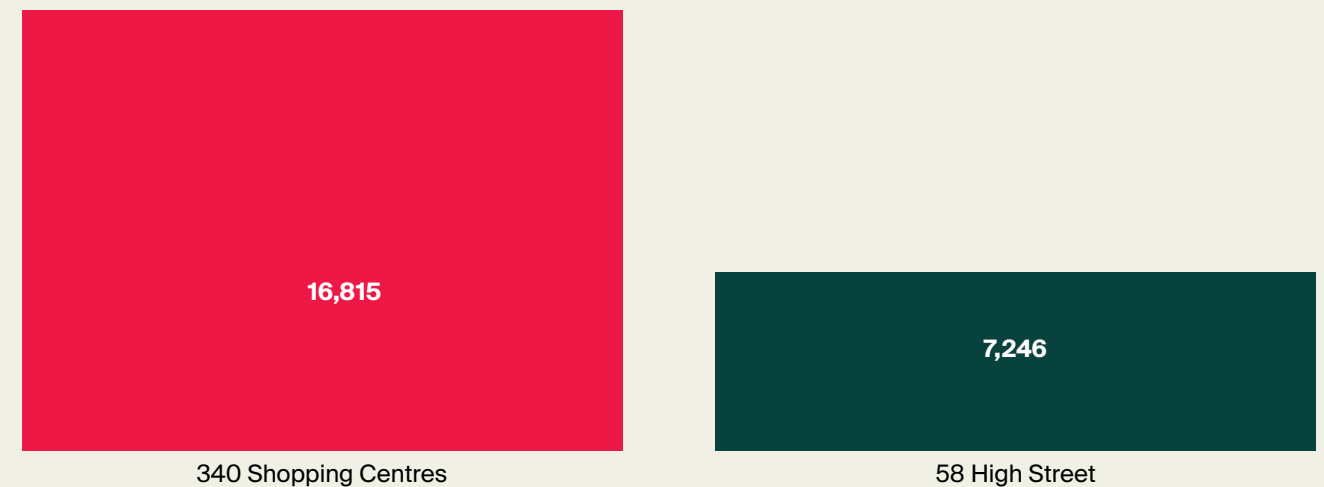




Comparison Between Shopping Centres And High Streets

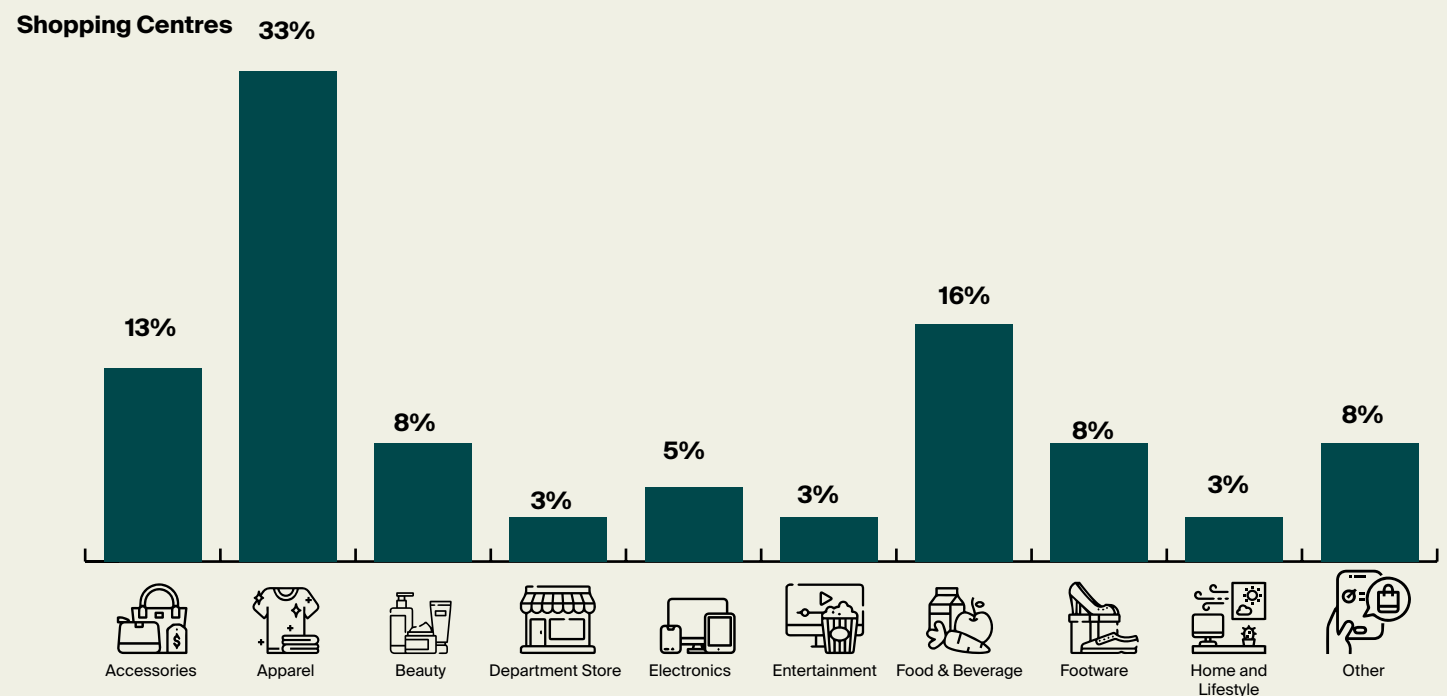
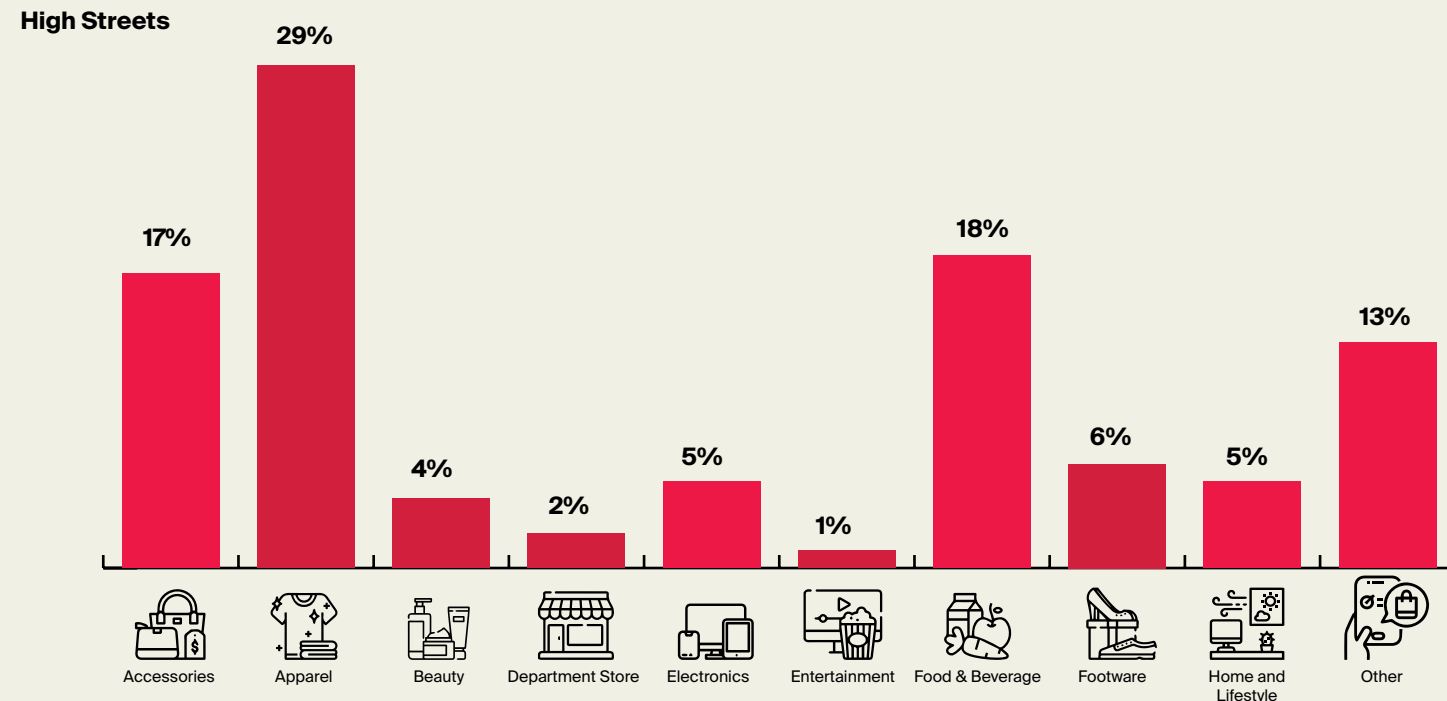
► High streets and shopping centres represent two ends of the retail spectrum, each offering distinct and unique advantages and characteristics. High streets are characterized by a diverse yet limited mix of small to medium-sized independent stores accommodating brands across retail categories. It is seldom that high streets offer large store footprints which limits the retail categories. Yet, certain unique, localised, and traditional brands can be found only in high streets. Conversely, the shopping centres are designed and built to encompass and conveniently provide a larger assortment of brands across categories housed in large, medium and small sized stores. Both play important roles in the retail landscape, catering to different consumer needs and preferences.

Total Number of Stores



There is a great deal of disparity between retailer footprint in high streets and shopping centres, where the number of stores in shopping centres are 16,815 and those in high streets are 7,246. This is essentially due to factors such as strata sold assets, fragmented nature of retailer presence on high streets which is ever expanding, size and location of shopping centres. This impacts the size of stores located on high streets and in shopping centres. High streets typically feature smaller format stores, which allows for more stores to occupy the available space. In contrast, shopping centres usually house larger stores alongside smaller shops, resulting in a lower average number of stores per centre. While some high streets may have a few big format stores, they are somewhat rare compared to shopping centres which are designed to accommodate multiple anchor stores of various formats ranging from department stores to entertainment.

Retailer Category Comparison



These percentages illustrate the distribution of different types of retailers in both high streets and shopping centres.

Apparel Dominance: With shopping centres having a slightly higher percentage at 33% and high streets at 29%, apparel is a dominant category across both retail asset classes. This indicates that apparel stores are popular and coveted by consumers regardless of the shopping ecosystem. The higher percentage in shopping centres suggests that they may have a larger concentration of fashion retailers owing to the sheer number of stores or bigger anchor formats offered in a shopping centre.

Beauty and Footwear Categories: The higher presence of both beauty and footwear categories at 8% each in shopping centres compared to 4% and 6% respectively in high streets could be attributed to the higher number of stores available in shopping centres, allowing for options to accommodate more brands outlets in these categories.

Food & Beverage Outlets: The significant presence of food and beverage outlets in both high streets and shopping centres at 18% and 16% respectively exhibits the importance of dining options for consumers as an integral part of their shopping trips. The slightly higher presence in high streets might be because high streets often have a more varied and diverse culinary milieu, including local and hyperlocal cafes and restaurants offering distinct cuisines.

Department Stores and Entertainment: Shopping centres, being larger and often purpose-built complexes, typically have the space and infrastructure to accommodate department stores and entertainment options like cinemas or gaming arcades. This is consistent with the observation that these categories are present in shopping centres at 3% each, compared to 2% and 1% in high streets where space constraints limit such offerings.

Accessories: High streets have a slightly higher percentage of accessory stores at 17%, compared to shopping centres at 13%, demonstrating that impulse shopping is prevalent across both formats.

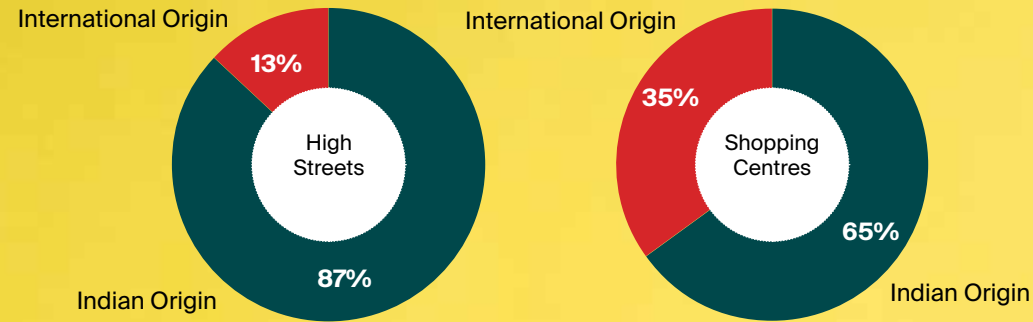
Electronics: At 5%, both shopping centres and high streets have the same percentage of electronics stores, indicating that both retail formats attract this focused spending category.

Home and Lifestyle: Another focused shopping category, home and lifestyle contributes 3% of stores in shopping centres and 5% in high streets.

Others: High streets have a significantly higher percentage of stores in other categories at 13% compared to shopping centres at 8%.

Overall, these observations demonstrate how high streets and shopping centres have different retail offerings, each of which cater to different consumer preferences and shopping experiences.

Brand Origin Comparison across Retail Formats



These statistics highlight the differences in retail composition of high streets and shopping centres with high streets emphasizing local businesses and Indian origin brands, while shopping centres accenting international brands.

Indian origin brands dominate the retail landscape on high streets, occupying 87% of stores, with a modicum of international brands at 13%. This could be due to factors such as the focus on catering to local tastes and preferences, established local businesses, and historical or cultural significance of most high streets.

While Indian origin brands still have a significant presence in shopping centres contributing to 65% of stores, international brands hold a larger share of occupancy at 35% compared to high streets. This could be attributed to the desire of shopping centre developers to attract globally recognized brands in order to position their shopping centres as modern and cosmopolitan spaces where consumers expect to find more international brands with a fair share of local brands. Moreover, international brands seeking to enter or expand within the Indian retail market may be more inclined towards shopping centres owing to their planned formats and corporate ownerships compared to high streets wherein not only are the store guidelines often not met, but the ownership rests with individuals and/or families. Overall, this data reflects the diversity of the retail landscape in India, with both local and international brands contributing to the consumer experience in the two different types of retail environments.

Key Insights

Across both retail formats, **Indian origin brands pose an intense competition for international brands** by dominating the retail landscape occupying approximately 85% of retail space, while international brands account for only 15%.

Shopping centres remain the preferred habitat for international brands owing to factors discussed above. It is also a pertinent observation that international brands often face strict guidelines regarding store size, access, and signage as per their global brand norms, making it more challenging for them to adapt to the local high street environment compared to Indian origin brands, which tend to be more flexible and adaptable. Hence, the limited large store footprints in the high streets are often occupied by Indian brands.

Apart from prominent retail chains of Indian origin, **there is a strong presence of traditional local and hyperlocal Indian brands in the retail space.** While these brands remain restricted to the limited geographies of their inception, they remain very

popular and are expanding their presence from high streets to shopping centres.

Augmenting the Indian origin brand sphere are the **homegrown start-up brands across apparel, beauty, footwear, and other formats which commenced their operations online but have expanded their presence into physical retail spaces.**

These brands have adopted a diversified approach to retailing, establishing a presence not just in shopping centres and high streets but also small neighbourhood markets and shop-in-shops within various department stores. This strategy allows them to reach consumers across different segments and locations while reducing dependency on either shopping centres or prominent high streets.

Overall, these insights underscore the complexity and dynamism of the Indian retail sector, wherein the retail brand presence is driven by the peculiarities of the two distinct formats of high streets and shopping centres.





Outlook

Projected revenue potential across shopping centres and high streets in FY 2024-25

The Indian retail industry is rapidly growing and accounts for 10% of the country's gross domestic product (GDP) and 8% of the workforce. The sector is witnessing exponential growth with the development of shopping centres and new retail destinations, not just in major metros but also in Tier 2 cities. Leaving the series of disruptions in consumption during the pandemic years behind, the retail industry is back on track with a vengeance.

In the backdrop of the flourishing e-tail sector, it may be debated that the revenue potential offered by online spending far surpasses those of offline channels. While the e-tail sector is expected to be nearly USD 60 bn in FY 2023-24, it is projected to grow at a compounded annual growth rate (CAGR) of 18% by FY 2028-29. On the other hand, even at the current levels of consumption across all retail categories, the revenue potential of all shopping centres across Tier 1 and Tier 2 cities is expected to grow at a CAGR of 23% during the same period. Indians love to shop offline, a fact corroborated by the understanding of shopping patterns on high streets as well. After careful assessment of the average trading densities in the 10 retailer categories across 58 high streets, the potential consumption in high streets is derived at nearly USD 3 bn for FY 2024-25. This represents nearly 24% of the potential consumption of USD 14 bn projected for operational shopping centre stock.

Revenue Potential in FY 2024-25



Source: Knight Frank Research

Looking exclusively at the offline retail formats, high streets appear to have limited revenue potential. However, when compared on a per sq m basis, the analysis presents a different picture. On a per sq m basis, there is a stark difference in the revenue potential offered by both offline retail formats.

Indian high streets occupy nearly 7% of the total gross leasable area as compared to the shopping centre stock across all cities.



Revenue Potential in FY 2024-25

~ USD 1,177
per sq m per annum

Across all operational shopping centres

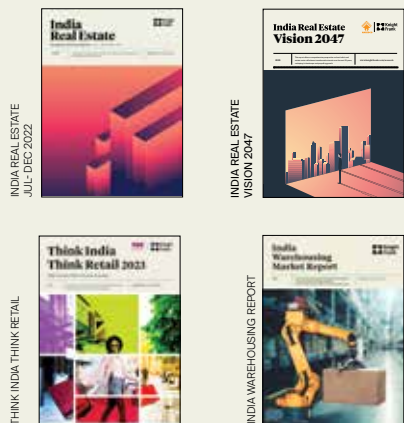
Source: Knight Frank Research

~ USD 3,981
per sq m per annum

Across all high streets

Despite limited availability of modern retail stock, the potential consumption in these high streets on a per sq m basis surpasses that of the operational shopping centres by 238% mainly due to higher Retail densities across some categories that fare well only on high streets. In our last assessment on this subject in 'Think India Think retail 2023', this was 221% only for Tier 1 markets. The inclusion of 21 Tier 2 markets represents an increase on a per sq m basis as far as spending on retail categories is concerned. As the shopping centre stock in Tier 2 cities constitutes only one-fourth of the total leasable shopping centre space in the country, spending remains steep in high streets in Tier 2 cities. This represents huge opportunities for shopping centre developers to not only construct new shopping centres but also for retailers to establish and expand footprint on high streets across the 29 cities to be in a win-win situation. The findings of our report clearly highlight an exciting opportunity for shopping centre developers to capitalize on both Tier 1 and Tier 2 cities. While shopping centres in Tier 1 cities will continue to rule the roost, a first mover advantage in Tier 2 cities will distinguish credible branded players from the rest of the pack positioning their assets at the top of the brick-and-mortar story for the retail sector. Construction of quality assets will make them viable for institutional purchases and attracting nouveau brands. High streets, on the other hand, will thrive due to their legacy value. Certain retailer categories such as apparel, accessories, electronics and home and lifestyle have high trading densities on high streets, a trend witnessed across all the 29 cities which contributes to higher revenue generation for retailers on a per sq m basis.

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



Knight Frank Research Reports are available to download at <https://www.knightfrank.co.in/research>

Authors

Divya Agarwal
Vice President- Research
divya.agarwal@in.knightfrank.com

Bhavna Misri
Associate Director – Business Strategy & Solutions
bhavna.misri@in.knightfrank.com

Rishabh Soni
Lead Consultant - Research
rishabh.soni@in.knightfrank.com

Research

Vivek Rathi - National Director- Research
vivek.rathi@in.knightfrank.com

Media

Piyali Dasgupta - Director
Corporate - Marketing & Public Relations
piyali.dasgupta@in.knightfrank.com

Key Contact

Gulam Zia
Senior Executive Director - Research, Advisory, Infrastructure, and Valuation
gulam.zia@in.knightfrank.com

Viral Desai
Senior Executive Director
Occupier Strategy & Solutions, Industrial & Logistics, Capital Markets and Retail Agency
viral.desai@in.knightfrank.com

Abhishek Sharma
Director - Retail Agency
abhishek.sharma@in.knightfrank.com



The statements, information, data and opinions expressed or provided herein are provided on "as is, where is" basis and concerned parties clients are required to carry out their own due diligence as may be required before signing any binding document. Knight Frank (India) Private Limited (KFIPL) makes no warranties, expressed or implied, and hereby disclaims and negates all other warranties, including without limitation, implied warranties or conditions of merchantability, fitness for a particular purpose, or non-infringement of intellectual property or other violation of rights including any third party rights. Further, KFIPL does not warrant or make any representations concerning the accuracy, likely results, or reliability of the use of the statements, information and opinions as specified herein. The statements, information and opinions expressed or provided in this presentation / document by KFIPL are intended to be a guide with respect to the purpose for which they are intended, but in no way shall serve as a guide with regards to validating title, due diligence (technical and financial), or any other areas specifically not included in the presentation. Neither KFIPL nor any of its personnel involved accept any contractual, tortious or other form of liability for any consequences, loss or damages which may arise as a result of any person acting upon or using the statements, information, data or opinions in the publication, in part or full. The information herein shall be strictly confidential to the addressee, and is not to be the subject of communication or reproduction wholly or in part. The document / presentation is based on our understanding of the requirement, applicable current real estate market conditions and the regulatory environment that currently exists. Please note: Any change in any one of the parameter stated above could impact the information in the document/presentation. In case of any dispute, KFIPL shall have the right to clarify.