

RESEARCH



THINK INDIA. THINK RETAIL.

2015

A DEFINITIVE VIEW ON INDIA'S RETAIL MARKET

F & B *FITNESS*
salon
electronics *BOOKS*
entertainment
superstores
entertainment
BOOKS **GIFTS**
fragrances
PERSONAL CARE
FOOTWEAR *MUSIC*
home & lifestyle
e-commerce

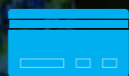
apparel **FOOTWEAR**
entertainment
superstores *e-commerce*
electronics **GIFTS**
PERSONAL CARE
jewellery **SALON**
groceries **gaming**
gym **MUSIC**
BOOKS **fragrances**
home & lifestyle

Highlights

Retail spending across top cities to more than **double** in the next five years

The share of modern retail will substantially rise from **19% to 24%** in the next five years

E-tail spending to drive modern retail; expected to touch

 **₹839 bn**
from the present ₹72 bn

Share of Brick and mortar modern retail to drop from **17% in 2014** to **13% in 2019**



The top seven cities will require retail space of **4.3 mn sq ft/annum** for the next five years



At **1,323 sq ft** per thousand population Bengaluru has the highest per capita penetration of modern retail space among the top seven cities



USA contributes **35%** of all foreign brands present in India followed by the UK



Shishir Bajjal
 Chairman & Managing Director
 Knight Frank India Pvt. Ltd.

Foreword

Indian retail is an incredible assortment of formats. While on one hand we have the local stores offering credit and home delivery, all to maintain personal relationships with customers, on the other, these are being well complemented and, in some cases, replaced by organised big-box retail chains. And, finally, there is the flourishing e-commerce sector that wishes to outdo both and transform the industry.

From personalized service to cash-on-delivery and even installment payment systems, India's retail sector has definitely come of age.

Over the last decade, the concept of shopping has also undergone a sea change in terms of format and consumer buying behavior, ushering in a revolution across the country. Modern retailing has taken over the Indian retail market as is observed in the form of bustling shopping centers, multi-storied malls and the huge complexes that offer shopping, entertainment and food under one roof.

The Indian customer too, has evolved with time and this has led to a sudden spurt in global brands entering the market with their set of offerings. This coupled with a rise in purchasing power has brought branded merchandise across categories like apparels, cosmetics, beverages, food and even jewellery well within reach of the potential customer. And it's time retailers take note of the change and capitalize on the opportunity to introduce newer formats that pave way for better products at the right price.

With an ever expanding domestic market and a forecast growth rate of 15 percent a year, the Indian retailing scene seems extremely attractive

for overseas investors who are looking to foray into this segment and make huge returns on the back of a large consumer base of over 600 million customers. Today, several global names are keen to enter the Indian retail market, however it's for the present government to decide the route. Will FDI be the best one? We will have to wait and watch.

Taking into account such opportunities and challenges, we are happy to share a comprehensive commentary on the Indian Retail Market through our first ever yearly retail analysis report - Think India. Think Retail.

The report will serve as an industry guide for developers, retailers, financial institutions, consumers and everyone else tracking the sector, to help them make informed choices.

Hope you find the information relevant. I look forward to hearing back from you.

Best Wishes,

Shishir Bajjal
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Kumar Rajagopalan
 Chief Executive Officer
 Retailers Association of India

A Note from Retailers Association of India

Retail Detail - A New Understanding

Retail in India is at an interesting juncture. Space has always been the final frontier for brick and mortar retailers and the struggle has been to get the right property at the right time. Alternate channels of retailing including e-commerce give retailers new possibilities.

The RAI – Knight Frank 'Think India. Think Retail.' report is an industry first. No other report has envisaged to do what this report covers – give an accurate idea of the total retail spending and penetration of modern retail in 2014. The report also delves deeper to understand category-wise and even area-wise details of retail reach.

It is heartening to learn that modern retail penetration in the top seven cities of India stood at 19 per cent in 2014, of which brick-and-mortar modern retail was at 17 per cent and E-tail at 2 per cent. These figures are encouraging signs of modernisation of retail in India.

This ambitious report has been possible, thanks to the deep industry understanding and hard work by the team at Knight Frank. We hope that the wealth of information in the report will help people in the retail industry make wise business decisions, going forward.



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Introduction

The Indian retail landscape is among the most complex across the globe, but it offers immense potential for the enterprising business person. From the age-old kiranas or mom-and-pop stores, traditional retail in India gave way to modern retail formats, which elevated customer experience to new levels. Now, with several catalysts' at play, as listed in our E-tail chapter, e-tailing or the sale of products across media such as the Internet, telephone and television, has emerged as an idea whose time has come.

Knight Frank presents this report in response to the industry's expectations of an in-depth analysis of the changing modern retail landscape in the country. Based on a mammoth primary survey of more than 30,000 retail outlets, this report captures the footprint of 23 retail product categories across the top seven metropolitan centres, namely Mumbai, Delhi, Bengaluru, Chennai, Hyderabad, Pune and Kolkata.

Structure of retail market profiling and analysis presented in the report

India Level Analysis

- India level dynamics
- Inter-city (7 cities) comparisons
- Product category-wise (13 categories) comparisons

City Level Analysis

- City level dynamics
- Inter-zone (5-8 zones) comparisons
- Product category-wise (13 categories) comparisons

Zone Level Analysis

- Zone level dynamics
- Product category-wise (23 categories) comparisons



Defining modern retail has always been an ambiguous area. For the purpose of our store-level field survey of modern retail outlets, all stores in a mall have been considered as modern retail constituents. In the case of retail stores on shopping streets, we have considered the stores to be part of the modern retail arena on the basis of the following characteristics:

- The store provides a purchase invoice
- The store is a recognised foreign/national brand, or has air conditioning

Accordingly, all modern retail stores in malls and on major shopping streets in the city have been surveyed on

parameters such as brand origin, product category and store size/area. Our survey has captured all stores that are occupied and operational. Vacant retail space in malls or shopping streets has not been considered. The objective of the study is to profile the dynamics of modern retail across parameters such as product categories, brand origin, store size and revenue in malls and shopping streets, and also to provide an overview of the direction of modern retail and its constituents, viz. brick and mortar modern retail and E-tail, for the next five years (2015–2019). As a result, retailers will be the primary beneficiaries of this seminal work.

Retail product categories presented in the report

| Product category at country & city level | | Product category at zone (retail catchment) level | | |
|--|---|---|----|--|
| 1 |  | Apparel | 1 | Non-ethnic Menswear |
| | | | 2 | Non-ethnic Womenswear |
| | | | 3 | Non-ethnic Unisex Clothing |
| | | | 4 | Ethnic wear |
| | | | 5 | Kids wear |
| 2 |  | Accessories | 6 | Accessories |
| 3 |  | Watches & Jewellery | 7 | Watches & Jewellery |
| 4 |  | Footwear | 8 | Footwear |
| 5 |  | Sportswear | 9 | Sportswear |
| 6 |  | Home & Lifestyle | 10 | Home & Lifestyle |
| 7 |  | Personal Care | 11 | Eyewear |
| | | | 12 | Salons & Spas |
| | | | 13 | Other Personal Care (photo studios, gyms, sports facilities, medical stores, dry cleaners, tailors, etc.) |
| | | | 14 | Cosmetics |
| 8 |  | Food & Beverages | 15 | F&B Fine Dining |
| | | | 16 | F&B Cafes |
| | | | 17 | F&B QSR |
| 9 |  | Books, Gifts & Music | 18 | Books, Gifts & Music |
| 10 |  | Hyper/Supermarkets | 19 | Hyper/Supermarkets |
| 11 |  | Department Stores | 20 | Department stores |
| 12 |  | Electronics | 21 | Electronics |
| 13 |  | Entertainment | 22 | Family Entertainment Centres |
| | | | 23 | Multiplexes |

A field survey across the seven metropolitan centres was carried out during the fourth quarter of 2014, wherein each retail store in the malls and on major shopping streets was profiled based on the parameters mentioned above.

The penetration of modern retail in total retail, and the rising influence of e-tailing at the zone (retail catchment) level for more than 40 zones have been studied. For this, we have estimated the total retail spending in each zone, based on the household consumer expenditure provided by Indicus Analytics. Using an econometric model, we have projected the household retail expenditure for the next five years (2015–2019) on the basis of change in variables such as household income, price, population and propensity to consume.

The size of the brick and mortar modern retail market has been calculated by taking in to account the shop size (as mapped through our survey) and average trading density (ATD) of different product categories at city/zone level. ATDs have been collected by interactions with brands and Knight Frank retail broking team. These brick and mortar modern retail market projections are based on the change in variables such as urbanisation, household income, price, population and propensity to consume. While the base numbers for E-tail market size, growth rate and city share have been taken from the data announced by the E-tail industry and various other sources, our analysis of consumer behaviour has been utilised to calculate the zone-level penetration of E-tail.

List of terms used in the report:

Brand categorisation of retail stores:

Foreign: Retail store owned/operated by a foreign national, eg. McDonald's, KFC, Dominos

National: Retail store present across India and owned/operated by an Indian national, eg. Café Coffee Day, Haldiram's

Regional: Retail store present in multiple cities in one of the regions in the country and owned/operated by an Indian national

Local: Single retail store and owned/operated by an Indian national

Brick and mortar modern retail:

Physical store offering products in the modern retail format.

Occupied modern retail space:

Occupied or operational modern retail store.

Market sizing:

a. Total retail spending = modern retail spending + non-modern retail spending

b. Modern retail spending = brick and mortar modern retail spending + E-tail spending

F&B QSR:

QSR: Food and beverage quick service restaurant

Shopping street:

Connected stores with 40% or more retail and brand presence

INDIA ANALYSIS

Retail Landscape

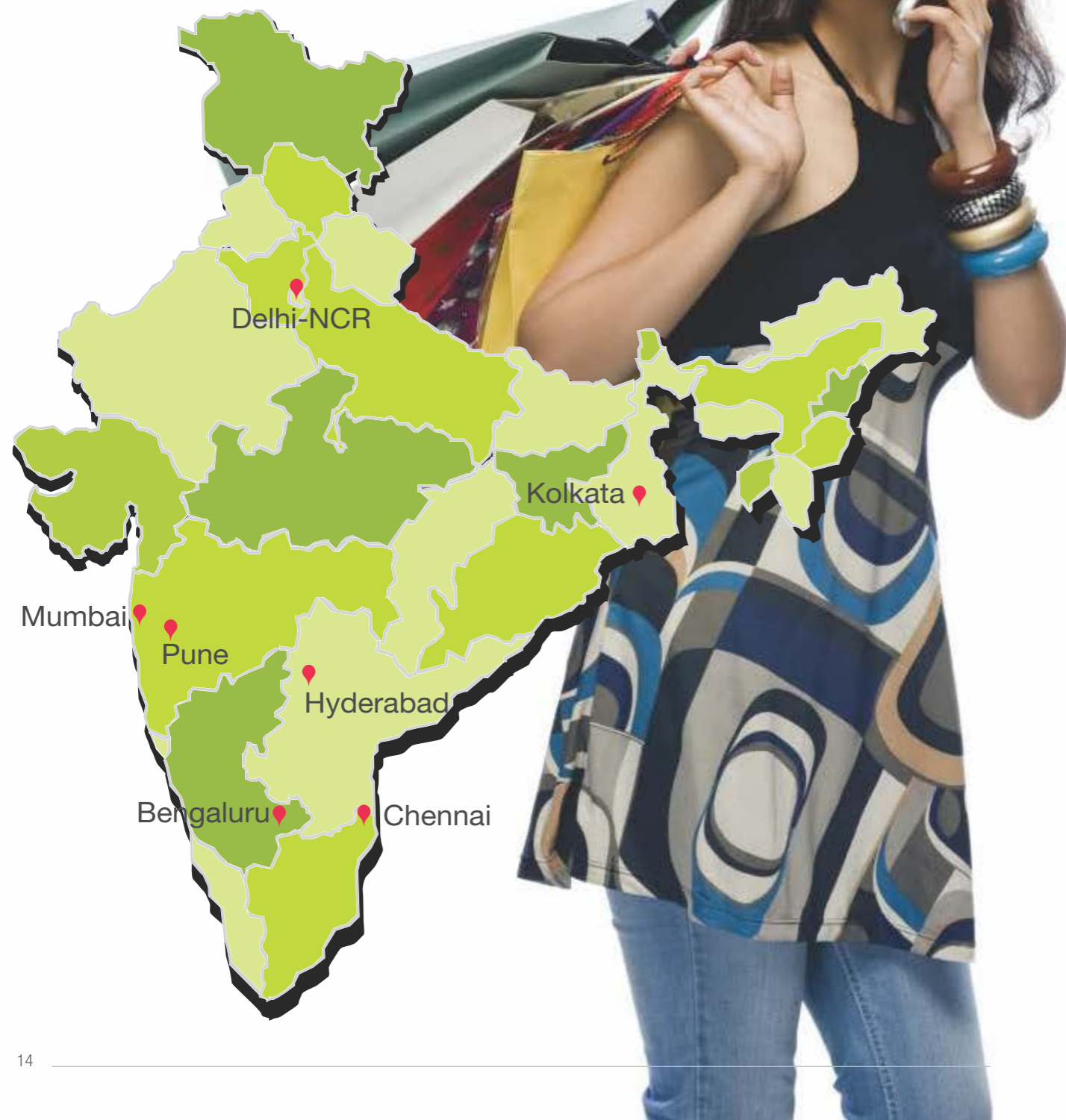
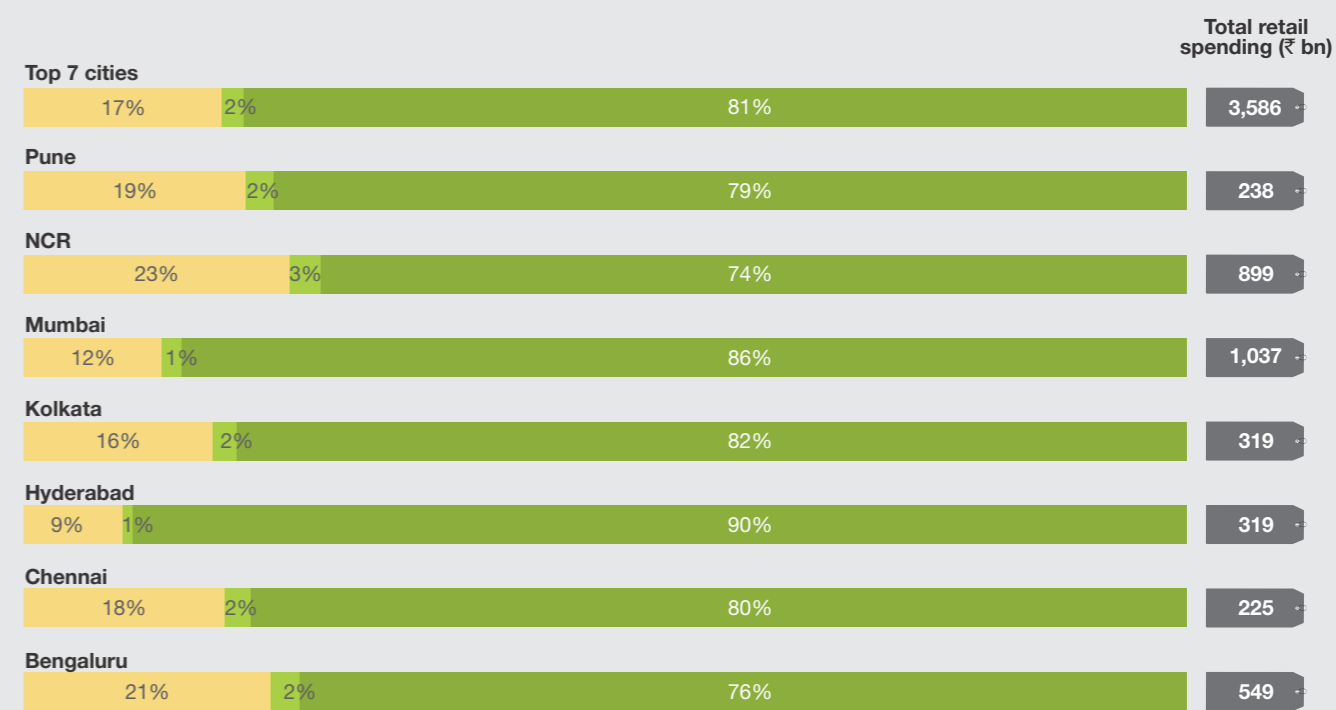


Chart 1

Total retail spending and penetration of modern retail in 2014

Space in sq ft



■ Brick and mortar modern retail ■ E-tail ■ Non-modern retail

Note: Brick and mortar modern retail + E-tail = Modern retail

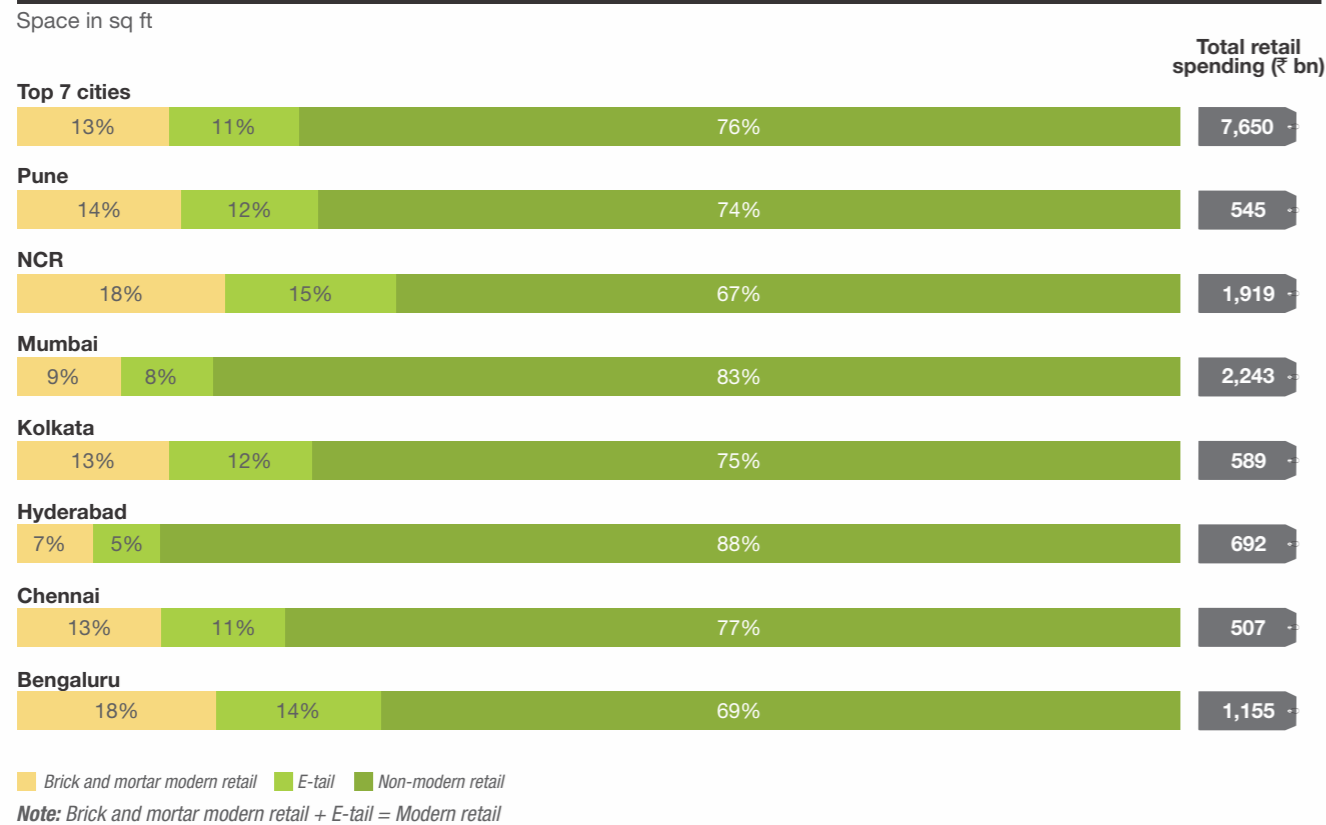
Source: Knight Frank Research

- Currently, the total retail spending in the top seven cities of India amounts to ₹3,586 bn (US\$ 59.8 bn), with Mumbai accounting for the lion's share, at 29 per cent. This is followed by NCR and Bengaluru, at 25 per cent and 15 per cent respectively.
- The modern retail penetration in the top seven cities of India stood at 19 per cent in 2014, of which brick and mortar modern retail was at 17 per cent and E-tail, at 2 per cent.
- NCR has the highest penetration of brick and mortar

- modern retail, at 23 per cent, followed by 21 per cent in Bengaluru. Mumbai has only a 12 per cent penetration of brick and mortar modern retail.
- A whopping 90 per cent of the retail market in Hyderabad is serviced by non-modern retail, compared to less than 75 per cent in NCR.
- Currently, NCR has the highest penetration of E-tail in India, at 3 per cent. The corresponding number for Mumbai and Hyderabad is 1 per cent each.

Chart 2

Projected total retail spending and penetration of modern retail in 2019



Source: Knight Frank Research

- The total retail spending in the top seven cities of India is projected to more than double, from ₹3,586 bn (US\$ 59.8 bn) in 2014 to ₹7,650 bn (US\$ 127.5 bn) in 2019. The share of modern retail is estimated to increase from 19 per cent to 24 per cent during that period
- While the share of E-tail is expected to jump by more than five times, from 2 per cent in 2014 to 11 per cent in 2019, the share of brick and mortar modern retail is expected to fall from 17 per cent to 13 per cent during the same period
- E-tail market spending in India's top seven cities is likely to grow more than 10 times, from ₹72 bn (US\$ 1.2 bn) in 2014 to ₹839 bn (US\$ 14bn) in 2019, resulting in an annual growth rate of 64 per cent
- While E-tail will gain primarily at the expense of brick and mortar modern retail, it will attract consumers from non-modern retail too. Non-modern retail's share in the total retail spending is estimated to fall from 81 per cent in 2014 to 76 per cent by 2019
- While NCR will continue to lead in terms of E-tail penetration at 15 per cent in 2019, it will be closely followed by Bengaluru, at 14 per cent
- E-tail penetration in cities like Pune, Chennai and Kolkata will be higher than Mumbai by 2019
- Hyderabad will continue to be dominated by non-modern retail, with an 88 per cent share by 2019

Chart 3

Incremental requirement for brick and mortar modern retail space

Space in mn sq ft

| City | Occupied brick and mortar retail space in 2014 | Brick and mortar modern retail requirement in 2019 | Annual Growth Rate (%) | Incremental space requirement from 2014-2019 | Average annual incremental requirement of space |
|---------------------|--|--|------------------------|--|---|
| Bengaluru | 12.6 | 17.2 | 6.5% | 4.6 | 0.9 |
| Chennai | 6.3 | 8.1 | 5.2% | 1.8 | 0.4 |
| Hyderabad | 4.8 | 6.3 | 5.8% | 1.6 | 0.3 |
| Kolkata | 5.6 | 6.9 | 4.5% | 1.4 | 0.3 |
| Mumbai | 14.1 | 18.1 | 5.0% | 3.6 | 0.7 |
| NCR | 21.5 | 28.5 | 5.8% | 7.0 | 1.4 |
| Pune | 5.4 | 7.0 | 5.2% | 1.5 | 0.3 |
| Top 7 cities | 70.3 | 92.1 | 5.6% | 21.5 | 4.3 |

Source: Knight Frank Research

- Considering the impact of E-tail, the requirement for brick and mortar modern retail is projected to increase from 70.3 mn sq ft in 2014 to 92.1 mn sq ft in 2019, resulting in a moderate annual growth rate of 5.6 per cent
- The top seven cities of India will require an incremental modern retail space of 4.3 mn sq ft per annum during 2015-2019
- NCR will require the maximum amount of incremental space, at 1.4 mn sq ft per annum during 2015-2019. This will be followed by Bengaluru, at 0.9 mn sq ft per annum
- While Bengaluru is expected to witness the highest growth rate in space requirement, at 6.5 per cent per annum from 2014-2019, Kolkata will witness the slowest growth, at 4.5 per cent per annum

Chart 4

Per capita occupied modern retail space



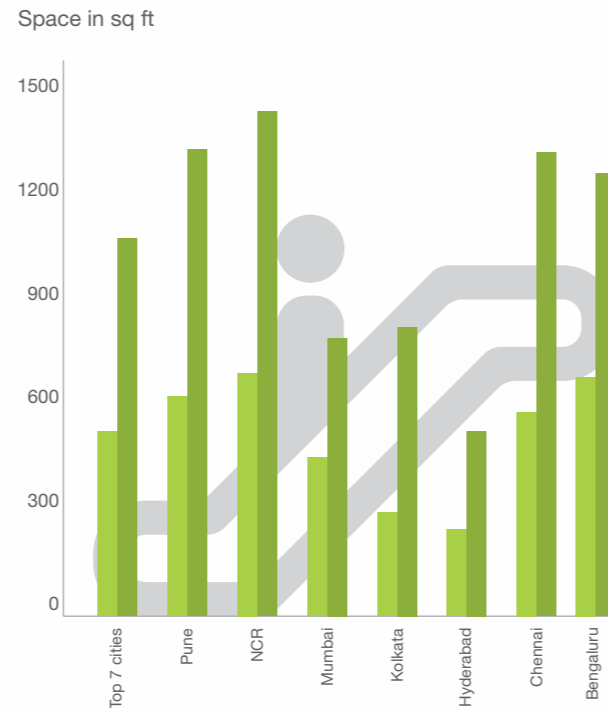
■ Modern retail space per 1,000 population
 ■ Modern retail space per 1,000 population for households earning > ₹300,000

Source: Knight Frank Research, Indicus Analytics

- Bengaluru has the highest per capita penetration of modern retail in India, at 1,323 sq ft per 1,000 population. This is followed by Pune and Chennai, at 1,002 and 1,001 sq ft per 1,000 population respectively
- Kolkata has the lowest penetration of modern retail in India, at 569 sq ft per 1,000 population. However, Mumbai ranks the lowest, at 1,047 sq ft when the population for households earning more than ₹300,000 per annum is considered. This implies that among the high income group, Mumbai residents are the least serviced in terms of modern retail space compared to the rest of India
- Despite having the maximum occupied modern retail space in India, the NCR market ranks fourth among the top seven cities in the country, at 933 sq ft per 1,000 population
- Mumbai, Kolkata and Hyderabad rank lower than the average of the top seven cities in terms of per capita modern retail space

Chart 5

Per capita occupied mall space



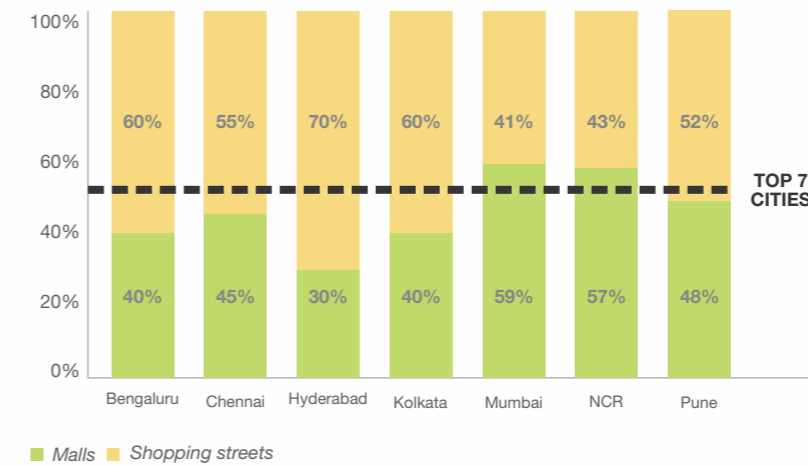
■ Mall space per 1,000 population
 ■ Mall space per 1,000 population for households earning > ₹300,000

Source: Knight Frank Research, Indicus Analytics

- NCR ranks first in terms of mall space per capita in India, at 536 sq ft per 1,000 population. This is followed by Bengaluru and Pune in second and third place respectively
- Hyderabad is ranked last when it comes to per capita mall space penetration in India, with just 193 sq ft per 1,000 population
- In the high income group, Pune ranks first in mall space per 1,000 population for households earning more than ₹300,000 per annum. NCR comes second, followed by Chennai in the third place
- Mumbai fares poorly in terms of mall space penetration per capita, at just 350 sq ft per 1,000 population. This is much lower than the average penetration in the top seven cities

Chart 6

Split of occupied modern retail space into malls and shopping streets



Source: Knight Frank Research

- Mumbai has the highest proportion of mall space in India, as 59 per cent of the total modern retail space in the city is represented by malls. This is followed by NCR and Pune
- The share of mall space is the lowest in Hyderabad, as more than 70 per cent of the total modern retail space is present in the various shopping streets of the city
- The modern retail space in Pune is represented fairly by malls and shopping streets, at 48 per cent and 52 per cent respectively. This is very similar to the mix observed at the top seven cities level

Chart 7

Product category split of occupied modern retail space in the top seven cities



Source: Knight Frank Research

- Apparel is the largest product category in India, with a share of 22 per cent in the occupied modern retail space of the top seven cities. This is followed by the department stores and food & beverages categories, at 14 per cent and 13 per cent respectively
- The top three categories represent around half of the total occupied modern retail space in these seven cities

Chart 8

Product category split of occupied modern retail space in Bengaluru

- The apparel category accounts for more than one-fifth of the total occupied modern retail share in Bengaluru. This is followed by food & beverages at 14 per cent
- The accessories category represents just 1 per cent of the total share in Bengaluru
- The top four categories- department stores, apparel, food & beverages and home & lifestyle, together account for more than half of the total modern retail share in Bengaluru



Source: Knight Frank Research

Chart 9

Product category split of occupied modern retail space in Chennai



Source: Knight Frank Research

- Compared to the rest of the cities, the share of the home & lifestyle category, at 6 per cent, is the lowest in Chennai. Kolkata and Pune have the highest share in this category, at 12 per cent each
- The watches & jewellery category has one of the highest shares, at 11 per cent in Chennai. This is the same share as contributed by the food & beverages category in the city

Chart 10

Product category split of occupied modern retail space in Hyderabad



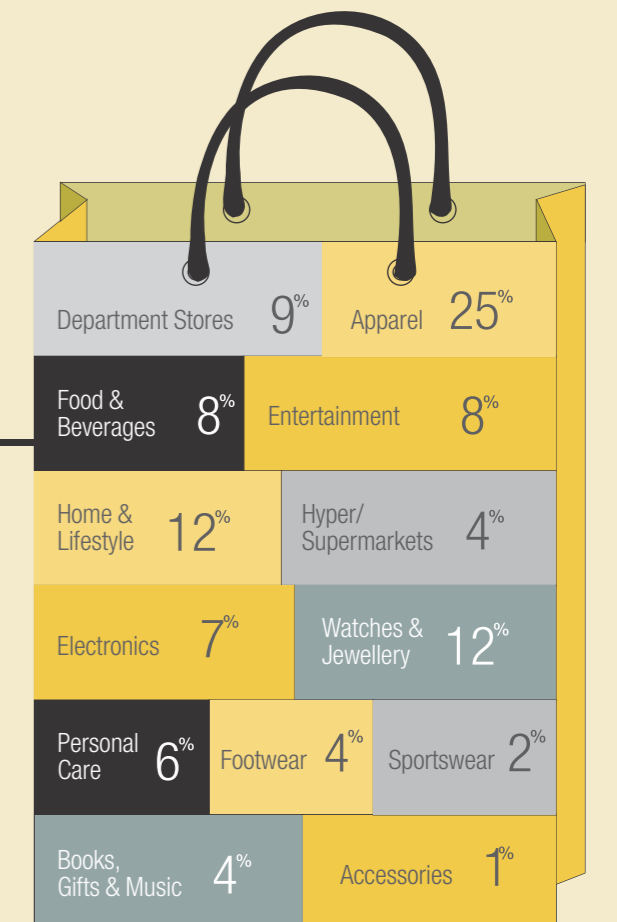
Source: Knight Frank Research

- The electronics category, which accounts for just 9 per cent of the total modern retail space in Hyderabad, is the highest compared to all the other top cities of India
- The share of accessories is less than 1 per cent in Hyderabad, indicating its negligible presence in the modern retail segment of the city

Chart 11

Product category split of occupied modern retail space in Kolkata

- More than 12 per cent of the modern retail space in Kolkata is represented by the watches & jewellery category. This is the highest for this category compared to the rest of the top cities
- Compared to the rest of the cities, the share of the hyper/ supermarkets category, at 4 per cent, is the lowest in Kolkata. Pune has the highest share, at 11 per cent



Source: Knight Frank Research

Chart 12

Product category split of occupied modern retail space in Mumbai



Source: Knight Frank Research

- In Mumbai, the food & beverages and entertainment categories account for 15 per cent each in the total modern retail share. None of the other cities have such a large share for these two categories in India
- The top four product categories together contribute to more than 60 per cent of the total share of modern retail in the city

Chart 13

Product category split of occupied modern retail space in NCR



Source: Knight Frank Research

- The apparel category has the largest share among all the product categories in NCR. At 27 per cent, this is also the highest compared to all the other cities
- Compared to the rest of the cities, the share of the entertainment category, at 4 per cent, is the lowest in NCR

Chart 14

Product category split of occupied modern retail space in Pune

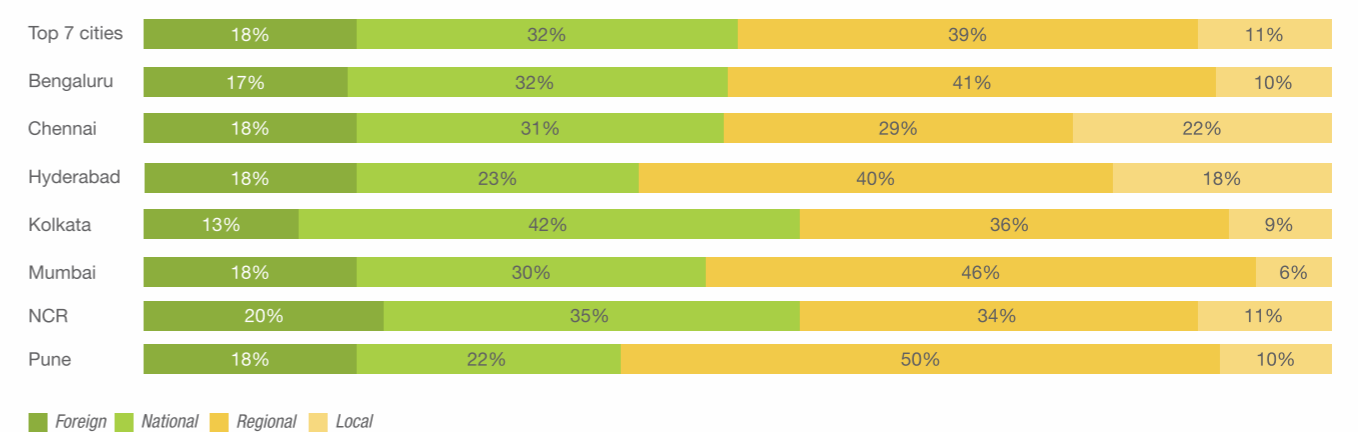


Source: Knight Frank Research

- Pune has a good mix of all the major product categories, which are distributed evenly
- The department stores category represents the maximum share in the city, at 15 per cent. This is followed by food & beverages and apparels, at 14 per cent each

Chart 15

Brand-wise split of occupied modern retail store space

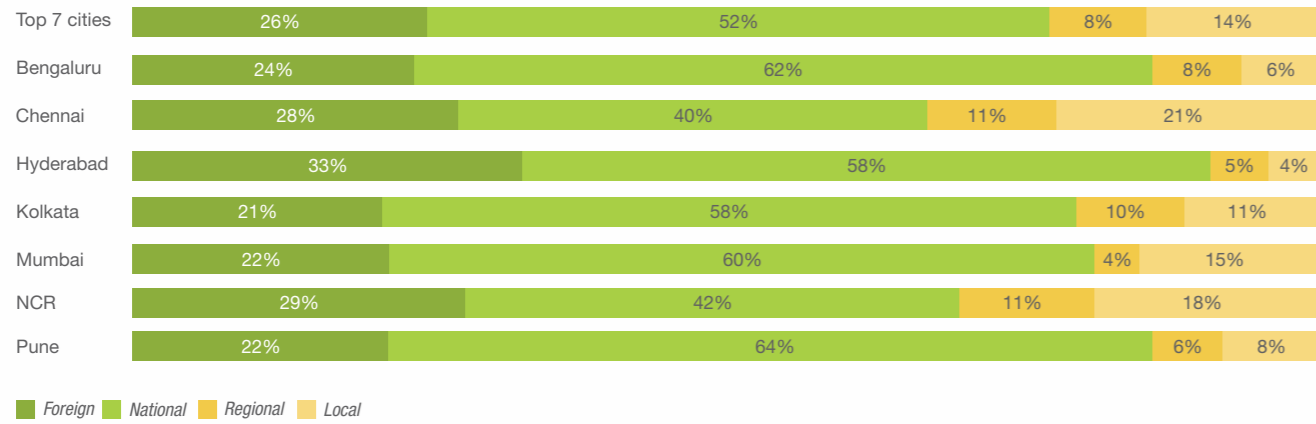


Source: Knight Frank Research

- In total modern retail space, NCR has the largest share of foreign brand stores, at 20 per cent. The lowest share of foreign brand stores is in Kolkata
- The maximum share of local brand stores is in Chennai, followed by Hyderabad. In Mumbai, the share of these stores is only 6 per cent. However, regional brand stores have a strong presence in Mumbai, at 46 per cent
- Kolkata has the maximum share of national brand stores, at 42 per cent. This is followed by NCR, with a distant 35 per cent share
- Around half of the total modern retail stores in Pune are regional brand stores. However, in Chennai, only 29 per cent is represented by such stores

Chart 16

Brand-wise split of occupied modern retail store space in malls

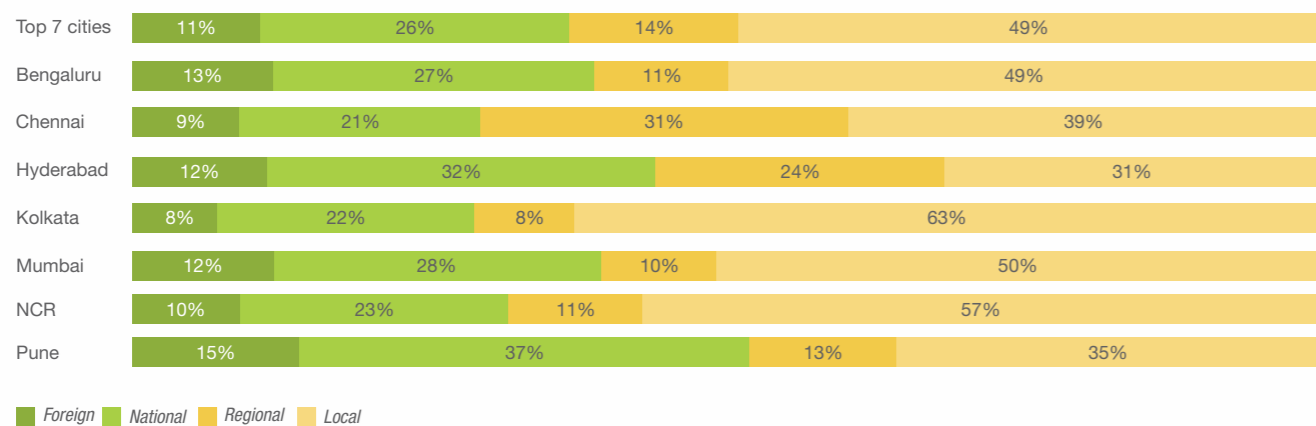


Source: Knight Frank Research

- In malls, Hyderabad has the highest share of foreign brand stores. Moreover, the combined share of foreign and national brand stores in the city is more than 90 per cent
- While only one-third of the total stores in Chennai's malls are represented by regional and local brands, foreign and national brand stores account for 68 per cent
- The share of national brand stores in Pune and Bengaluru is at 64 per cent and 62 per cent respectively, which is significantly high compared to its share in other cities

Chart 17

Brand-wise split of occupied modern retail store space in shopping streets

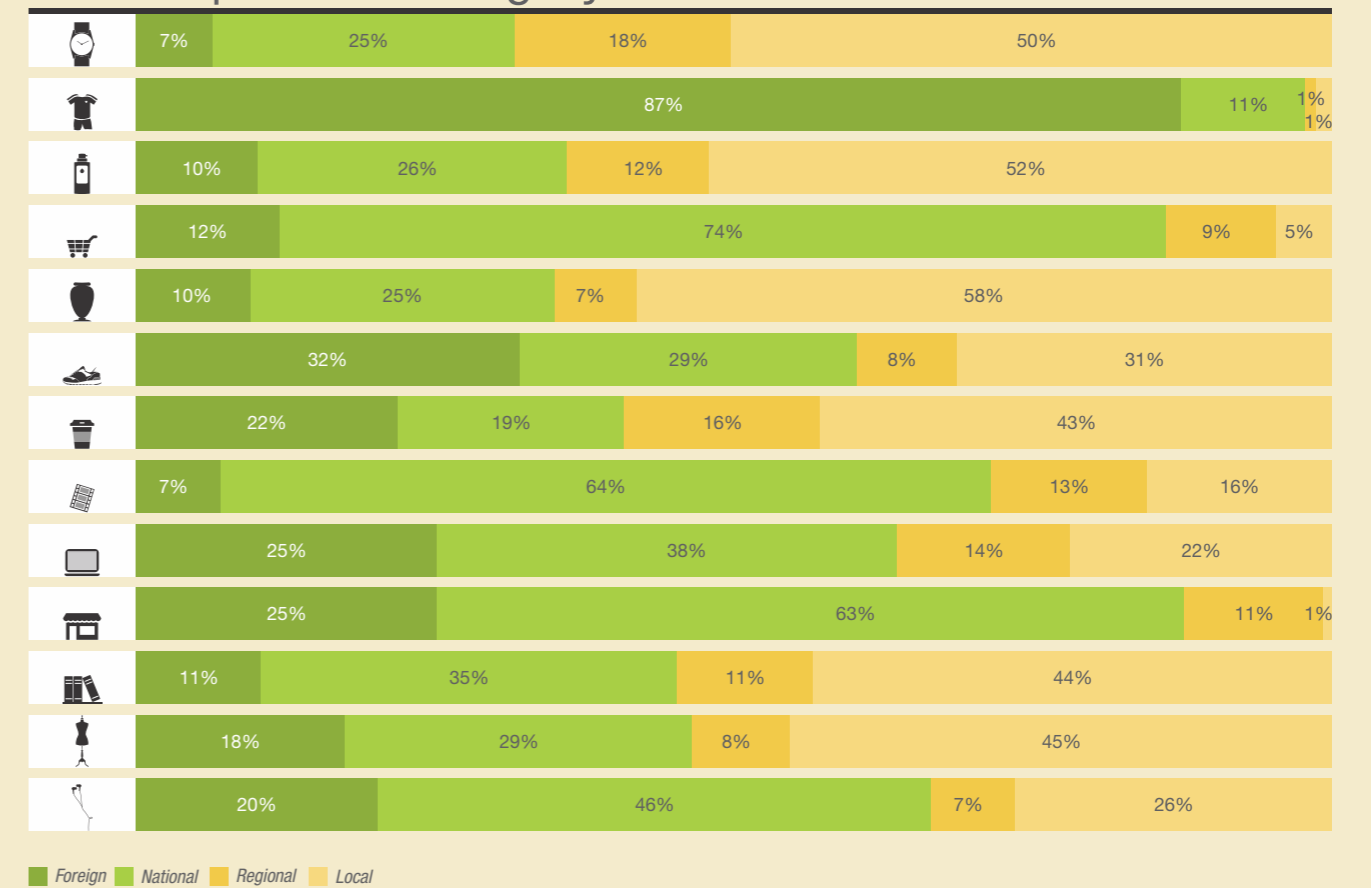


Source: Knight Frank Research

- Kolkata's shopping streets have the highest proportion of local brand stores, amounting to 63 per cent in the modern retail space. In contrast, Hyderabad's shopping streets have just 31 per cent in local brand stores
- Foreign brand stores on the shopping streets of the top seven cities of India account for only an 11 per cent share. More than 60 per cent of the stores are represented by regional and local brands in these cities
- Chennai has a strong presence of regional brand stores on shopping streets, with a 31 per cent share represented by such stores

Chart 18

Brand-wise split of occupied modern retail store space in each product category

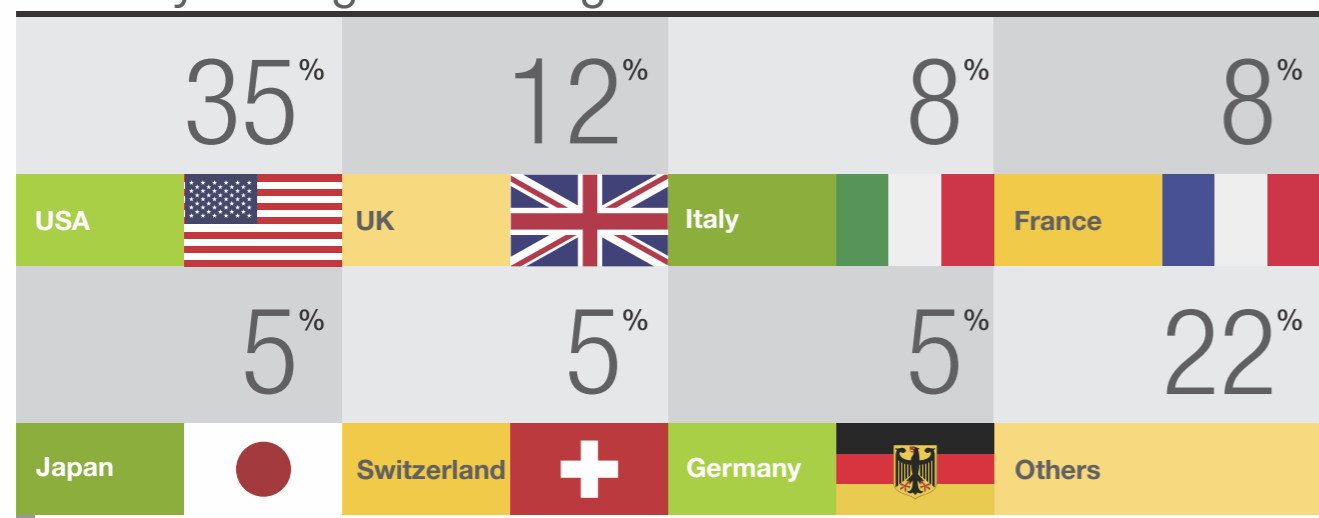


Source: Knight Frank Research

- Among the various product categories, the share of foreign brand stores is highest in the sportswear category, at a whopping 87 per cent. The footwear category, which comes in second place, has only a 32 per cent share of foreign brand stores
- The watches & jewellery category is dominated by local brand stores in India, with just 7 per cent of the total modern retail space represented by foreign brand stores
- National brand stores represent around three-fourth, of the modern retail space in the hyper/ supermarkets category. Regional and local brand stores have a miniscule 14 per cent share in this category across India
- A significant 58 per cent of the home & lifestyle stores in India are represented by local brand stores, with foreign brand stores accounting for only a 10 per cent share
- More than 50 per cent of all the modern retail stores in the apparel category across the top seven cities of India are regional and local brand stores

Chart 19

Country of origin of foreign brands in India



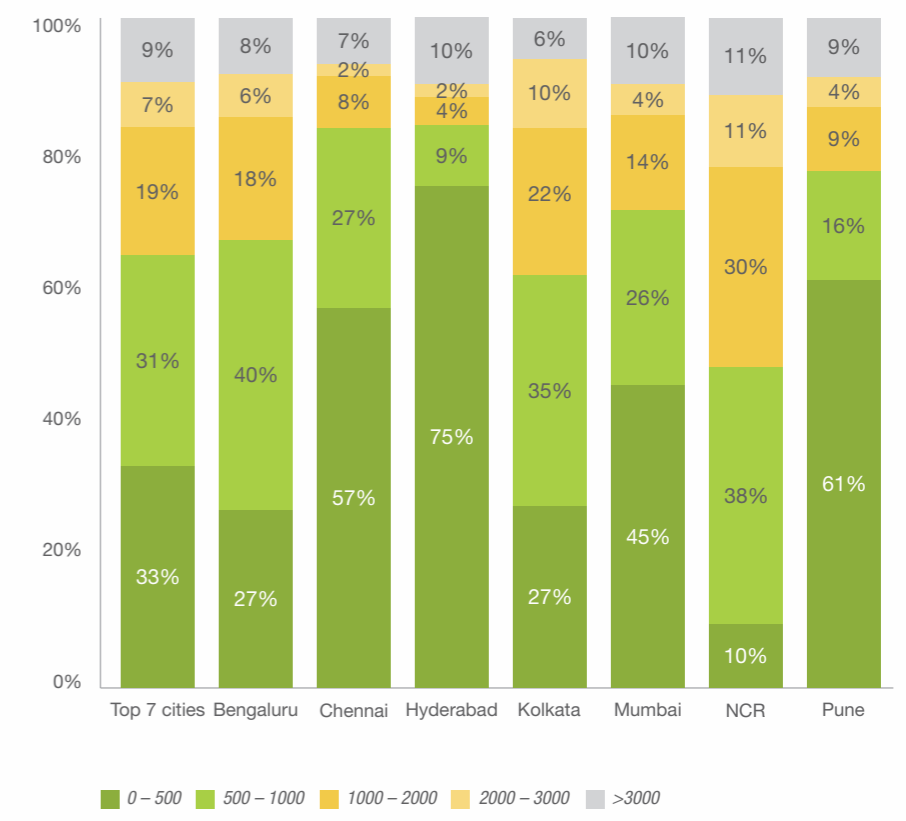
- Brands from more than 33 foreign countries are sold through modern retail outlets in India. However, the top seven countries contribute towards a majority of the share in this, at 78 per cent
- USA contributes a massive 35 per cent of all foreign brands present in India. This is followed by the United Kingdom, at 12 per cent
- While Italian and French brands account for an 8 per cent share each, Japanese, Swiss and German brands represent 5 per cent each



Chart 20

Size-wise split of occupied modern retail stores in malls

Space in sq ft



0-500 500-1000 1000-2000 2000-3000 >3000



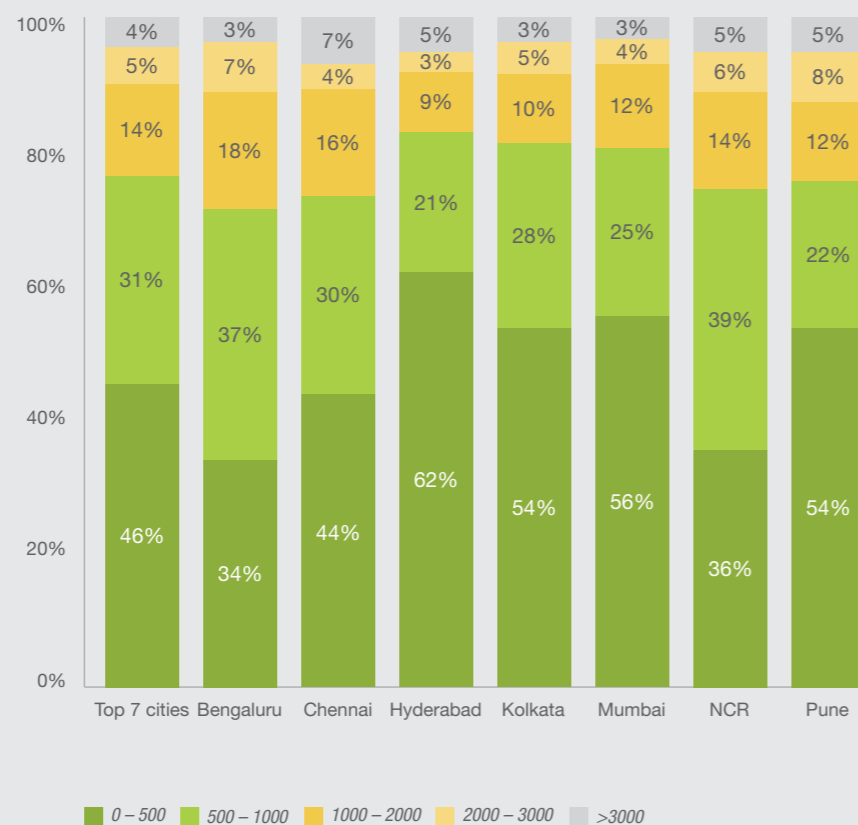
- Malls in Hyderabad have the largest proportion of shops below the size of 500 sq ft compared to rest of the seven cities in India. This is followed by Pune and Chennai
- Only 10 per cent of the total stores in NCR's malls are below the size of 500 sq ft, which is the lowest among all the cities. However, when it comes to shop sizes above 3,000 sq ft, NCR ranks first among all the cities, with a 11 per cent share
- Despite space constraints and high rentals, malls in Mumbai have more than 50 per cent of their stores above the size of 500 sq ft

Source: Knight Frank Research

Chart 21

Size-wise split of occupied modern retail stores in shopping streets

Space in sq ft

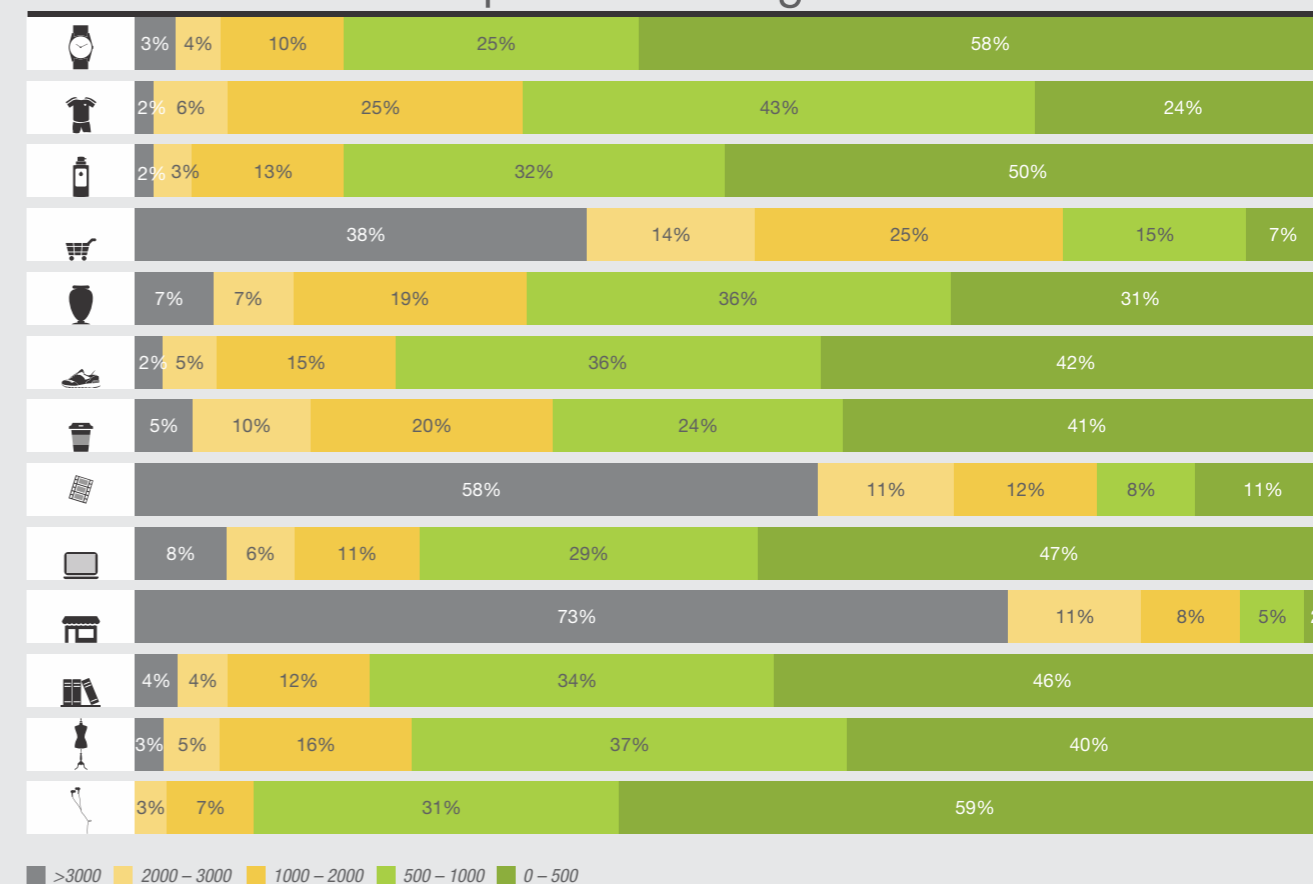


- A conspicuous 77 per cent of all the stores in the shopping streets of India's top seven cities are below the size of 1,000 sq ft. Only 4 per cent of the stores on shopping streets are above the size of 3,000 sq ft compared to 9 per cent in malls.
- Chennai's shopping streets have the highest share of stores above 3,000 sq ft.
- While Hyderabad's shopping streets have the maximum share of stores below 500 sq ft, Bengaluru and NCR have the lowest share among the top cities.

Source: Knight Frank Research

Chart 22

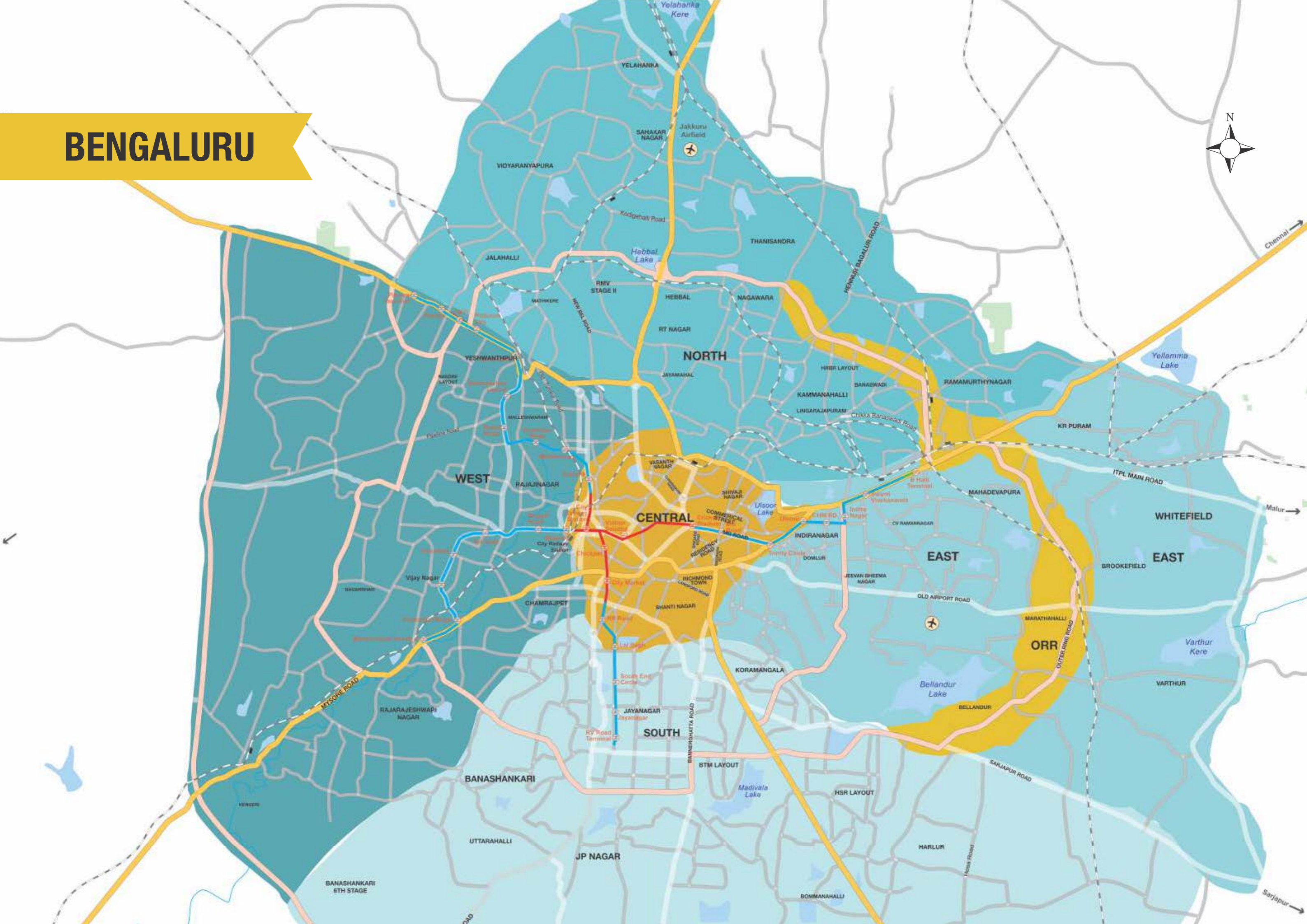
Size-wise split of occupied modern retail stores across product categories



Source: Knight Frank Research

- A massive 90 per cent of all the stores in India's accessories category are below the size of 500 sq ft. This stands at 82 per cent in the watches & jewellery category.
- While only 7 per cent of the total department stores are below the size of 1,000 sq ft, more than 67 per cent of the stores in the home & lifestyle category are below this size.
- Only 35 per cent of all the stores in the food & beverages category are above the size of 1,000 sq ft. For the sportswear category, this stands at 33 per cent.

BENGALURU



BENGALURU CITY ANALYSIS

Retail Landscape

Bengaluru city map

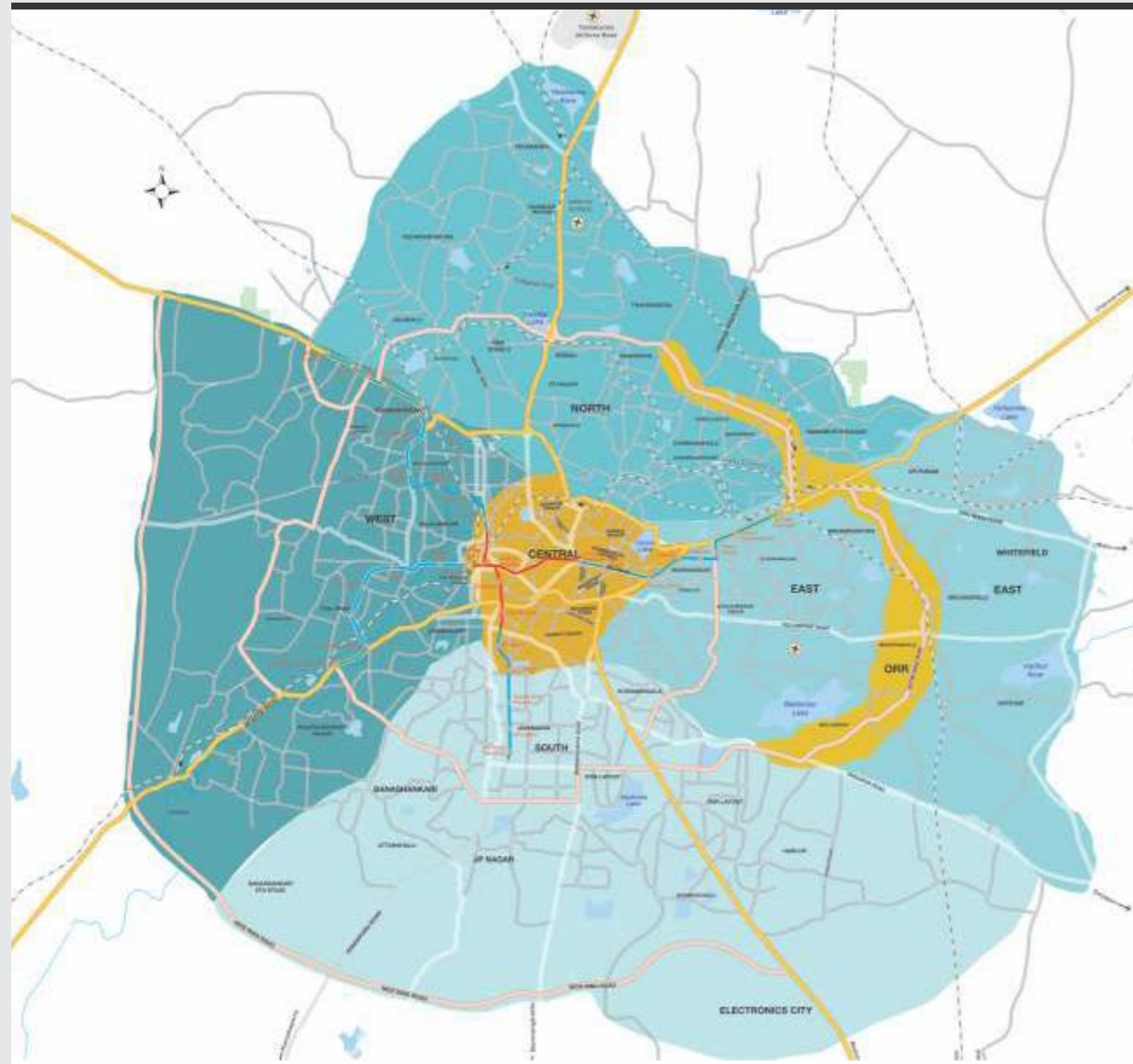
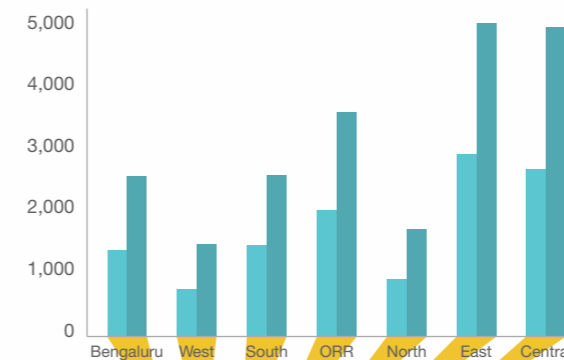


Chart 1

Per capita occupied modern retail space

Space in sq ft



■ Modern retail space per 1,000 population
 ■ Modern retail space per 1,000 population for households earning > ₹300,000

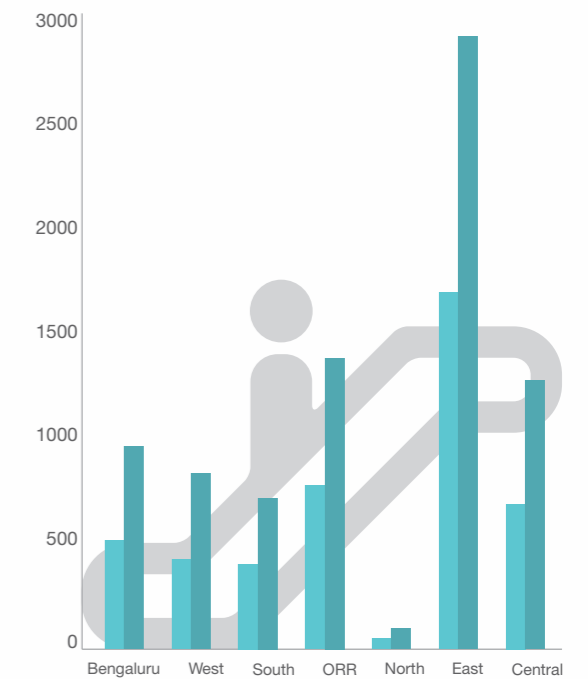
Source: Knight Frank Research, Indicus Analytics

- The Bengaluru retail market is characterised by a fair distribution of modern retail, largely impacted by the rising income level of the consumers
- The city, on an average, has 1,323 sq ft of modern retail space catering to the needs per 1,000 population, while around 2,455 sq ft is available per 1,000 population for households earning over ₹300,000
- This figure is significantly conspicuous in Central and East Bengaluru, where the quantum of modern retail space available per 1,000 persons is higher than the other regions of the city
- The eastern zone surpassed the other markets and scored the highest availability of per capita retail space in the city owing to the presence of a number of large-format malls there
- In contrast, Central Bengaluru, which follows East Bengaluru, has a larger concentration of shopping streets, thereby augmenting the per capita modern retail space in the region

Chart 2

Per capita occupied mall space

Space in sq ft



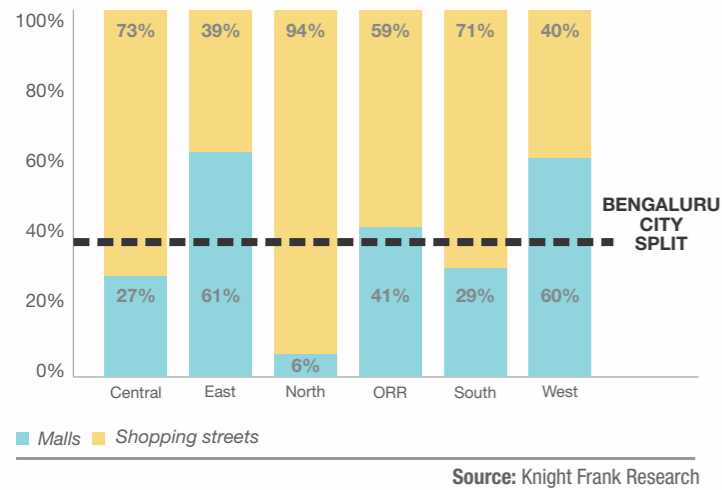
■ Mall space per 1,000 population
 ■ Mall space per 1,000 population for households earning > ₹300,000

Source: Knight Frank Research, Indicus Analytics

- The average mall space availability per 1,000 persons in Bengaluru stands at 524 sq ft, while it is higher at 972 sq ft for households earning over ₹300,000
- Not surprisingly, East Bengaluru remains the region with the highest amount of per capita mall space availability. The presence of a number of malls catering to the retail needs of the population, largely belonging to the IT sector, has taken the per capita mall space to a whopping 2,944 sq ft for households with an income of more than ₹300,000
- On the other hand, the mall space availability of North Bengaluru per 1,000 persons is minimal owing to the dearth of malls in this region. However, several projects are in the pipeline and the figure is expected to improve in the near future
- Interestingly, despite the limited presence of mall projects, ORR has a higher mall space per 1,000 population than Central Bengaluru. This can be attributed to the lower population level in the ORR region, as compared to the central part of the city

Chart 3

Split of occupied modern retail space into malls and shopping streets



- Bengaluru has a clearly demarcated shopping street domination, with its share of modern retail space skewed at 60 per cent. This implies the adaptability of the traditional markets of the city that recognised the demand for modern retail and attuned themselves
- However, East and West Bengaluru saw a reverse trend, with mall space of around 60 per cent leading the way in modern retail space
- Like its eastern counterpart, West Bengaluru, too, enjoys the presence of several large-format malls, thus increasing its share over shopping streets
- The ratio of shopping streets is the highest in North Bengaluru, with only one operational mall in the region, closely followed by Central and South Bengaluru. These regions, though substantiated with malls, have numerous shopping streets adjacent to heavily-populated residential areas

Chart 4

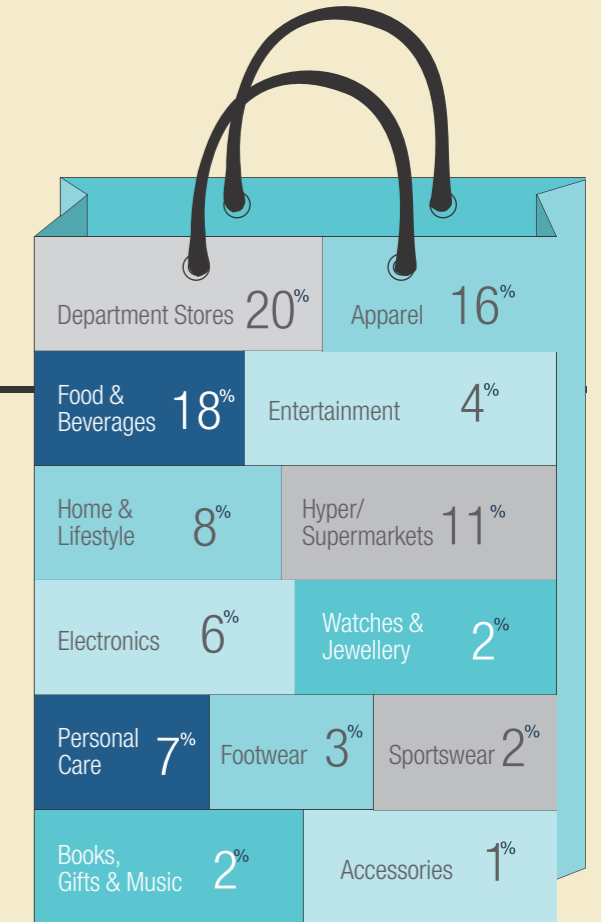
Product category split of occupied modern retail space in Central Bengaluru



- As is evident from the chart, apparel has the highest penetration in the modern retail space of Central Bengaluru
- Its share of 36 per cent is followed by food & beverages, watches & jewellery, and home & lifestyle, at 10 per cent each
- This depicts the changing behaviour of the consumers, as their spending is today more inclined towards lifestyle products and services

Chart 5

Product category split of occupied modern retail space in East Bengaluru

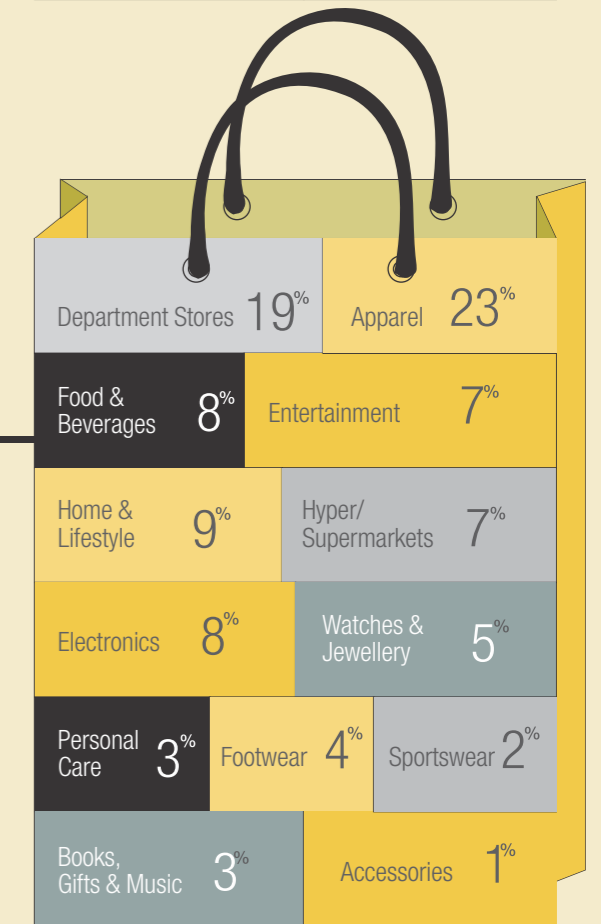


- East Bengaluru has a profusion of department stores, located mainly in malls, and accounts for 20 per cent of the total modern retail space in this region
- These again point towards a shift in lifestyle as perceived by retailers and mall developers regarding modern consumers who prefer to shop at department stores, as they are a one-stop shopping solution for apparel, footwear and other accessories
- The region has a plethora of food & beverages joints, adding upto 18 per cent of the retail space, patronised largely by IT industry-employees at food courts

Source: Knight Frank Research

Chart 6

Product category split of occupied modern retail space in West Bengaluru

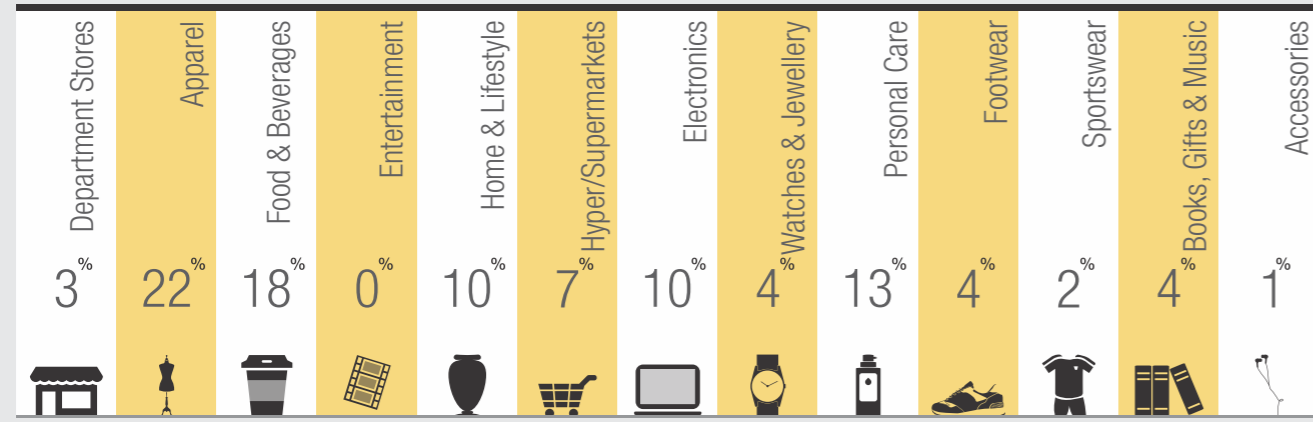


- Modern retail space in West Bengaluru that saw a ratio of 60:40, with malls surpassing shopping streets, is a prominent market for apparel in both the retail formats
- It is followed by department stores as the second product category with maximum presence, thus underlining the dominance of malls
- Home & lifestyle stores are a distant third, with a 9 per cent share of the total modern retail space in the region

Source: Knight Frank Research

Chart 7

Product category split of occupied modern retail space in North Bengaluru



Source: Knight Frank Research

- Apparel comprises the bulk of modern retail space in North Bengaluru, accounting for 22 per cent of the total pie
- Similar to the other regions, food & beverages is also a major part of the retail markets in North Bengaluru and makes up for 18 per cent, making its share of modern retail the second highest in this zone
- Personal care, consisting mainly of salons and fitness centres, features third in line, thus highlighting its prominence towards an increasing lifestyle statement of staying fit and attractive

Chart 8

Product category split of occupied modern retail space in South Bengaluru

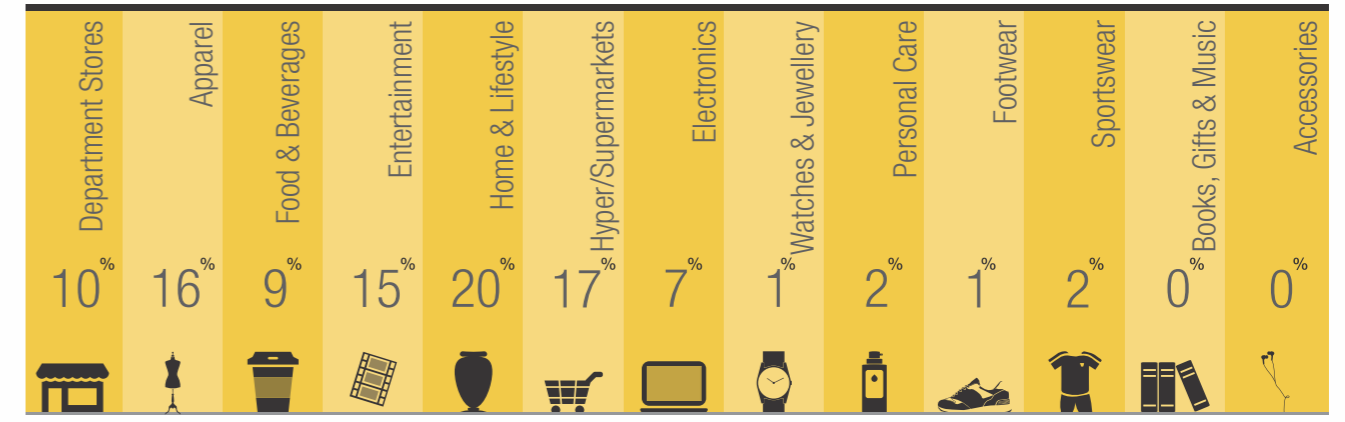


Source: Knight Frank Research

- South Bengaluru consists of some of the most preferred residential locations in the city, though the retail markets in the far-flung areas are not much developed
- Like most other markets, it is led by apparel and food & beverages, and they account for 19 per cent and 16 per cent of the total modern retail space respectively

Chart 9

Product category split of occupied modern retail space in Outer Ring Road (ORR)

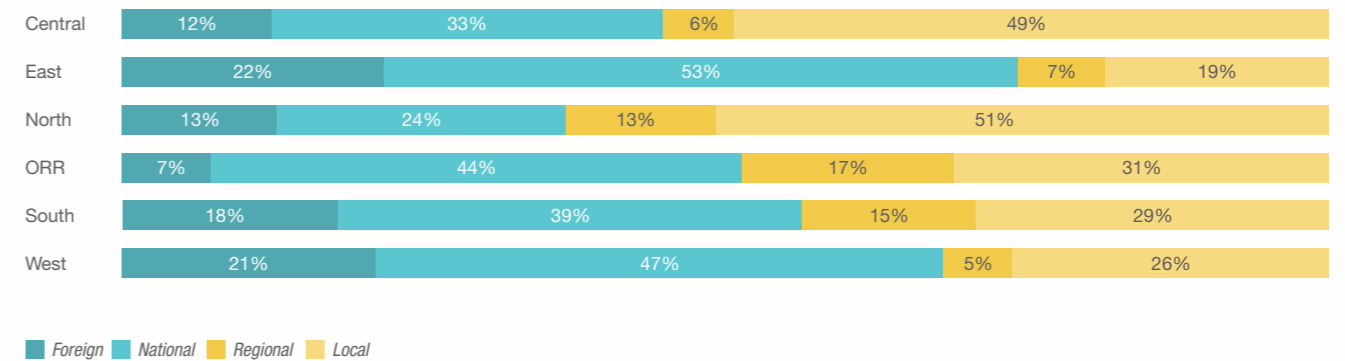


Source: Knight Frank Research

- Much of the modern retail space along Outer Ring Road (ORR) is still at a developing stage and largely comprises furniture shops, housing both national and regional brands. Thus, home & lifestyle accounts for 20 per cent of the total pie
- The region also has a number of hyper/supermarkets owing to the availability of contiguous space, and this takes up 17 per cent of the modern retail space, followed by apparel at 16 per cent

Chart 10

Brand-wise split of occupied modern retail store space

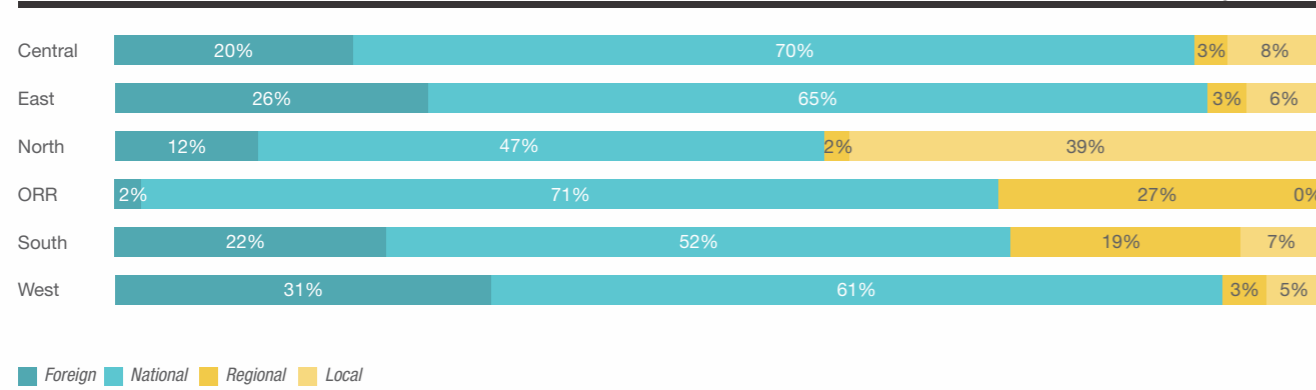


Source: Knight Frank Research

- Bengaluru has emerged as a sought-after retail market in recent years, with several foreign and national brands setting up their stores in the city. Today, the city houses large-format retail malls, targeting both the luxury segment and value shoppers, while providing for modern retail space in shopping streets as well
- An analysis of retail brands across markets shows that the majority of the foreign brands are located in East and West Bengaluru, mainly in the malls
- The least share of foreign brands is observed in the ORR markets, which can be attributed to the relatively underdeveloped retail state of the region
- National brands have strengthened their presence across all zones, particularly in the East, while regional brands have yet to gain confidence
- Local brands continue to dominate the Central and North markets
- While Central Bengaluru has malls promoting luxury brands, it also has numerous shopping streets with modern retail space that caters to local brands
- On the other hand, North Bengaluru houses more local brands on its shopping streets in the absence of large-format malls

Chart 11

Brand-wise split of modern retail store space in malls

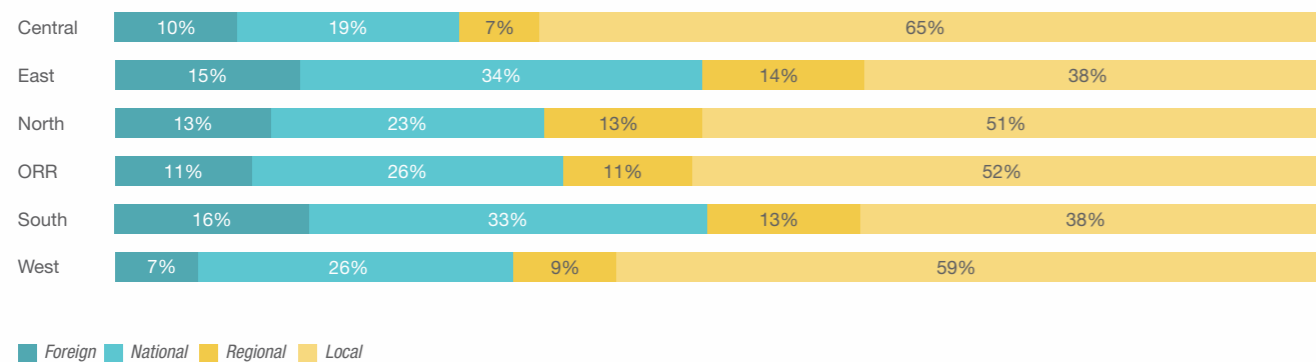


Source: Knight Frank Research

- The malls in West Bengaluru accounted for a relatively high share of foreign brands, due to the presence of malls such as Orion Mall and Mantri Square that have a host of luxury brands targeting high-end customers
- Central Bengaluru, too, has a fair share of foreign brands that can be attributed to the presence of the high-end mall: 1, MG Road. However, the other malls in this region are dominated primarily by national brands
- ORR has a minimal presence of foreign and local brands owing to the fact that the few mid-size malls that are operational in the region cater mostly to national brands

Chart 12

Brand-wise split of occupied modern retail store space in shopping streets

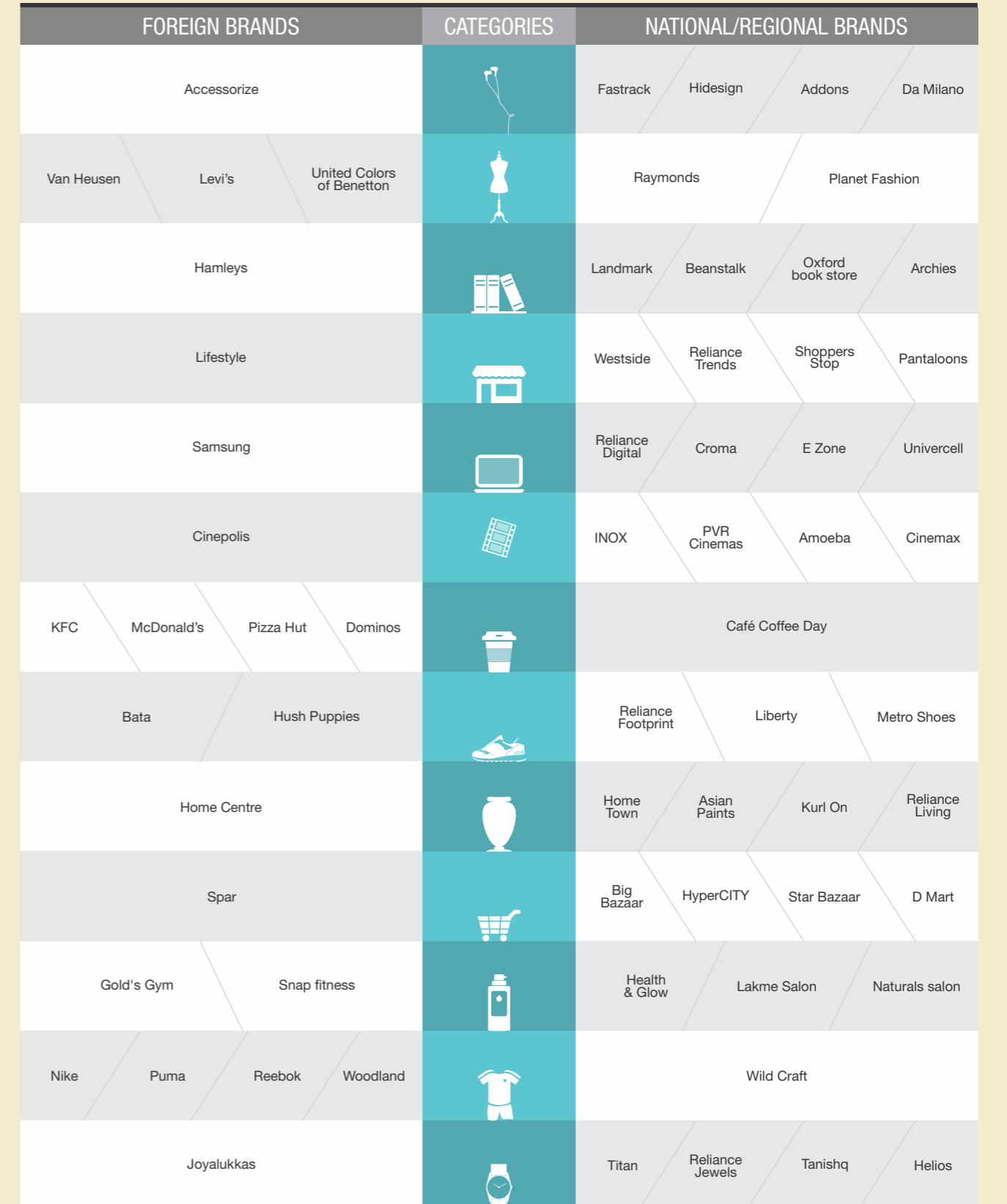


Source: Knight Frank Research

- Although the share of foreign brands is less in the city's shopping streets, South Bengaluru, followed closely by East Bengaluru, has emerged as the most preferred region for foreign retailers to set up their stores
- High streets, such as Indiranagar in the east and Jayanagar 4th Block in the south, are responsible for the large share of foreign brands in their respective zones
- Not surprisingly, the Central zone has the highest share of local brands owing to the presence of traditional markets in the region that have adapted to modern retail
- South Bengaluru has emerged as the region with a relatively good mix of foreign, national, regional and local brands
- On the other hand, the West Bengaluru zone, which boasted of a large share of foreign brands in its malls, has a minimum share of the same on its shopping streets. Instead, the proliferation of local brands stood at a considerable 59 per cent

Chart 13

Top foreign, national and regional brands



Source: Knight Frank Research

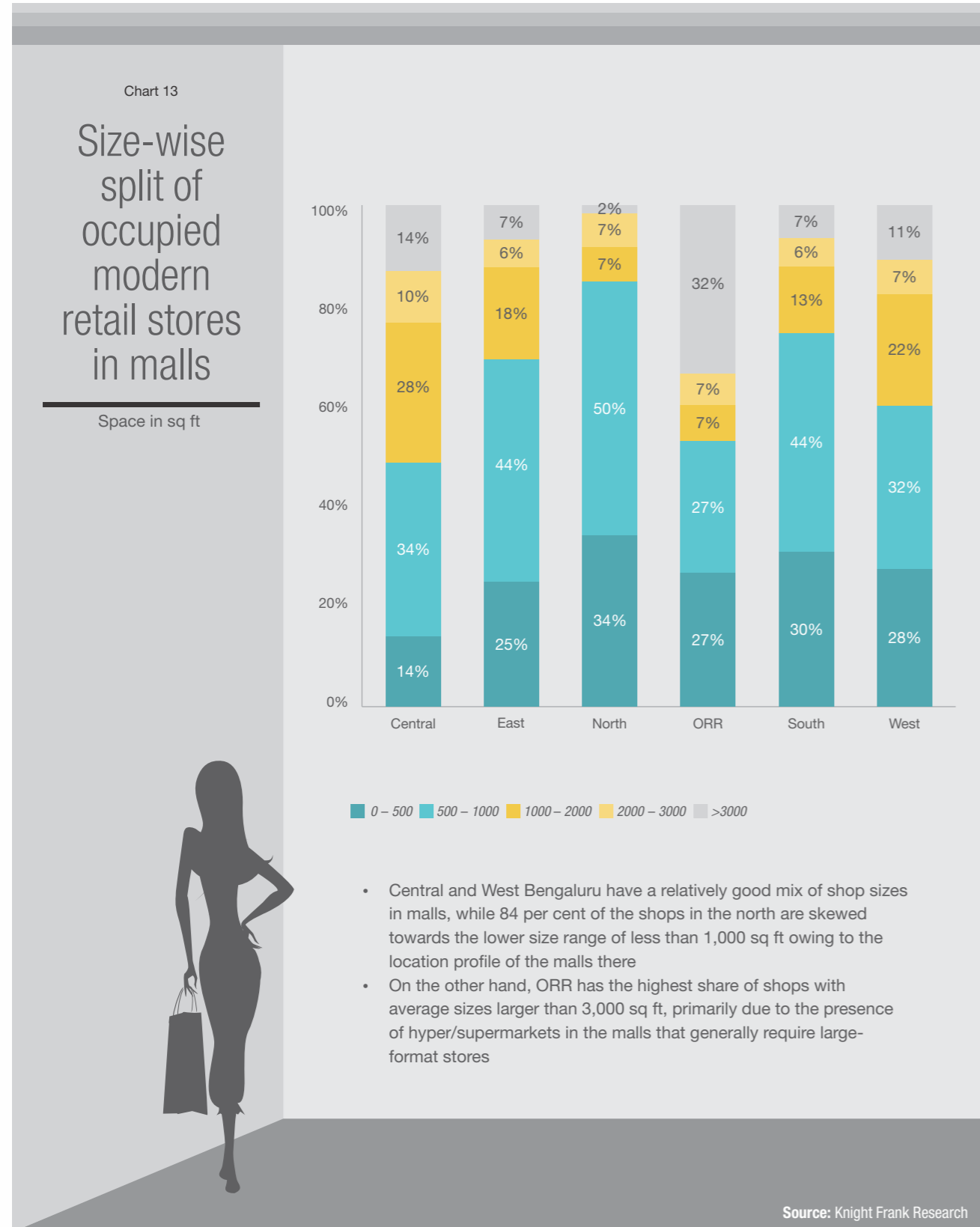
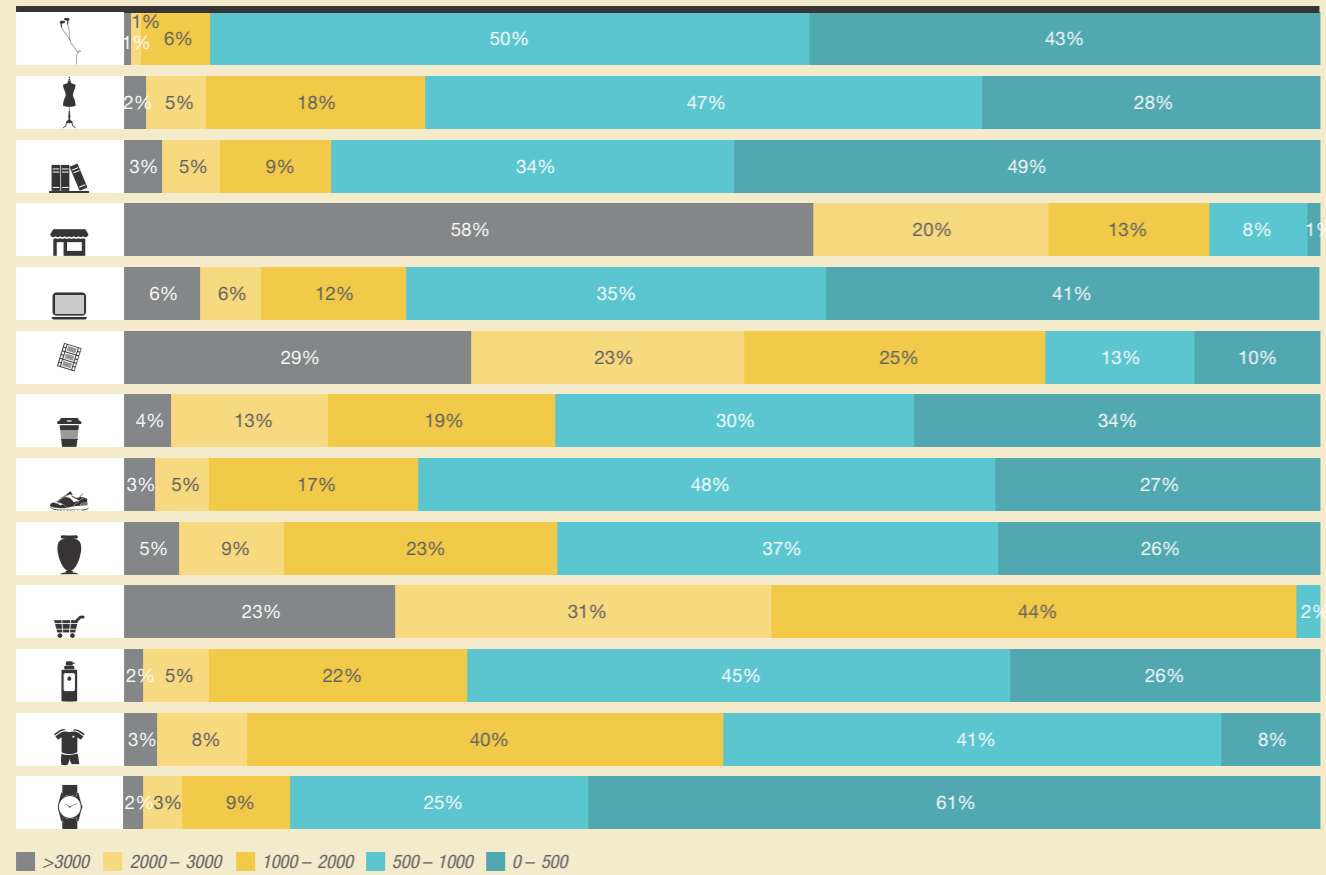


Chart 15

Size-wise split of modern retail stores across product categories

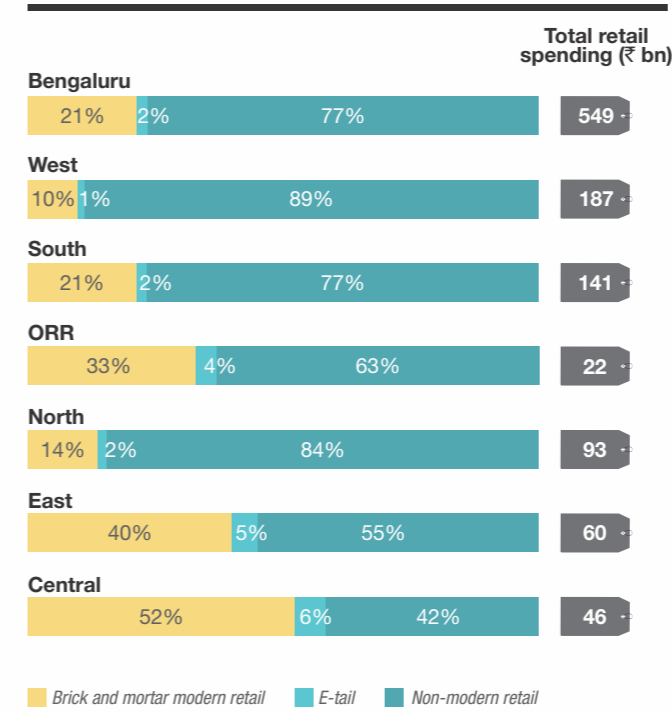


Source: Knight Frank Research

- Watches & jewellery, the product category with higher average trading density (ATD), has been observed to be housed mainly in shops with lower size ranges. A whopping 61 per cent of these stores have sizes less than 500 sq ft
- On the other hand, department stores, which require large formats to showcase their product ranges, have the highest share of shop sizes that are greater than 3,000 sq ft
- Interestingly, sportswear, which consists mostly of foreign brands, has a considerable share of shops with sizes in the range of 1,000-2,000 sq ft - to the tune of 40 per cent
- Accessories have been observed to operate in small size shops as well. Around 93 per cent of the shops in this product category belong to a size range of less than 1,000 sq ft

Chart 16

Total retail spending and penetration of modern retail in 2014



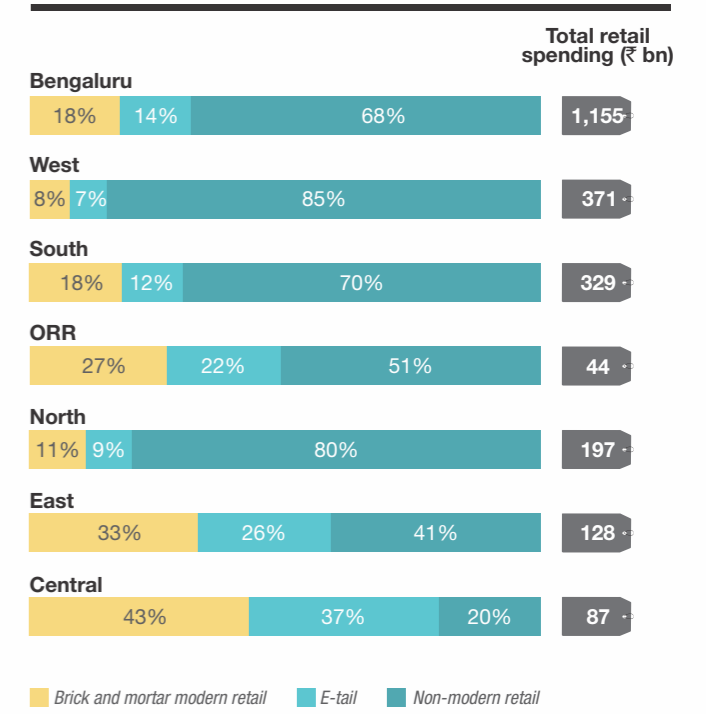
Note: Brick and mortar modern retail + E-tail = Modern retail

Source: Knight Frank Research

- Currently, the total retail spending in Bengaluru amounts to ₹549 bn, with West Bengaluru accounting for a lion's share of 34 per cent. This is in line with the population of this zone, which stands at 35 per cent
- The share of modern retail in Bengaluru stood at 23 per cent in 2014, of which brick and mortar is at 21 per cent and E-tail, at 2 per cent
- Central Bengaluru has the highest share of modern retail, followed by the eastern zone. The presence of a large number of shopping streets in Central Bengaluru and several large-format malls in East Bengaluru seem to have tilted the balance towards modern retail in these two zones
- Significantly, although non-modern retail accounts for more than 85 per cent of the retail markets in West and North Bengaluru, compared to less than 55 per cent in East and Central Bengaluru, their retail spending is relatively higher

Chart 17

Projected total retail spending and penetration of modern retail in 2019



Note: Brick and mortar modern retail + E-tail = Modern retail

Source: Knight Frank Research

- The total retail spending in Bengaluru is projected to increase from ₹549 bn in 2014 to ₹1,155 bn in 2019. The share of modern retail is estimated to increase from 23 per cent to 32 per cent during that period
- While the share of E-tail is expected to jump seven times, from 2 per cent in 2014 to 14 per cent in 2019, the share of brick and mortar modern retail is expected to fall from 21 per cent to 18 per cent during the same period in Bengaluru
- Central Bengaluru is expected to witness the maximum gain in terms of modern retail share during the next five years. On the other hand, North Bengaluru will continue to be dominated by non-modern retail over the next five years

BENGALURU ZONE ANALYSIS

Central Bengaluru Zone Analysis

Central Bengaluru map

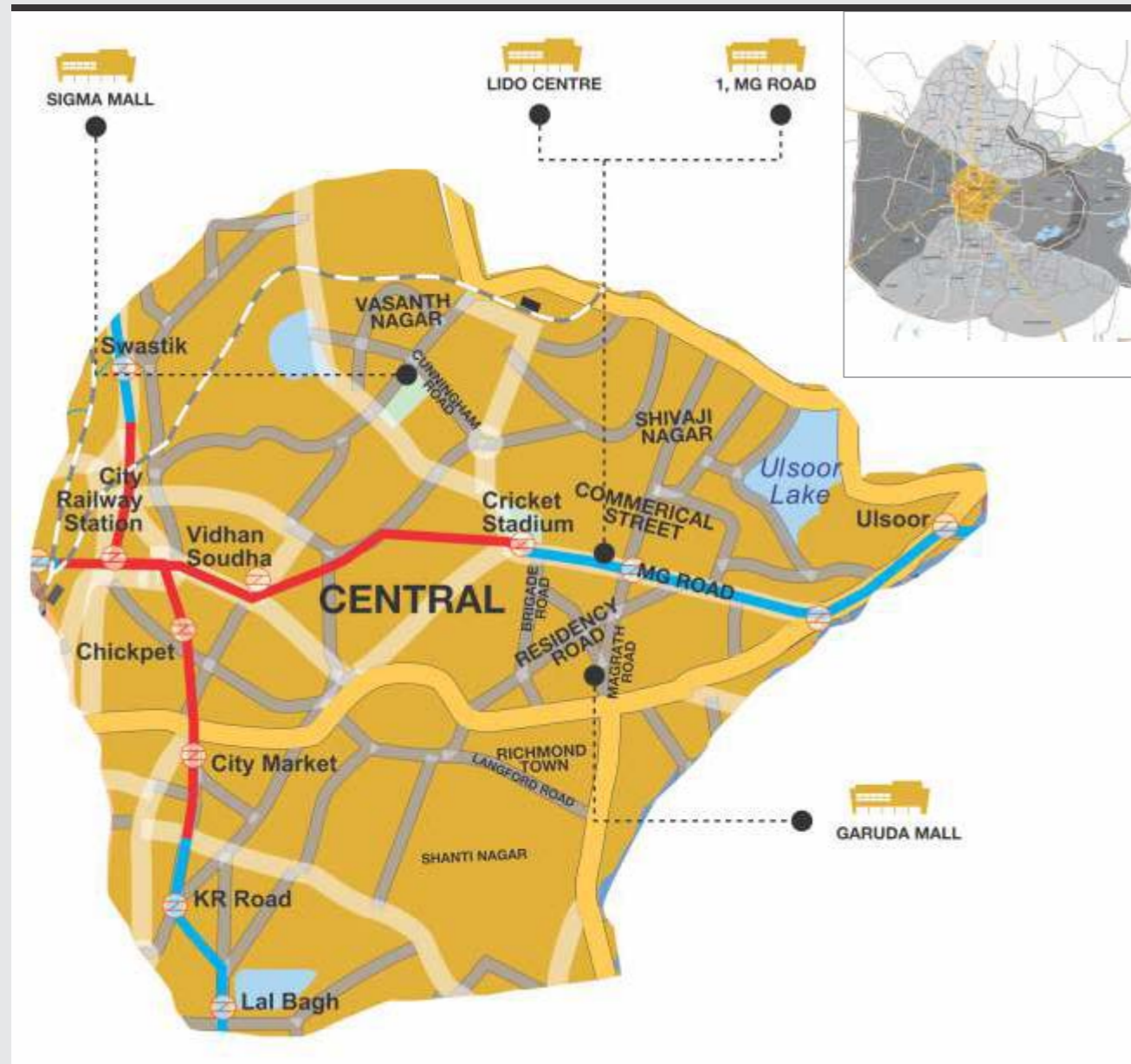
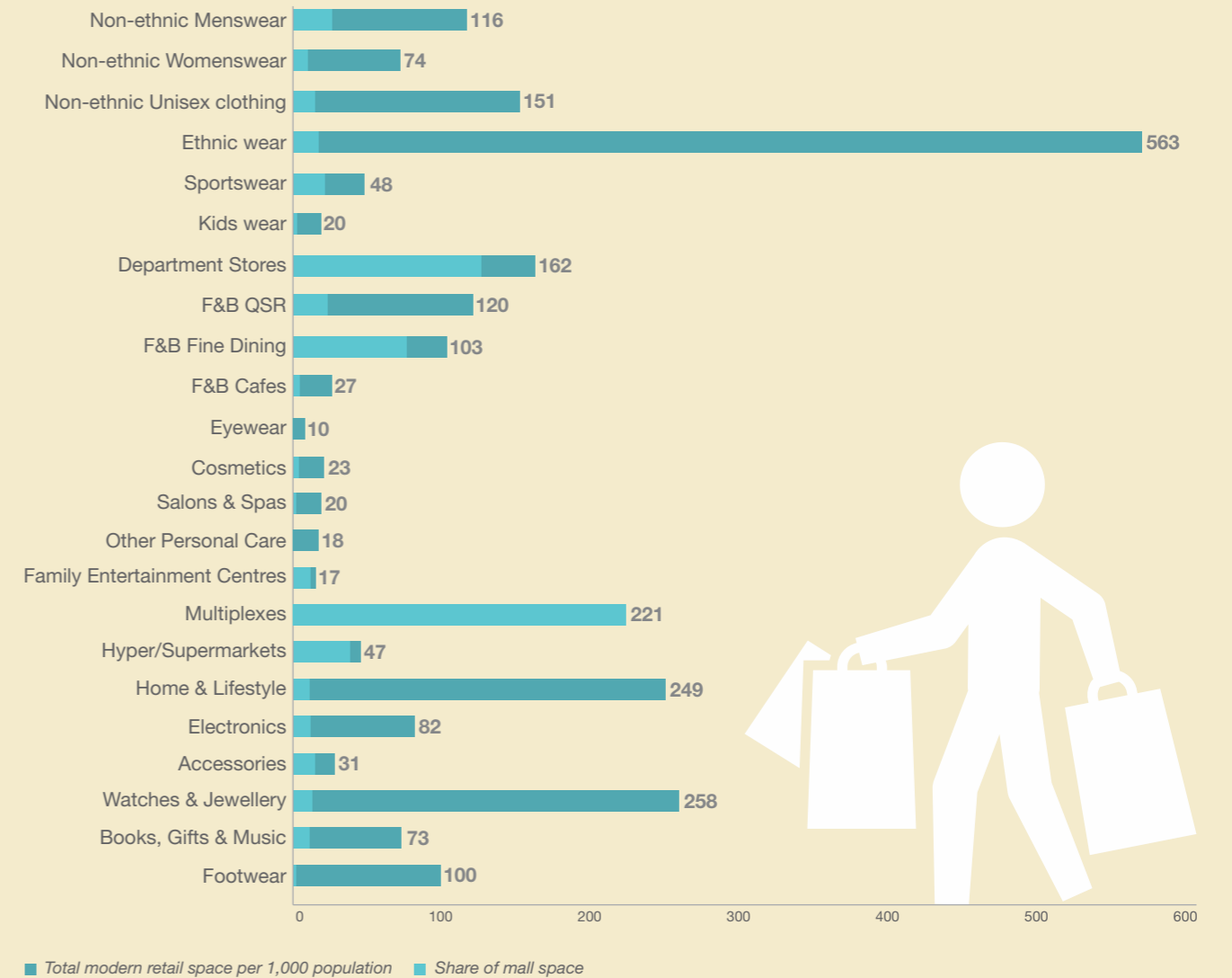


Chart 1

Per capita occupied modern retail space in Central Bengaluru

Space in sq ft



Source: Knight Frank Research, Indicus Analytics

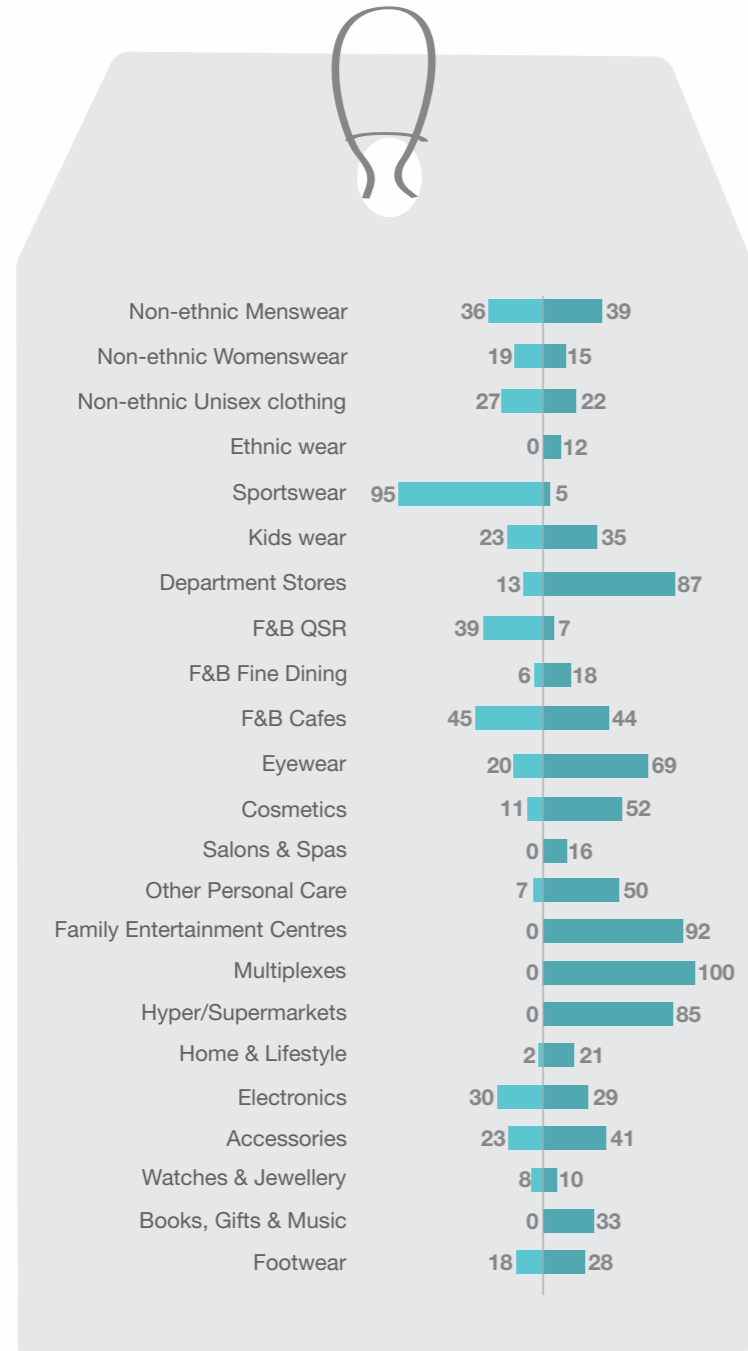
- Central Bengaluru has the highest availability of per capita modern retail space in ethnic wear due to the large number of apparel stores located on its numerous shopping streets, although its share is minimal on the mall space front
- Conversely, modern retail space for product categories such as department stores, hyper/supermarkets, multiplexes and family entertainment centres is predominantly mall-centric, with minimal availability on shopping streets
- Modern retail space for the footwear, watches & jewellery, and home & lifestyle categories has a larger availability per 1,000 persons on the shopping streets, while on the food & beverages front, malls have more space for the fine dining segment

Chart 2

Share of foreign and national brand stores in the overall modern retail space



Share in Percentage



- The highest percentage share of foreign brands in the modern retail space of Central Bengaluru is seen in the sportswear segment, with 95 per cent of the total pie consisting of brands like Nike, Adidas, Puma and others
- Other segments where foreign brands scored over national brands are the non-ethnic apparel categories with brands like Levi's, Van Heusen and United Colors of Benetton as well as quick service restaurants (QSR) like McDonald's, KFC and Pizza Hut dominating the region, with multiple outlets, both in malls and on shopping streets
- On the other hand, national brands are more prominent in product categories like accessories, eyewear and department stores, besides having a comprehensible presence in categories like multiplexes and FECs

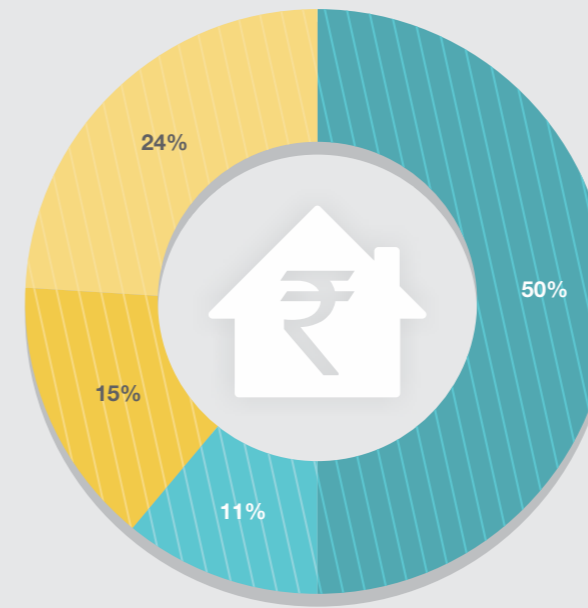
Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

■ Share of foreign brands
■ Share of national brands

Source: Knight Frank Research

Chart 3

Household income split in Central Bengaluru



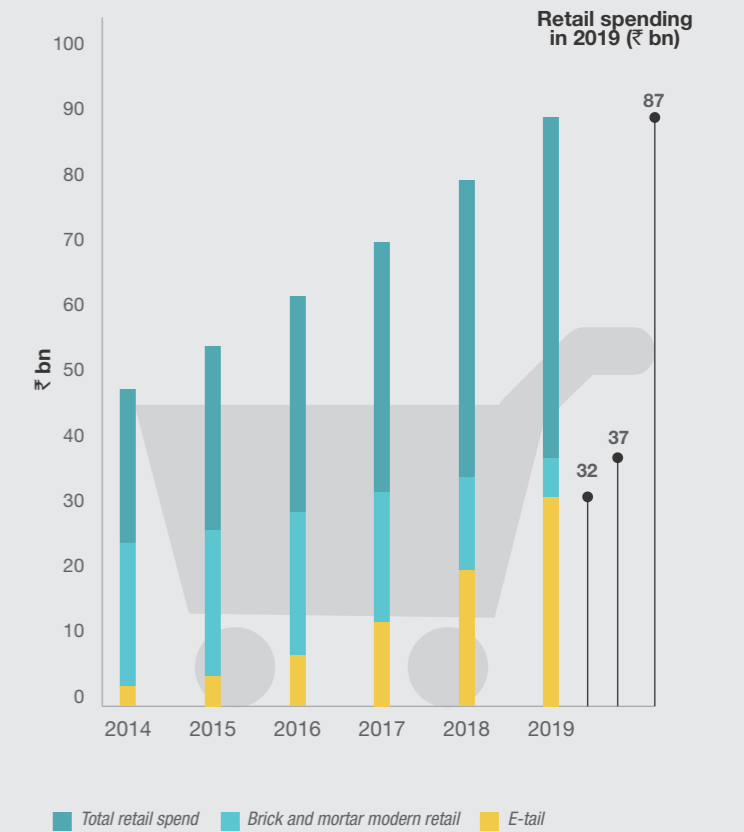
■ < ₹300,000 ■ ₹300,001 – ₹500,000
■ ₹500,001 – ₹1,000,000 ■ > ₹1,000,000

Source: Knight Frank Research, Indicus Analytics

- Central Bengaluru has been a select, yet traditional bastion of the high-income group (HIG), with a large chunk of the population belonging to other income segments spread out across the region
- While 24 per cent of the region's households had incomes on the upper side of ₹1,000,000, a sizeable share of 50 per cent of the households earned a sum that was below ₹300,000
- This explains the rather large concentration of local brands, primarily in ethnic wear, in the shopping streets, and also the reason behind the high per capita availability of modern retail space per 1,000 persons for households earning over ₹300,000

Chart 4

Projected retail spending in Central Bengaluru



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

- The total retail spending in Central Bengaluru is projected to increase from ₹46 bn in 2014 to ₹87 bn in 2019, resulting in an annual growth rate of 14 per cent
- While the share of E-tail in total retail is estimated to increase from 6 per cent in 2014 to 37 per cent in 2019, the share of brick and mortar modern retail is estimated to fall from 52 per cent to 43 per cent during the same period
- However, the share of modern retail, which includes both E-tail and brick and mortar, is expected to increase substantially from 58 per cent in 2014 to 80 per cent in 2019. This implies that around three-fourths of the total retail spending in Central Bengaluru will be towards modern retail by 2019

Future trends in Central Bengaluru



Central Bengaluru is expected to witness a considerable growth of the E-tail segment over the next five years, thus infringing on the brick and mortar modern retail segment. This will result in a lower requirement for brick and mortar incremental space in this zone.



Shopping streets will continue to lead in terms of brick and mortar modern retail owing to the diversity observed in household incomes.



Presently, the region has a low penetration of personal care-related product categories like cosmetics, eyewear, and salons and spas, and we foresee good potential for them over the next five years.

BENGALURU ZONE ANALYSIS

East Bengaluru Zone Analysis

East Bengaluru map

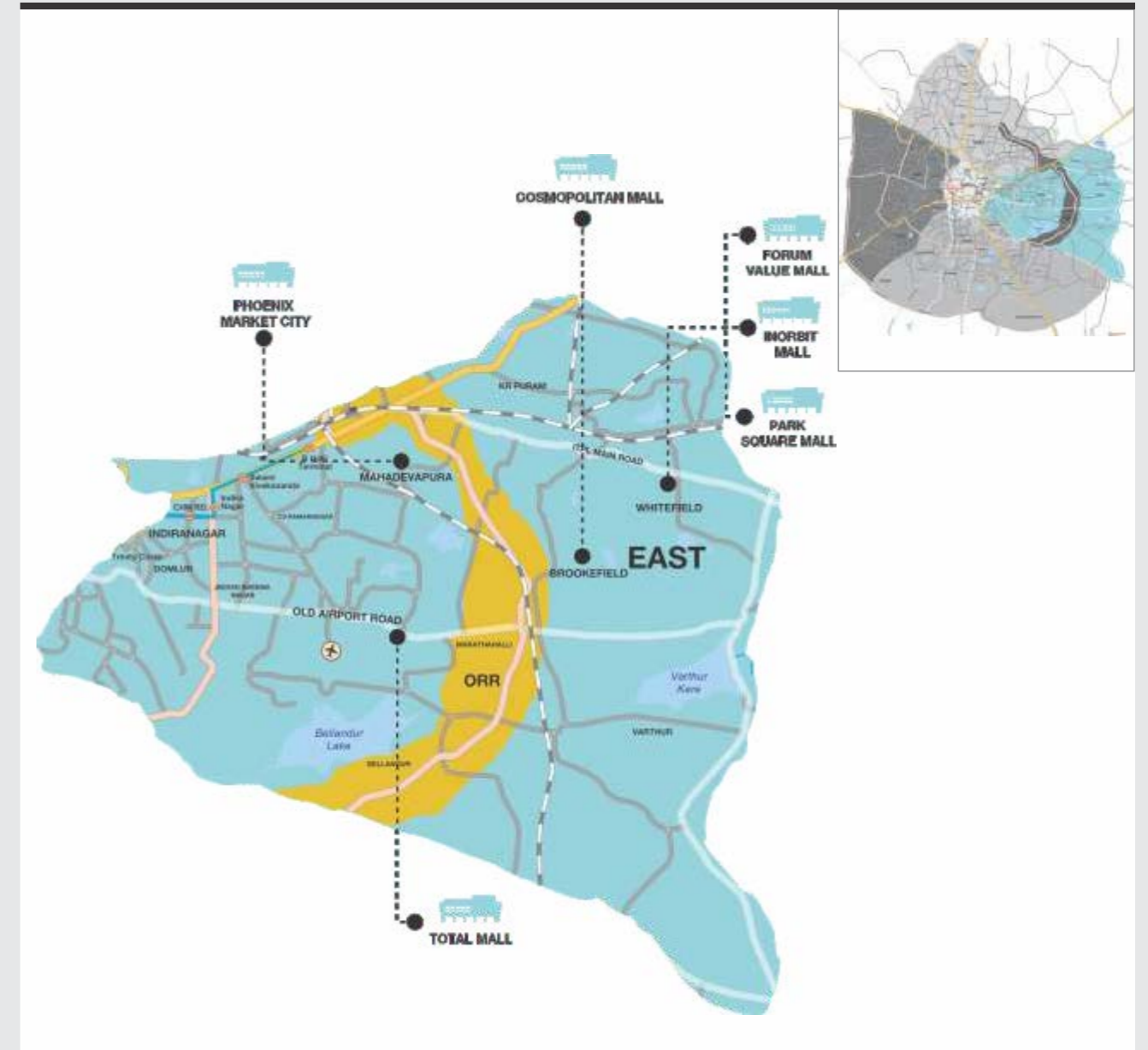
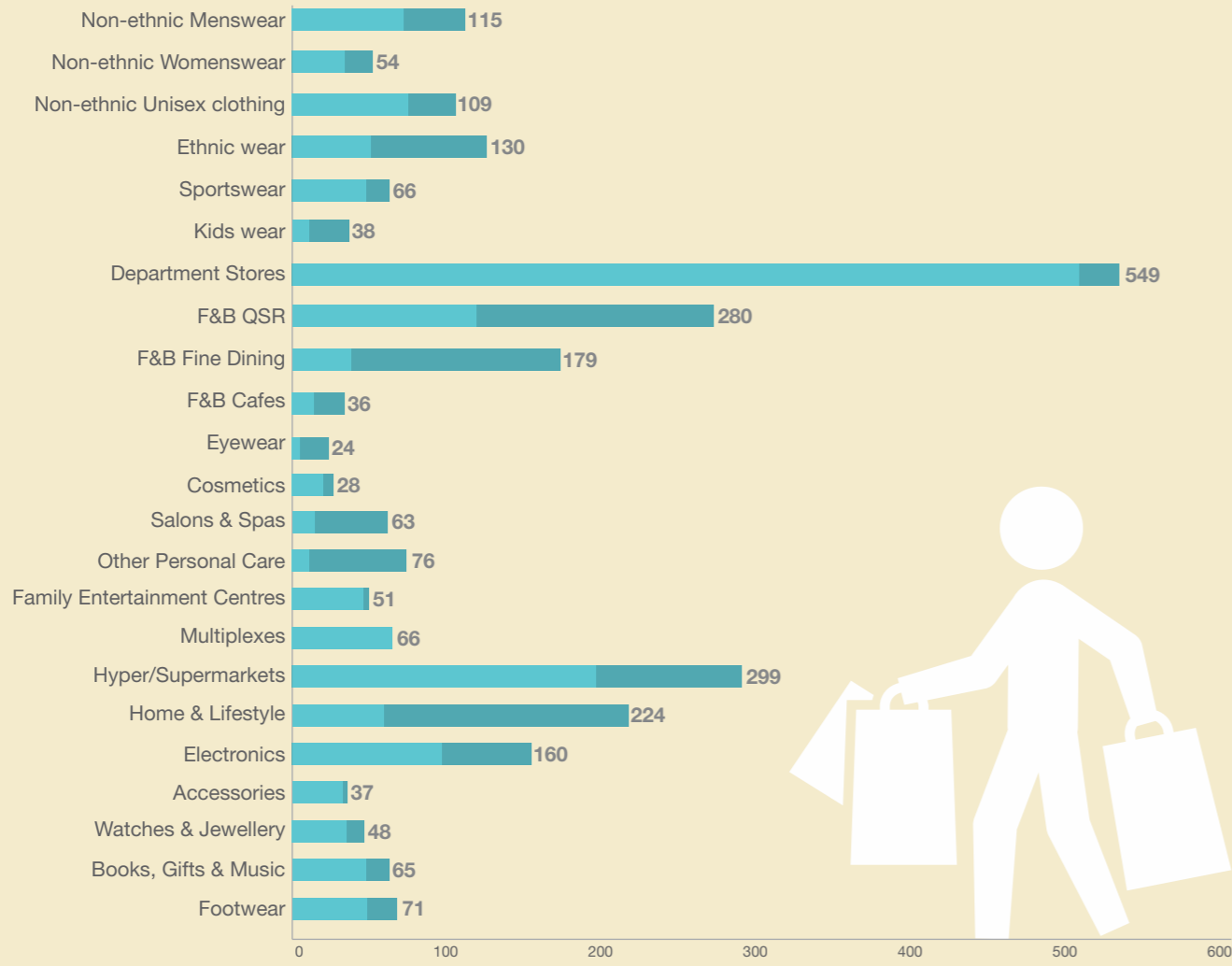


Chart 1

Per capita occupied modern retail space in East Bengaluru

Space in sq ft



■ Total modern retail space per 1,000 population ■ Share of mall space

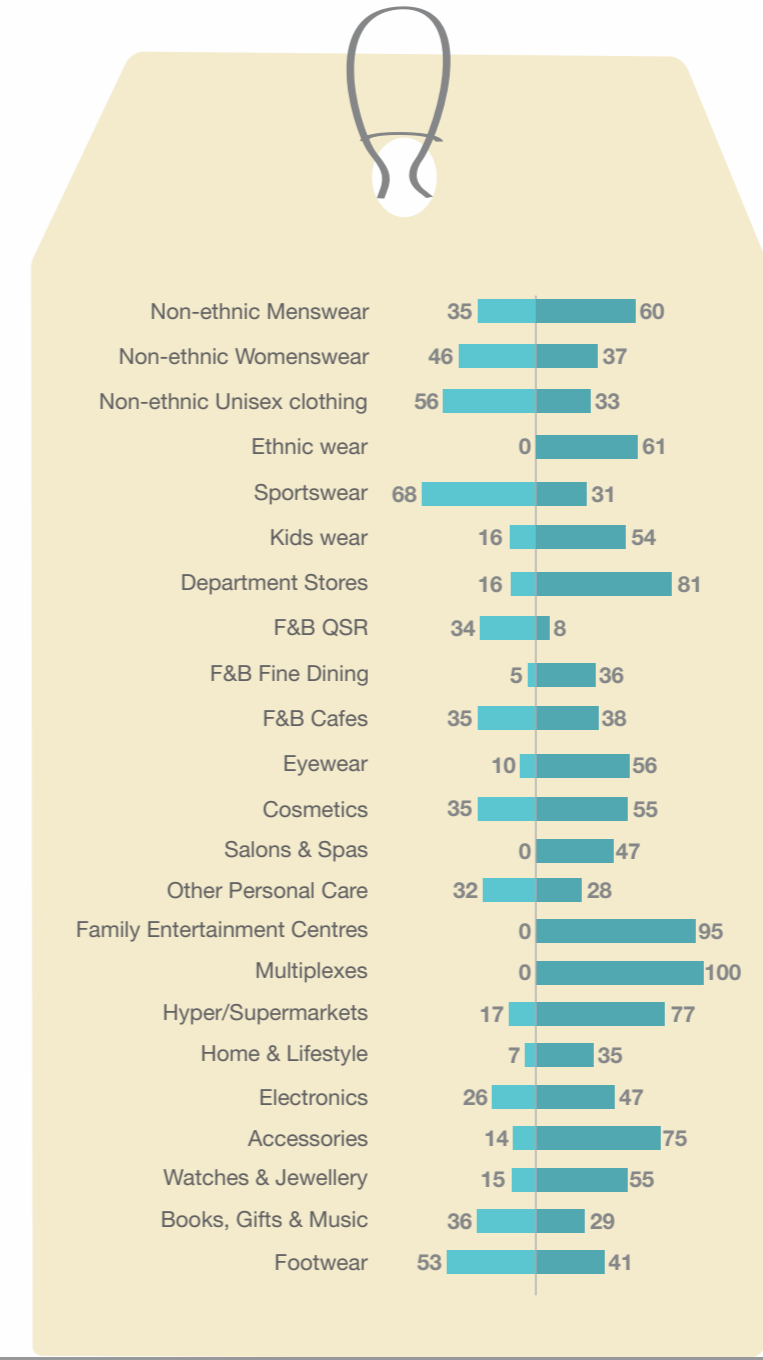
Source: Knight Frank Research, Indicus Analytics

- Owing to the profusion of large-format malls in the region, East Bengaluru has a plausible greater share of mall space availability per 1,000 persons in most of the product categories
- This supports the finding wherein this zone had scored the highest availability of per capita retail space in the city in terms of malls
- However, the per capita retail space available in fine dining options and home & lifestyle stores is considerably more on the shopping streets than in the malls

Chart 2

Share of foreign and national brand stores in the overall modern retail space

Share in Percentage



- Similar to the Central zone, the eastern region, too, observed the dominance of foreign brands in sportswear and non-ethnic women's wear and unisex apparel, while national brands led the way in most other categories, particularly in multiplexes and FECs
- Footwear and F&B QSR outlets with foreign origins edged ahead of the national ones, primarily owing to the dearth of a substantial presence of these product categories on shopping streets
- Another perceptible finding regarding the share of national and foreign brands in the eastern zone is on the accessories front. National brands, comprising names such as Hidesign and Da Milano, accounted for 75 per cent of the total share of the accessories space

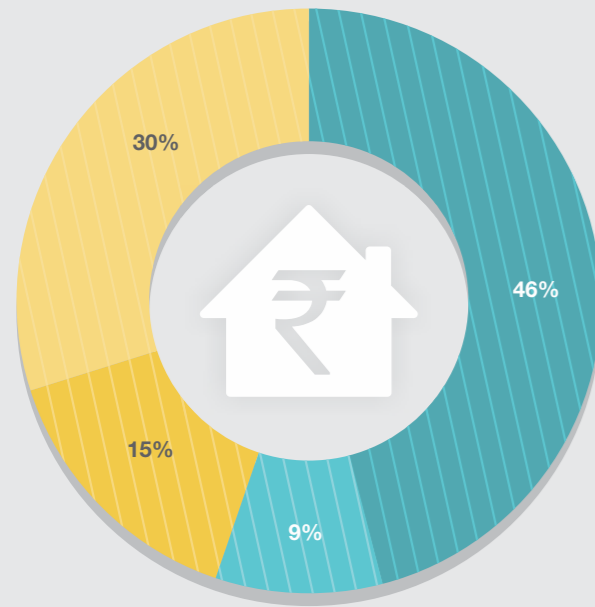
Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

■ Share of foreign brands ■ Share of national brands

Source: Knight Frank Research

Chart 3

Household income split in East Bengaluru



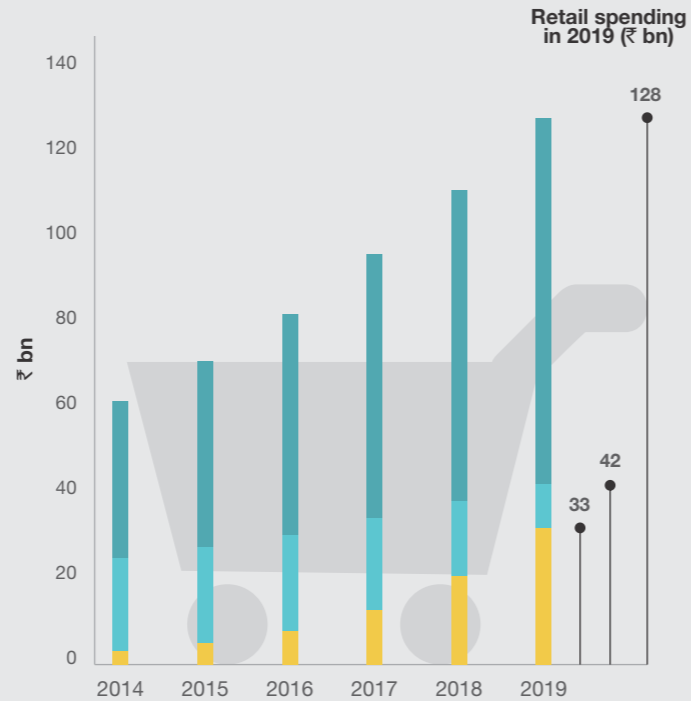
■ < ₹300,000 ■ ₹300,001 – ₹500,000
■ ₹500,001 – ₹1,000,000 ■ > ₹1,000,000

Source: Knight Frank Research, Indicus Analytics

- Till a few decades back, most parts of East Bengaluru were considered to be outskirts of the city. Presently, it is one of the prime IT hubs of the city, with a sizeable population of households, viz. 30 per cent, earning over ₹1,000,000
- This explains the hectic development of large-format malls in the region, thereby increasing its per capita modern retail space availability
- On the other hand, 46 per cent of the households have incomes less than ₹300,000, which gives rise to the question of whether there is a potential scenario of oversupply in mall space in the region

Chart 4

Projected retail spending in East Bengaluru



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

- The total retail spending in East Bengaluru is expected to grow at a higher rate of 16 per cent per annum as compared to Central Bengaluru's 14 per cent growth per annum. East Bengaluru's total retail spending will rise from ₹60 bn in 2014 to ₹128 bn in 2019
- While the share of E-tail is estimated to grow more than five times, from 5 per cent in 2014 to 26 per cent in 2019, the share of brick and mortar modern retail is expected to fall from 40 per cent to 33 per cent during the same period
- Nonetheless, the share of modern retail is expected to rise from 45 per cent in 2014 to 59 per cent in 2019 on the back of the burgeoning E-tail segment. This will result in the E-tail segment eating into brick and mortar's share over the next five years

Future trends in East Bengaluru



East Bengaluru has ample brick and mortar modern retail space in terms of malls, and additional mall space supply could result in an oversupply situation, impacting the vacancy levels of the mall space here.



Consequently, rental values in the brick and mortar space could come under immense pressure in the forthcoming years.



On the other hand, the expected drop in the share of non-modern retail, from 55 per cent to 41 per cent, bodes well for the modern retail sector and implies the entry of more brands and retail market players in the zone.



The present low penetration observed in product categories like accessories, kids wear and F&B cafes creates great potential for these categories to increase their presence in East Bengaluru in the next five years.

BENGALURU ZONE ANALYSIS

North Bengaluru Zone Analysis

North Bengaluru map

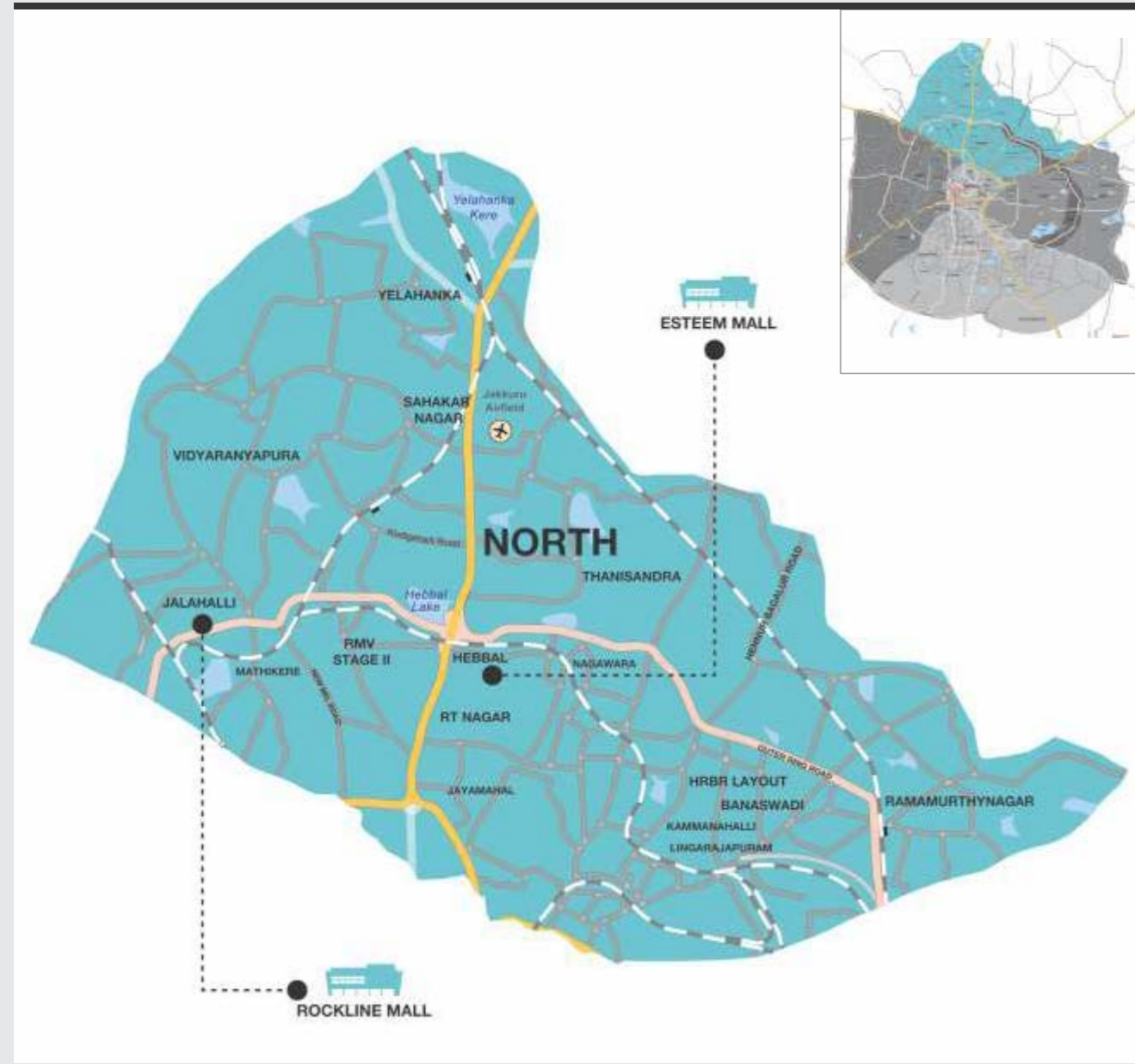
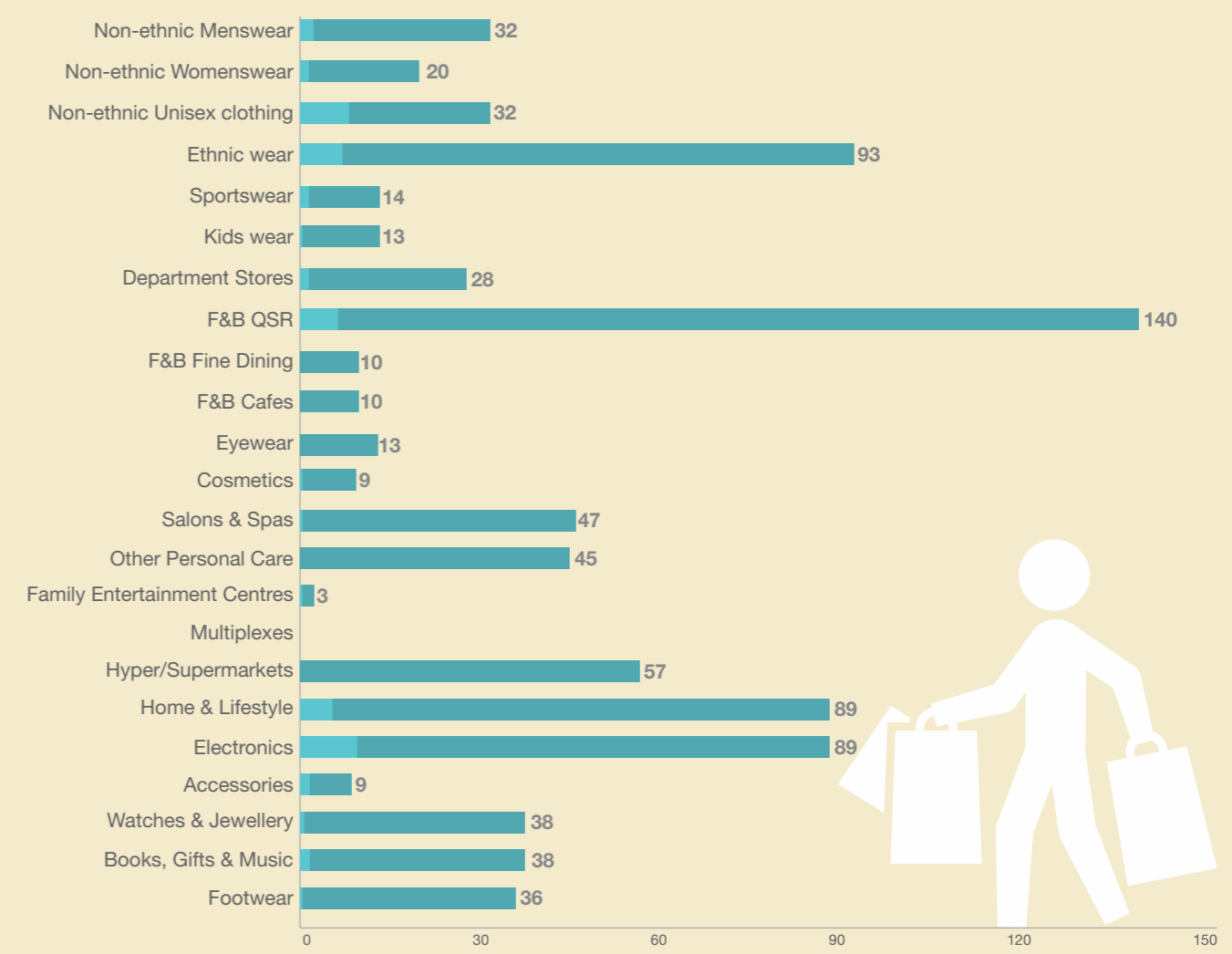


Chart 1

Per capita occupied modern retail space in North Bengaluru

Space in sq ft



■ Total modern retail space per 1,000 population ■ Share of mall space



Source: Knight Frank Research, Indicus Analytics

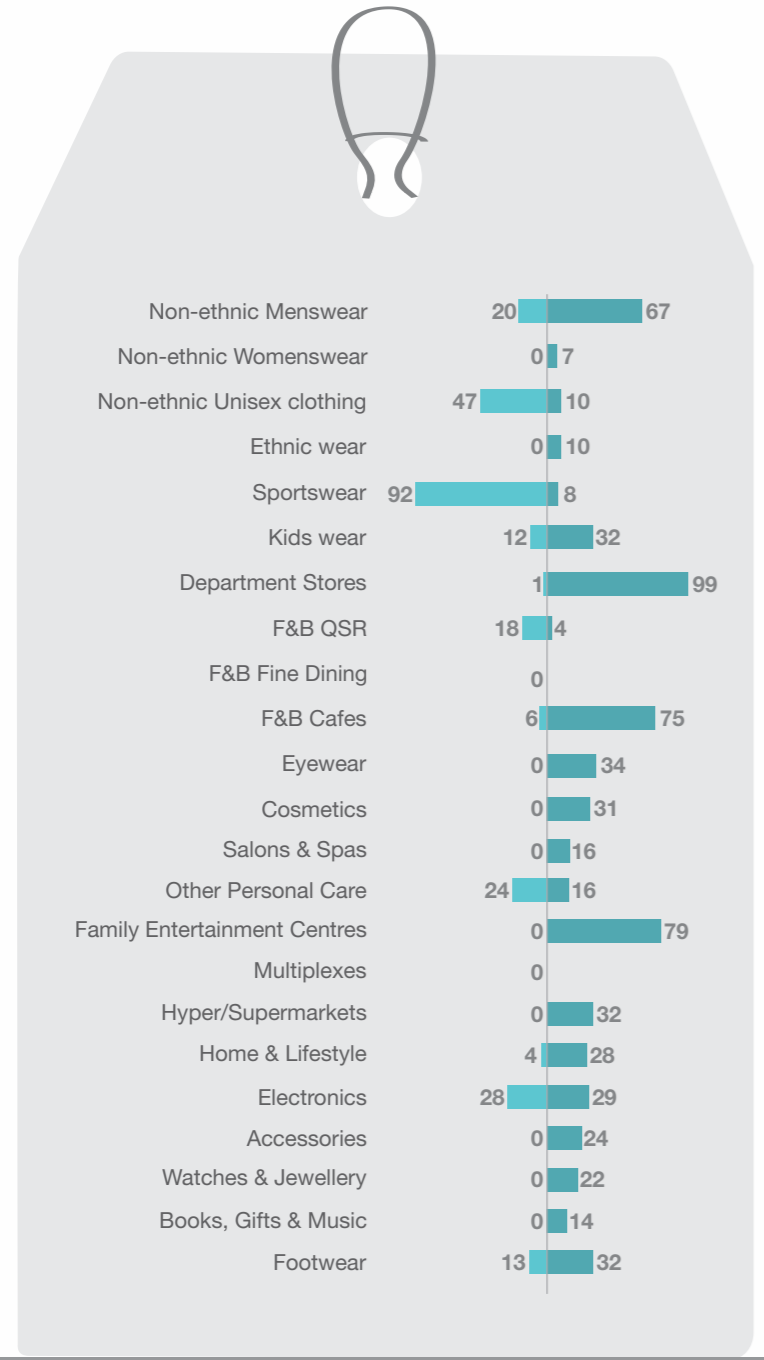
- North Bengaluru is characterised primarily by shopping streets and hence, the per capita mall space share in the total modern retail space availability is minimal to the extent of being nil in most of the product categories
- The F&B QSR segment leads the market, with the highest modern retail space availability of 140 sq ft per 1,000 persons, out of which the mall space share is only 7 sq ft
- However, despite the markets being relatively undeveloped in North Bengaluru, the total modern retail space availability per 1,000 persons is better than its western counterpart due to its lower household count

Chart 2

Share of foreign and national brand stores in the overall modern retail space



Share in Percentage



- The share of foreign brands in North Bengaluru modern retail, quite plausibly, is marginal in most cases
- Barring product categories like sportswear, non-ethnic unisex apparel and the F&B QSR segment, where the share exceeds that of national brands, foreign brands do not have much of a presence in this region
- Significantly, national-level department store brands like Megamart and Reliance Trends account for 99 per cent of the total modern retail space in this category, thereby filling in for the malls in the region

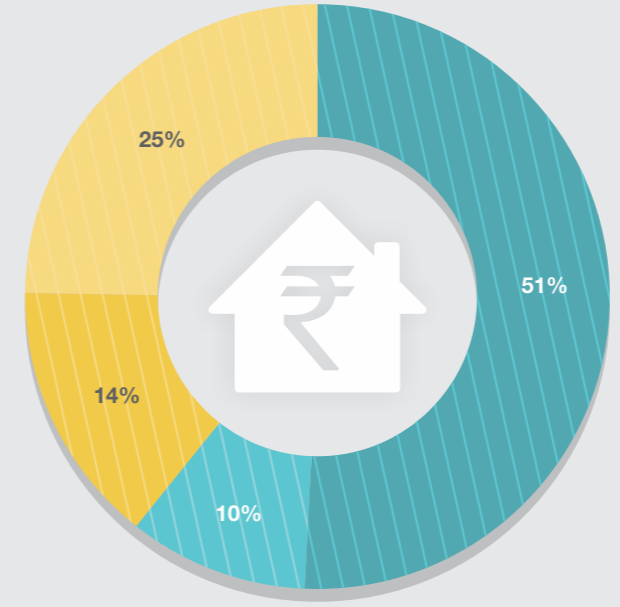
Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

■ Share of foreign brands
■ Share of national brands

Source: Knight Frank Research

Chart 3

Household income split in North Bengaluru



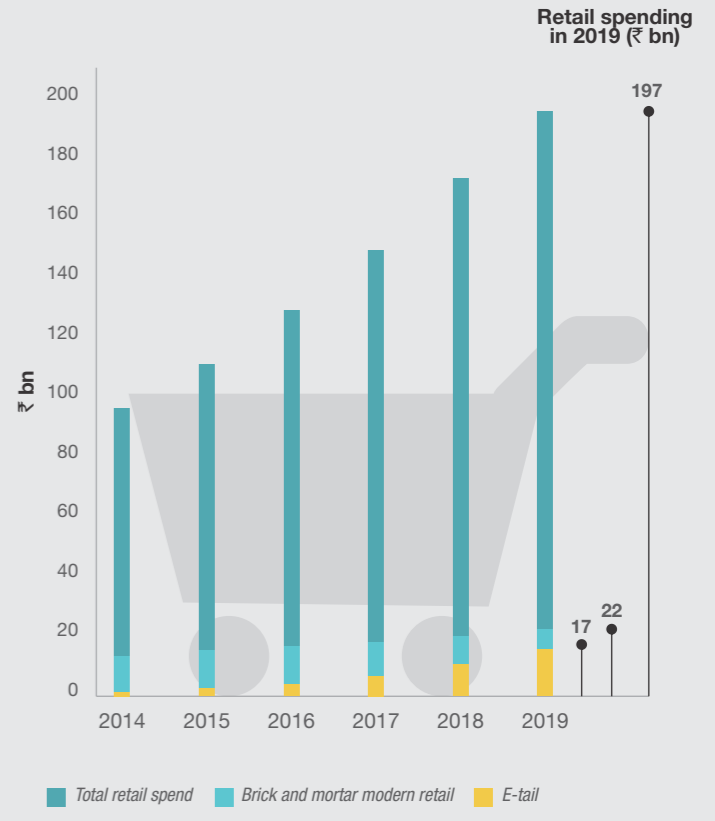
■ <₹300,000 ■ ₹300,001 - ₹500,000
■ ₹500,001 - ₹1,000,000 ■ >₹1,000,000

Source: Knight Frank Research, Indicus Analytics

- Despite the lack of substantial modern retail space, North Bengaluru has a significant number of households earning over ₹1,000,000 - to the tune of 25 per cent
- This relatively high percentage share can be attributed partly to the advent of the IT industry in the region
- Meanwhile, 51 per cent of the households have incomes less than ₹300,000, which explains the presence of shopping streets and limited mall projects, although a few additional malls are expected to be operational in the near future

Chart 4

Projected retail spending in North Bengaluru



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

- The total retail spending in North Bengaluru is projected to increase from ₹93 bn in 2014 to ₹197 bn in 2019, resulting in an average annual growth rate of 16 per cent
- Although the share of modern retail in the region is expected to increase to 20 per cent from 15 per cent by the end of 2019, non-modern retail will continue to dominate the retail market in this zone over the next five years
- The E-tail segment will witness a relatively moderate rise in the region, from 2 per cent in 2014 to 9 per cent by 2019, largely at the cost of brick and mortar modern retail, which is estimated to fall from 14 per cent in 2014 to 11 per cent by 2019

Future trends in North Bengaluru



North Bengaluru is expected to be dominated by non-modern retail in the coming years, accounting for 80 per cent of the total retail in the region. Thus, due to the dearth of brick and mortar modern retail, any new supply of mall space will be absorbed easily.



Fine dining options are currently limited in the region, while product categories like non-ethnic women's wear and hyper/supermarkets are dominated by regional and local brand stores. Thus, the potential for foreign and national retailers is high in these product categories in North Bengaluru.



The absence of substantial mall space, restraining product categories such as FECs and multiplexes that are generally housed in malls, offers the opportunity for mall developers and retailers to exploit these categories in the forthcoming years.

BENGALURU ZONE ANALYSIS

South Bengaluru Zone Analysis

South Bengaluru map

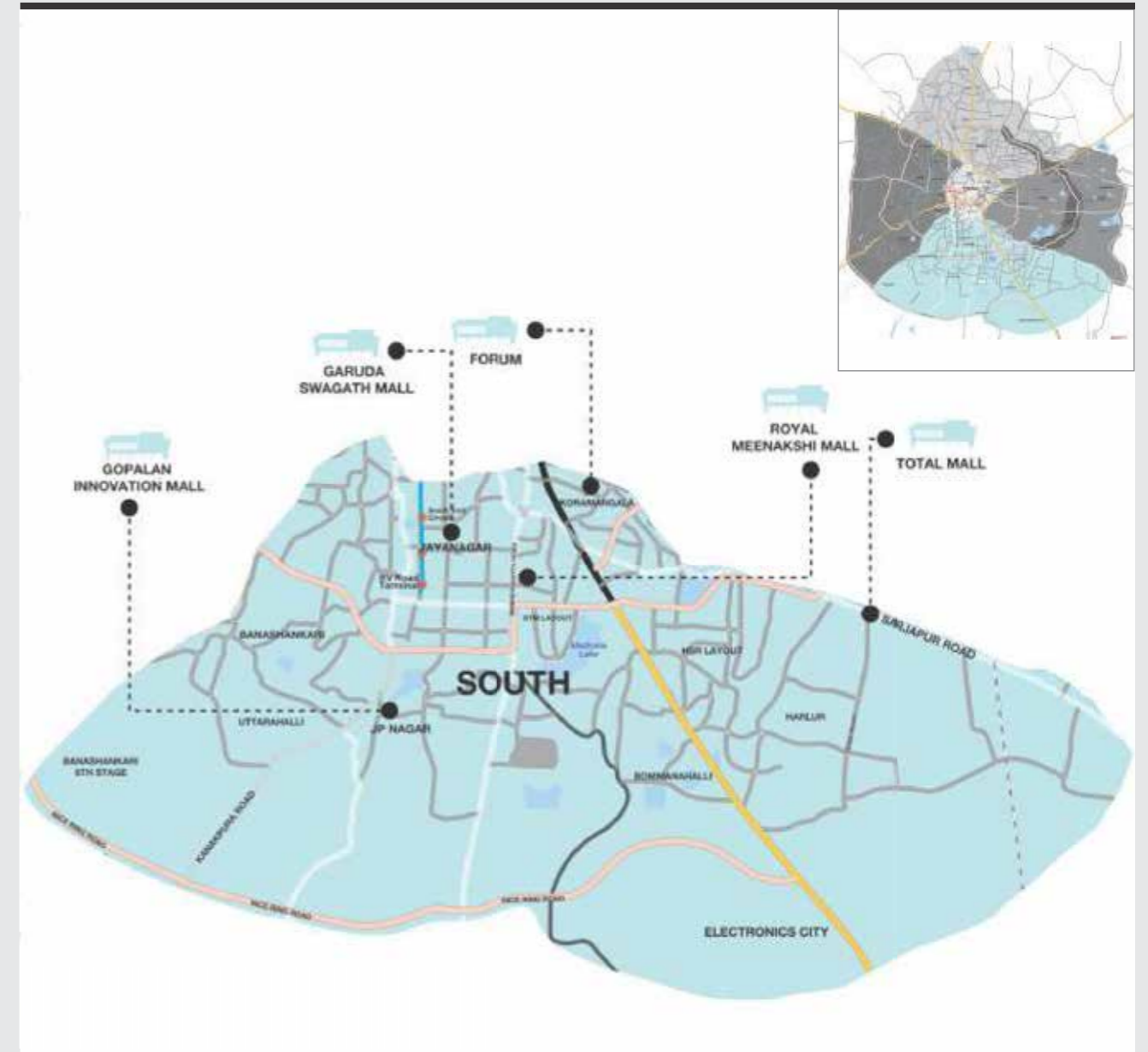
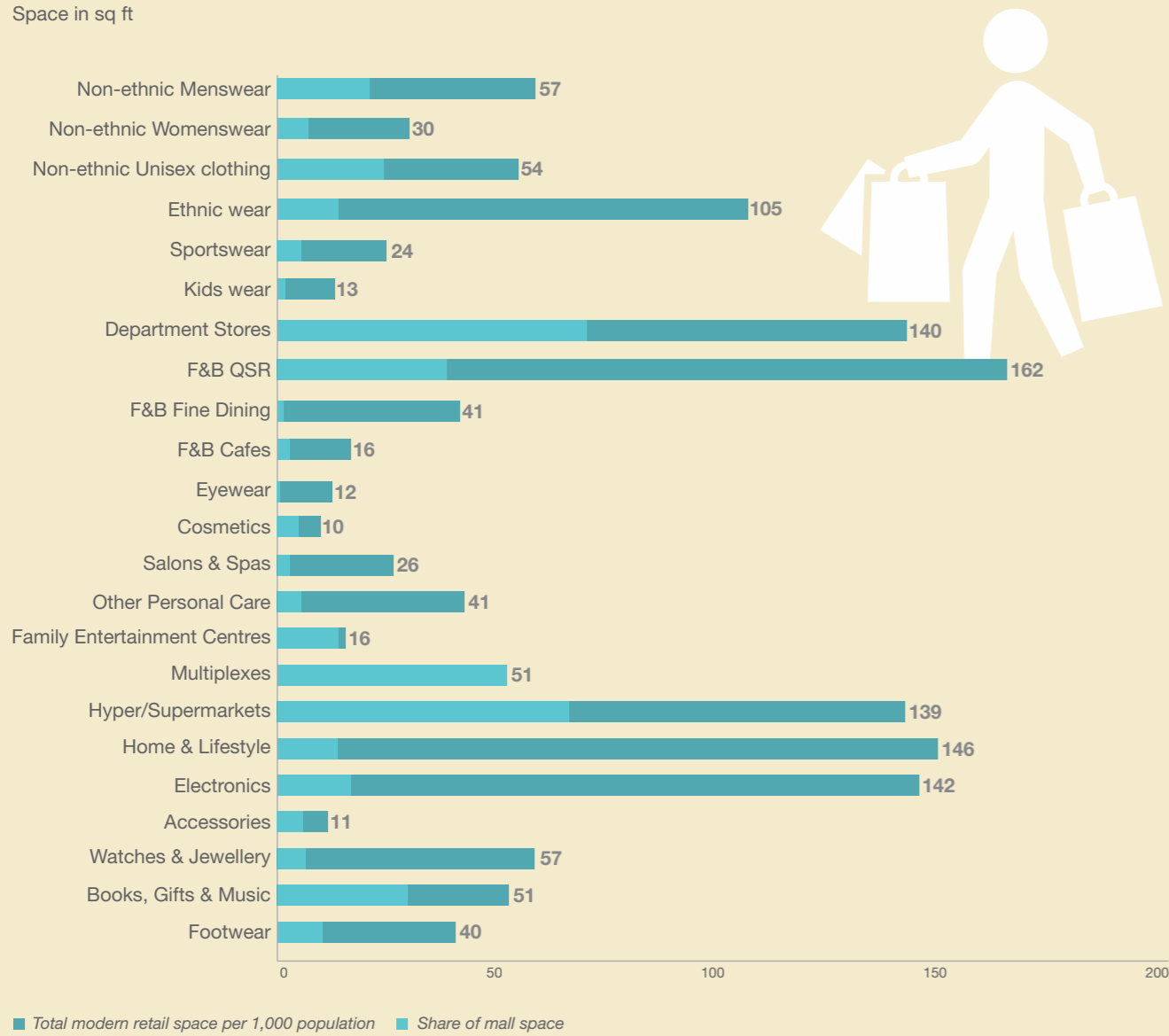


Chart 1

Per capita occupied modern retail space in South Bengaluru



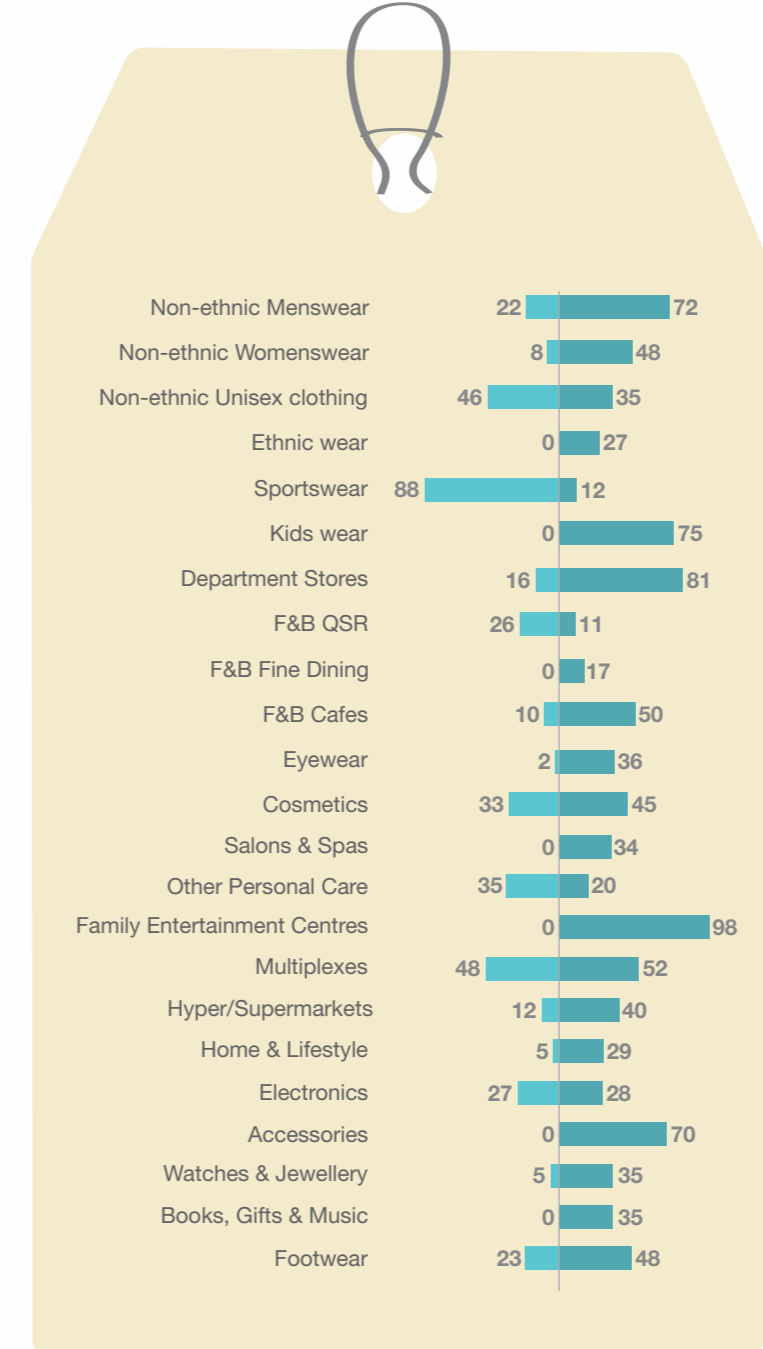
Source: Knight Frank Research, Indicus Analytics

- South Bengaluru is one of the most preferred destinations of the city, owing to its developed social infrastructure
- In this zone, the Food & Beverages QSR segment has the highest modern retail space penetration of 162 sq ft per 1,000 persons, out of which 38 sq ft is mall space
- Another important observation is the similar level of high per capita retail space availability in department stores, hyper/supermarkets, Home & Lifestyle and electronics
- The trend observed in these product categories depicts the increasing cosmopolitan character of the region, although their share in mall space is lesser due to the medium-size formats of most malls

Chart 2

Share of foreign and national brand stores in the overall modern retail space

Share in Percentage



- South Bengaluru has a high share of shopping streets owing to its long-standing residential markets, thus implying a higher share of national brands
- While foreign brands are dominant in sportswear, non-ethnic unisex apparel, Food & Beverages QSR segments and other personal care categories, it has a fair share in cosmetics and footwear stores and minimal presence in categories such as accessories, kidswear and fine dining options
- Other product categories, where both foreign and national brands have a relatively uniform mix, are multiplexes and electronics stores

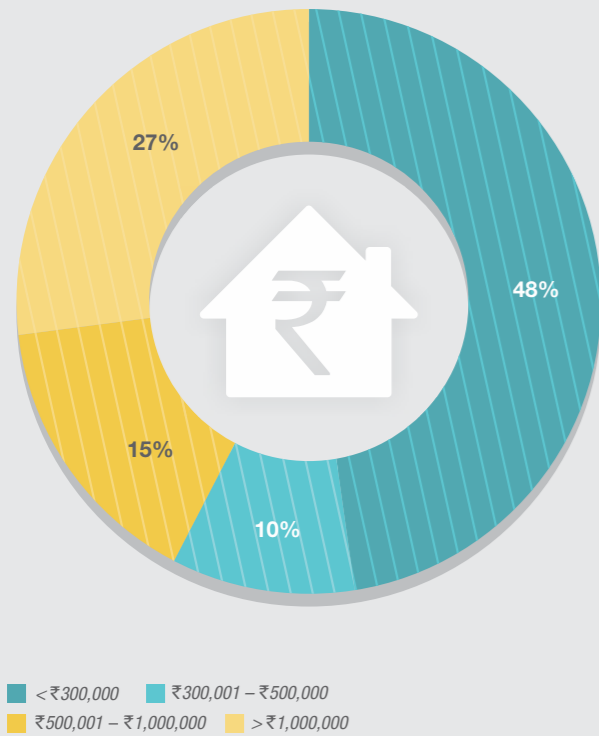
Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

■ Share of foreign brands
■ Share of national brands

Source: Knight Frank Research

Chart 3

Household income split in South Bengaluru

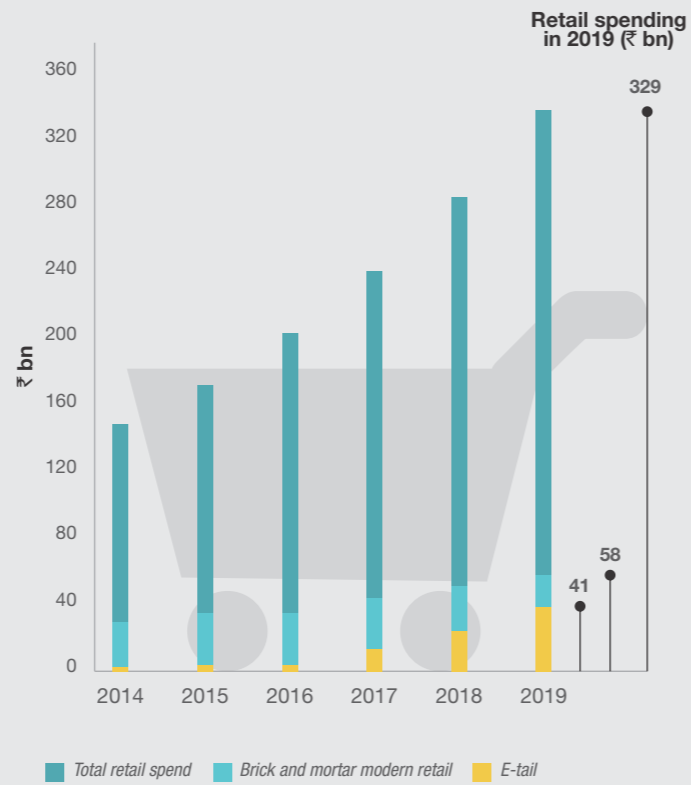


Source: Knight Frank Research, Indicus Analytics

- South Bengaluru, being one of the most favoured residential markets of the city, has a large concentration of households earning over ₹1,000,000 - to the tune of 27 per cent
- It has a number of major IT office projects, thereby accounting for a sizeable part of the high-income households
- On the modern retail space front, the region has several malls and a predominant share of shopping streets catering to the needs of 48 per cent of the households that have incomes less than ₹300,000

Chart 4

Projected retail spending in South Bengaluru



Source: Knight Frank Research

- The total retail spending in South Bengaluru is projected to increase from ₹141 bn in 2014 to ₹329 bn in 2019, resulting in an annual growth rate of 18 per cent - the highest rate of growth among all the regions in the city
- While the share of E-tail in total retail is just 2 per cent presently, it is estimated to increase to a significant 12 per cent in 2019, thus impacting the share of brick and mortar modern retail, which is estimated to fall from 21 per cent to 18 per cent during the same period
- However, the share of modern retail, which includes both E-tail and brick and mortar, is expected to increase from 24 per cent in 2014 to 30 per cent in 2019
- Despite considerable growth in the share of E-tail in South Bengaluru, non-modern retail will continue to dominate 70 per cent of the total retail spending in this zone

Future trends in South Bengaluru



The South Bengaluru retail market is a varied mix of malls and shopping streets, with non-modern retail being the overriding factor. Nevertheless, the estimated high growth rate of modern retail portends good potential for retailers in the next five years.



Significantly, the region has a relatively lower penetration of product categories such as sportswear, footwear, and watches & jewellery, as compared to the other categories, which could be exploited by modern retailers in the coming years.



Besides, with the southern part of the city gradually extending outwards, there exists enough scope for developers and retailers to set up their establishments and projects in order to cater to the needs of residents in the developing residential locations.

BENGALURU ZONE ANALYSIS

West Bengaluru Zone Analysis

West Bengaluru map

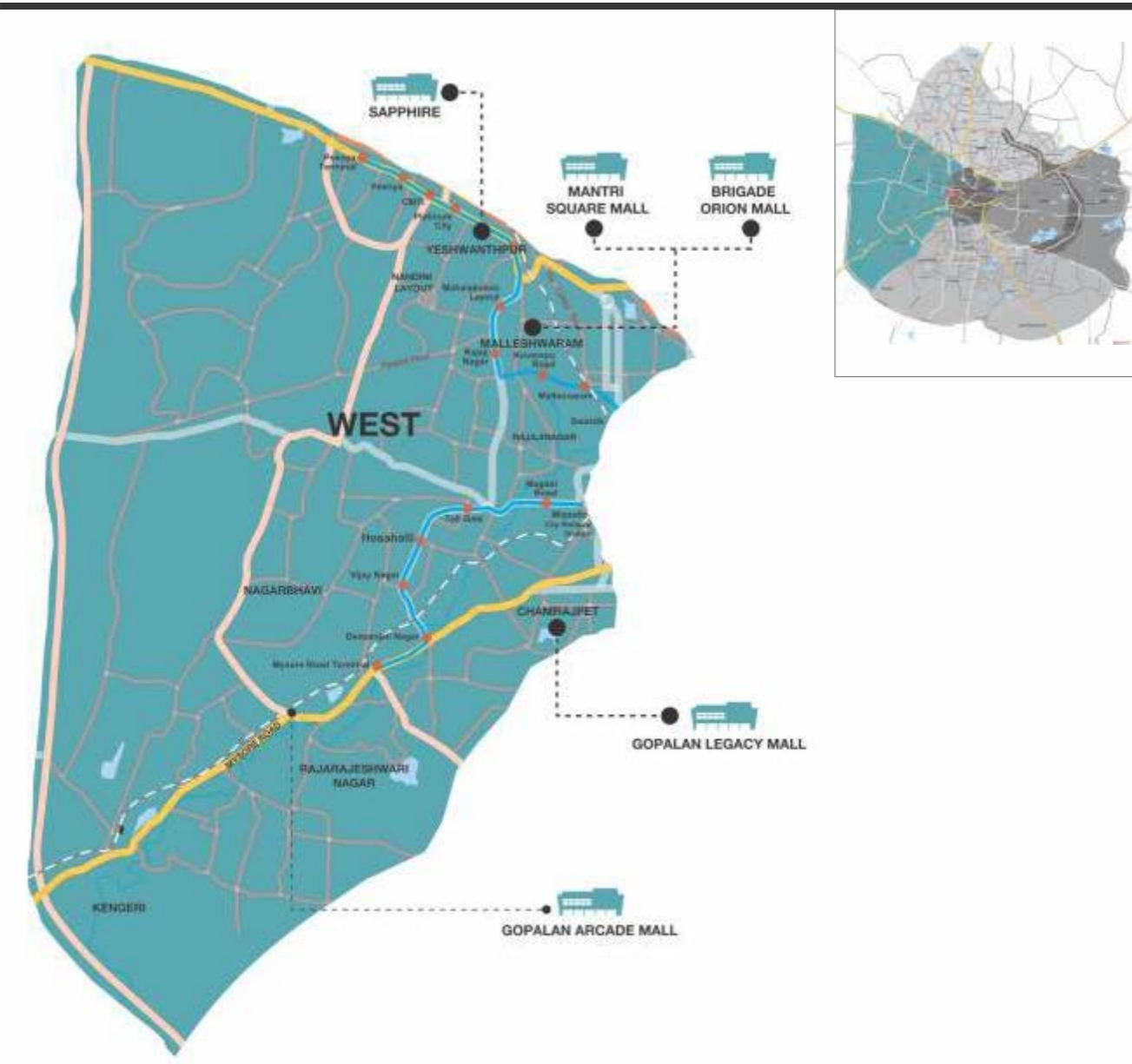
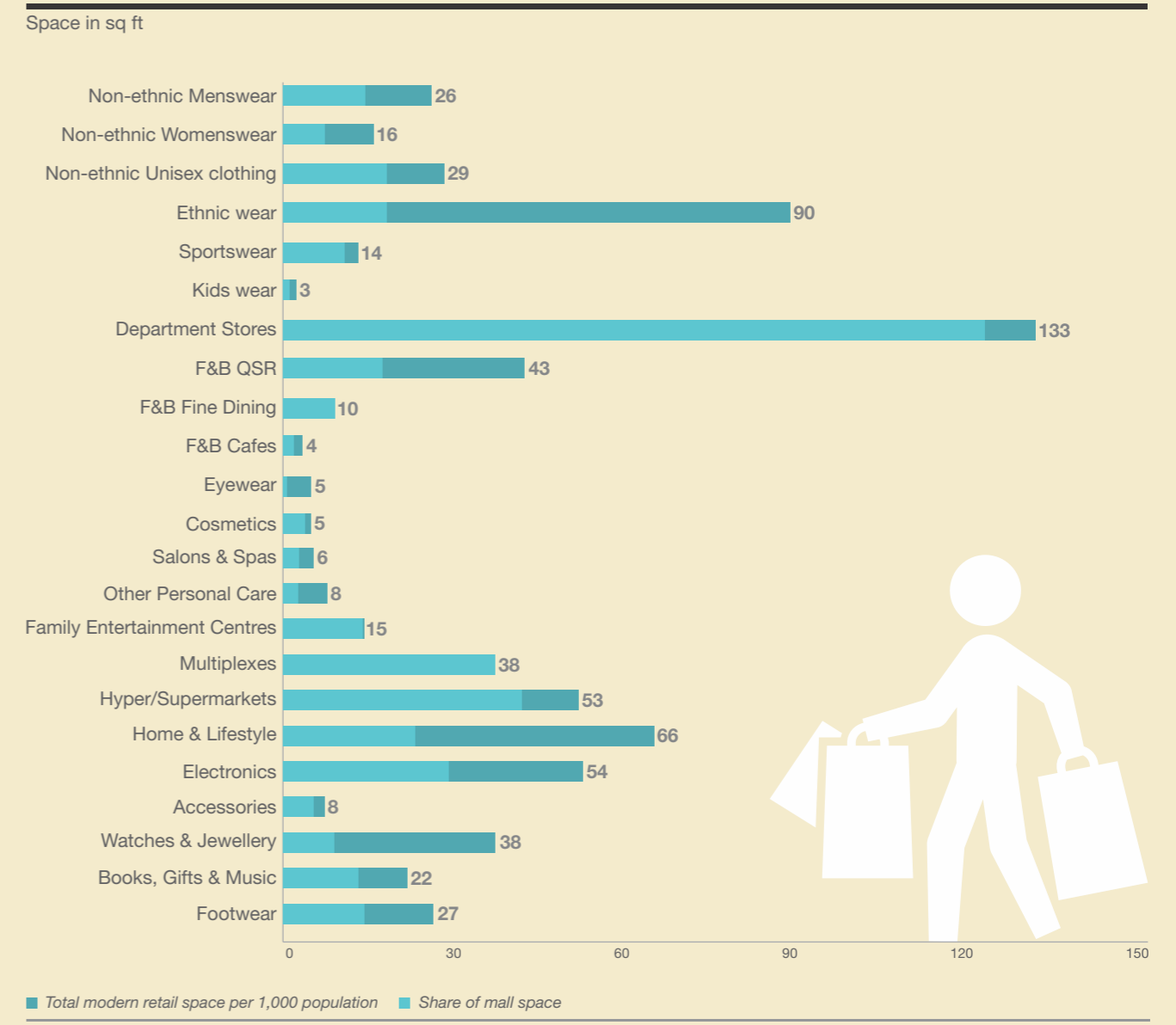


Chart 1

Per capita occupied modern retail space in West Bengaluru



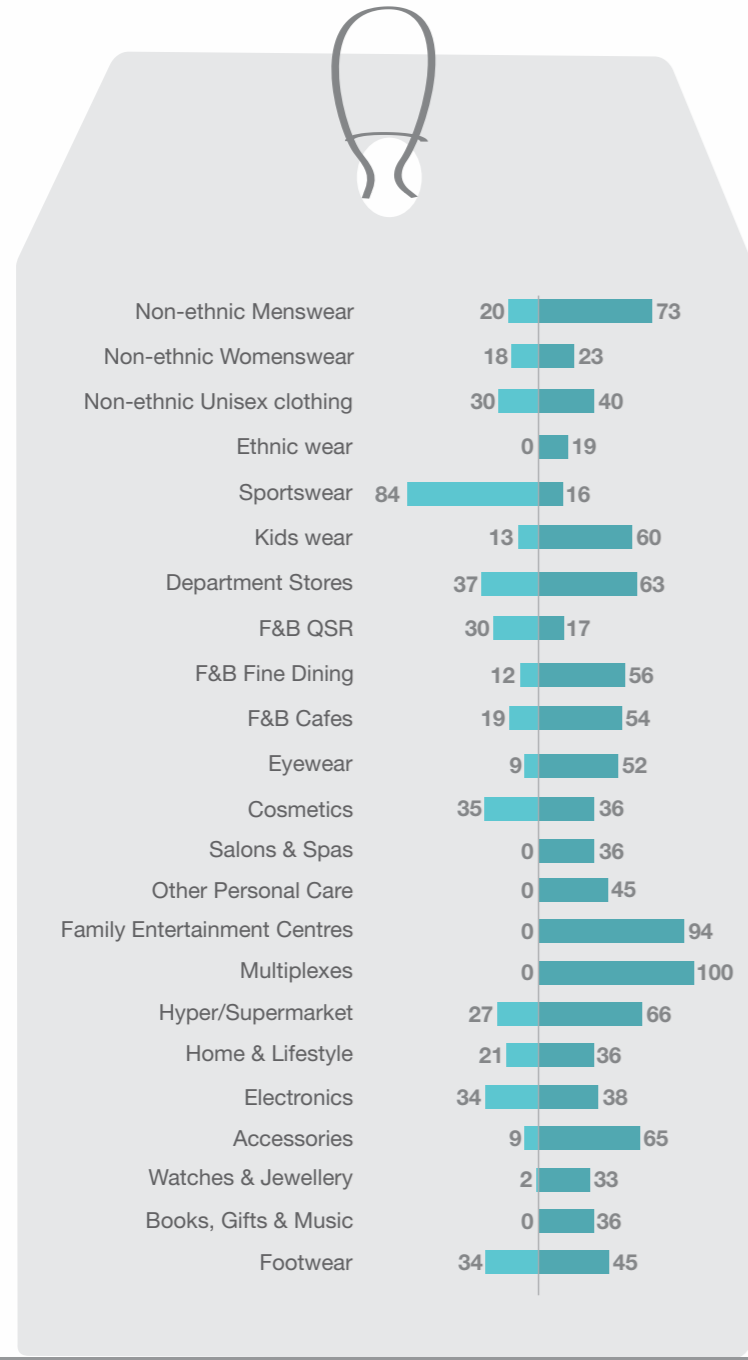
Source: Knight Frank Research, Indicus Analytics

- West Bengaluru is another long-standing, established region of the city, with a large population and numerous shopping streets
- The region has witnessed the development of several large-format malls recently, thus bringing a balanced overview to the per capita modern retail space penetration of both shopping streets and mall space
- Department stores have a perceptible lead of mall space availability of 125 sq ft modern retail space per 1,000 persons, while ethnic wear accounts for a modern retail space penetration of 72 sq ft per 1,000 persons in the shopping streets

Chart 2

Share of foreign and national brand stores in the overall modern retail space

Share in Percentage



- Like the eastern zone, West Bengaluru has a large share of mall space, surpassing the volume of shopping streets
- Foreign brands are marked in sportswear, with an 84 per cent share of the total market for this product category
- Foreign brands have also fair presence in non-ethnic unisex clothing and department stores, primarily located in malls, as well as in the product category of electronics
- Meanwhile, the share of national brands leads considerably in terms of non-ethnic menswear, hyper/supermarkets and accessories

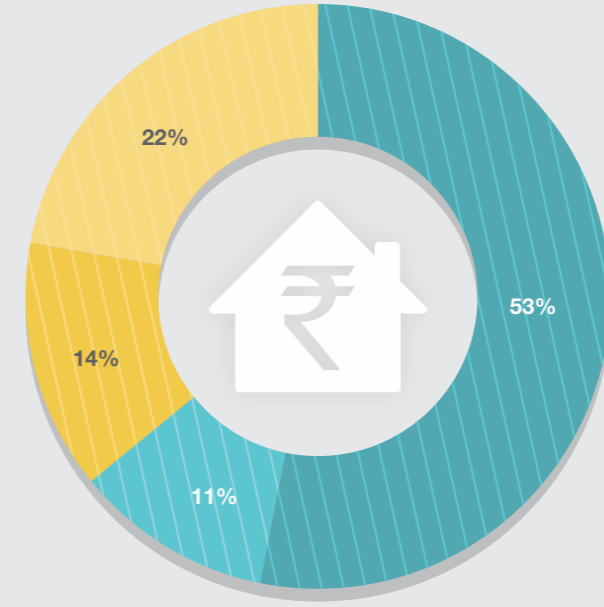
Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

■ Share of foreign brands
■ Share of national brands

Source: Knight Frank Research

Chart 3

Household income split in West Bengaluru



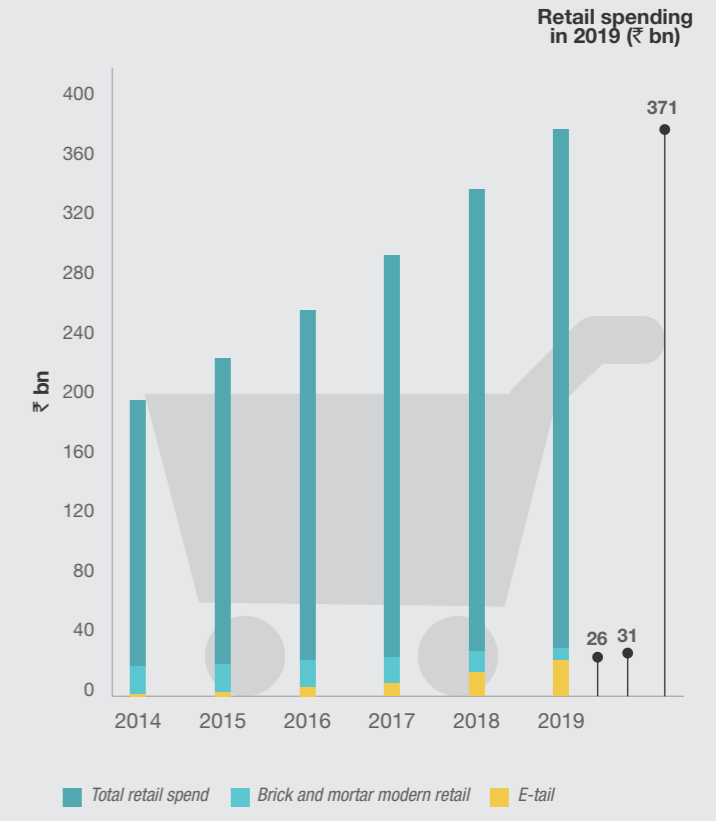
■ <₹300,000 ■ ₹300,001 - ₹500,000
■ ₹500,001 - ₹1,000,000 ■ >₹1,000,000

Source: Knight Frank Research, Indicus Analytics

- West Bengaluru has a residential as well as an industrial presence, thereby attracting people from all income strata
- It has a lower concentration of households earning over ₹1,000,000 - to the tune of 22 per cent-compared to the other zones of the city
- Although the region witnessed the development of large-format malls in recent years shopping streets account fairly for the needs of 53 per cent of the households that have incomes less than ₹300,000

Chart 4

Projected retail spending in West Bengaluru



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

- The total retail spending in West Bengaluru is projected to increase from ₹187 bn in 2014 to ₹371 bn in 2019, resulting in an annual growth rate of 15 per cent
- With non-modern retail continuing to lead the retail market, primarily owing to the presence of numerous traditional markets, the share of modern retail in West Bengaluru will increase from the current 11 per cent to 16 per cent by the end of 2019
- Meanwhile, the share of the E-tail segment is projected to undergo a substantial rise, from a mere 1 per cent in 2014 to 7 per cent by 2019, which will, in turn, affect the region's brick and mortar modern retail, causing it to fall from 10 per cent in 2014 to 8 per cent by 2019

Future trends in West Bengaluru



Presently, modern retail space in West Bengaluru consists of a larger share of mall space, while its shopping streets comprise more non-modern retail, the domination of which is expected to continue in the coming years. Considerable new supply of mall space could prove to be a deterrent, as it may impact the rental values and vacancy levels of the operational malls.



Shopping streets are incumbent for households in West Bengaluru, as the region houses a population with diverse income segments. However, the development of modern retail space in the shopping streets could help shift consumers from non-modern retail towards modern retail, as 89 per cent of the existing retail demand is still catered to by non-modern retail space.



Currently, product categories like ethnic wear, and watches & jewellery are dominated by regional and local brand stores in this zone. These product categories offer good potential for foreign and national retailers to cast their presence in the West Bengaluru market.

BENGALURU ZONE ANALYSIS

Outer Ring Road (ORR) Bengaluru Zone Analysis

Out Ring Road (ORR) Bengaluru map

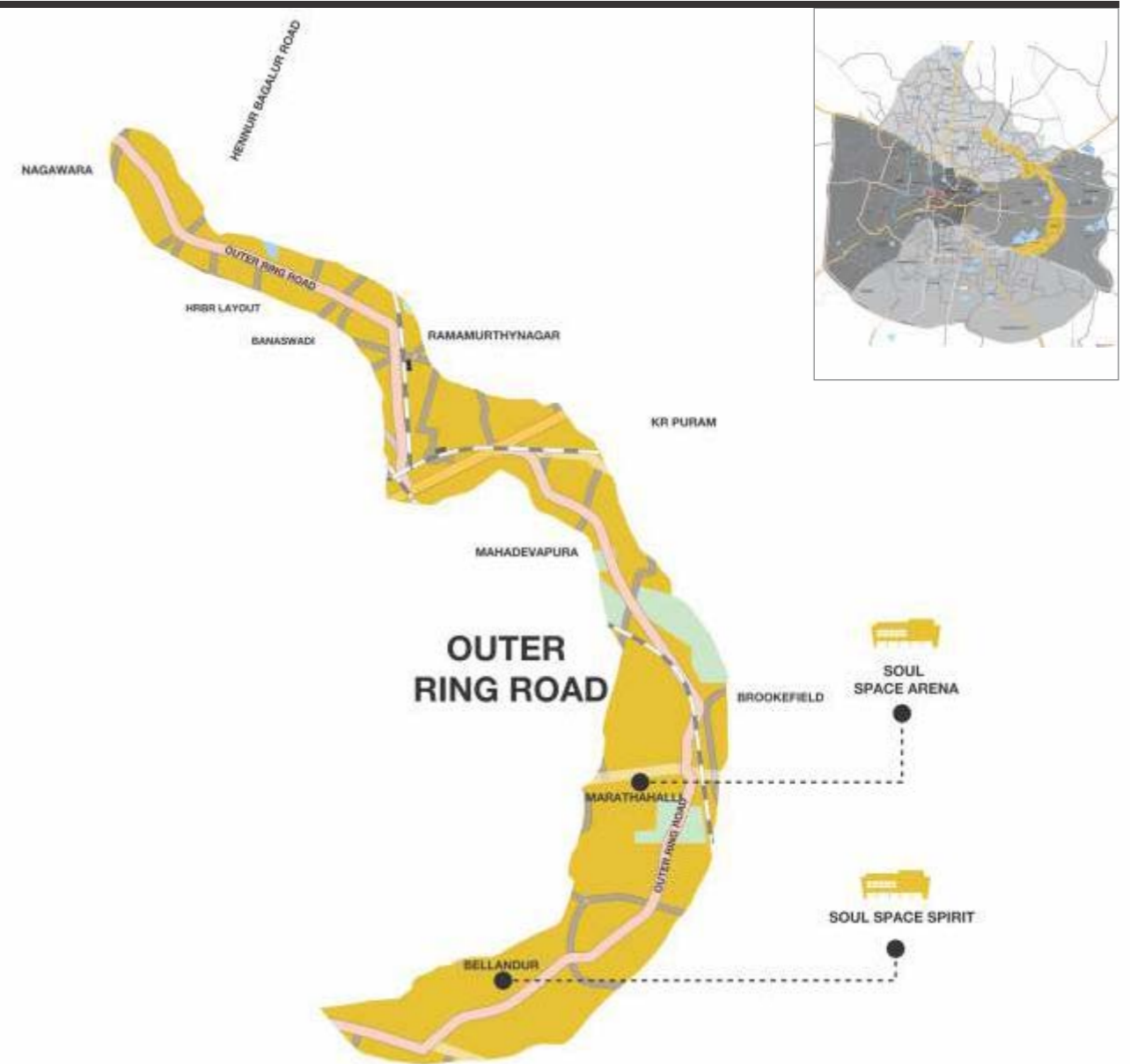
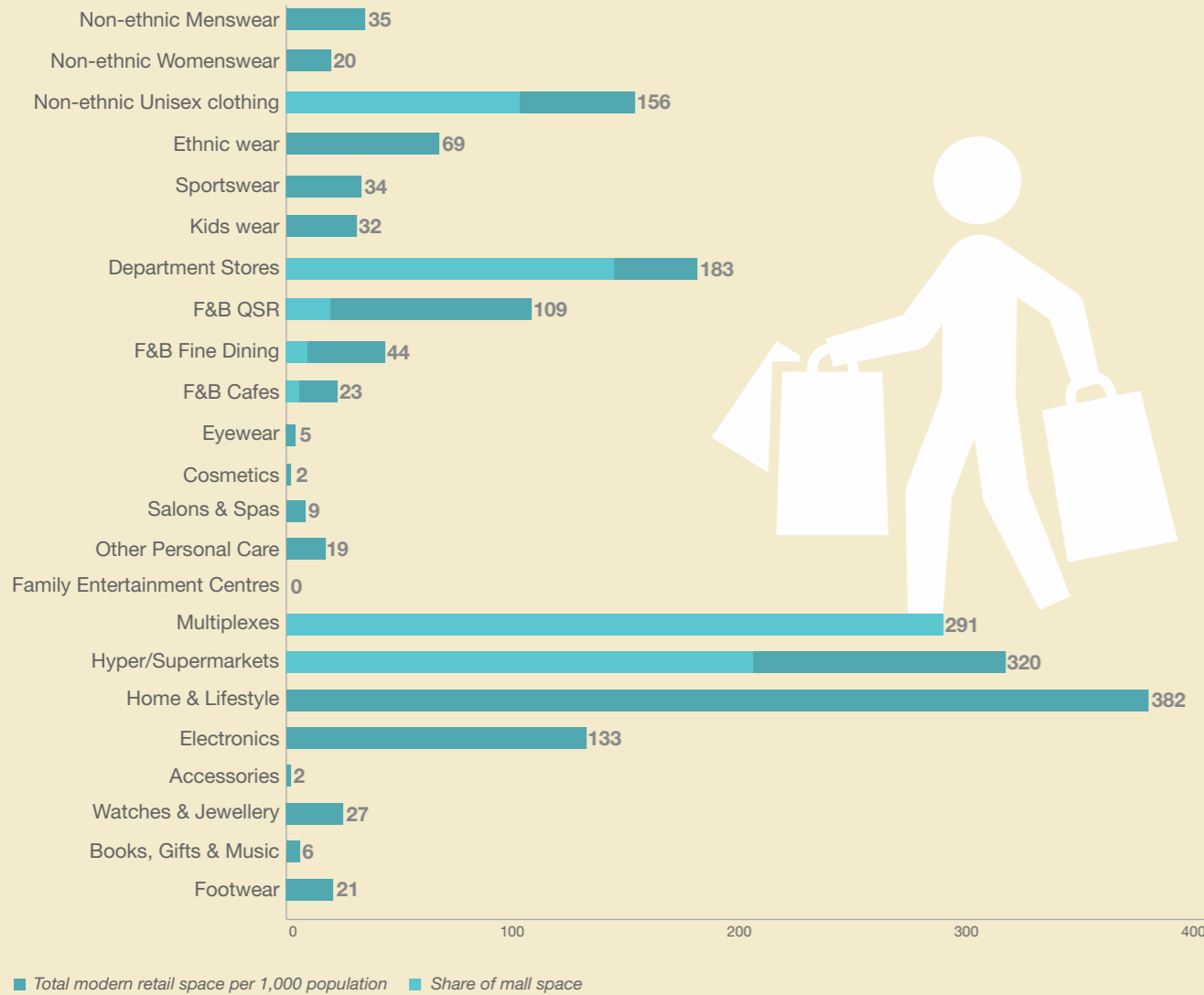


Chart 1

Per capita occupied modern retail space in Outer Ring Road (ORR)

Space in sq ft



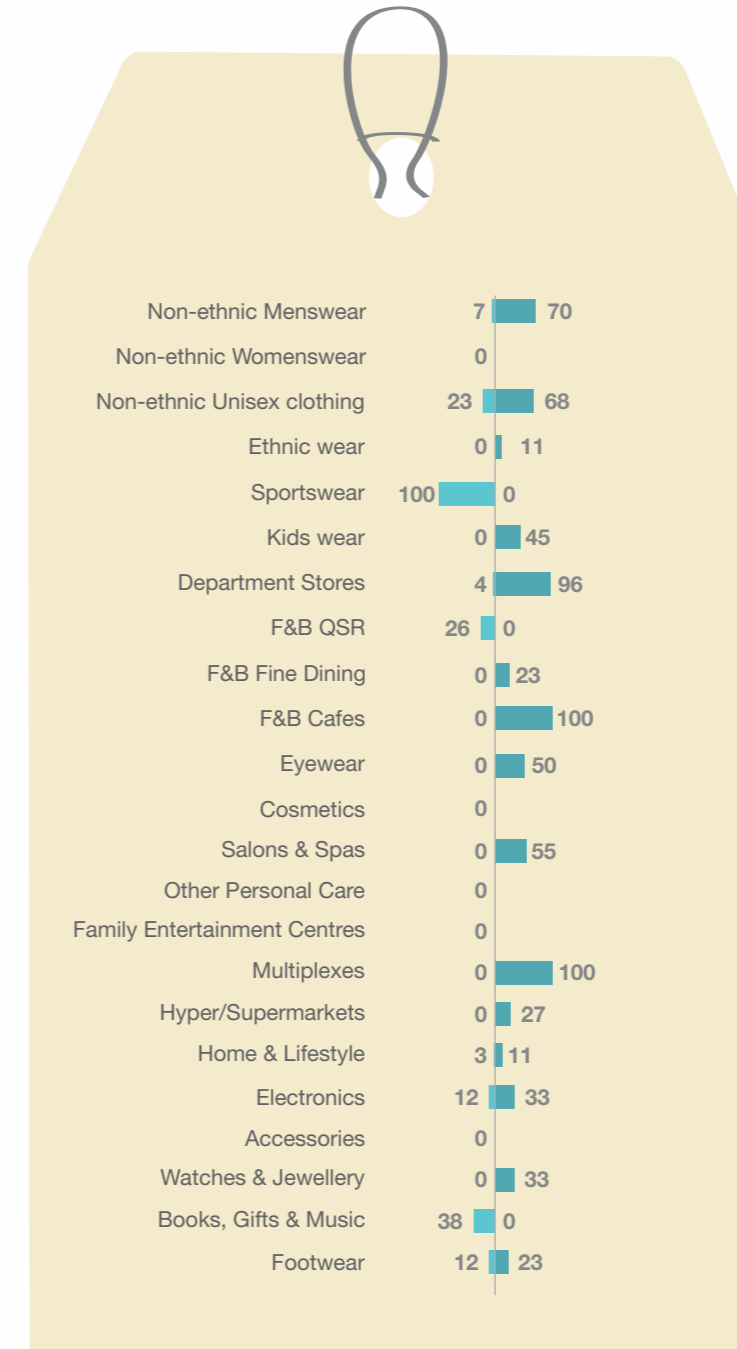
Source: Knight Frank Research, Indicus Analytics

- Outer Ring Road (ORR) is a relatively new market with modern retail space in the form of limited malls and underdeveloped shopping streets
- The region has provisions for large retail space, though it does not have substantial mall space, thus accounting for a number of furniture shops along its shopping streets, taking up the per capita modern retail penetration of the home & lifestyle category to 382 sq ft for every 1,000 persons
- Conversely, mall space accounts for 208 sq ft out of 320 sq ft per 1,000 persons in the hyper/supermarket segment

Chart 2

Share of foreign and national brand stores in the overall modern retail space

Share in Percentage



- Despite limited modern retail space in the region, ORR has a relatively better mall-to-shopping street space ratio among all the zones, national brands being more prominent
- Modern retail space in the sportswear segment is largely accounted for by foreign brands, while national brands lead markedly in the multiplex, department store and F&B cafe segments
- Another significant observation is that the share of local brands dominates several of the product categories, such as accessories and cosmetics, implying the absence of both national and foreign brands

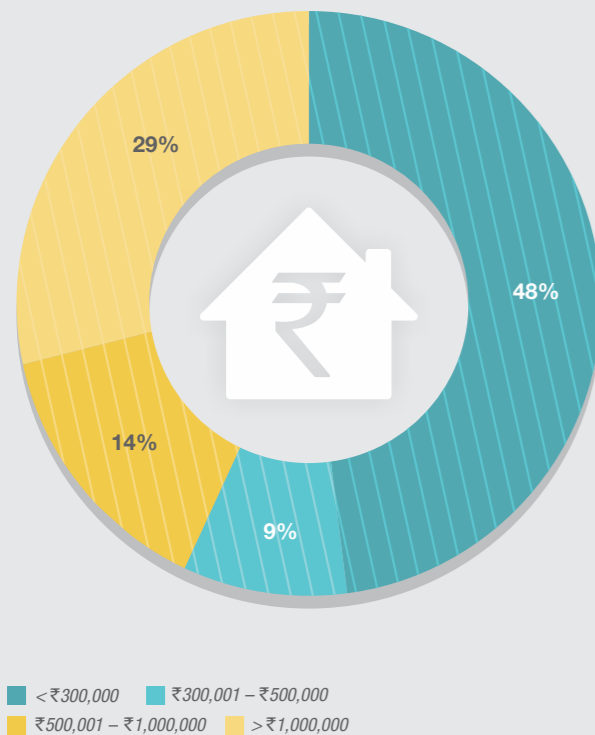
Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

Legend:
■ Share of foreign brands
■ Share of national brands

Source: Knight Frank Research

Chart 3

Household income split in ORR

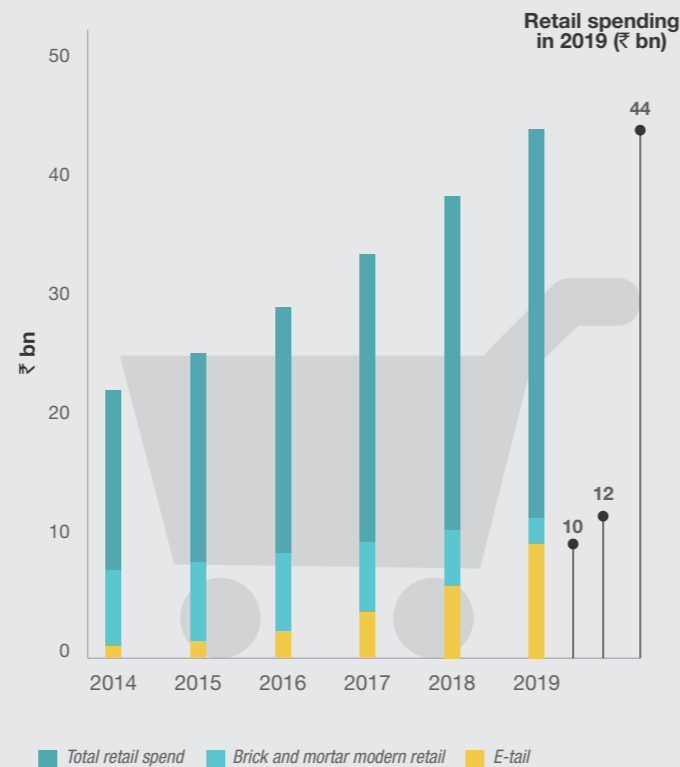


Source: Knight Frank Research, Indicus Analytics

- Lately, the ORR zone has developed into a preferred employment hub, with IT projects dominating the office market. This has led to a considerable influx of residents in the area
- Presently, it has a significant chunk of households earning over ₹1,000,000 - to the tune of 29 per cent, which can be attributed primarily to IT employees
- On the other hand, the region has 48 per cent of its households with incomes less than ₹300,000, which may call for more developed shopping streets and value malls

Chart 4

Projected retail spending in ORR



Source: Knight Frank Research

- The total retail spending in the ORR retail market is projected to increase from ₹22 bn in 2014 to ₹44 bn in 2019, resulting in an annual growth rate of 15 per cent
- Significantly, given the relatively undeveloped status of the ORR modern retail market in several product categories, the share of E-tail is fairly high at 4 per cent, and it is estimated to increase to 22 per cent in 2019
- The growth of E-tail will lead to an infringement of the share of brick and mortar modern retail, thus reducing its share from 33 per cent in 2014 to 27 per cent by 2019. However, the share of modern retail is expected to rise from 37 per cent in 2014 to 49 per cent during the same period
- Despite the phenomenal growth in the share of E-tail in ORR and the subsequent weakening of brick and mortar modern retail, non-modern retail will comprise 51 per cent of the total retail spending in this zone by 2019

Future trends in ORR



The continued lead of non-modern retail in the retail landscape of ORR will provide ample opportunities for mall space development, as there is comparatively limited modern retail space in this zone.

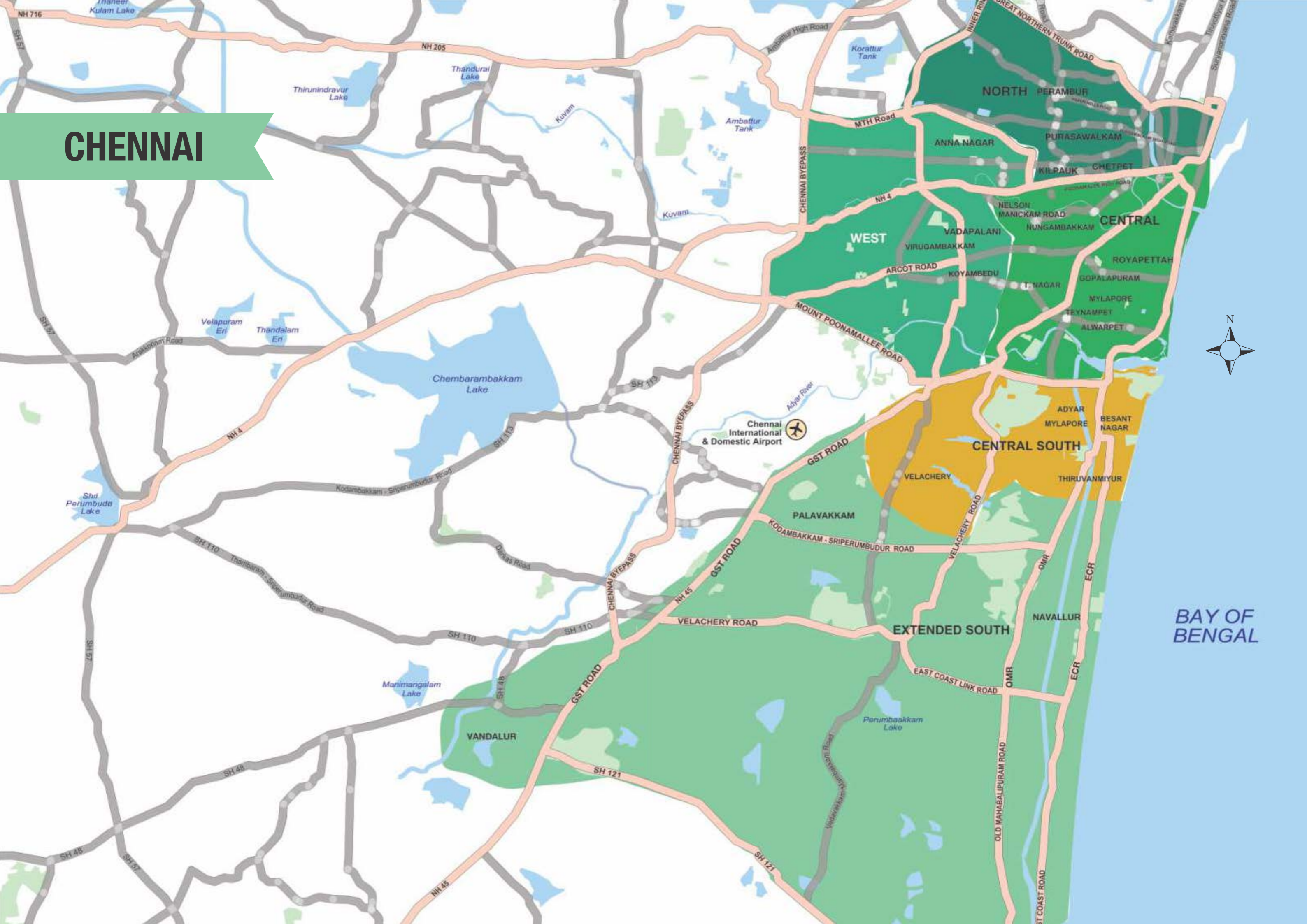


Foreign brand stores are missing from most of the product categories, which will provide opportunities for foreign retailers to increase their presence in this zone in the forthcoming years.



Moreover, most of the product categories are grossly under supplied in the brick and mortar modern retail space - this could also be exploited by modern retailers in the coming years.

CHENNAI



CHENNAI CITY ANALYSIS

Retail Landscape

Chennai city map

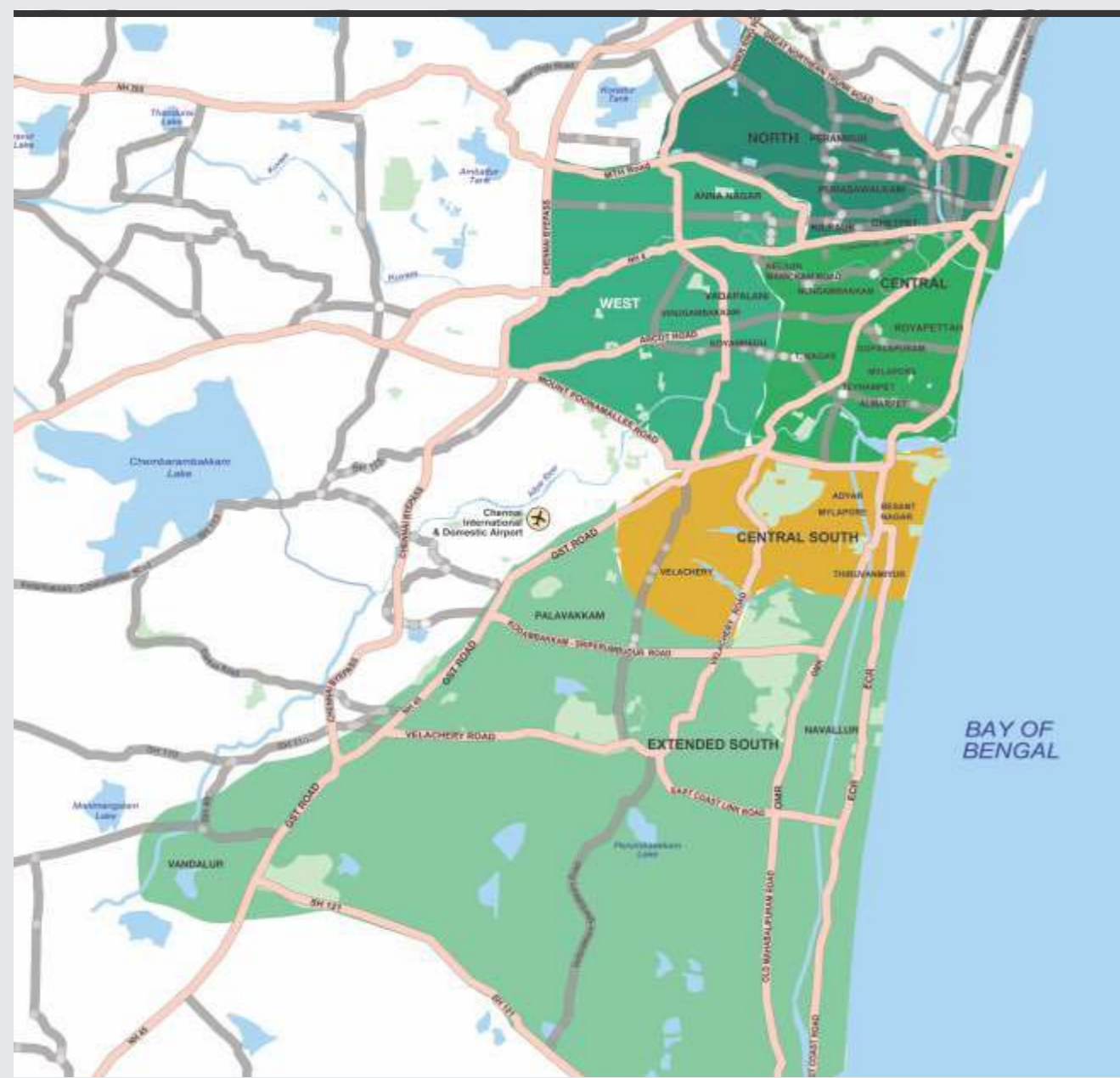


Chart 1

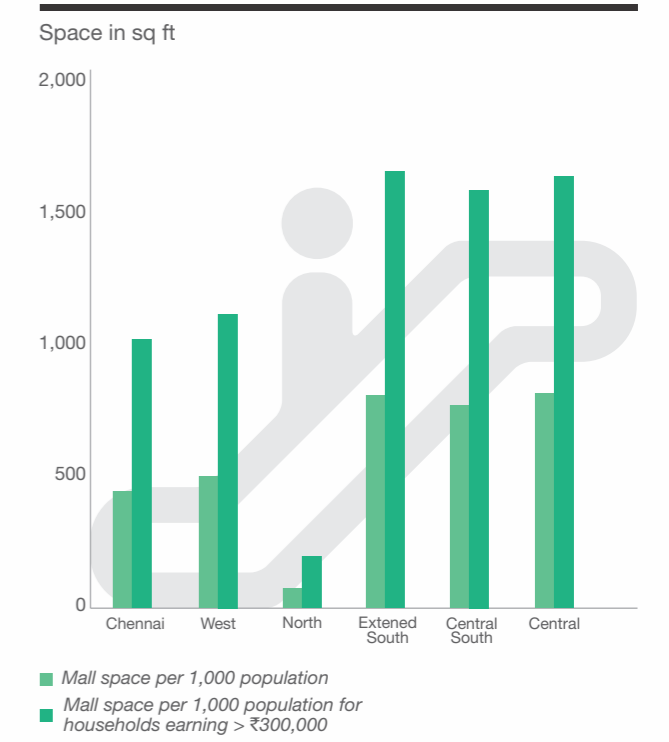
Per capita occupied modern retail space



- Chennai city ranks third in terms of modern retail space per 1,000 population across India. The inter-city comparison reveals that the modern retail space per 1,000 population of Pune is at par with Chennai. Mumbai city, one of the prominent retail markets of India, has only three-fifths of Chennai's modern retail space and lags behind it in per capita modern retail space
- The Central and Central-South zones in Chennai city are market leaders in terms of modern retail space per 1,000 population. On this parameter, these zones put together are twice the size of Mumbai's prominent retail zone (Bandra-Vile Parle)
- In the ranking of modern retail space per 1,000 population across 42 zones in India's top seven cities, the Extended South, West and North Chennai retail zones rank abysmally low—in the 23rd, 26th and 39th position respectively—implying that they are relatively less developed modern retail zones
- The Central and Central-South zones of Chennai rank much ahead of India's high-flying retail zones like South Delhi (2,409 sq ft) and Bandra-Vile Parle (1,664 sq ft) in terms of modern retail space per 1,000 population for households earning more than ₹300,000

Chart 2

Per capita occupied mall space

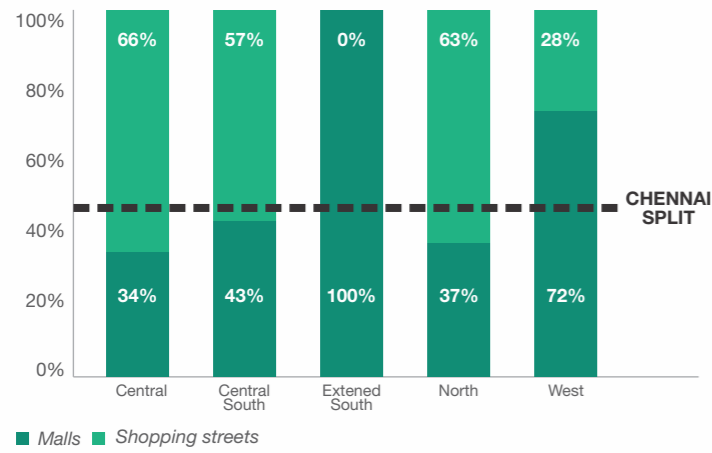


Source: Knight Frank Research, Indicus Analytics

- With 447 sq ft of mall space per 1,000 population, Chennai ranks ahead of the MMR, which ranks fifth in India with 350 sq ft of mall space per 1,000 of its population. NCR leads the pack with 536 sq ft per 1,000 population, while Hyderabad, with 193 sq ft, has the lowest mall space per 1,000 people
- The Central, Extended South and Central-South zones in Chennai city are market leaders in terms of mall space per 1,000 population. The absence of shopping streets in Extended South Chennai made it feature in the top three zones of Chennai on this parameter. On a pan-India basis, Gurgaon, East Pune and East Bengaluru lead in this parameter
- The North zone has the lowest penetration of malls, primarily due to its not-so-affluent demography
- Similarly, for households earning more than ₹300,000, mall space per 1,000 population is the highest in the Extended South Chennai zone, on account of the availability of large land parcels, which in turn lead to the development of larger malls in this zone. This is followed by the Central Chennai zone, with 1,634 sq ft of mall space per 1,000 population for households earning more than ₹300,000

Chart 3

Split of occupied modern retail space into malls and shopping streets

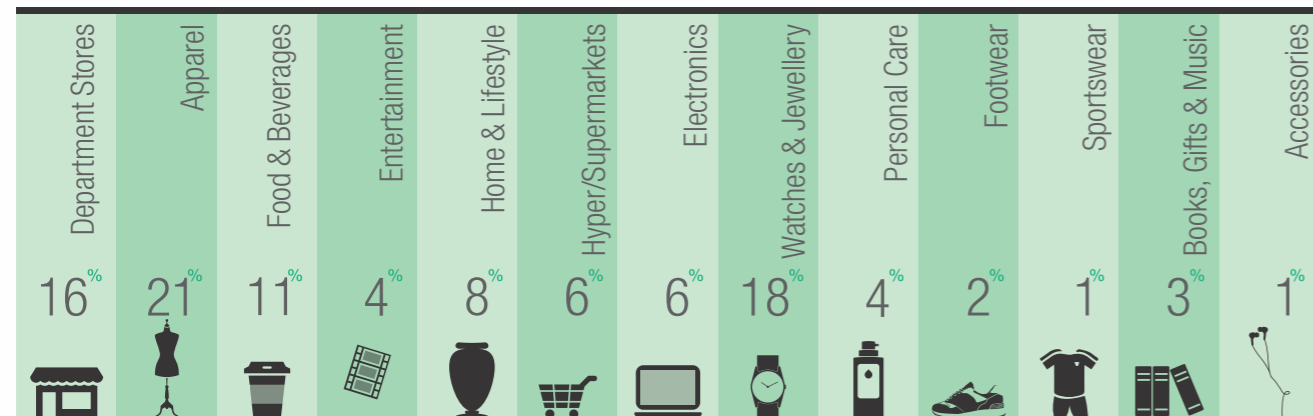


Source: Knight Frank Research

- The split of modern retail space in Chennai between malls and shopping streets is skewed towards shopping streets (55%)
- Only the Extended South (100%) and West zones (72%) have mall spaces above the city average of 45 per cent
- Modern retail space in the Central, Central-South and North zones is a mix of malls and shopping streets, although it is skewed towards shopping streets
- Being one of the oldest retail markets, the Central and Central-South zones have many shopping streets. The dominance of shopping streets in these zones can easily be observed from the chart beside

Chart 4

Product category split of occupied modern retail space in Central Chennai



Source: Knight Frank Research

- Apparel, watches & jewellery and department stores are the three biggest product categories in Central Chennai, accounting for 55 per cent of the total modern retail space in this zone. Shopping streets like Nungambkkam and T. Nagar, which are occupied predominantly by apparel retailers, contribute extensively towards this
- Out of the 13 product categories, six have modern retail spaces less than 5 per cent in the zone. Product categories like entertainment and personal care have a 4 per cent share each, while footwear and books, gifts & music account for a miniscule 2 and 3 per cent share respectively. The share of sportswear and accessories is just 1 per cent within this zone
- A zone with one of the highest number of malls and shopping streets, Central Chennai represents all the product categories fairly

Chart 5

Product category split of occupied modern retail space in Central-South Chennai

- The share of apparel, food & beverage, department stores and entertainment together accounts for 57 per cent of the modern retail space in this zone. The few malls in the zone is commensurate with a large number of shopping streets which helped the zone in maintaining a healthy mix of product categories
- The share of books, gifts & music and footwear is the highest in this zone compared to other zones of the city, albeit their share being less than 5 per cent. The sportswear and accessories categories account for little over 1 per cent of the total share in the zone

Source: Knight Frank Research

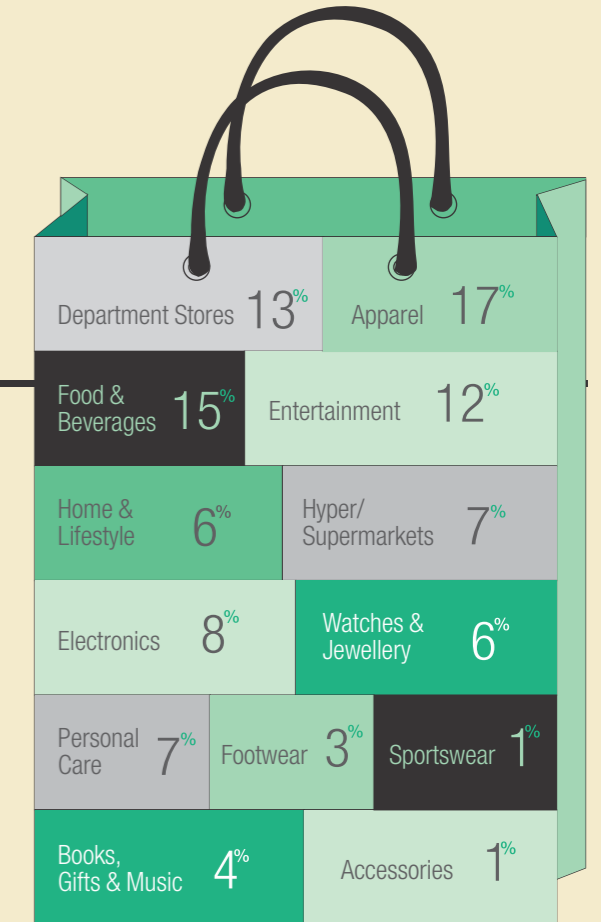


Chart 6

Product category split of occupied modern retail space in Extended South Chennai

- The Extended-South Chennai zone is heavily skewed towards entertainment. At 71 per cent, the share of this category is the highest compared to other zones in the city. The presence of multiple malls in the zone seems to have attracted a large number of multiplexes and family entertainment centres here
- Apart from food & beverages, and entertainment, the other product categories are nearly absent in this zone. The zone is located on the outskirts of the Chennai city limits and is primarily an office destination. This, coupled with the dearth of developed residential zones, could be some of the reasons why other retailers have not explored this zone

Source: Knight Frank Research

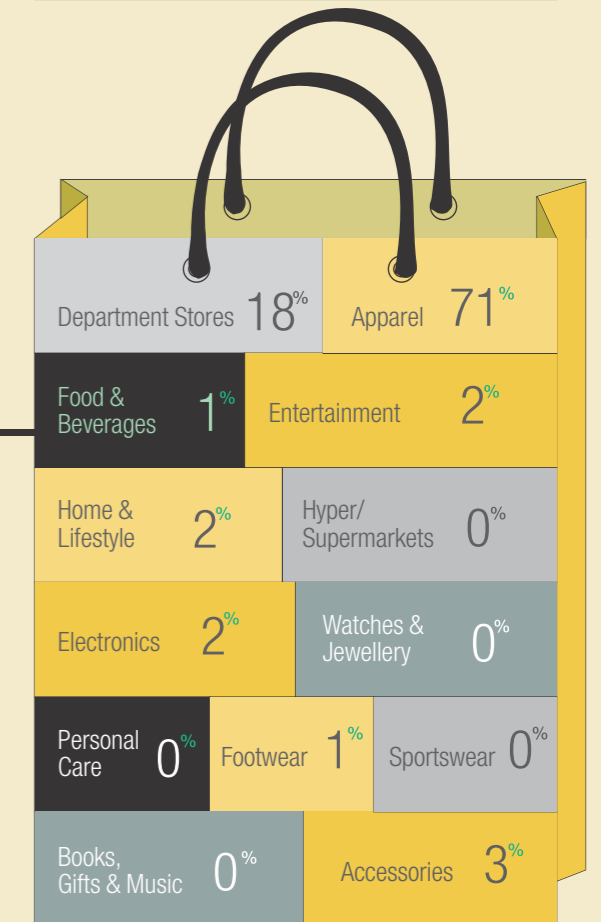


Chart 7

Product category split of occupied modern retail space in North Chennai



Source: Knight Frank Research

- Department stores dominate among all the product categories in North Chennai, with a share of 24 per cent. This is followed by apparel and entertainment, with a modern retail space share of 20 per cent and 18 per cent respectively
- The presence of a considerable number of malls and shopping streets in this zone leads to a fair representation of the rest of the product categories

Chart 8

Product category split of occupied modern retail space in West Chennai

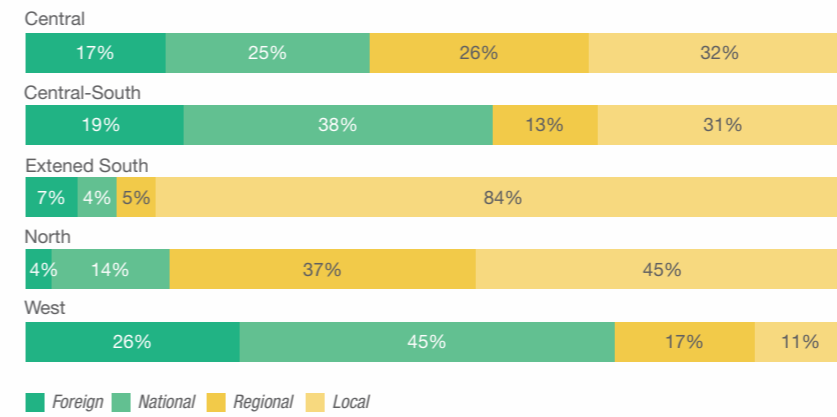


Source: Knight Frank Research

- At 28 per cent, entertainment has the largest share of space in this zone, followed by apparel and department stores
- Hyper/supermarkets account for a 9 per cent share in this zone, which is the highest compared to other zones in this product category. The presence of large-format stores like Auchan and other local and regional brands has skewed this number towards the hyper/supermarkets category

Chart 9

Brand-wise split of occupied modern retail store space

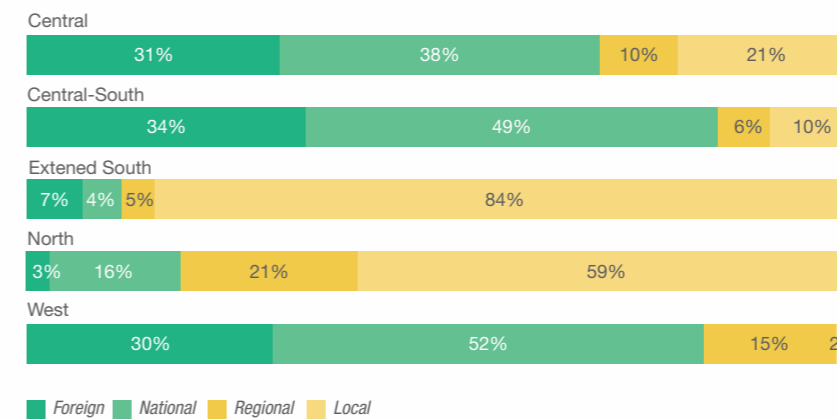


- While West Chennai has the maximum share of foreign brand stores as compared to other zones of the city, Extended South Chennai has the highest share of local brand stores
- Central and Central-South Chennai have a relatively better representation of foreign, national, regional and local brand stores compared to the other zones of the city

Source: Knight Frank Research

Chart 10

Brand-wise split of modern retail store space in malls

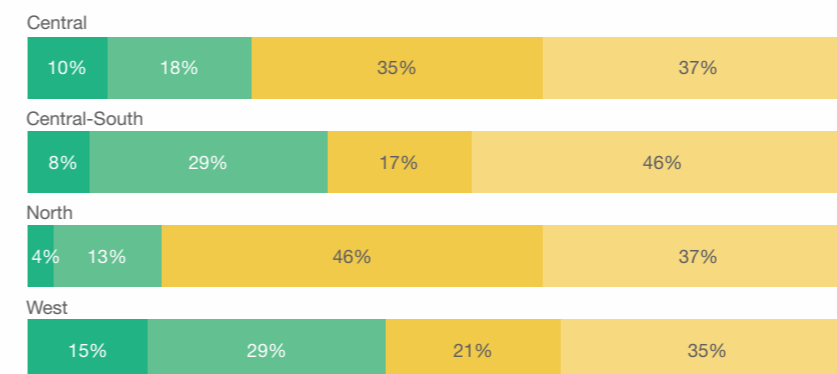


- While malls in Central-South and West Chennai have a greater presence of national brands, Central Chennai is fairly dominated by foreign and national brand stores
- Malls in Central Chennai have a relatively better representation of all brand categories – foreign, national, regional and local. On the other hand, malls in the Extended South and North Chennai zones are dominated by local brand stores

Source: Knight Frank Research

Chart 11

Brand-wise split of occupied modern retail store space in shopping streets



- The share of foreign brands in almost all the zones of Chennai's shopping streets is much lower compared to their share in the malls of the respective zones
- The share of local brands is the highest in Central-South Chennai, while North Chennai has the lowest share of foreign brand stores

Note: Extended South is not represented in the chart above, as there are no major shopping streets in the zone

Legend: Foreign (dark green), National (medium green), Regional (yellow), Local (light yellow)

Source: Knight Frank Research

Chart 12

Top foreign, national and regional brands

| FOREIGN BRANDS | CATEGORIES | NATIONAL/REGIONAL BRANDS | | | |
|----------------|---|--------------------------|-----------------------|-----------------|------------------------------|
| Claire's |  | Fastrack | Durable Bag | Hidesign | Calonge |
| Levi's |  | RMKV | Nalli Silk | Raymond | Kay the fashion bay |
| Hamleys |  | Landmark | Odyssey | Archies | Olympic Cards |
| Lifestyle |  | Saravana Stores | Saravana Selvarathnam | Westside | |
| Samsung |  | Vasanth & Co | Reliance Digital | Croma | Univercell |
| Fun City |  | Palazzo IMAX | Luxe IMAX | IMAX | Escape multiplex |
| KFC |  | Café Coffee Day | Sarvana Bhavan | Pizza Corner | |
| Bata |  | Metro Shoes | Reliance Footprint | Khadims | Mochi |
| Home Centre |  | Saravana Stores | Woodpecker Furniture | @ Home | |
| Auchan |  | Big Bazaar | Star Bazaar | Pothys | Spencer Plaza |
| |  | Health & Glow | Naturals | Apollo Pharmacy | GKB Opticals Konica Photo |
| Woodland |  | Nike | Adidas | Puma | Reebok |
| Joyalukkas |  | GRT Jewellers | Tanishq | Pothys Jewels | Saravana Stores |

Source: Knight Frank Research

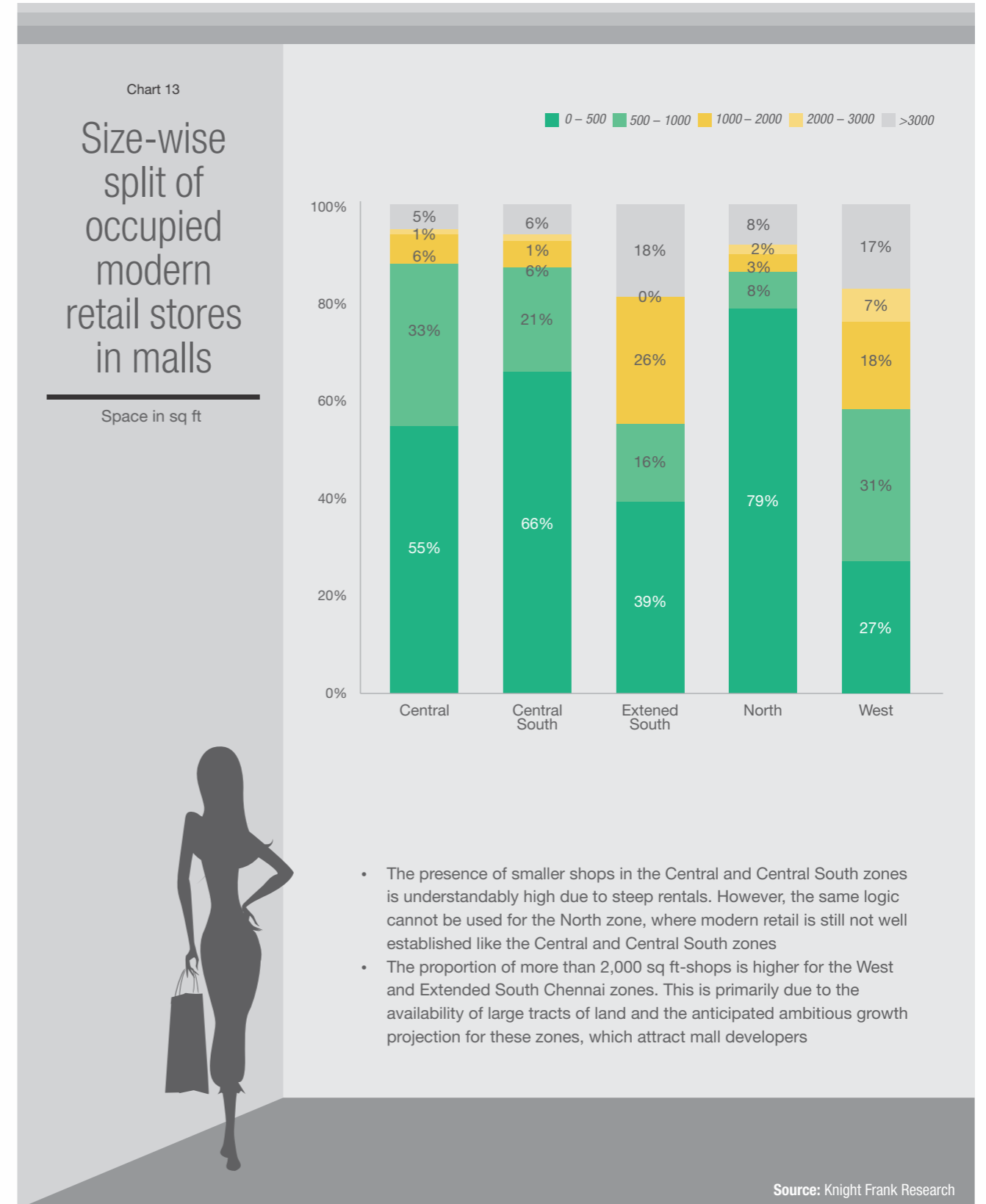
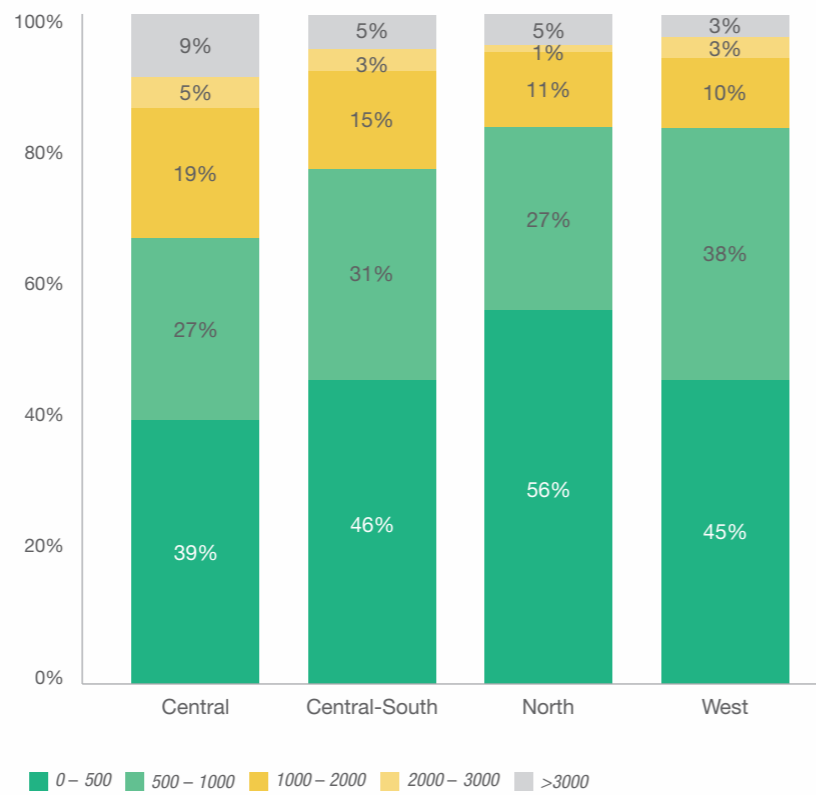


Chart 14

Size-wise split of occupied modern retail stores in shopping streets

Space in sq ft



Note: Extended South is not represented in the chart above as there are no major shopping streets in the zone

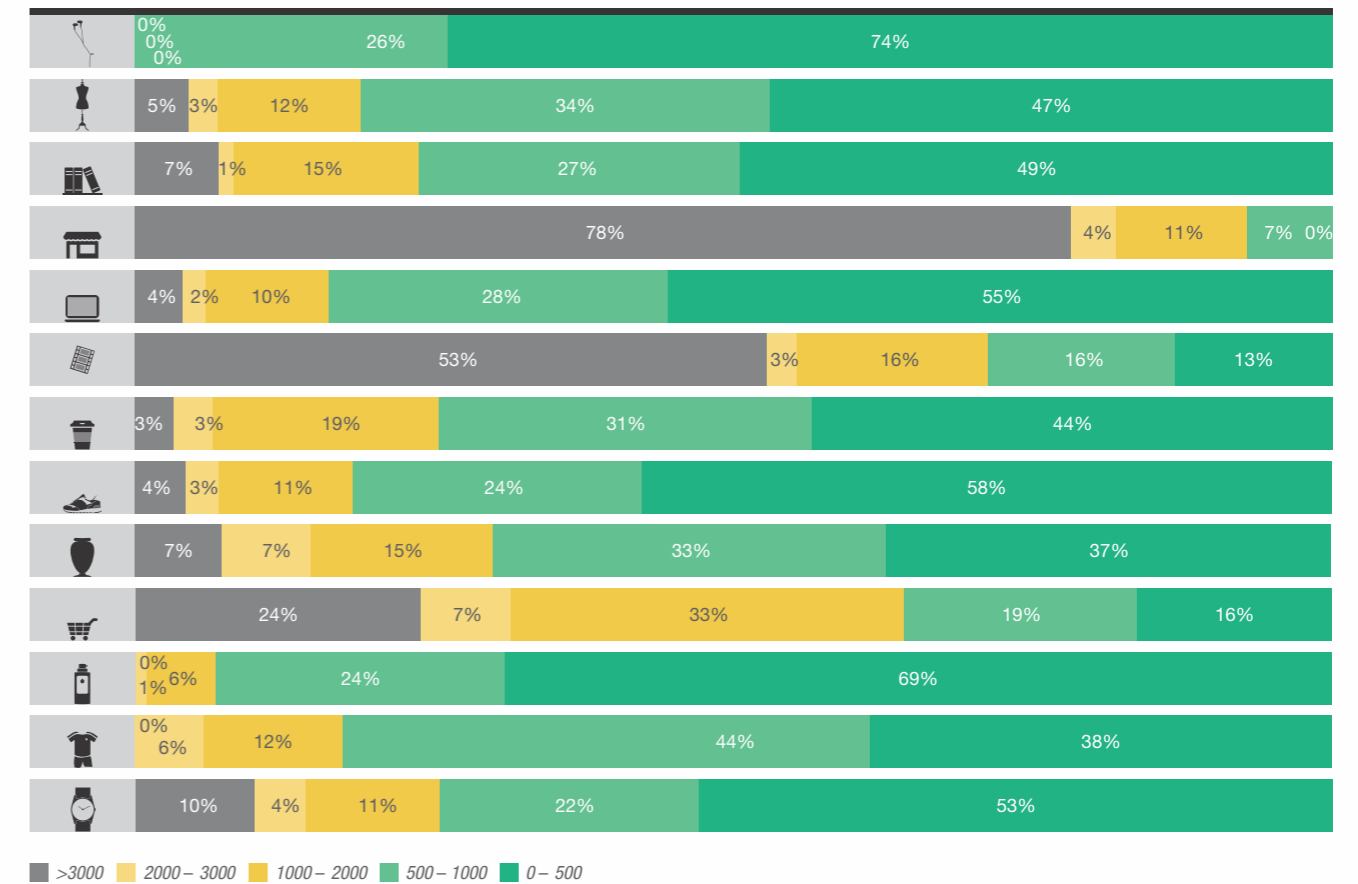
- A massive 83 per cent of the stores in North and West Chennai's shopping streets are less than 1,000 sq ft in size, while the corresponding numbers for Central and Central-South Chennai are 67 and 77 per cent respectively
- Additionally, only 7 per cent of the total stores are above 3,000 sq ft in size. Relatively lower rentals and ample availability of space on shopping streets seem to have induced retailers to be liberal towards occupying larger spaces

Source: Knight Frank Research



Chart 15

Size-wise split of modern retail stores across product categories

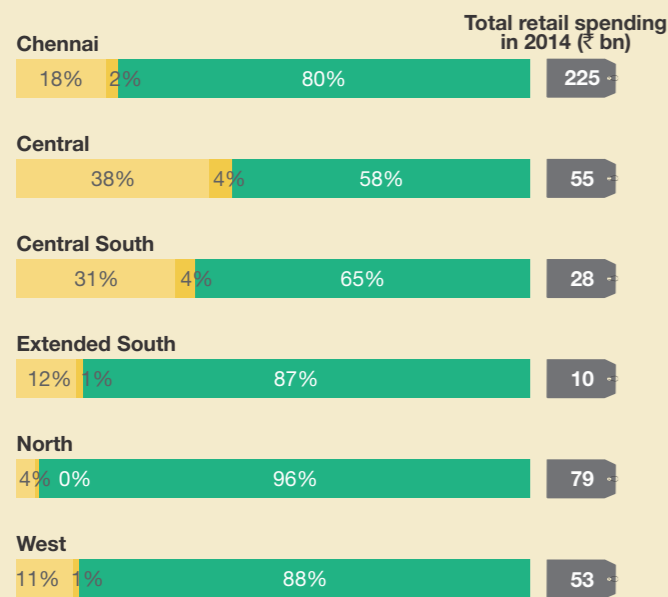


Source: Knight Frank Research

- Among other product categories, accessories (74%), personal care (69%), footwear (58%), electronics (55%), and watches & jewellery (53%) have the majority of their shop sizes in the range of 0-500 sq ft
- Inherently, department stores, entertainment and hyper/supermarkets are large retail format stores; hence, the majority of these stores in malls are greater than 3,000 sq ft in size
- Shop sizes ranging between 500-1,000 sq ft are occupied mainly by sportswear (44%) apparel (34%), home & lifestyle (33%) and food & beverages (31%) category stores in malls
- A closer look at the charts above reveals that shop sizes ranging between 2,000 and 3,000 sq ft in malls are not favoured much by retailers. None of the product categories can boost of having a considerable share in this range of shop sizes
- Based on the chart above, due to its smaller shelf size, the accessories category is not present in shops larger than 1,000 sq ft since none of the department stores are smaller than 1,000 sq ft

Chart 16

Total retail spending and penetration of modern retail in 2014



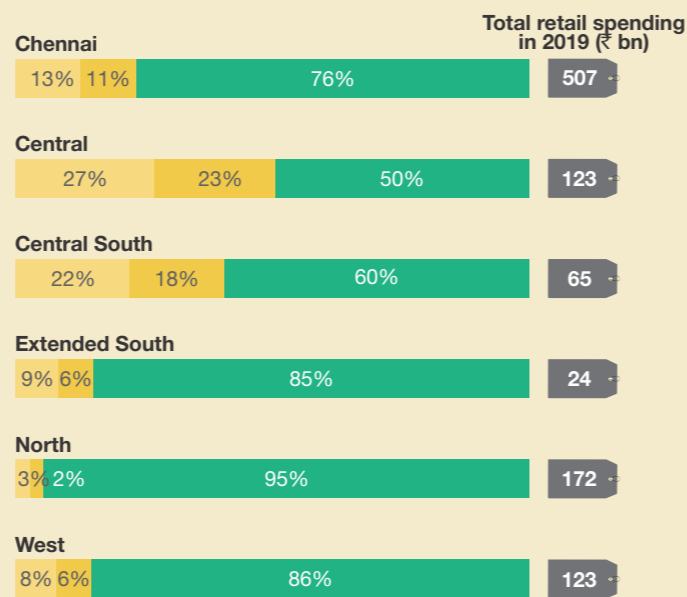
■ Brick and mortar modern retail ■ E-tail ■ Non-modern retail
 Note: Brick and mortar modern retail + E-tail = Modern retail

Source: Knight Frank Research

- Total retail spending in 2014 for Chennai amounts to ₹225 bn; in this, the share of modern retail stands at 20 per cent of which, the split between brick and mortar and E-tail is 18 per cent and 2 per cent respectively
- The North Chennai zone accounts for 40 per cent of the city's population, translating into the highest share (35%) of the total retail spending
- The presence of a large number of malls in the Central and Central-South Chennai zones contributed towards the highest share of modern retail in these zones
- More than 85 per cent of the retail market in North, Extended South and West Chennai is serviced by non-modern retail compared to less than 60 per cent in Central Chennai

Chart 17

Projected total retail spending and penetration of modern retail in 2019



■ Brick and mortar modern retail ■ E-tail ■ Non-modern retail
 Note: Brick and mortar modern retail + E-tail = Modern retail

Source: Knight Frank Research

- The total retail spending in Chennai is projected to increase from ₹225 bn in 2014 to ₹507 bn in 2019, implying an annual growth rate of 18 per cent. Moreover, the share of modern retail is estimated to increase from 20 per cent to 24 per cent during the same period
- E-tail is expected to jump in excess of five times from 2 per cent in 2014 to 11 per cent in 2019, while the share of brick and mortar modern retail is expected to fall from 18 per cent to 13 per cent during the same period
- Central Chennai is expected to witness the maximum gain in terms of modern retail share during the next five years. On the other extreme, North and West Chennai will continue to be dominated by non-modern retail over the next five years

CHENNAI CITY ANALYSIS

Central Chennai Zone Analysis

Central Chennai map

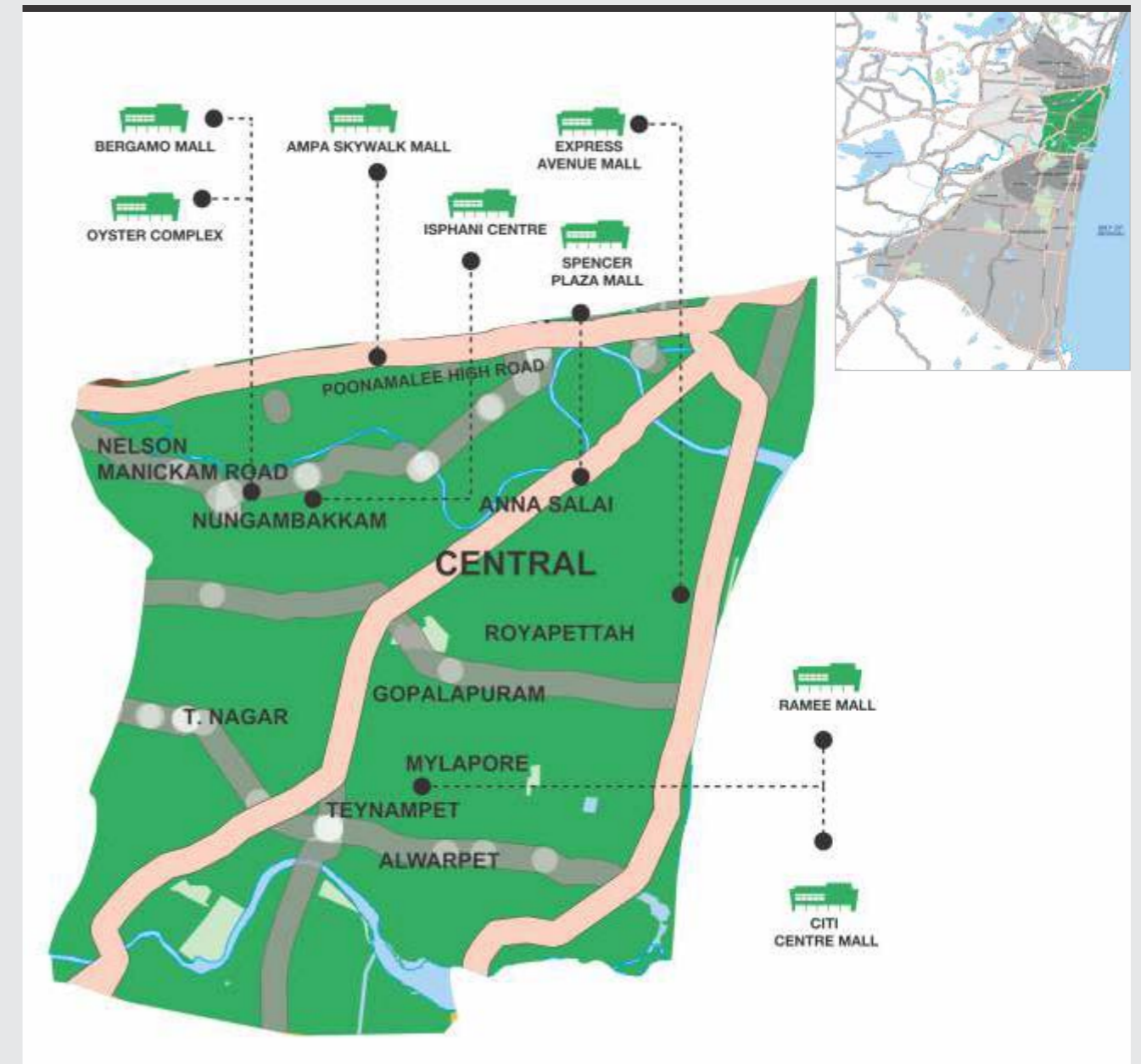
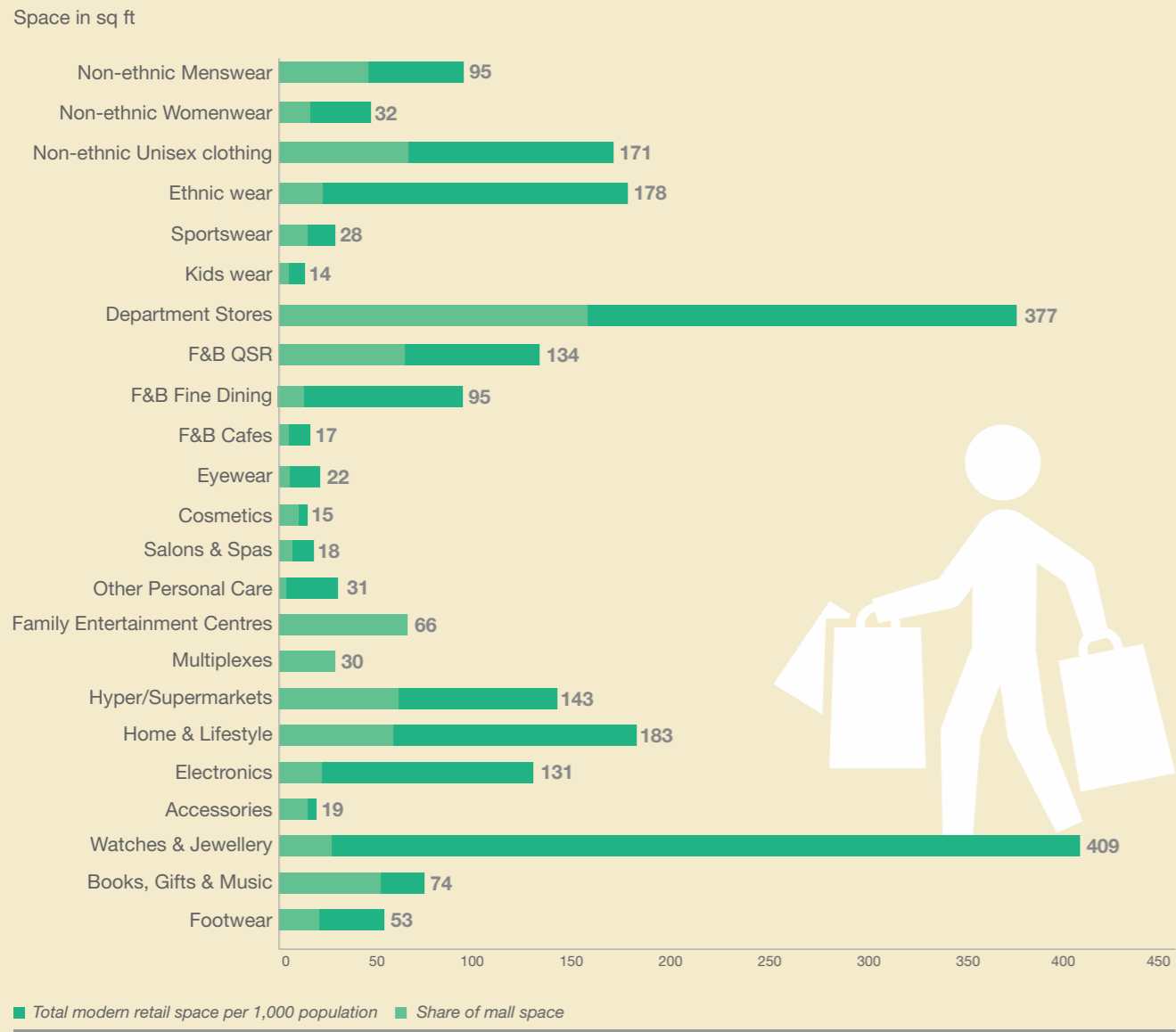


Chart 1

Per capita occupied modern retail space in Central Chennai



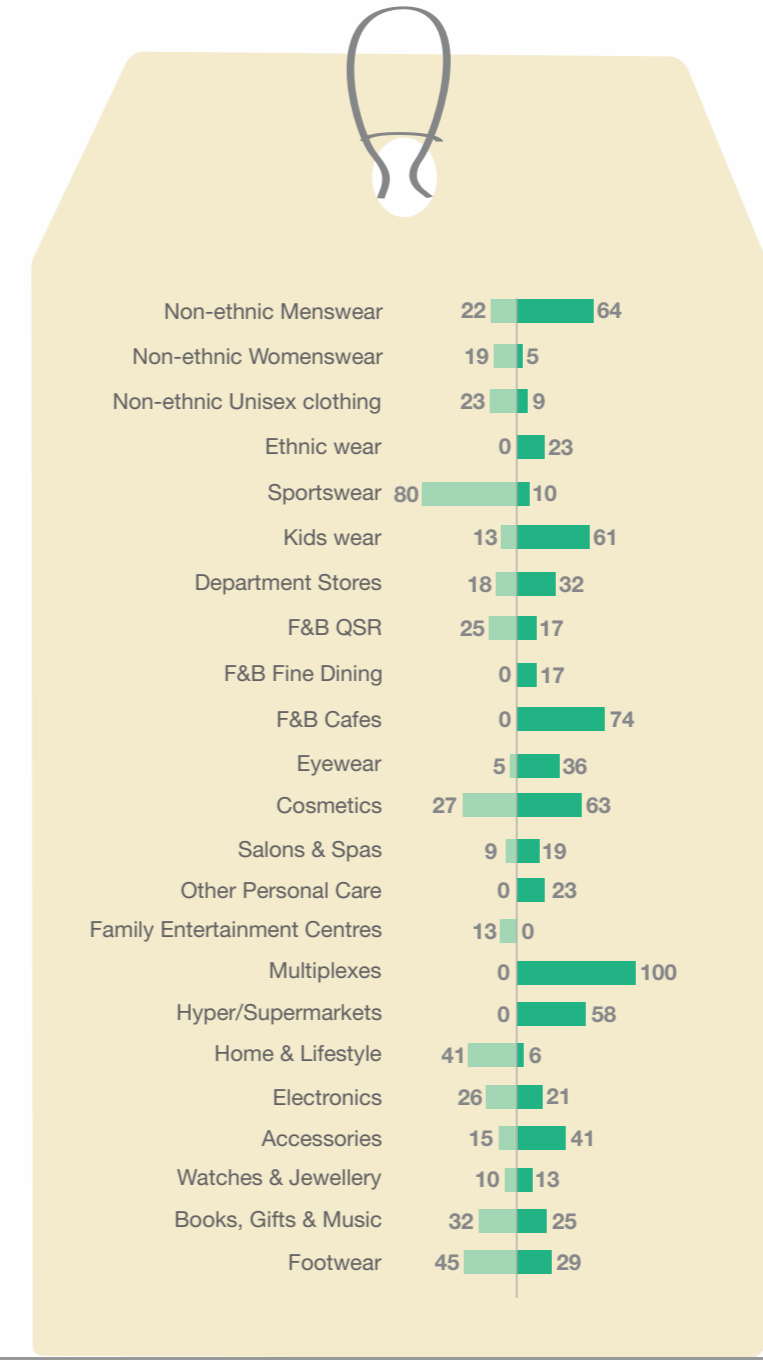
Source: Knight Frank Research, Indicus Analytics

- Central Chennai is one of the most established retail markets of Chennai, and houses the most premium residential micro-market in the city. Premium retailers, including boutique designers, are present predominantly across the markets of Nugambakkam, T. Nagar and Alwarpet. Hence, it can easily be term as the 'fashion hub of Chennai city'
- Department stores under the apparel category have the highest modern retail space of 377 sq ft per 1,000 population. This is second only to the watches and jewellery category, which has 409 sq ft per 1,000 population
- Ethnic wear and non-ethnic unisex clothing under the apparel category rank next, after department stores. The presence of premium boutique designers in this market leads to higher per capita space for this category. These product categories are present more on the major shopping streets of Central Chennai as against malls. Our assertion can be emphasised further by the low share of mall space for these categories
- In the food & beverage (F&B) category, quick service restaurants (QSR) occupy the largest modern retail space in terms of square feet per 1,000 population. Of the total QSR space, only 48 per cent are in the malls, implying, once again, that the shopping streets of central Chennai are well established
- Multiplexes and family entertainment centres are entirely mall phenomena. None of these are present on the shopping streets
- Of the total cosmetics retail space in Central Chennai, almost 70 per cent has occupied space in malls
- Watch & jewellery shops have the largest per capita modern retail space in this zone. However, they are found in abundance on the shopping streets as compared to the malls
- In contrast, the accessories, and books, and gifts & music product categories are present mostly in the malls, aiming mainly at the urban populace

Chart 2

Share of foreign and national brand stores in the overall modern retail space

Share in Percentage



- The sportswear category is dominated by foreign retailers, while multiplexes are led by national retailers. To the other extreme is the family entertainment category, which is led by neither national nor foreign retailers
- Non-ethnic menswear under apparel is occupied predominantly by foreign retailers. Central Chennai boasts of numerous local ethnic wear designers. This can be emphasised further by the lower presence of national and foreign brands in this category. Similarly, non-ethnic women's wear is dominated by local and regional retailers

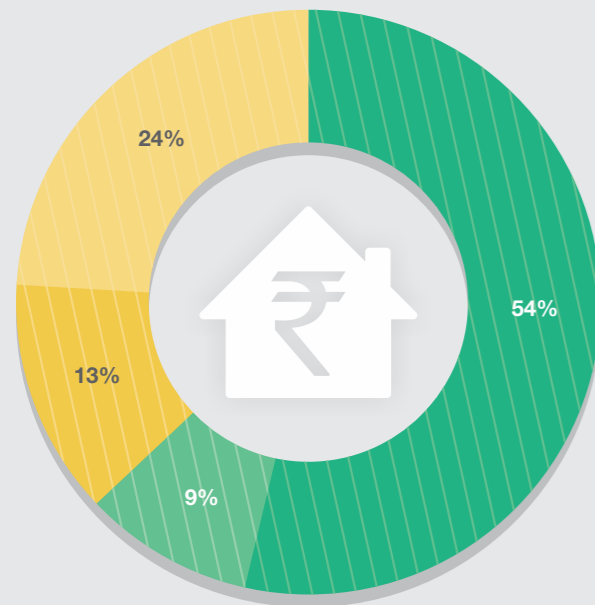
Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

■ Share of foreign brands ■ Share of national brands

Source: Knight Frank Research

Chart 3

Household income split in Central Chennai

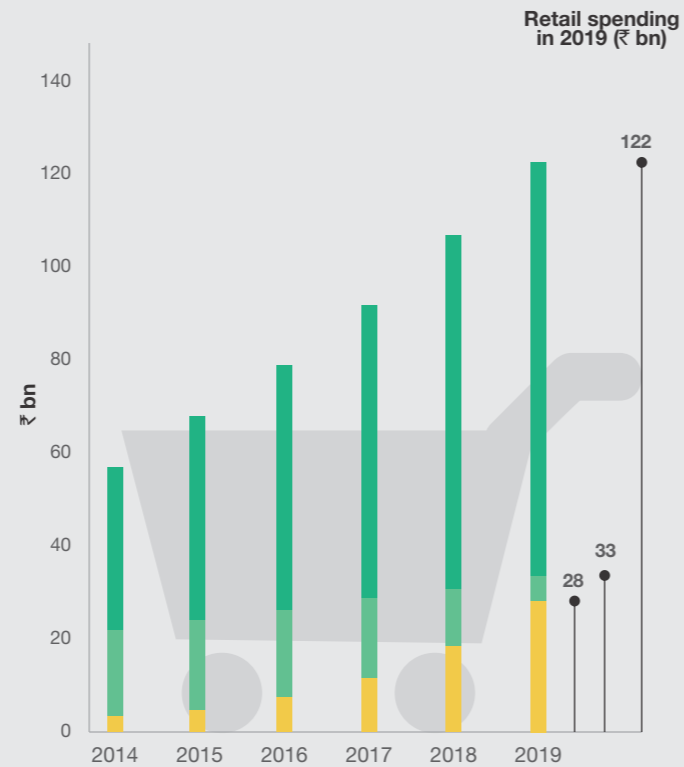


■ < ₹300,000
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Source: Knight Frank Research, Indicus Analytics

Chart 4

Projected retail spending in Central Chennai



■ Total retail spend
 ■ Brick and mortar modern retail
 ■ E-tail

Source: Knight Frank Research

- The total retail spending in Central Chennai is projected to increase to ₹122 bn in 2019 from ₹55 bn in 2014, resulting in an annual growth rate of 17 per cent
- With the advent of e-commerce, the share of E-tail in the total retail segment is estimated to increase from 4 per cent in 2014 to 23 per cent in 2019. This increase in E-tail will eat into the share of brick and mortar modern retail, which is estimated to fall from 38 per cent in 2014 to 27 per cent in 2019

Future trends in Central Chennai



With the decline in the share of brick and mortar and the unavailability of large land tracts, we expect no major malls to come up in this zone. However, with the multi-fold rise in total retail spending, the demand for brick and mortar space would be the highest from non-modern retailers.

CHENNAI CITY ANALYSIS

Central-South Chennai Zone Analysis

Central-South Chennai map

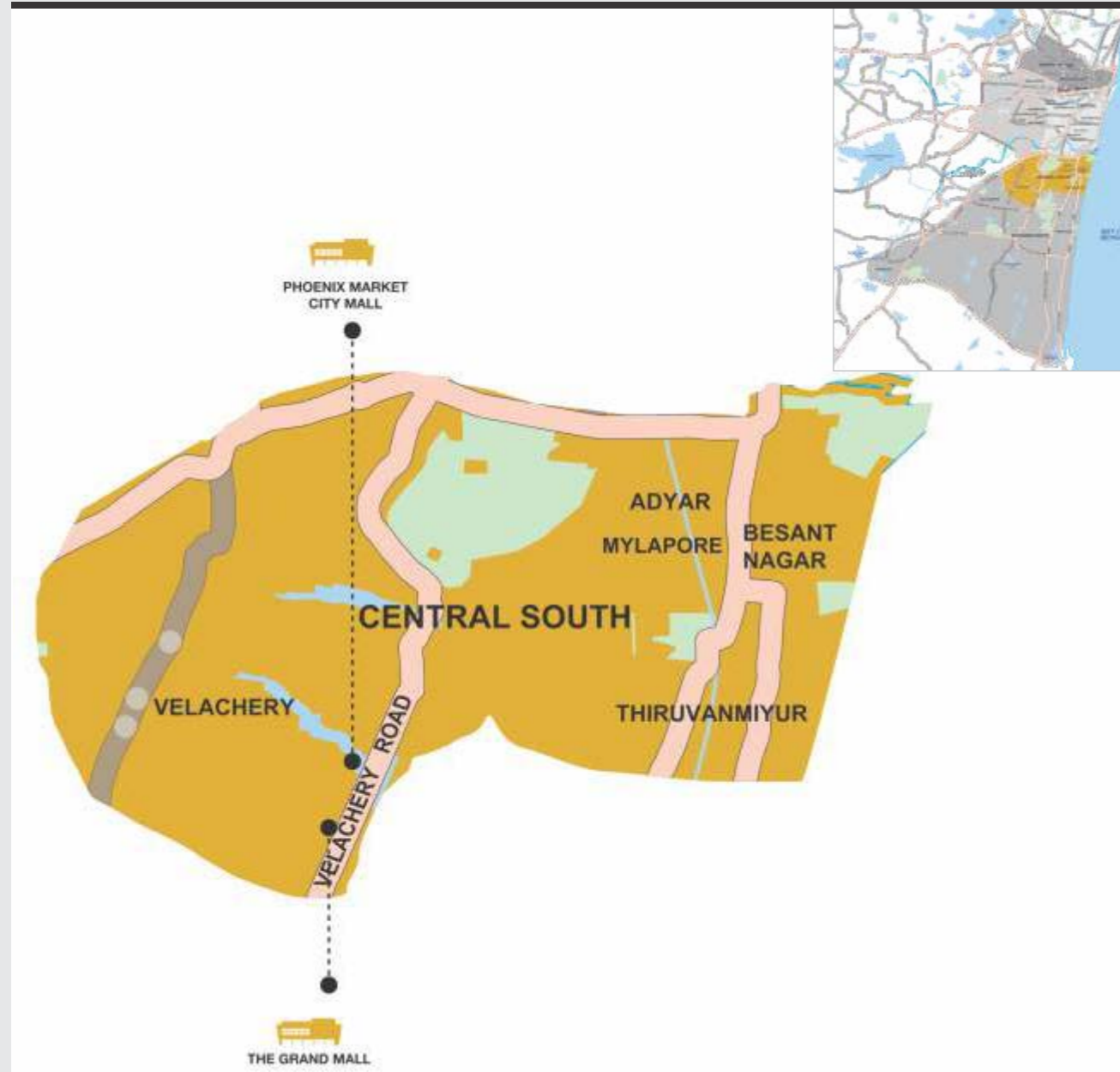
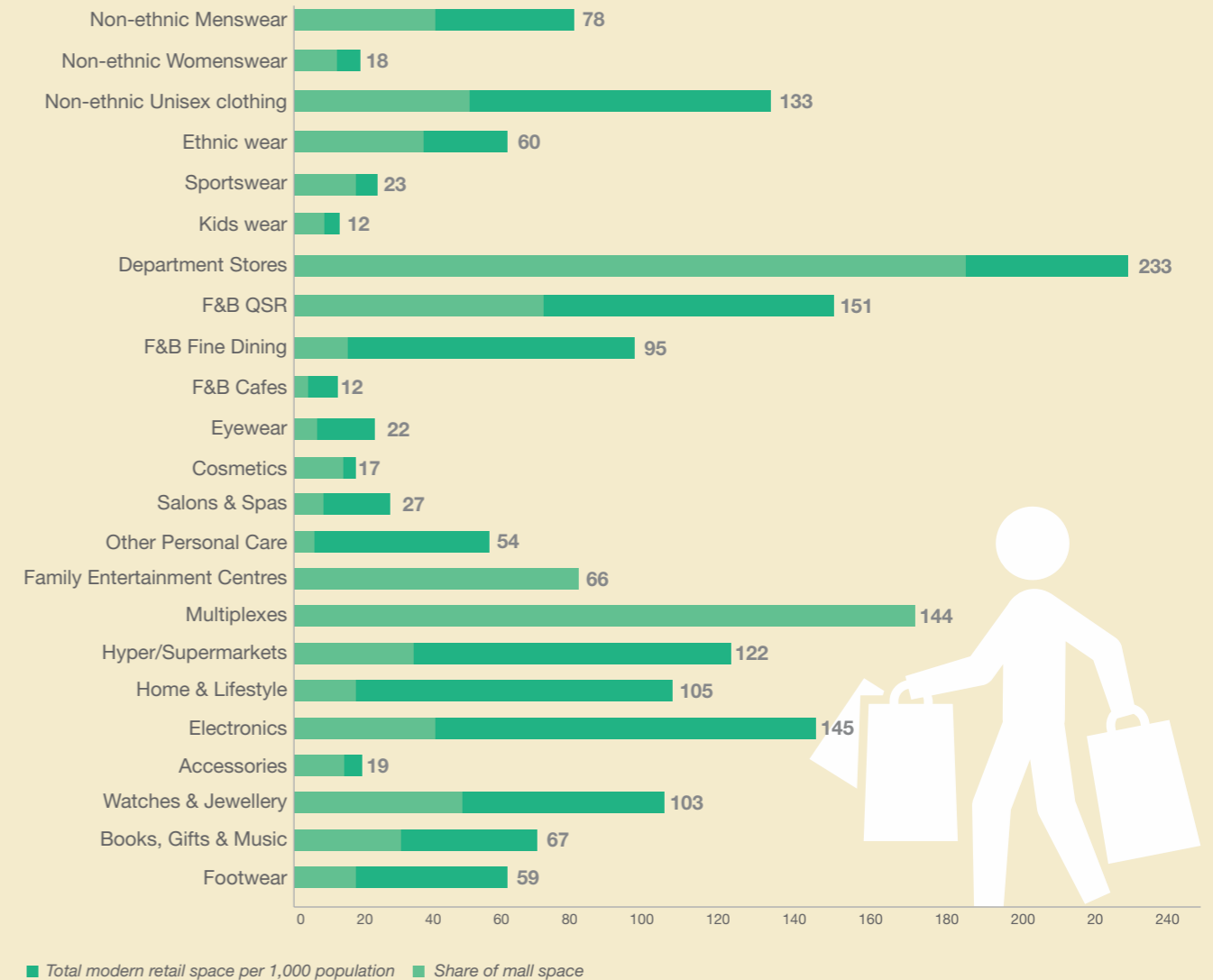


Chart 1

Per capita occupied modern retail space in Central-South Chennai

Space in sq ft



Source: Knight Frank Research, Indicus Analytics

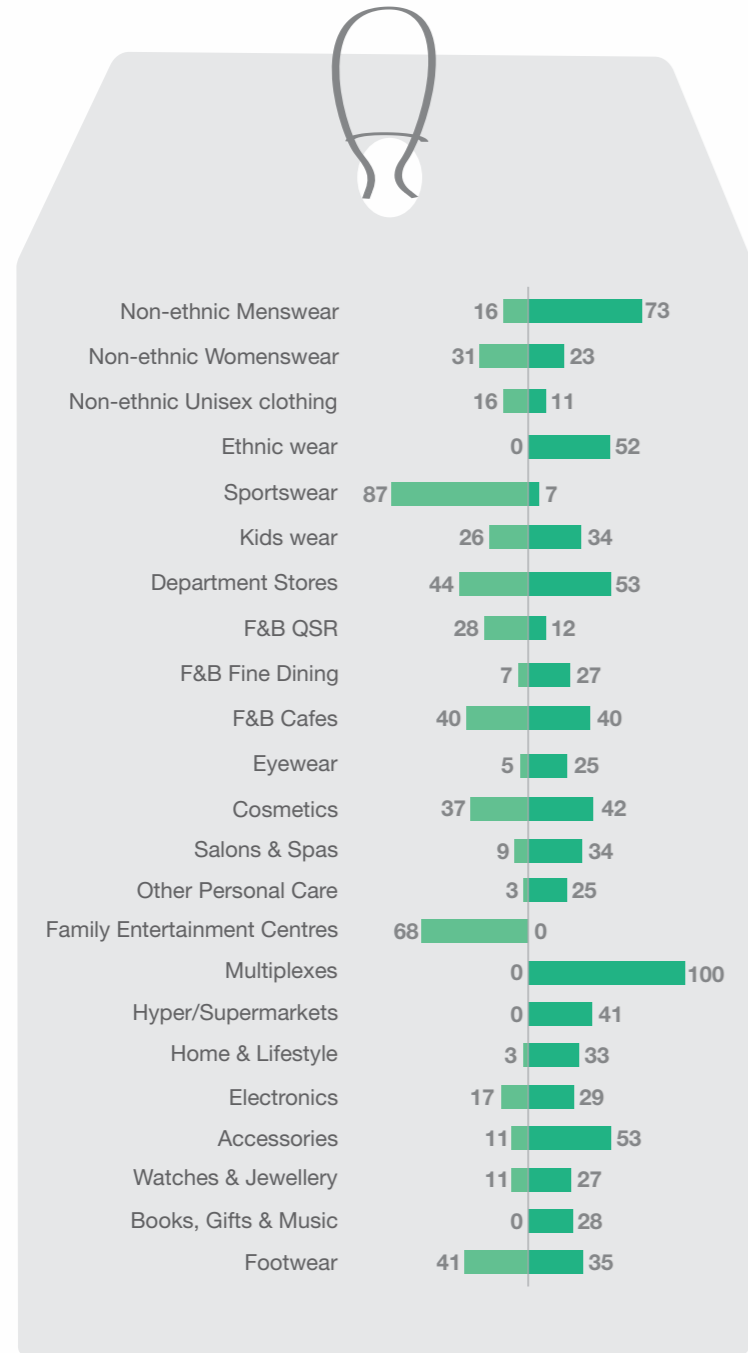
- The per capita penetration of product categories that require large-format stores, such as department stores, multiplexes, hyper/supermarkets and family entertainment centres, is very high in Central-South Chennai. This zone has three malls, and since the preference for locating within a mall is very strong within these product categories, it is reflected here with a high per capita penetration
- While categories like accessories, sportswear and cosmetics are present only within malls, fine dining, home & lifestyle and other personal care are highly skewed towards shopping streets
- F&B cafes have a very low presence in this zone, as only 12 sq ft per 1,000 population is available for this product category

Chart 2

Share of foreign and national brand stores in the overall modern retail space



Share in Percentage



- The combined share of national and foreign brand shops is 60 per cent and above in 10 categories out of the total 23, indicating a preference for regional and local brand shops among shoppers in Central-South Chennai
- Books, gifts & music, and other personal care are dominated primarily by regional and local brand shops, as the share of national and foreign brand shops is less than 30 per cent
- The multiplexes category is dominated by national retailers like INOX and IMAX

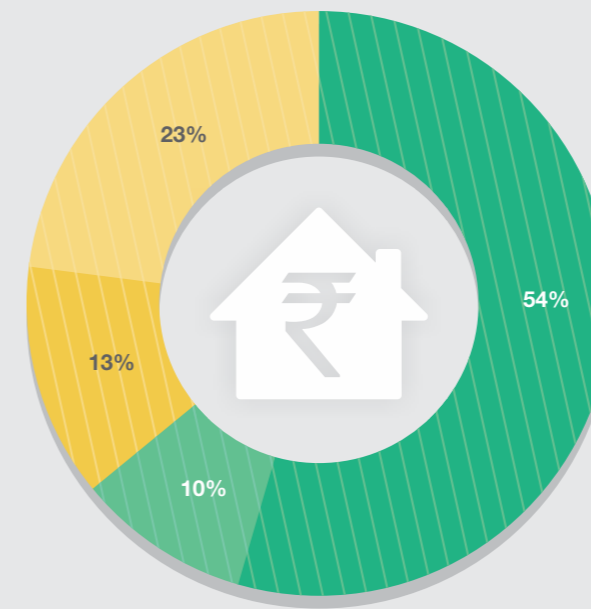
Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

■ Share of foreign brands
■ Share of national brands

Source: Knight Frank Research

Chart 3

Household income split in Central-South Chennai

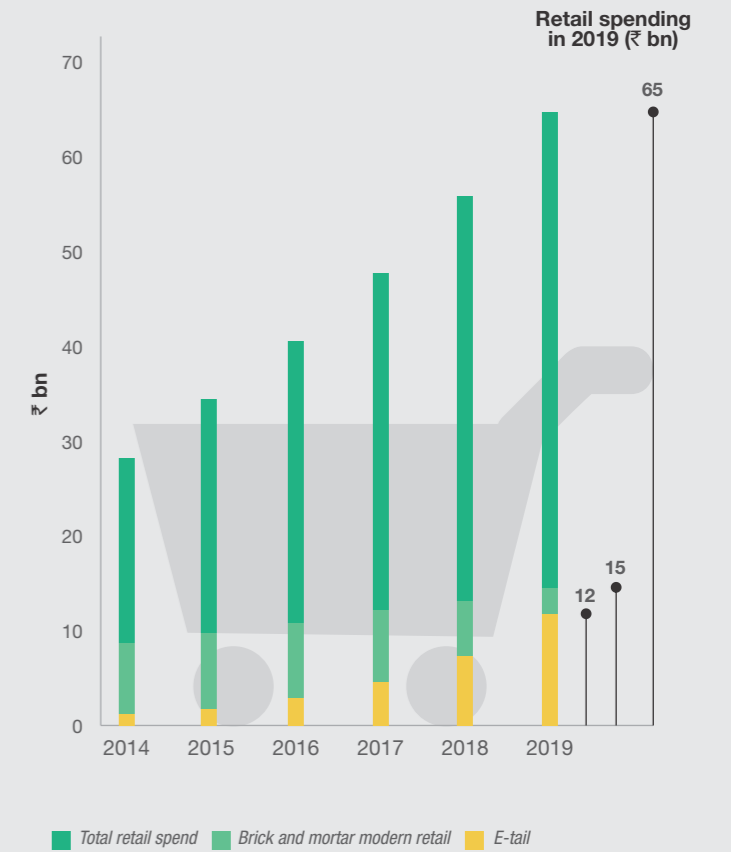


■ < ₹300,000 ■ ₹300,001 – ₹500,000
■ ₹500,001 – ₹1,000,000 ■ > ₹1,000,000

Source: Knight Frank Research, Indicus Analytics

Chart 4

Projected retail spending in Central-South Chennai



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

- The total retail spending in Central-South Chennai is projected to increase to ₹65 bn in 2019 from ₹28 bn in 2014, resulting in an annual growth rate of 19 per cent
- While the share of E-tail in the total retail is estimated to increase from 4 per cent in 2014 to 18 per cent in 2019, this will lead to a decrease in the share of brick and mortar modern retail, falling from 31 per cent to 22 per cent during the same period

Future trends in Central-South Chennai



As on date, this zone has only three significant malls. Going forward with a 70 per cent increase in brick and mortar retail over next five years, we can expect more malls to come up in this zone, though the rate of growth in mall space will be relatively slower compared to non-modern retail space.

CHENNAI CITY ANALYSIS

Extended South Chennai Zone Analysis

Extended South Chennai map

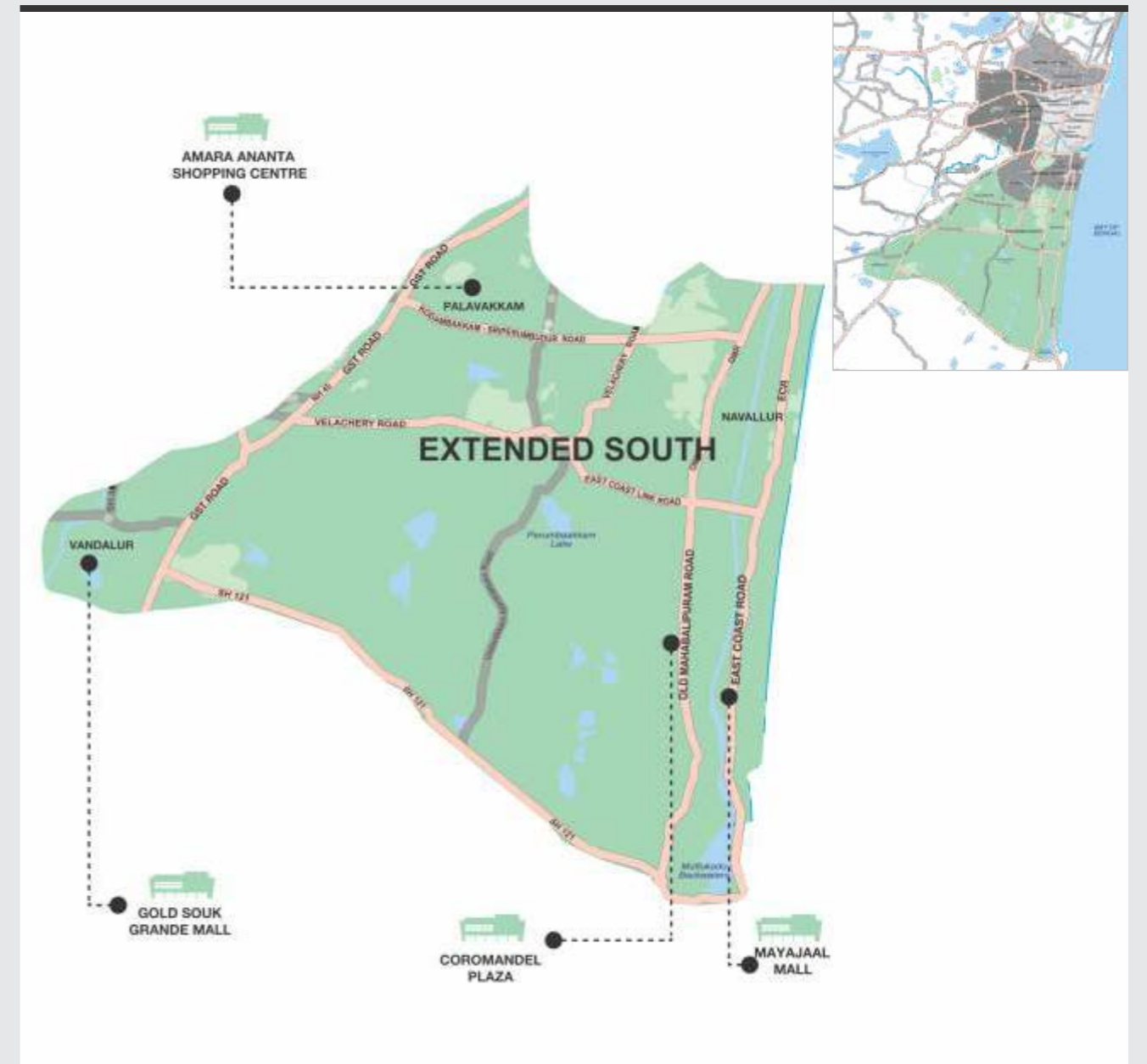
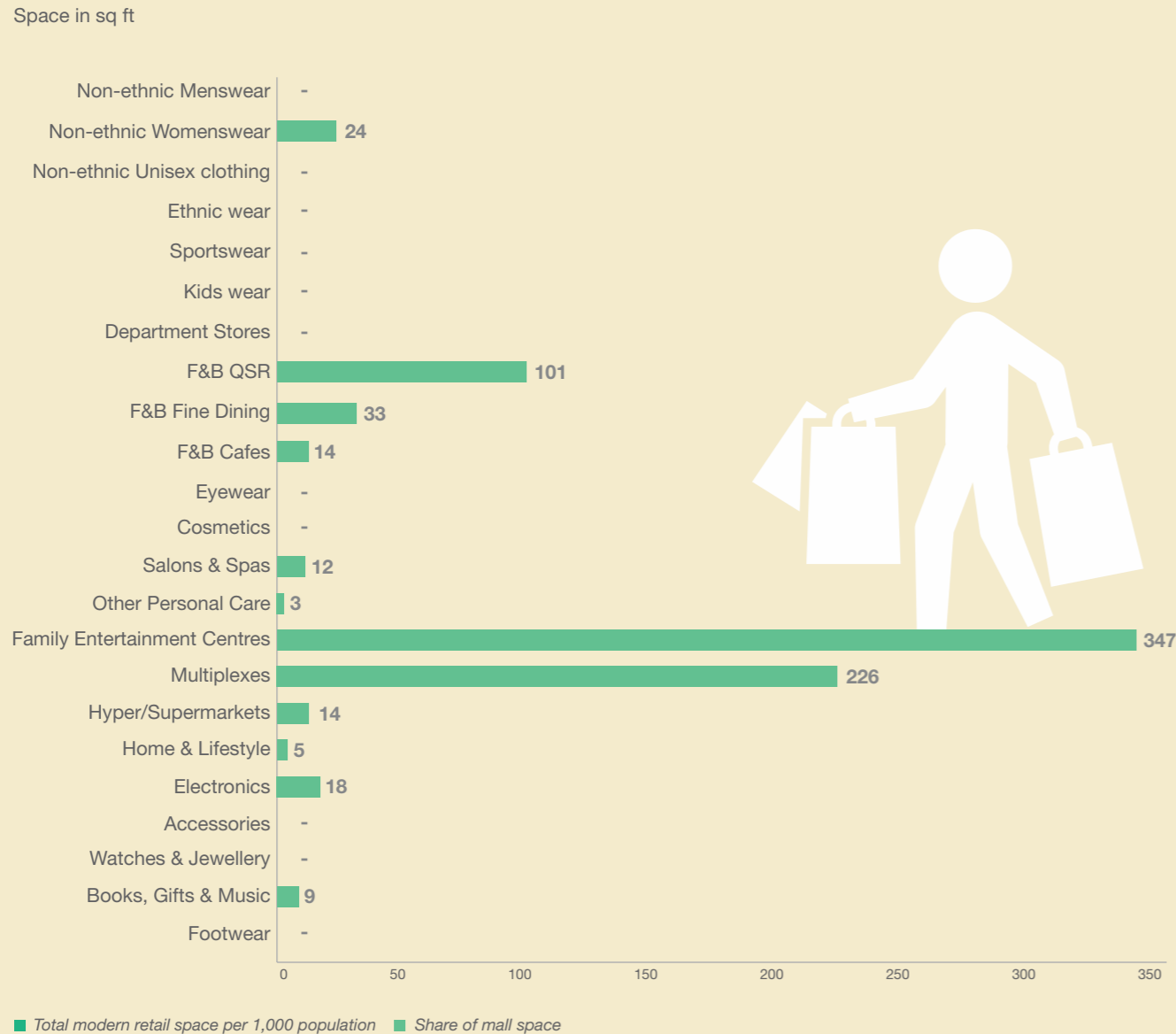


Chart 1

Per capita occupied modern retail space in Extended South Chennai



Note: Footwear, watches & jewellery, accessories, cosmetics, eyewear, department stores, kids wear, sportswear, ethnic wear, non-ethnic unisex clothing and non-ethnic menswear have a negligible presence in this zone

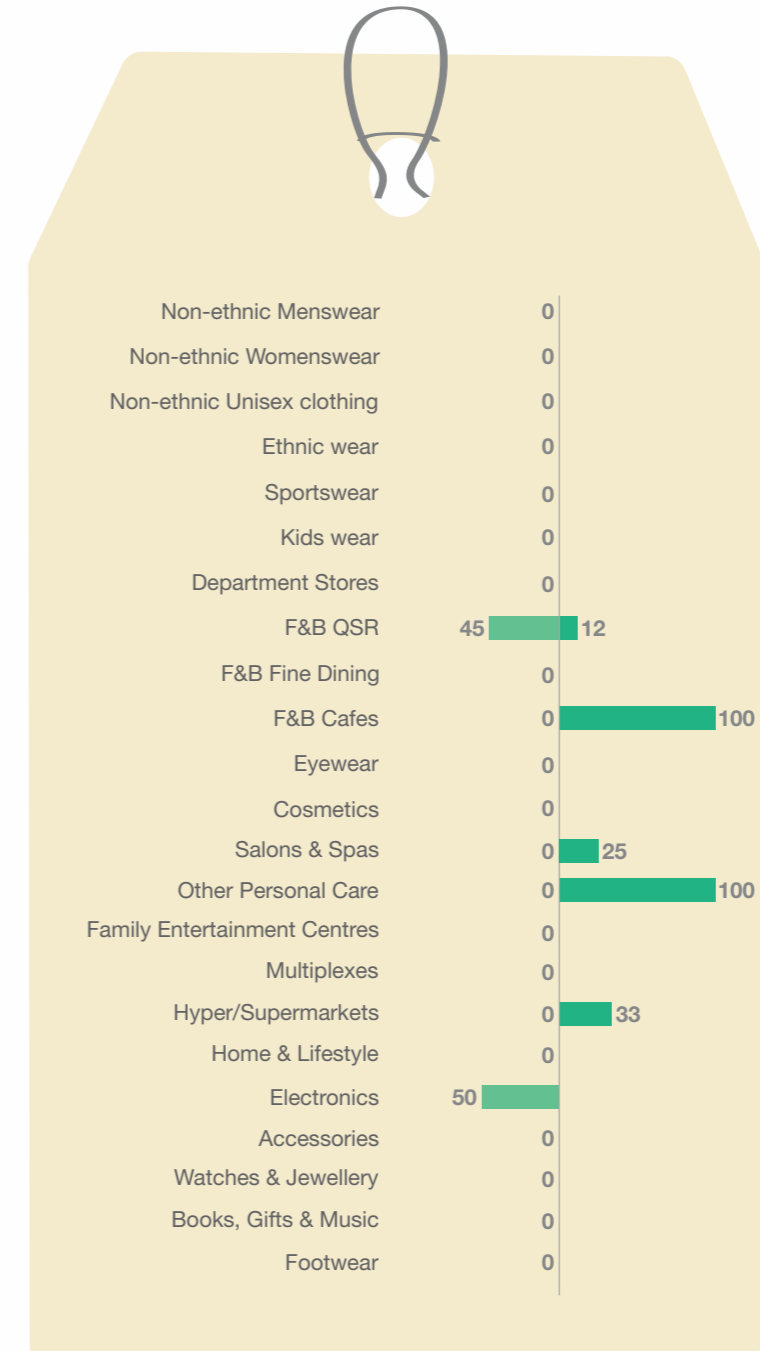
Source: Knight Frank Research, Indicus Analytics

- As many as 11 product categories like footwear, accessories, department stores and sportswear, among others, are missing entirely from Extended-South Chennai, despite there being six malls in this zone
- The per capita penetration of the home and lifestyle, books, gifts and music, salon and spas, and other personal care categories is also significantly low in this zone
- The presence of a large number of QSRs on Old Mahabalipuram (OMR) Road has resulted in a relatively higher per capita penetration of the F&B QSR category here
- Multiplexes and family entertainment centres have a relatively higher per capita presence in Extended-South Chennai

Chart 2

Share of foreign and national brand stores in the overall modern retail space

Share in Percentage



- The F&B cafe and other personal care categories are dominated primarily by national brand stores in Extended-South Chennai
- The books, gifts & music category is dominated by regional retailers in this zone, while electronics is owned equally by foreign, regional and local brand stores
- As many as 10 product categories are absent in this zone, clearly implying low modern retail penetration

Note 1: Balance percentage in all the product categories denotes the share of regional and local brand stores

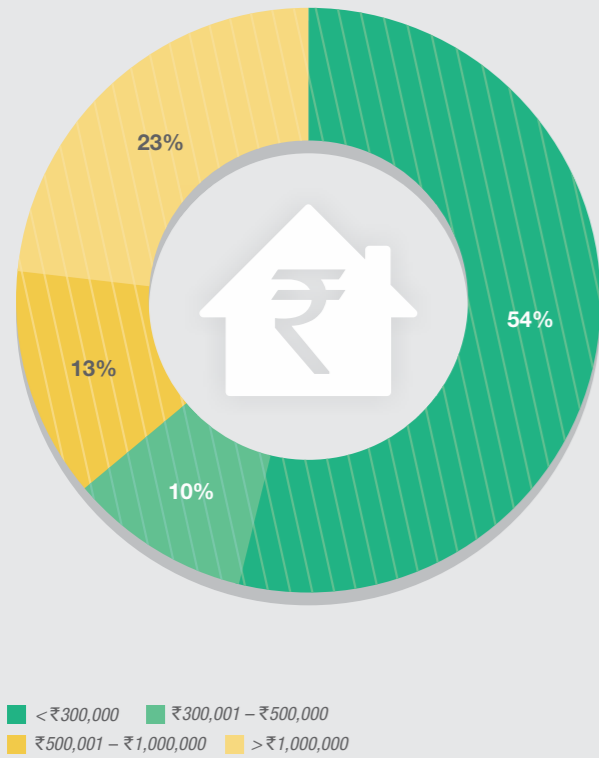
Note 2: Footwear, watches & jewellery, accessories, cosmetics, eyewear, department stores, kids wear, sportswear, ethnic wear, non-ethnic unisex clothing and non-ethnic menswear have a negligible presence in this zone

■ Share of foreign brands
■ Share of national brands

Source: Knight Frank Research

Chart 3

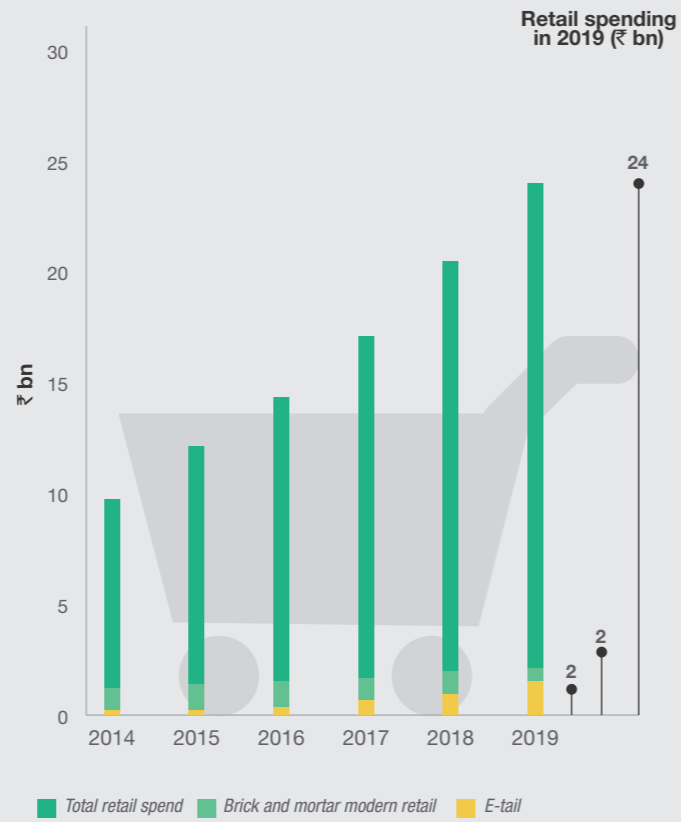
Household income split in Extended South Chennai



Source: Knight Frank Research, Indicus Analytics

Chart 4

Projected retail spending in Extended South Chennai



Source: Knight Frank Research

- The Extended South zone is one of the growth corridors of Chennai, and its population is set to explode in the ensuing five years. Based on this premise, we expect total retail spending to increase from ₹10 bn in 2014 to ₹24 bn in 2019, thereby registering the highest annual growth rate of 20 per cent among other zones
- Though the share of E-tail in the total retail segment is estimated to increase six-fold over the next five years, its actual expenditure is quite miniscule at ₹2 bn by the end of 2019

Future trends in Extended South Chennai



Modern retail (including brick and mortar and E-tail) will account for only 15 per cent of the total retail in 2019, implying the dominance of non-modern retailers in this zone.



As on date, mall vacancies in this zone are the highest in the city. Going forward with the increase in brick and mortar modern retail demand, we expect mall vacancies to fall.

CHENNAI CITY ANALYSIS

North Chennai Zone Analysis

North Chennai map

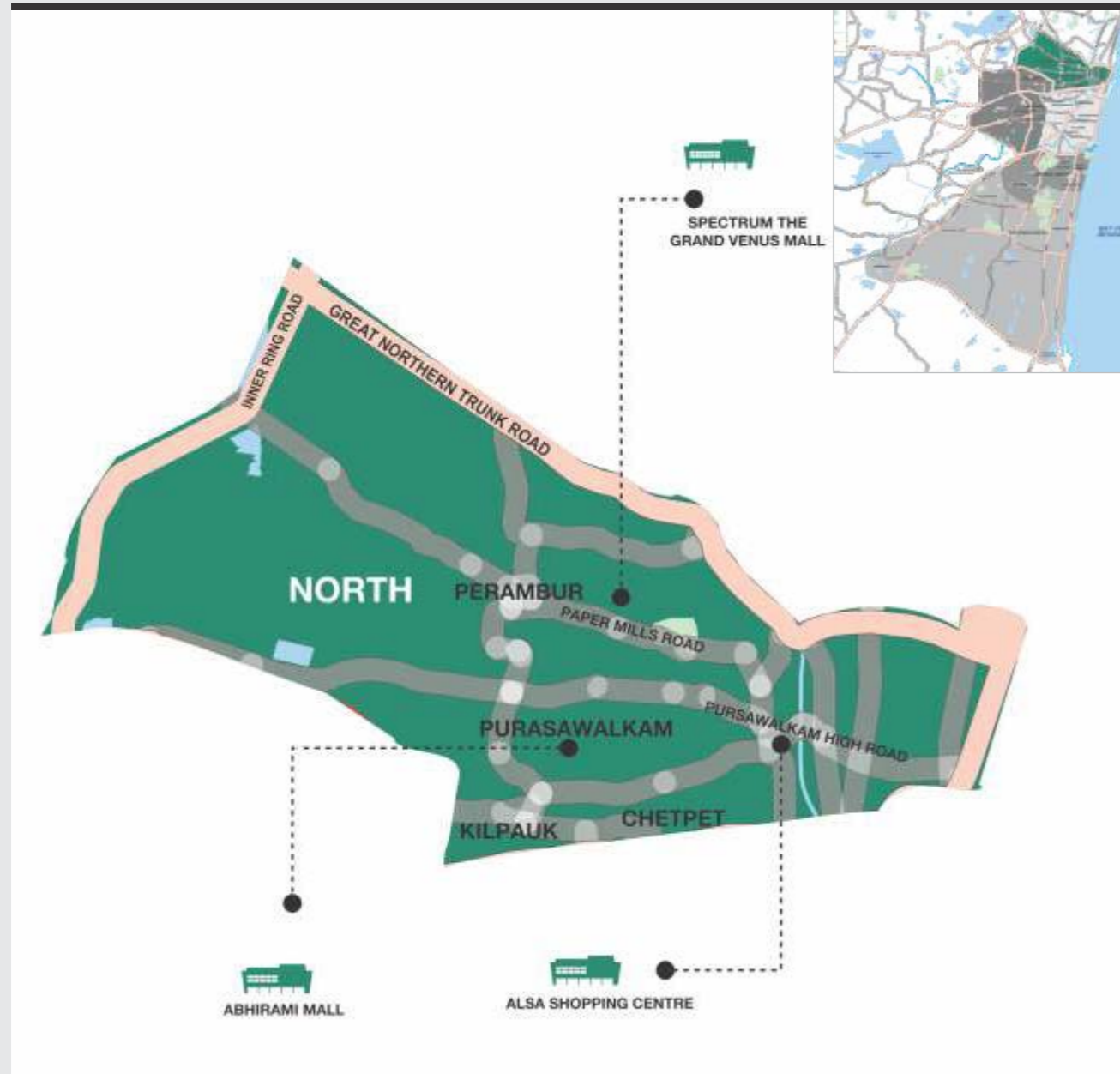
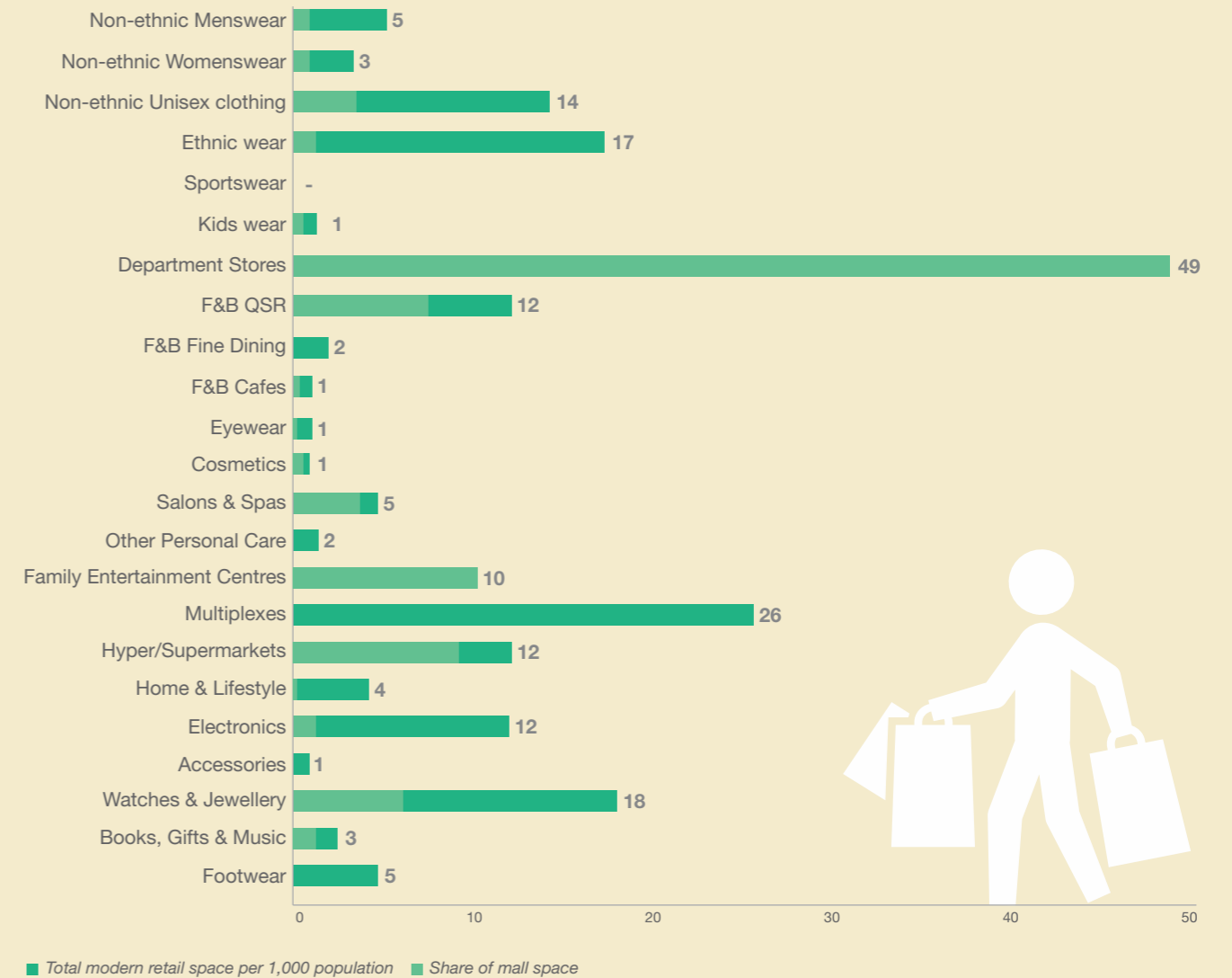


Chart 1

Per capita occupied modern retail space in North Chennai

Space in sq ft



Note: Sportswear as a category has a negligible presence in this zone

Source: Knight Frank Research, Indicus Analytics

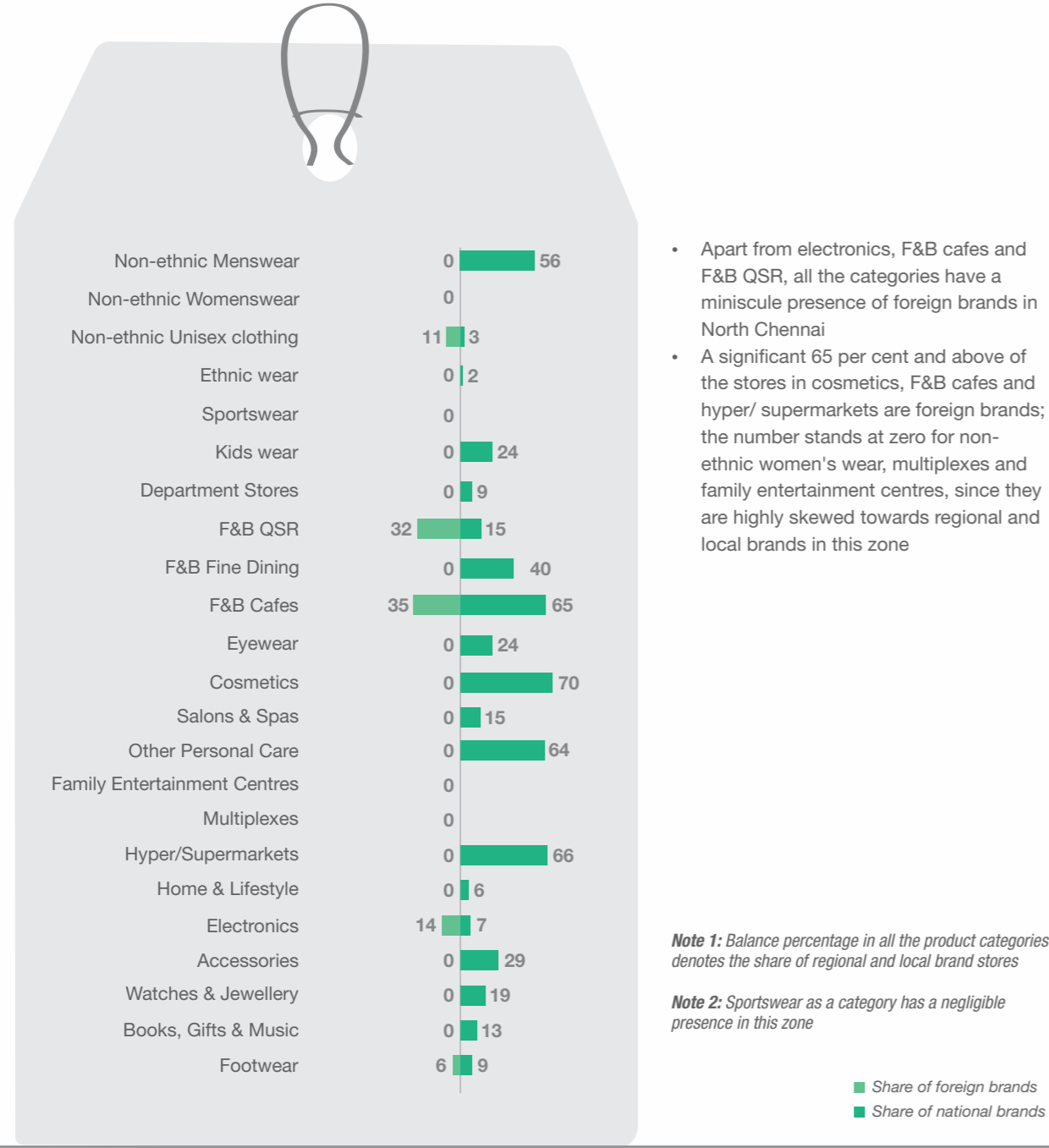
- The penetration of department stores is the highest in North Chennai, compared to the other apparel subcategories. Saravana Stores in Purasawalkam High Road alone has resulted in such a skewed number in the department stores category
- The sportswear category is absent in this zone. This is similar to the Extended-South Chennai zone, where it is non-existent
- Since there are only three major malls in this zone, the share of malls in most of the categories is negligible

Chart 2

Share of foreign and national brand stores in the overall modern retail space



Share in Percentage



- Apart from electronics, F&B cafes and F&B QSR, all the categories have a miniscule presence of foreign brands in North Chennai
- A significant 65 per cent and above of the stores in cosmetics, F&B cafes and hyper/ supermarkets are foreign brands; the number stands at zero for non-ethnic women's wear, multiplexes and family entertainment centres, since they are highly skewed towards regional and local brands in this zone

Note 1: Balance percentage in all the product categories denotes the share of regional and local brand stores

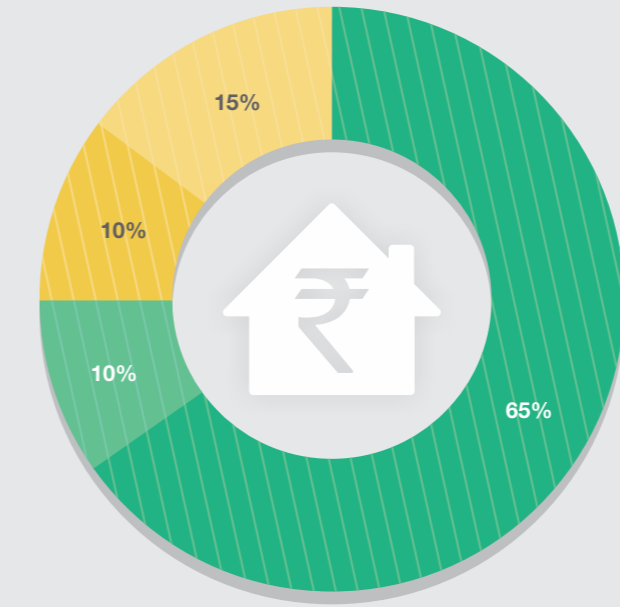
Note 2: Sportswear as a category has a negligible presence in this zone

■ Share of foreign brands
■ Share of national brands

Source: Knight Frank Research

Chart 3

Household income split in North Chennai



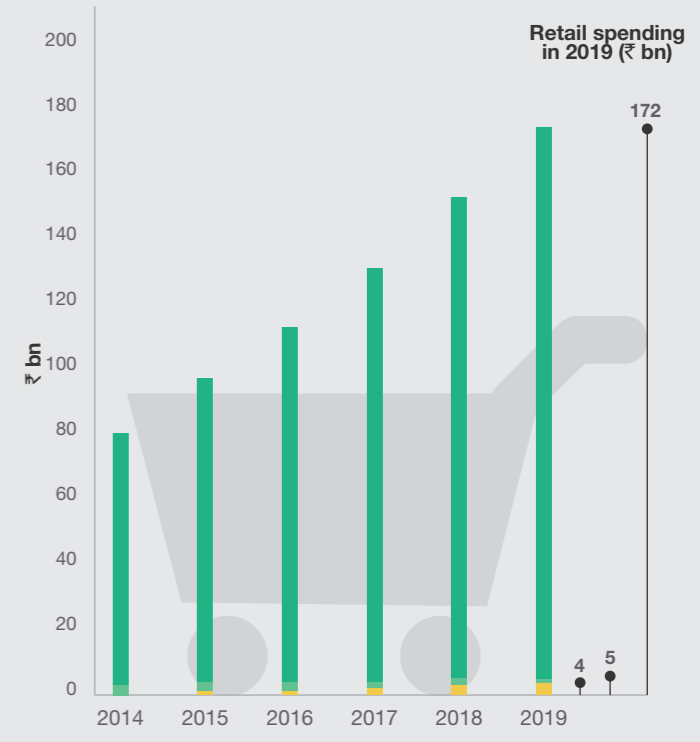
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■ ₹500,001 - ₹1,000,000 ■ > ₹1,000,000

Source: Knight Frank Research, Indicus Analytics

- Being the largest populated zone, the total retail expenditure is the highest in this zone. We expect total retail spending to increase from ₹79 bn in 2014 to ₹172 bn in 2019, registering a 17 per cent annual growth rate
- As on date, E-tail has not caught the fancy of the people in this zone. However, we expect the E-tail share to increase from less than 1 per cent in 2014 to 3 per cent in 2019

Chart 4

Projected retail spending in North Chennai



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

Future trends in North Chennai



Similar to the Extended South Chennai Zone, modern retail (including brick and mortar and E-tail) will account for only 5 per cent of the total retail in 2019, implying the dominance of non-modern retailers in this zone.



As on date, there are only three malls in this zone, which is relatively less compared to the other zones of the city. We expect this trend to remain intact going forward, as non-modern retail will continue its dominance.

CHENNAI CITY ANALYSIS

West Chennai Zone Analysis

West Chennai map

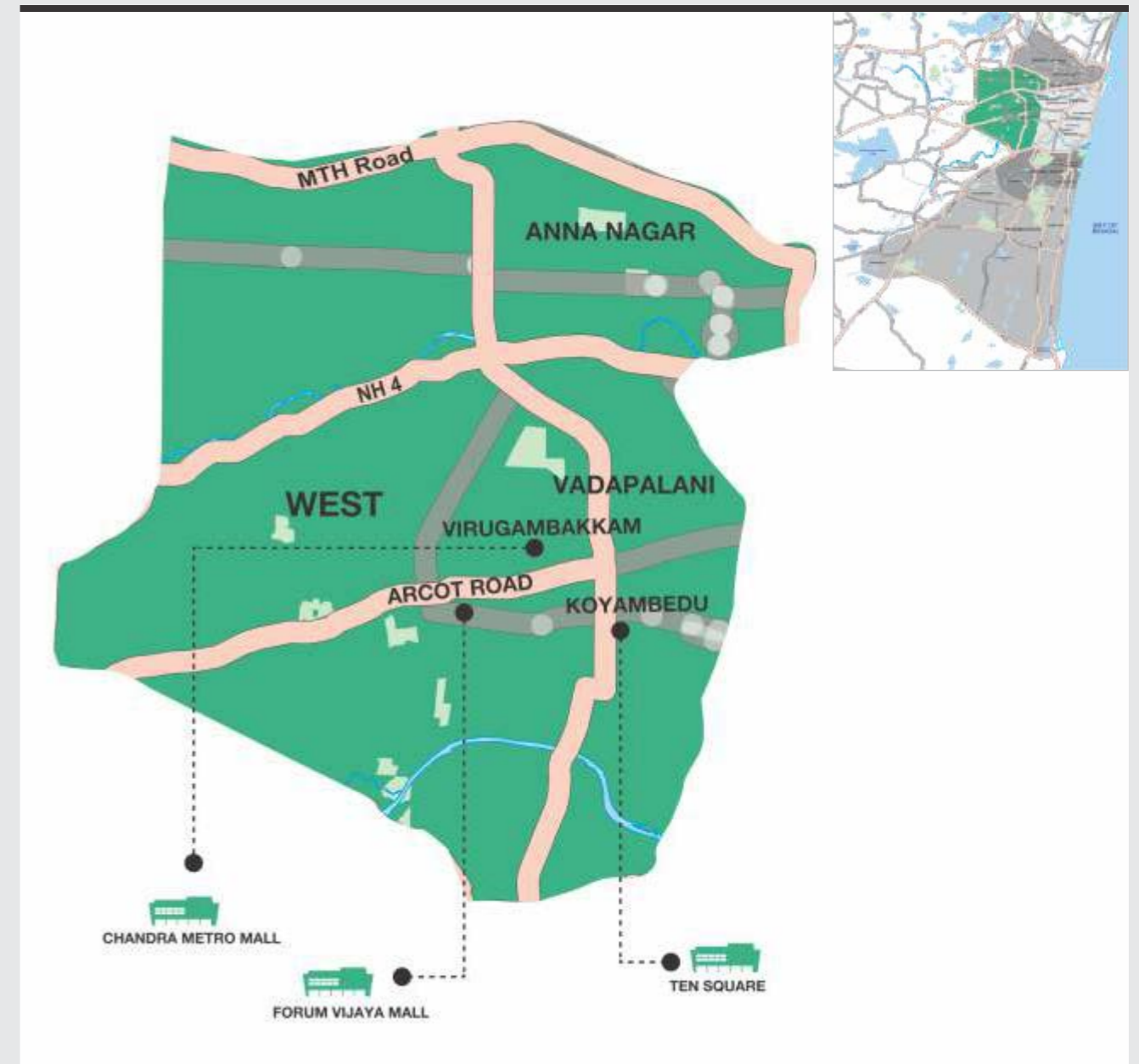
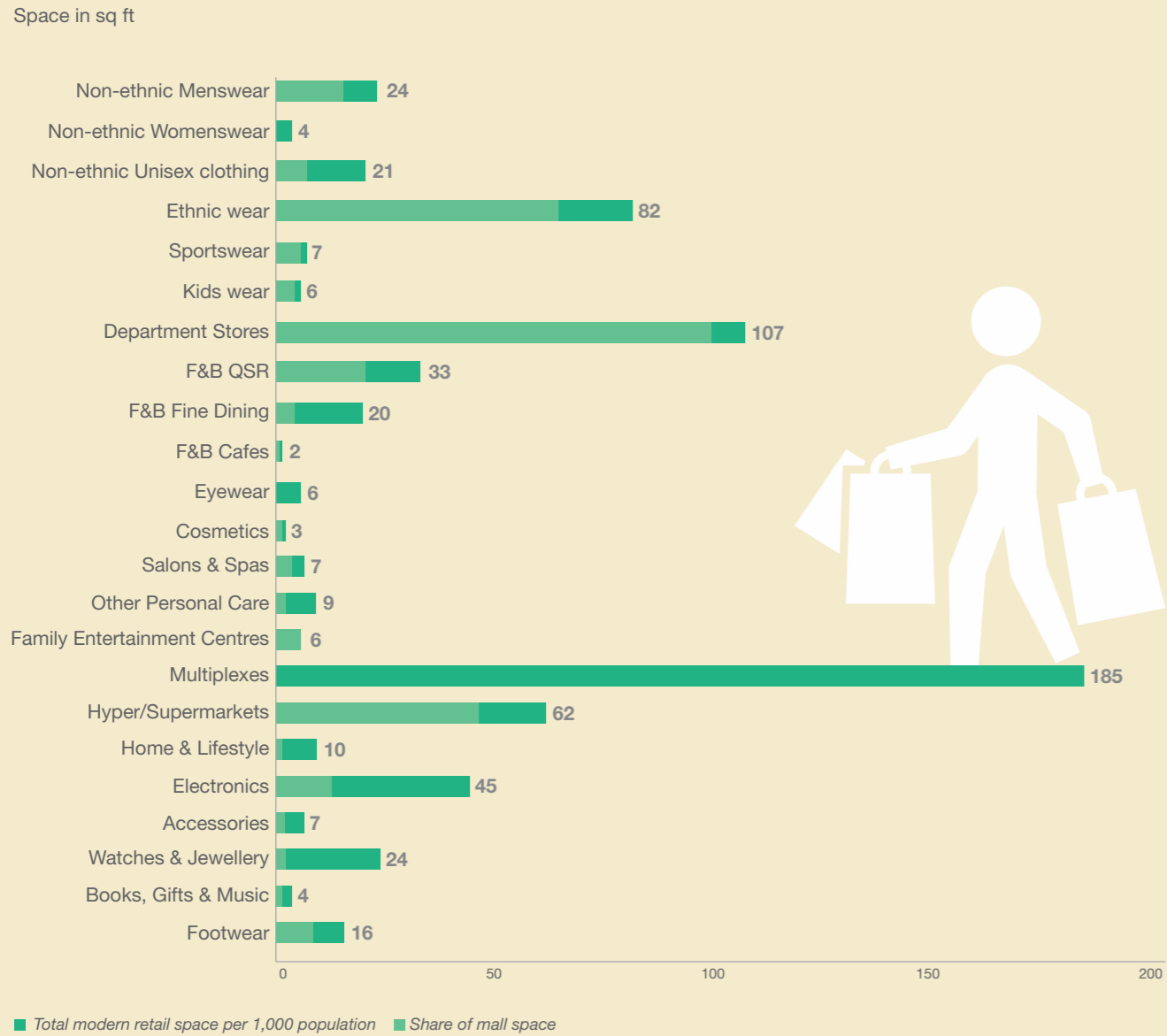


Chart 1

Per capita occupied modern retail space in West Chennai



Note: Family entertainment centres and cosmetics have a negligible presence in this zone

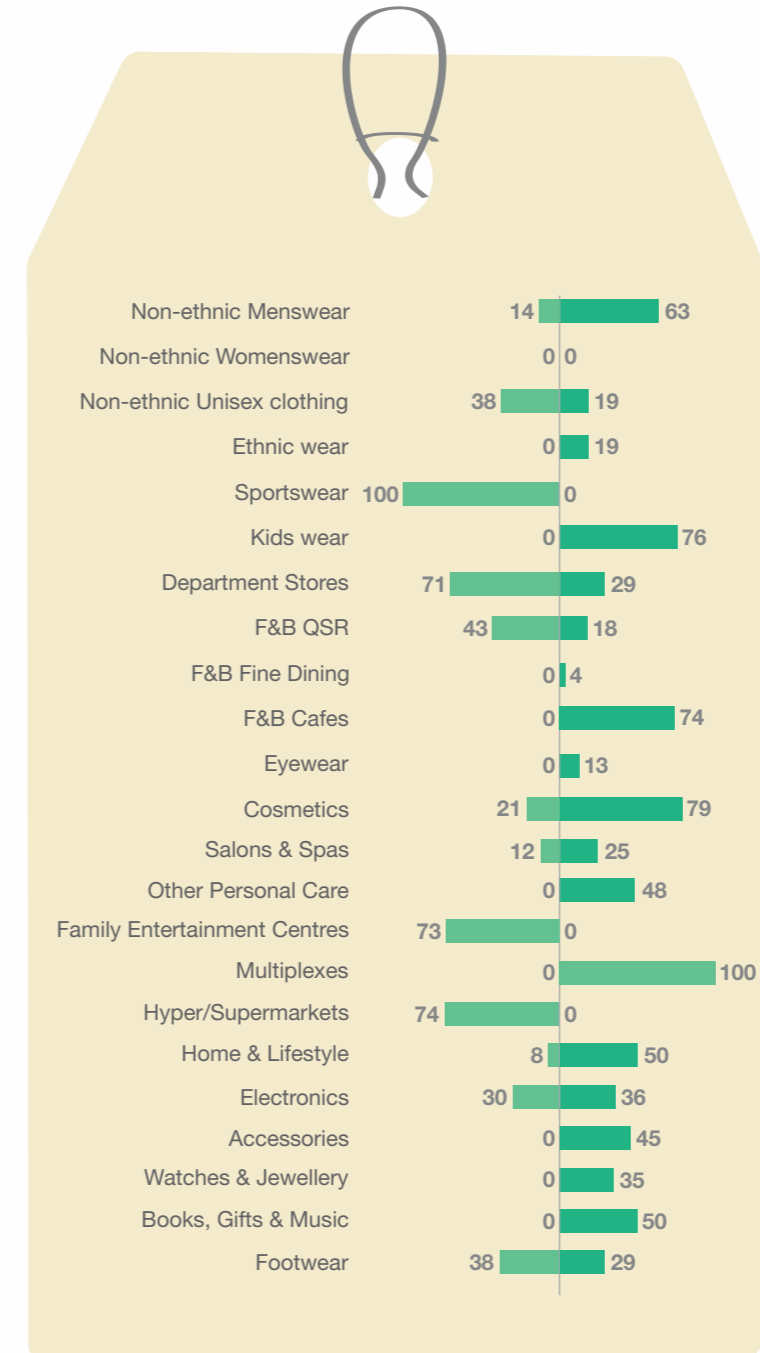
Source: Knight Frank Research, Indicus Analytics

- Except for multiplexes, department stores, ethnic wear and hyper/supermarkets, all the product categories have a very poor penetration in this zone
- The presence of brands like IMAX and INOX in Vadapalani has helped this zone report a highest per capita space for multiplexes
- Within apparel, department stores have the highest penetration. This is similar to North Chennai, as the demographics of these zones are very similar

Chart 2

Share of foreign and national brand stores in the overall modern retail space

Share in Percentage



- Foreign brands are missing from most of the product categories in West Chennai
- The sportswear category is dominated completely by foreign brands, followed by department stores, with a 71 per cent share. Similarly, non-ethnic women's wear is dominated entirely by regional and local brands
- The majority of the stores in the eyewear and F&B fine dining categories are either local or regional brands, with a miniscule presence of national brands

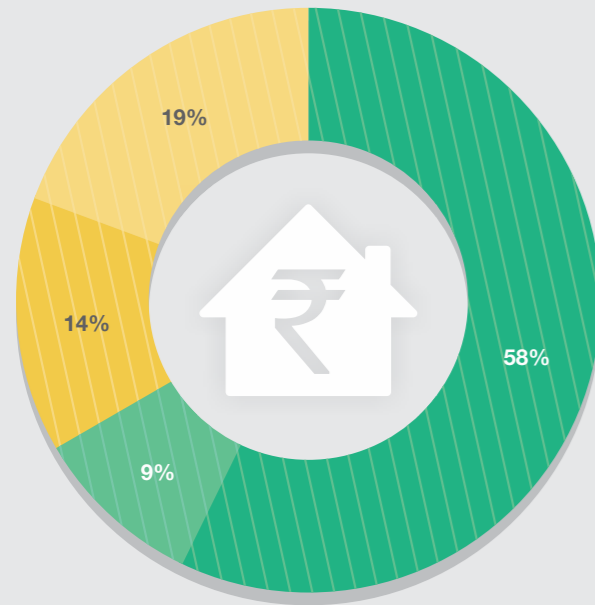
Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

■ Share of foreign brands
■ Share of national brands

Source: Knight Frank Research

Chart 3

Household income split in West Chennai

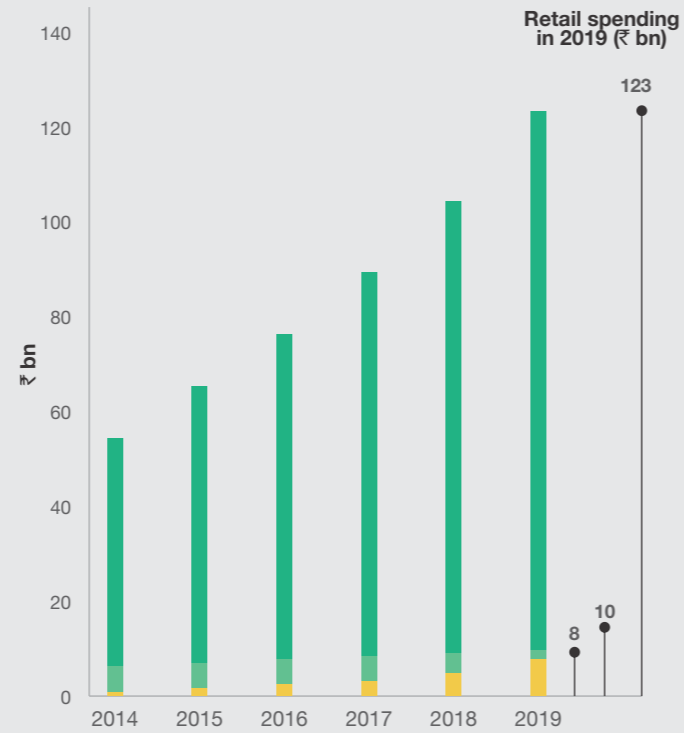


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Source: Knight Frank Research, Indicus Analytics

Chart 4

Projected retail spending in West Chennai



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

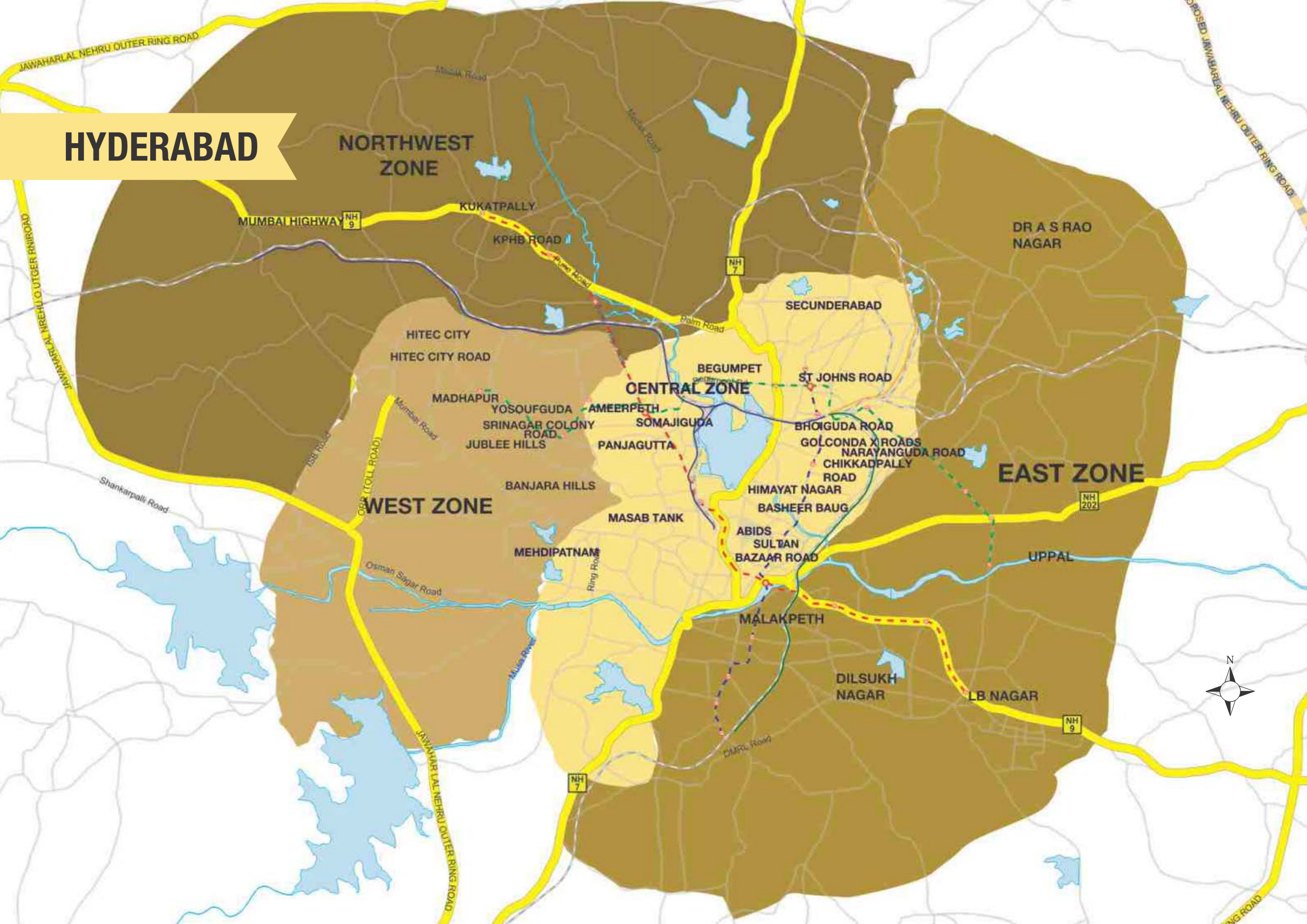
- The West Chennai zone has the third lowest modern retail penetration (brick and mortar and E-tail combined). Going forward, we expect this trend to continue in West Chennai despite the increase in total retail spending from ₹53 bn in 2014 to ₹123 bn in 2019
- The share of E-tail is expected to increase from 1 per cent in 2014 to 6 per cent in 2019, thereby eating into the modern retail share, which will decrease from 11 per cent in 2014 to 8 per cent by 2019

Future trends in West Chennai



Similar to the Extended South and North Chennai zones, non-modern retail dominates this zone and it will continue to do so in 2019. Total modern retail (including brick and mortar and E-tail) will increase slightly, from 12 per cent in 2014 to 15 per cent in 2019.

HYDERABAD



HYDERABAD CITY ANALYSIS

Retail Landscape

Hyderabad city map

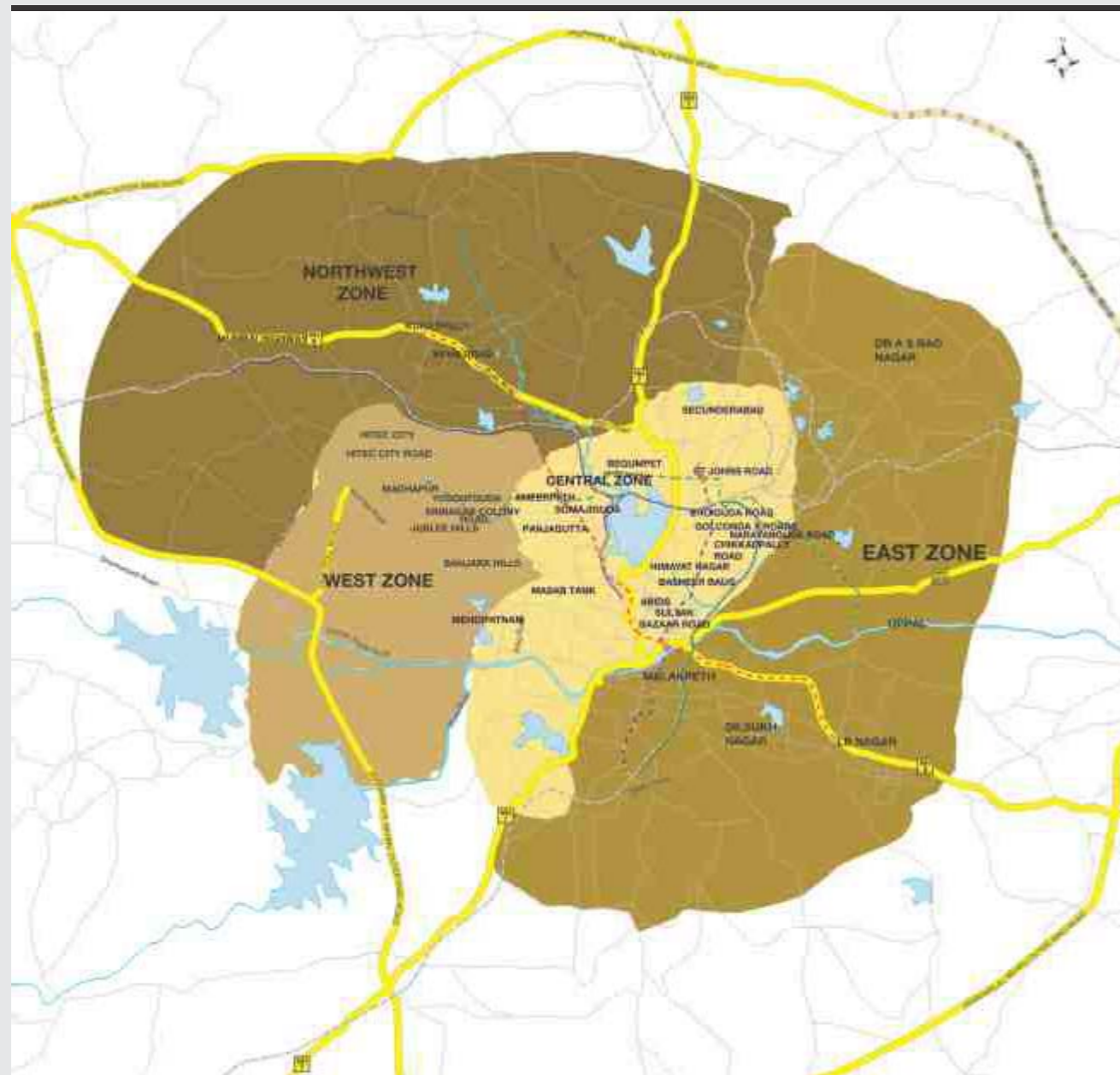
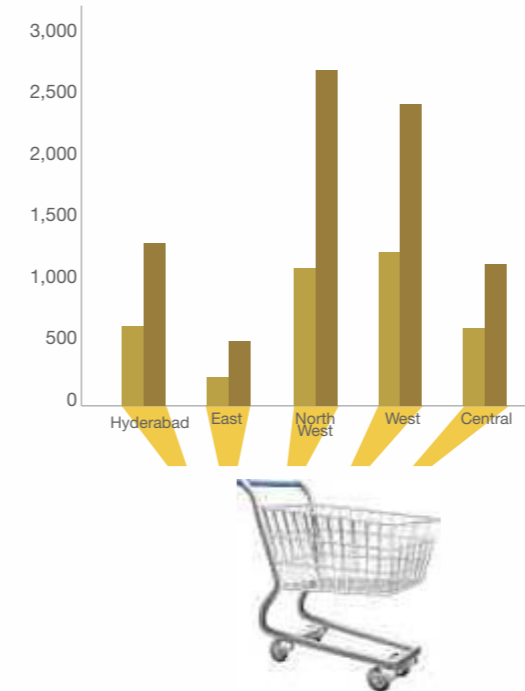


Chart 1

Per capita occupied modern retail space

Space in sq ft



■ Modern retail space per 1,000 population
■ Modern retail space per 1,000 population for households earning > ₹300,000

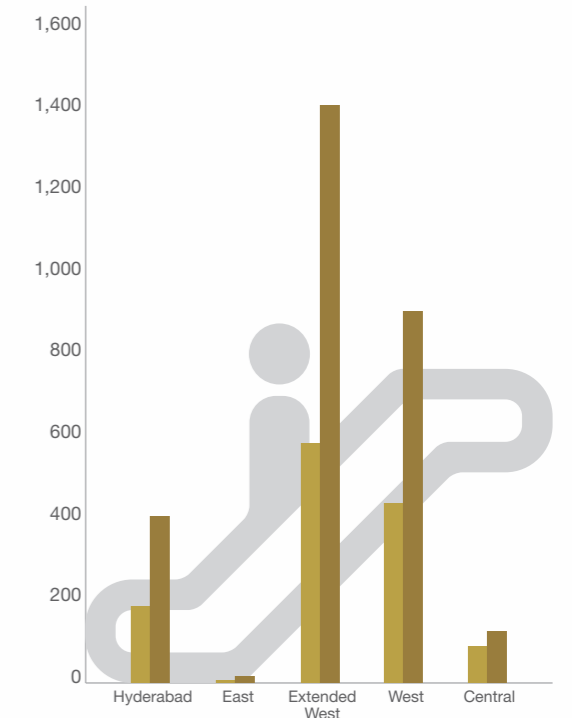
Source: Knight Frank Research, Indicus Analytics

- Hyderabad ranks fifth among the cities of Mumbai, NCR, Bengaluru, Pune, Chennai, Kolkata and Hyderabad in terms of retail space per 1,000 population
- Hyderabad West, the highest ranked among the retail zones in Hyderabad, is currently ranked 14th among 42 retail zones contained in these cities in terms of modern retail space per 1,000 population in India
- The bulk of the modern retail space is being built in the West and North West zones, as the residential core of the city continues to shift in this direction
- The West zone has the maximum retail space per 1,000 population, but locations in the North West zone have the highest proportion of modern retail space per 1,000 population for households with earnings over ₹300,000

Chart 2

Per capita occupied mall space

Space in sq ft



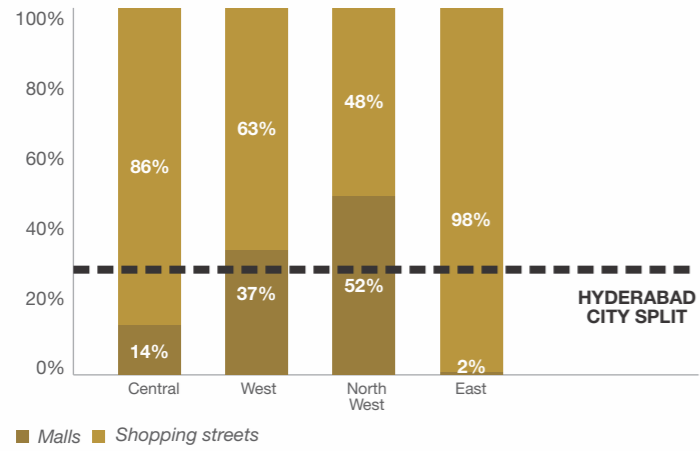
■ Mall space per 1,000 population
■ Mall space per 1,000 population for households earning > ₹300,000

Source: Knight Frank Research, Indicus Analytics

- In line with the per capita distribution of overall modern retail, the West and North West zones also have the most mall space per 1,000 population in Hyderabad
- Moreover, locations like HITEC City and KPHB in the West and North West zones account for more than two-thirds of the mall space in Hyderabad

Chart 3

Split of occupied modern retail space into malls and shopping streets



Source: Knight Frank Research

- Practically all the major malls in Hyderabad are located in the West and North West zones. This is depicted clearly in the chart
- Even though the Central zone consists of the oldest and most dense markets of Hyderabad, very few of the shops in these markets can be encompassed in the gamut of modern retail. Paucity of land and the relative abundance of fast-evolving locations in the West zone have resulted in very little mall development in this zone
- The East zone still has a long way to go in terms of mall development

Chart 4

Product category split of occupied modern retail space in Central Hyderabad



Source: Knight Frank Research

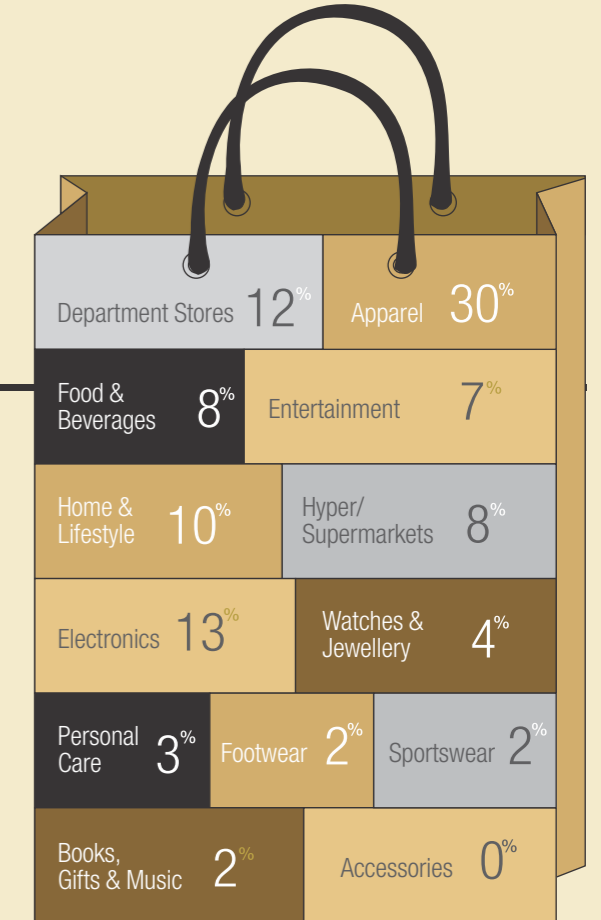
- Apparel, watches and jewellery, and department stores are the dominant product categories in the Central zone
- Watches and jewellery stores have the highest share in

this zone, since it has the highest concentration of people in households earning more than ₹300,000

Chart 5

Product category split of occupied modern retail space in East Hyderabad

- With the lowest modern retail penetration among all the zones in Hyderabad, the East zone is ranked 38th among the 42 zones in terms of modern retail space per 1,000 population
- Apparel stores claim the largest share in this zone, while electronic stores take up 13 per cent of the area under modern retail - the highest among all the zones

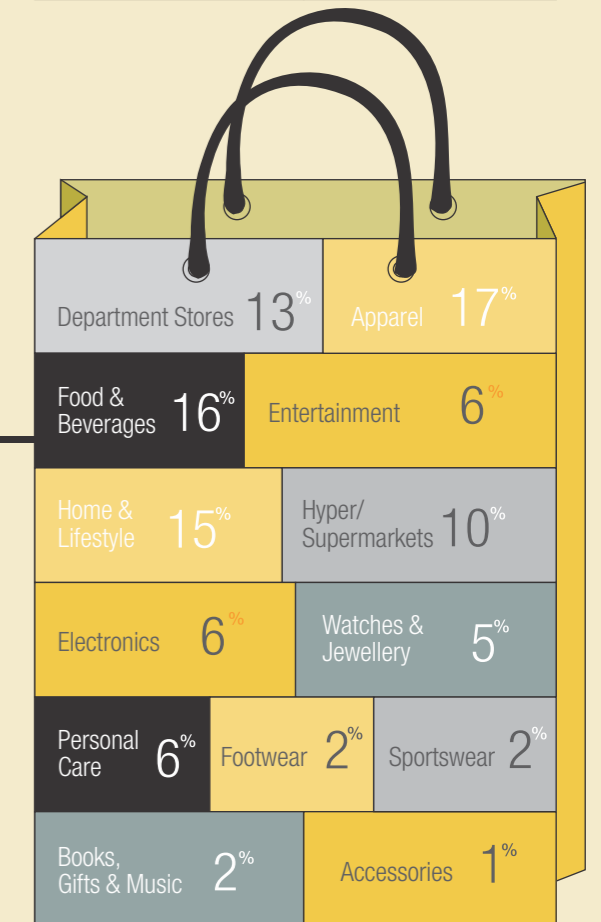


Source: Knight Frank Research

Chart 6

Product category split of occupied modern retail space in West Hyderabad

- Major progress in the office and residential markets during the previous decade in west Hyderabad nurtured the growth of modern retail formats in terms of major mall development and the maturing of already established upmarket high streets of Jubilee Hills and Banjara Hills
- This zone has evolved over the years and has a healthy distribution of all product categories



Source: Knight Frank Research

Chart 7

Product category split of occupied modern retail space in North West Hyderabad



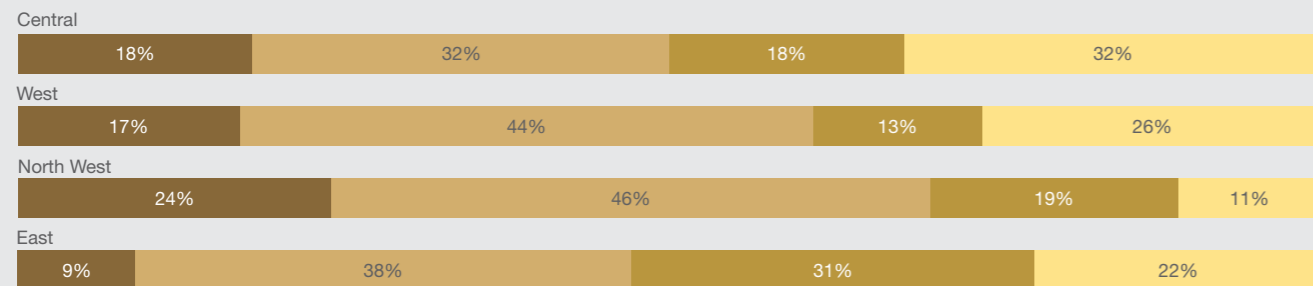
Source: Knight Frank Research

- The North West zone is an extension of the West zone and has been a hub of retail development activity over the past five years
- Departmental stores, apparel and hyper/supermarkets categories make up 62% of the area occupied by

modern retail outlets in this zone, the highest for any three product categories across zones

Chart 8

Brand-wise split of occupied modern retail store space



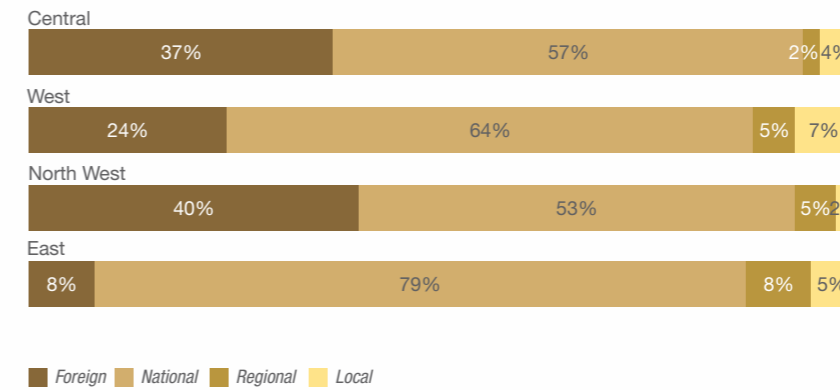
- West and North West zones of Hyderabad have a comparatively larger presence of foreign and national brands
- Brand categories are more uniformly dispersed across the Central and East zones
- National brands have the largest presence across all zones
- The share of regional brands stands out in the East zone where it is second only to national brands. Nearly 60% of these brands are present in two locations of Dilukh Nagar and LB Nagar in the east
- The Central zone that houses the oldest retail markets of Hyderabad has the largest share of local brands among all zones

Legend: Foreign, National, Regional, Local

Source: Knight Frank Research

Chart 9

Brand-wise split of modern retail store space in malls

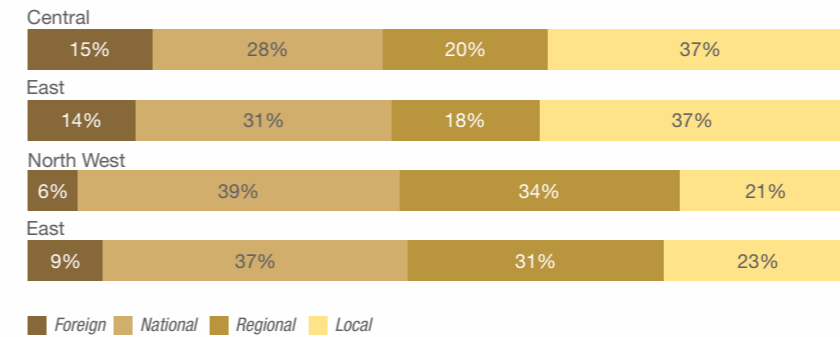


- National brands dominate the space occupied in malls followed by foreign brands in all zones except the east zone where the share of regional brands equals that of foreign brands
- Share of foreign brands is exceptionally low in the east zone because of the lack of mall development that foreign brands tend to be biased toward, however the share of national brands in this zone far eclipses that in other zones

Source: Knight Frank Research

Chart 10

Brand-wise split of occupied modern retail store space in shopping streets



- The share of brand categories is much better dispersed in the case of shopping streets compared to malls
- Local and regional brands play a much bigger role in shopping streets due to the comparatively lower average rentals than malls. They make up over half the area taken up by modern retail establishments in all zones

Source: Knight Frank Research

Chart 11

Top foreign, national and regional brands

| FOREIGN BRANDS | CATEGORIES | NATIONAL/REGIONAL BRANDS | | | | |
|----------------|---|--------------------------|------------------|---------------------|-------------------|------------|
| Accessorize |  | Hidesign | Da Milano | Fastrack | Baggit | |
| Forever 21 |  | Kalanikethan | Raymonds | R S Brothers | Mebaz | |
| |  | Landmark | Tirumala Music | Himalaya Book Depot | Archies | Walden |
| Lifestyle |  | Central | Brand Factory | Westside | Reliance Trends | |
| Samsung |  | Croma | Reliance Digital | Yes Mart | Bajaj Electronics | |
| Cinepolis |  | Asian Cinema | INOX | PVR Cinemas | Cinemax | |
| McDonald's |  | Café Coffee Day | Paradise | Karachi Bakery | | |
| Bata |  | Reliance Foot Print | Centro Footwear | Fantoosh | Mochi | |
| Home Centre |  | Bantia Furniture | @ Home | Reliance Living | Furniture World | |
| Spar |  | Big Bazaar | D Mart | HyperCITY | Reliance Mart | |
| Vodafone Store |  | Enersys | Spice | Airtel | | |
| |  | Apollo Pharmacy | Lakme Salon | Health & Glow | Lawrence & Mayo | Titan Eye+ |
| Woodland |  | | | | | |
| Reebok | | | | | | |
| Nike | | | | | | |
| Puma | | | | | | |
| Adidas | | | | | | |
| Joy Alukhas |  | Tanishq | Kalyan Jewellers | Mangatrai Jewels | GRT Jewellery | |

Source: Knight Frank Research

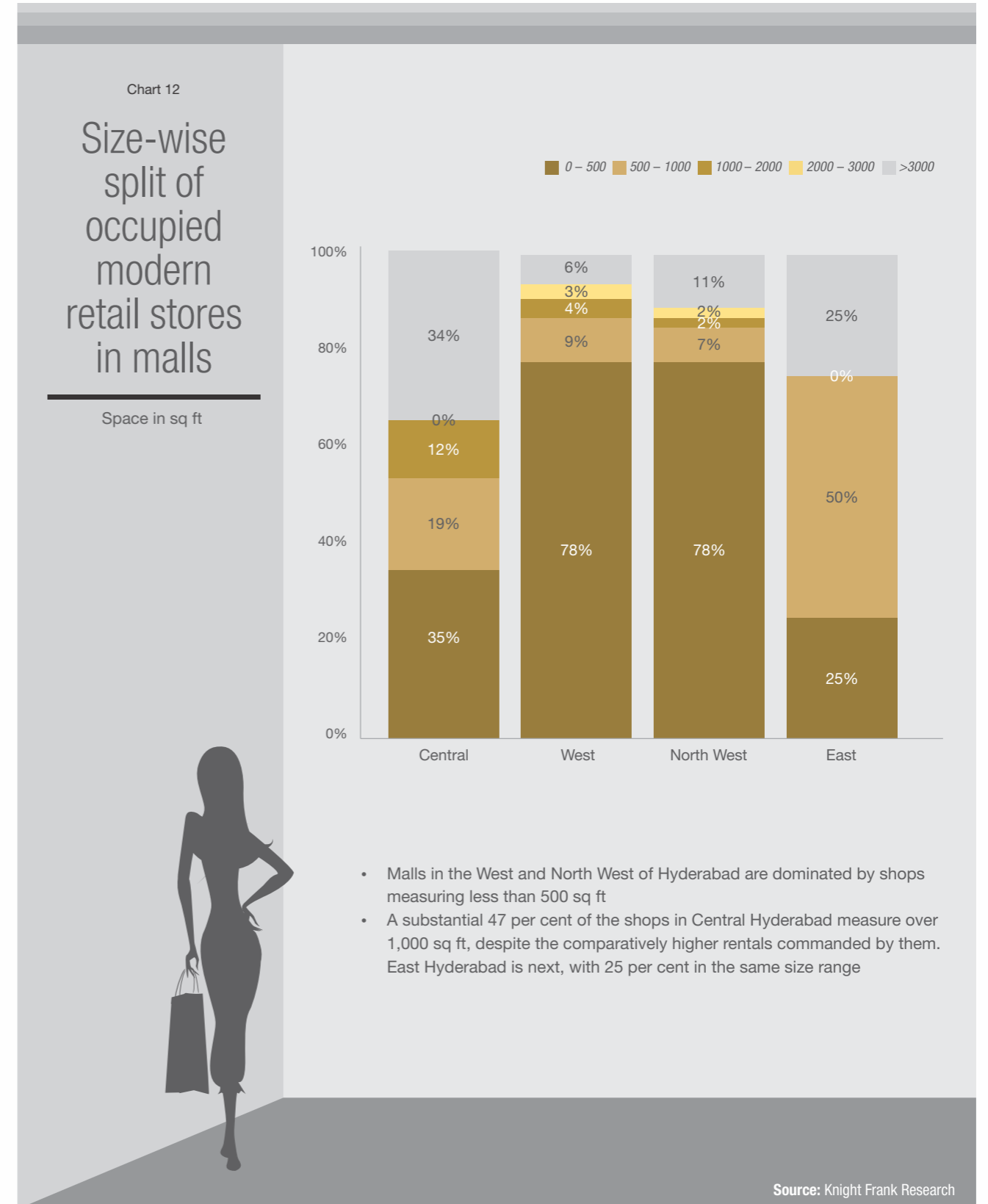
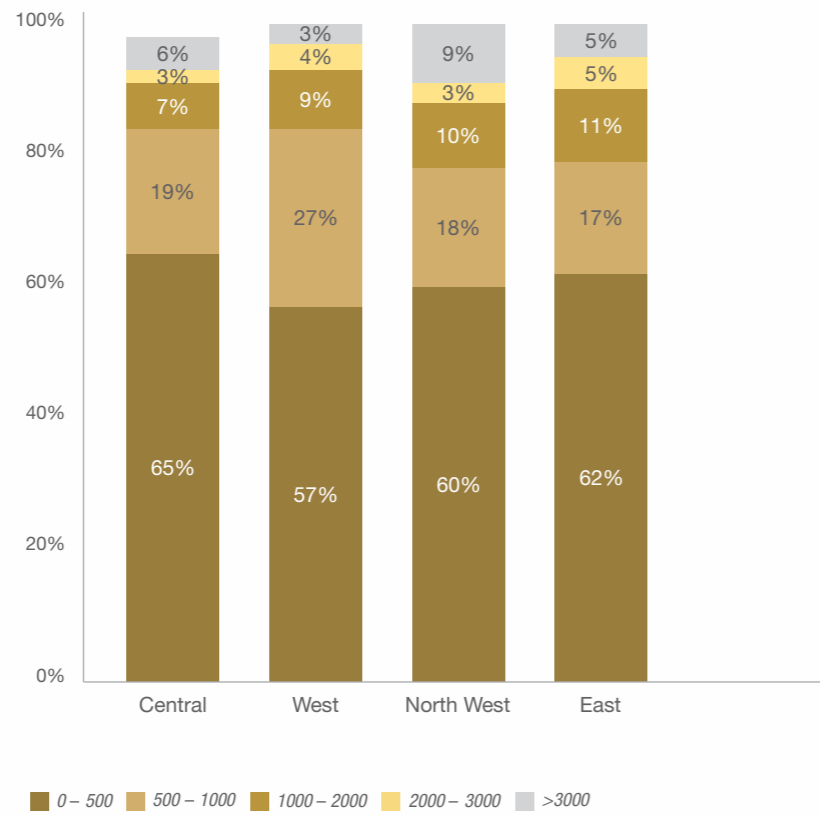


Chart 13

Size-wise split of occupied modern retail stores in shopping streets

Space in sq ft

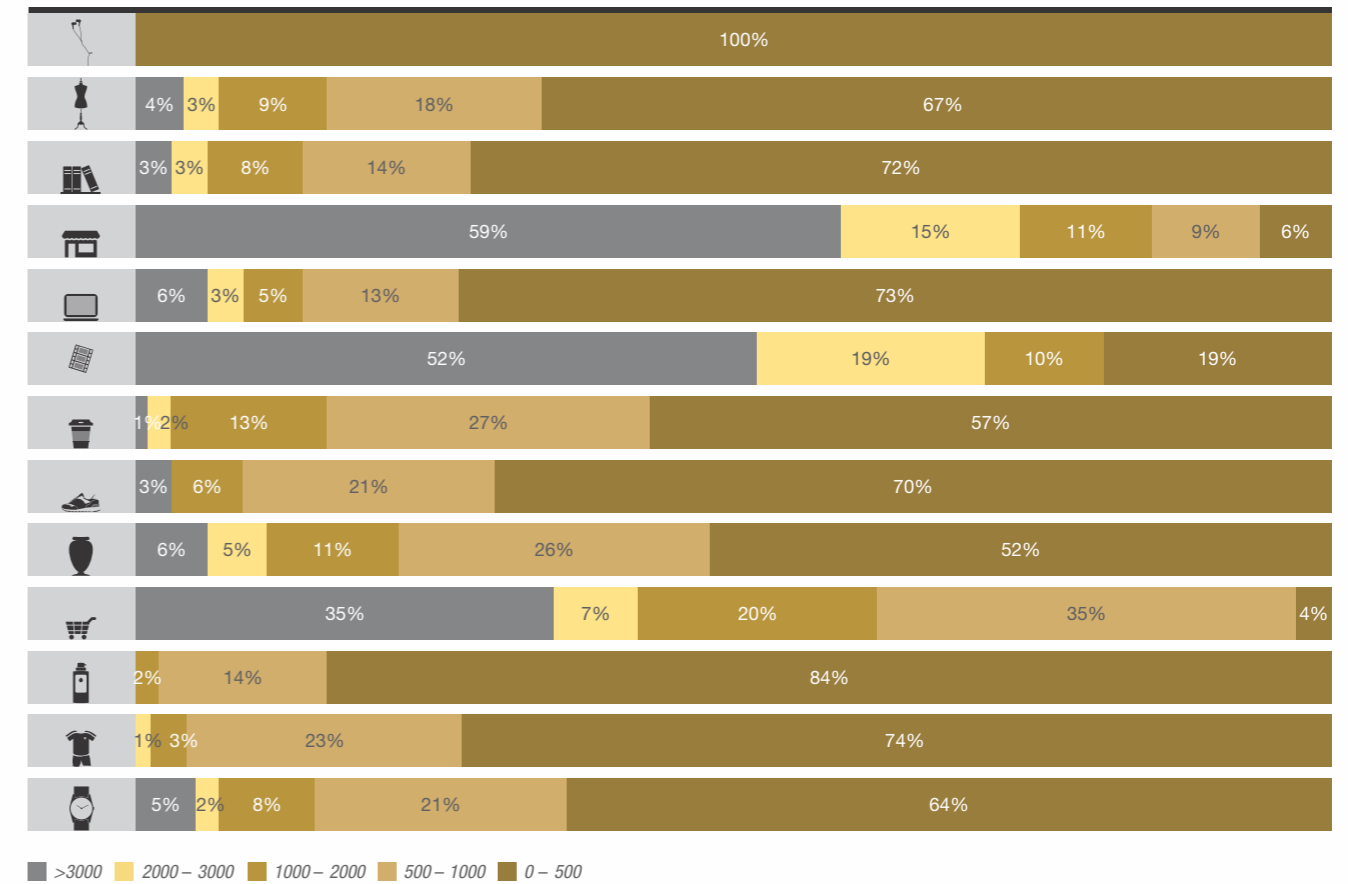


- The most established shopping streets in the west zone like Banjara Hills and Jubilee Hills have large format shops compared to the other zones which is quite evident from the 27 per cent share taken up by shops ranging between 500-1,000 sq ft in size
- 22% of the stores in the North West zone and 21% of those in the east are over 1,000 sq ft in size. Comparatively lower space constraints and lower rentals encourage retailers to opt for larger store sizes in zones

Source: Knight Frank Research

Chart 14

Size-wise split of modern retail stores across product categories

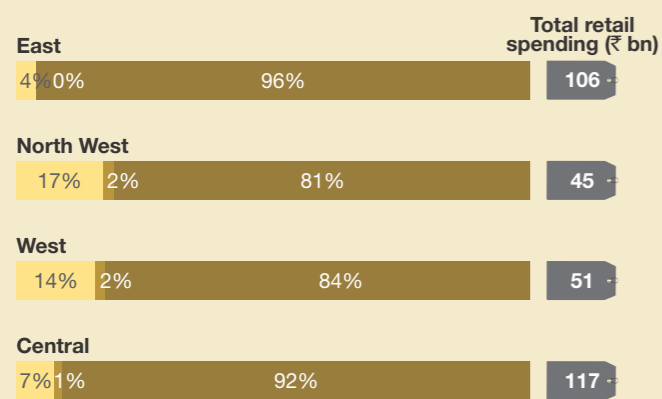


Source: Knight Frank Research

- Supermarkets, entertainment and departmental stores are the only categories that show a predominance of large format spaces required for operations
- Practically all of the stores in the accessories product category measure less than 500 sq ft

Chart 15

Total retail spending and penetration of modern retail in 2014



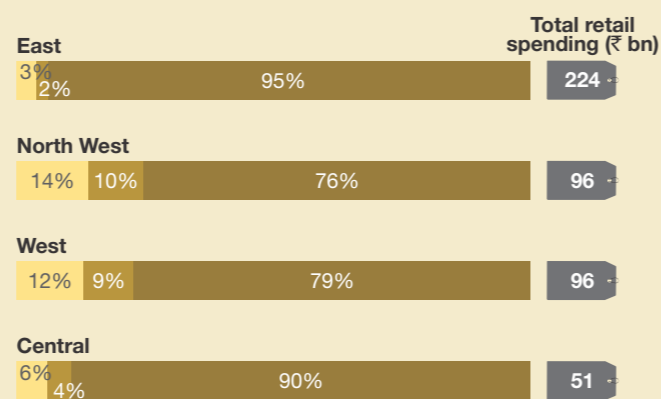
Legend: Brick and mortar modern retail (light yellow), E-tail (medium yellow), Non-modern retail (dark yellow).
 Note: Brick and mortar modern retail + E-tail = modern retail

Source: Knight Frank Research

- The West and North West zones have 30 per cent of the total population of Hyderabad but account for 56 per cent of the modern retail spending in the city. This is largely due to the fact that the bulk of the malls and premium high street stores are concentrated in the IT corridor of the HITEC City road, Banjara Hills and Jubilee Hills. Also, most of the commercial and residential development in the city is concentrated in these zones and attract the high income earners/spenders of the city
- Second only to the Central zone in terms of total retail spending, the East zone has the lowest modern retail to total retail spending ratio among all the zones of Hyderabad
- The Central zone accounts for the largest total retail spending and the largest share of population as well

Chart 16

Projected total retail spending and penetration of modern retail in 2019



Legend: Brick and mortar modern retail (light yellow), E-tail (medium yellow), Non-modern retail (dark yellow).
 Note: Brick and mortar modern retail + E-tail = modern retail

Source: Knight Frank Research

- The total retail spending in Hyderabad is forecasted to increase from ₹319 bn in 2014 to ₹692 bn in 2019 at a compounded annual growth rate (CAGR) of 17 per cent
- All zones will see growth in the share of modern retail spending by 2019
- The West and North West zones will see the most spending on modern retail over the five year period from 2014 to 2019, as their rapidly growing residential and commercial ethos continues to nurture modern retail development. The West and North West zones will see the share of modern retail spending increase to 21 per cent and 24 per cent respectively
- The East and Central zones will see the share of modern retail spending increase to 5 per cent and 10 per cent respectively

HYDERABAD ZONE ANALYSIS

Central Hyderabad Zone Analysis

Central Hyderabad map

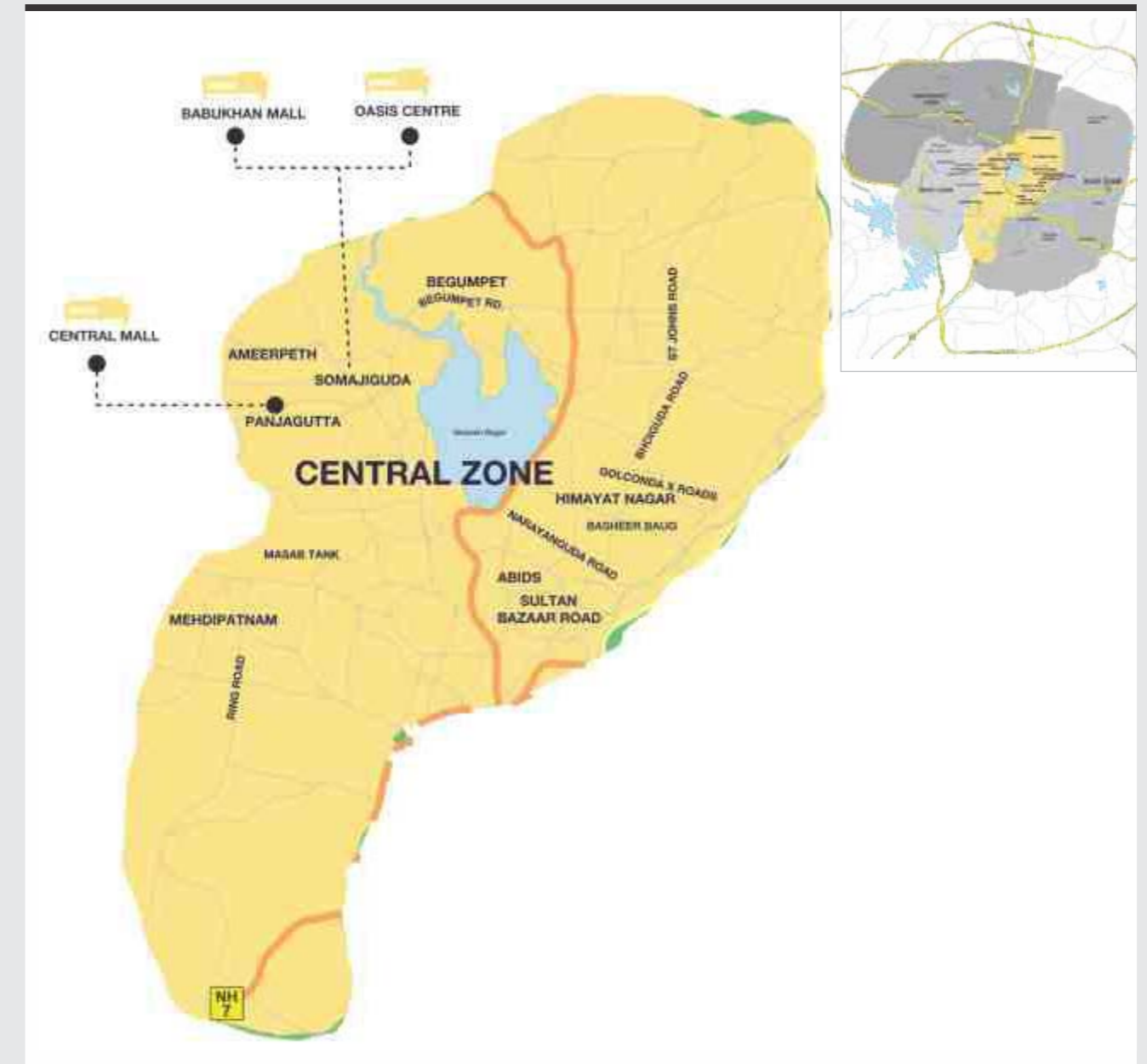
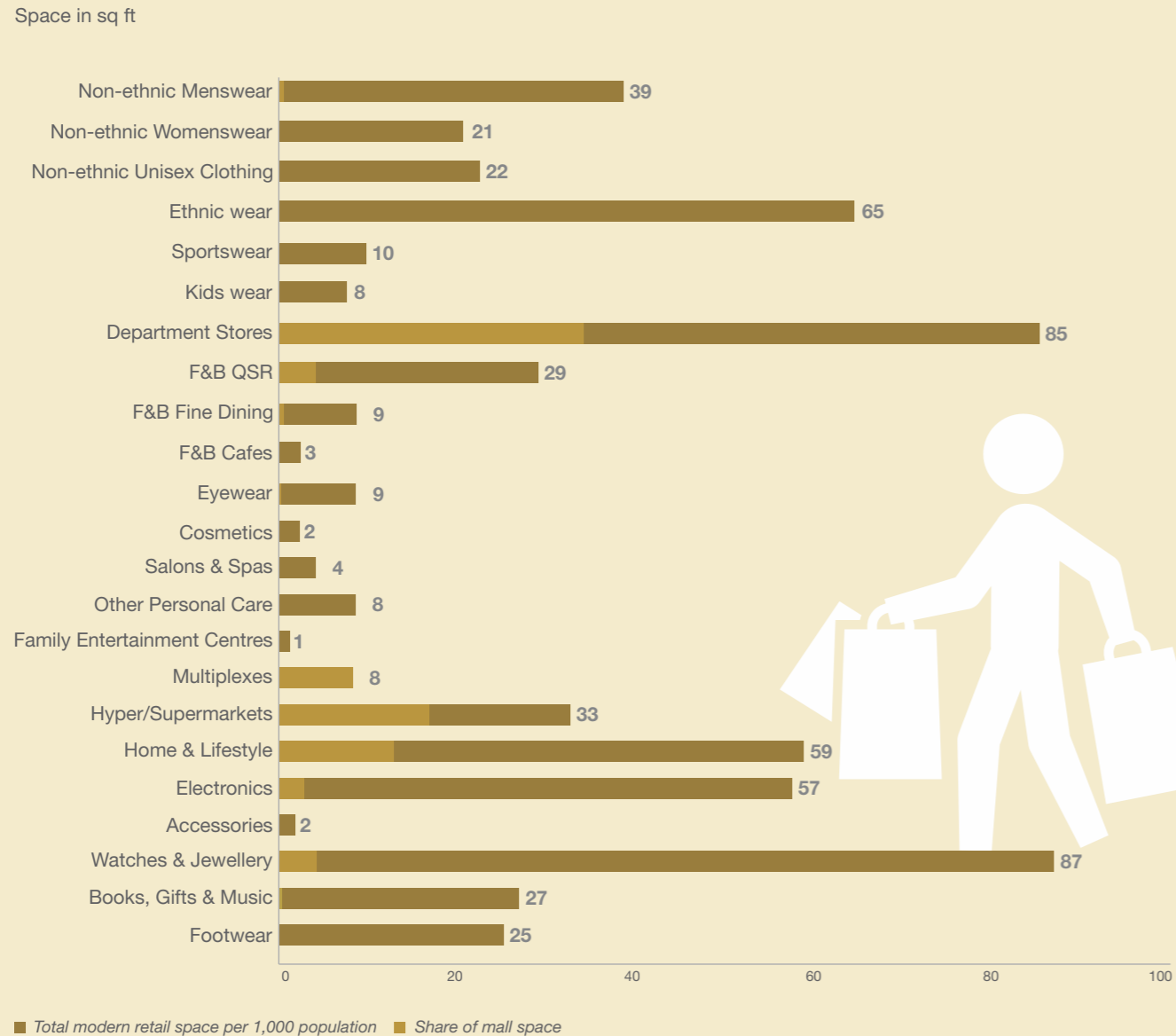


Chart 1

Per capita occupied modern retail space in Central Hyderabad



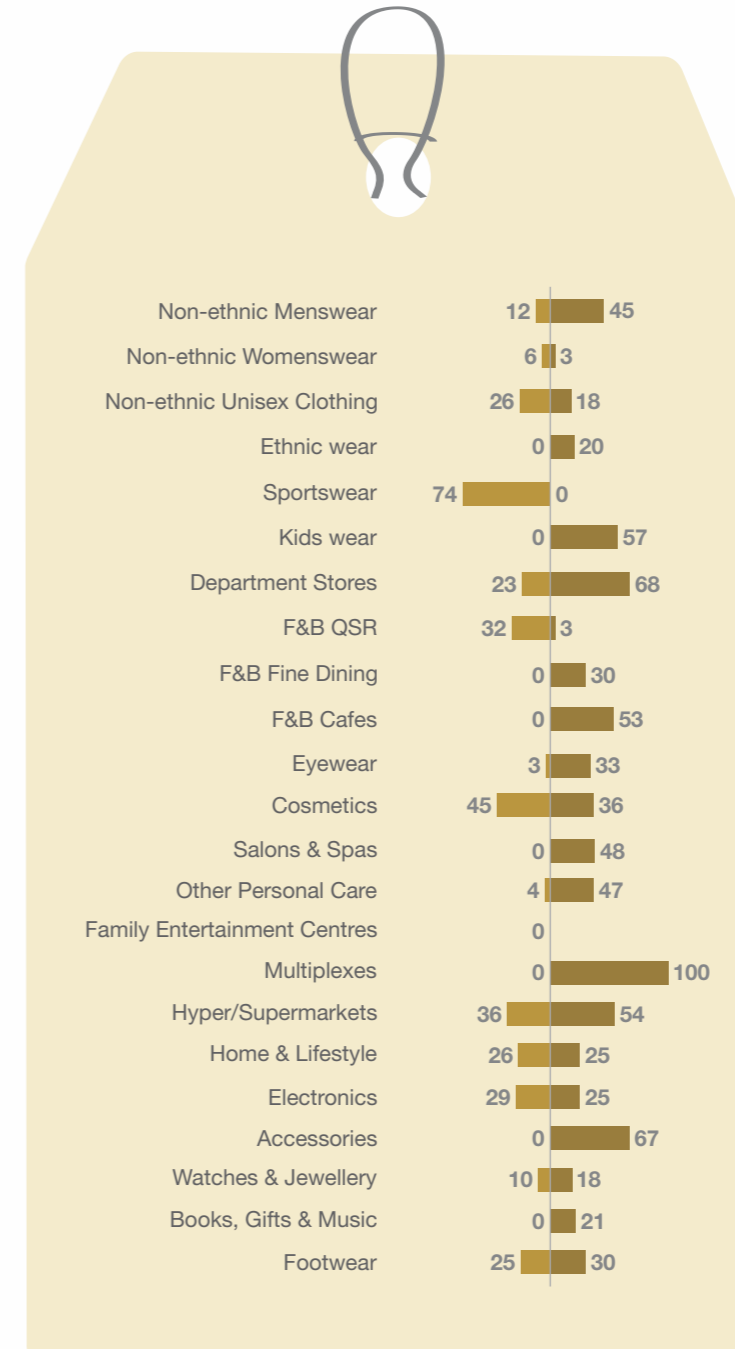
Source: Knight Frank Research

- Department stores take up the maximum share of the area in malls, at 34 sq ft per 1,000 population, and are followed by hyper/supermarkets at 17 sq ft per 1,000 population
- In the Central zone, Punjagutta, Begumpet and Somajiguda have many department stores, with national and foreign brands like Central, Lifestyle, Max, Pantaloons and Shoppers Stop maintaining a strong presence
- Department stores are second only to watches and jewellery as a category in terms of total modern retail space per 1,000 population
- Due to little mall development in the Central zone, most of the product categories have a negligible presence in malls. For instance, the personal care category has very little presence in malls located in this zone
- There are very few accessories stores in the Central zone despite it having the highest proportion of households earning more than ₹500,000

Chart 2

Share of foreign and national brand stores in the overall modern retail space

Share in Percentage



- Categories like sportswear, food and beverage quick service restaurants (F&B QSR) and electronic products are dominated by foreign brands as compared to national brands, while the opposite is true for department stores, accessories and multiplexes
- The cosmetics and footwear categories have a fairly uniform presence across national and foreign brands in Central Hyderabad

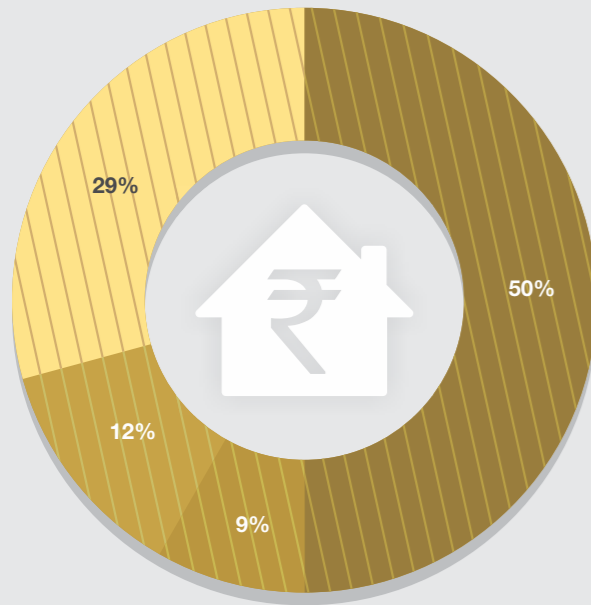
Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

■ Share of foreign brands
■ Share of national brands

Source: Knight Frank Research

Chart 3

Household income split in Central Hyderabad

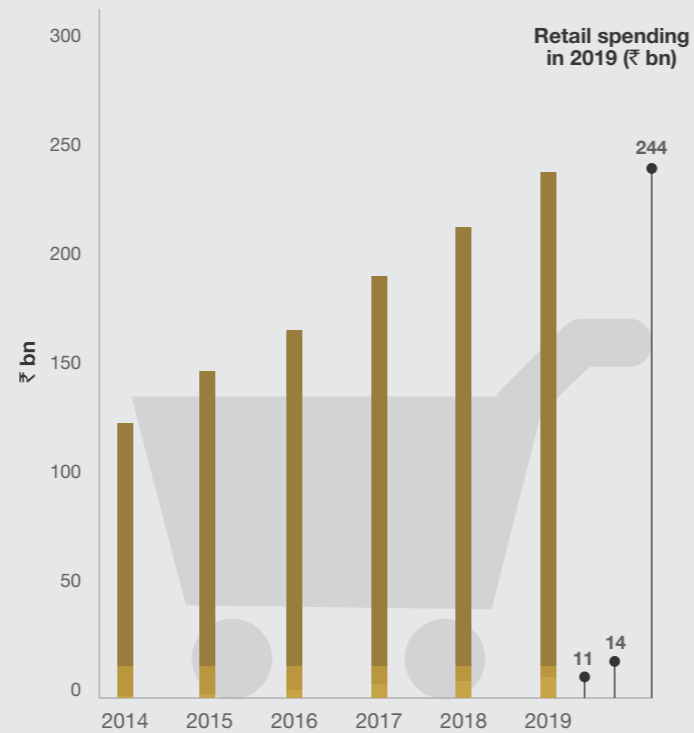


■ <₹300,000 ■ ₹300,001 – ₹500,000
 ■ ₹500,001 – ₹1,000,000 ■ >₹1,000,000

Source: Knight Frank Research, Indicus Analytics

Chart 4

Projected retail spending in Central Hyderabad



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

- The total retail spending in the Central zone is forecasted to increase from ₹117 bn in 2014 to ₹244 bn in 2019 at a CAGR of 16 per cent - the least among all the zones
- The share of spending on the brick and mortar modern retail format is expected to grow at 11 per cent in the ensuing five years, as this is already a densely-developed zone with limited potential for fresh building
- The share of E-tail spending, however, will increase five-fold, from 1 per cent to 5 per cent during the same period, compensating for the limited growth in spending on the brick and mortar format of modern retail

Future trends in Central Hyderabad



There is little scope for any fresh development of malls and other large-format modern retail brick and mortar shopping outlets in the Central zone. This zone will continue to be the bastion of the famous but non-modern old city markets, which will never be replicated anywhere else in the city.

HYDERABAD ZONE ANALYSIS

East Hyderabad Zone Analysis

East Hyderabad map

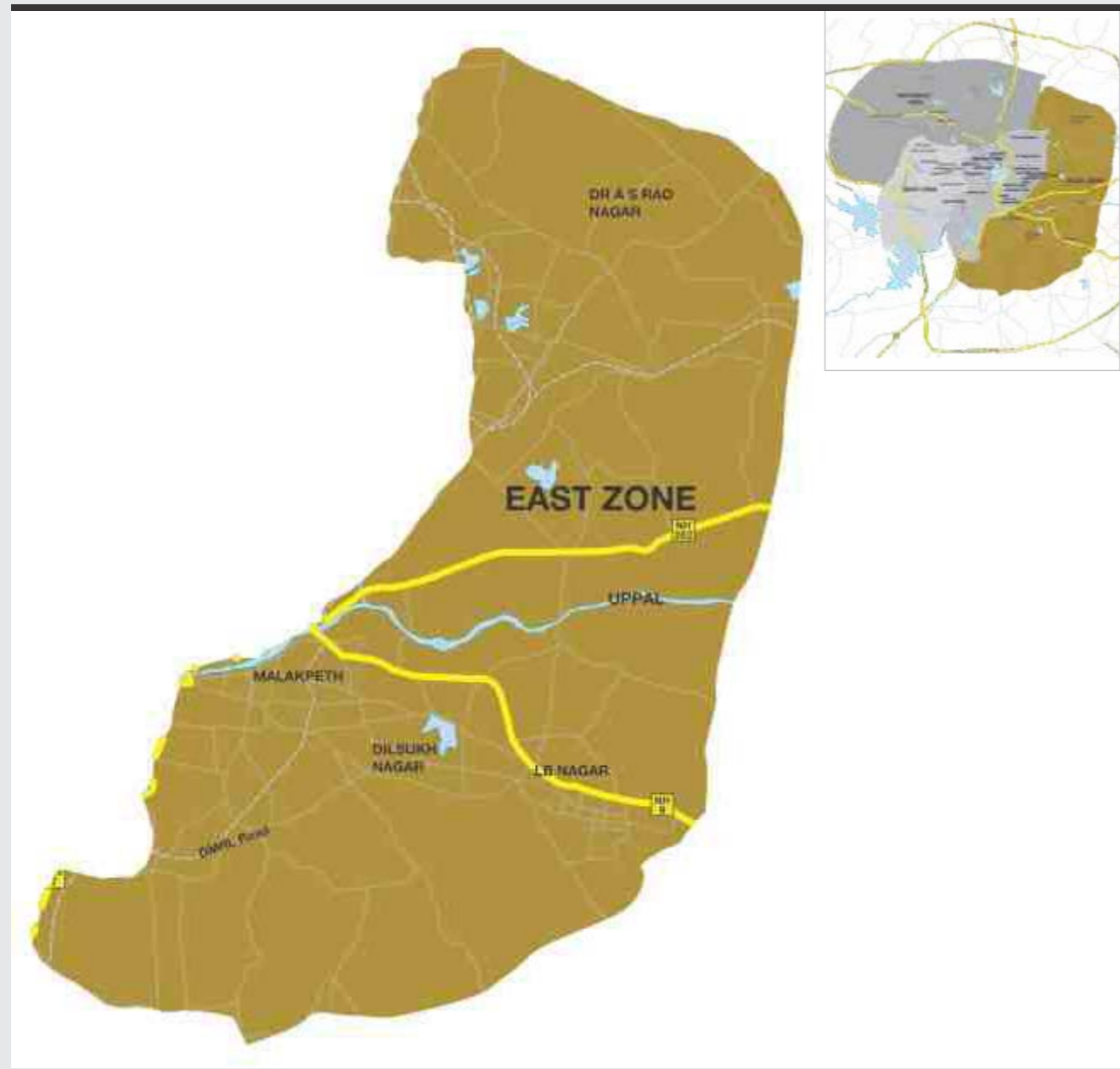
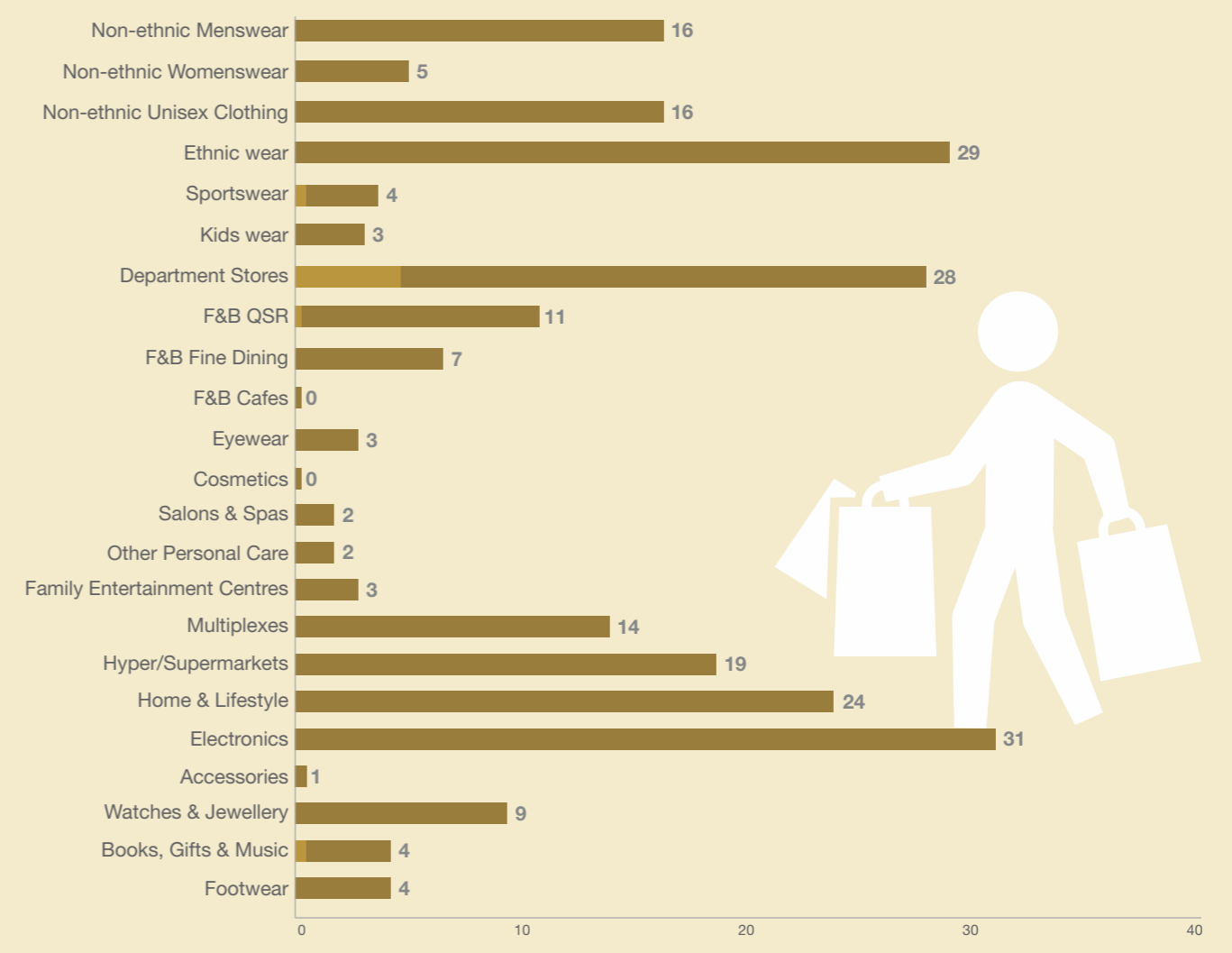


Chart 1

Per capita occupied modern retail space in East Hyderabad

Space in sq ft



■ Total modern retail space per 1,000 population ■ Share of mall space

Source: Knight Frank Research, Indicus Analytics

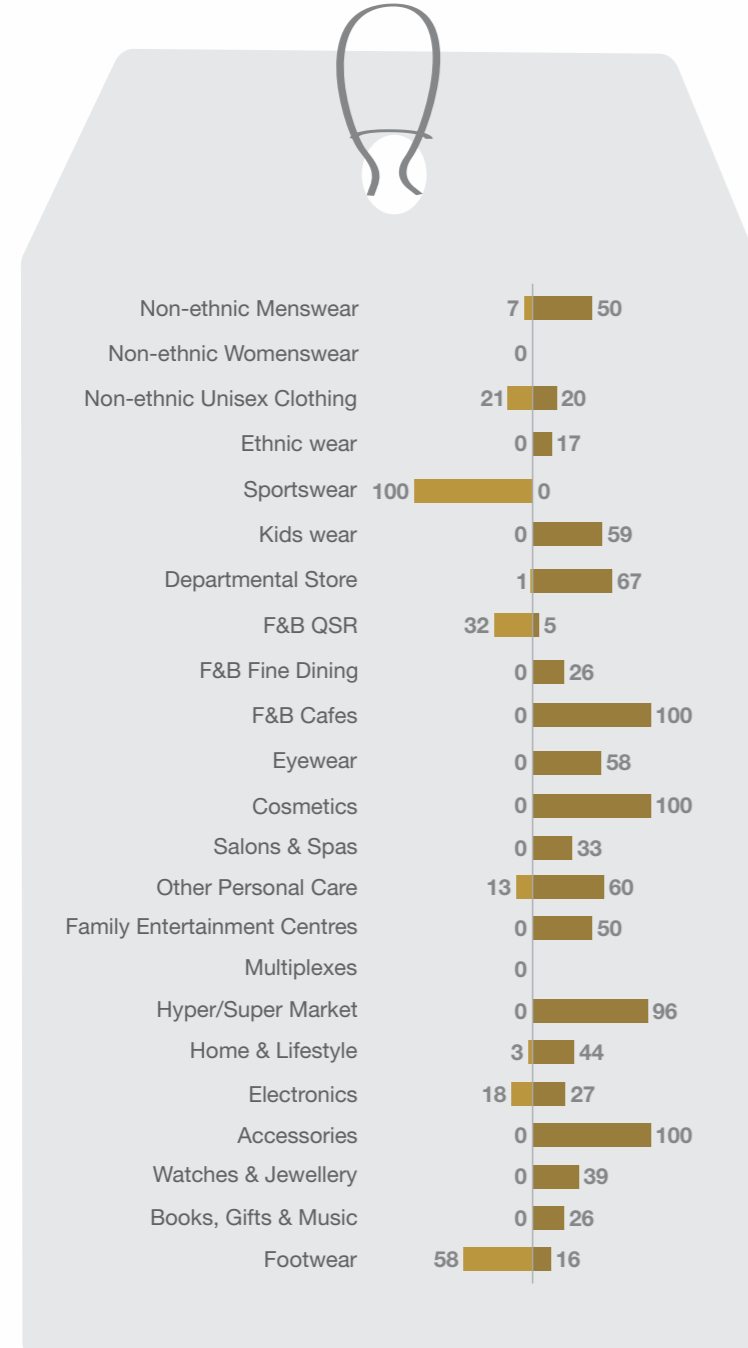
- The East zone is underdeveloped as a retail destination, as the focus of residential and commercial development has gravitated towards the West zone
- This zone is dominated completely by shopping streets; the modern retail landscape of this zone is led by the electronics, department stores and ethnic wear product categories in terms of total modern retail space per 1,000 population

Chart 2

Share of foreign and national brand stores in the overall modern retail space



Share in Percentage



- Foreign brands have little presence in the East zone, with a few exceptions like sportswear and footwear
- National brands display a disproportionate dominance in certain product categories like accessories, cosmetics and F&B cafes due to the extremely few outlets that represent the gamut of modern retail. However, the proportion of hyper/supermarkets is skewed towards national brands due to the presence of prominent national retailers like Big Bazaar, D-Mart, Spencer's and More

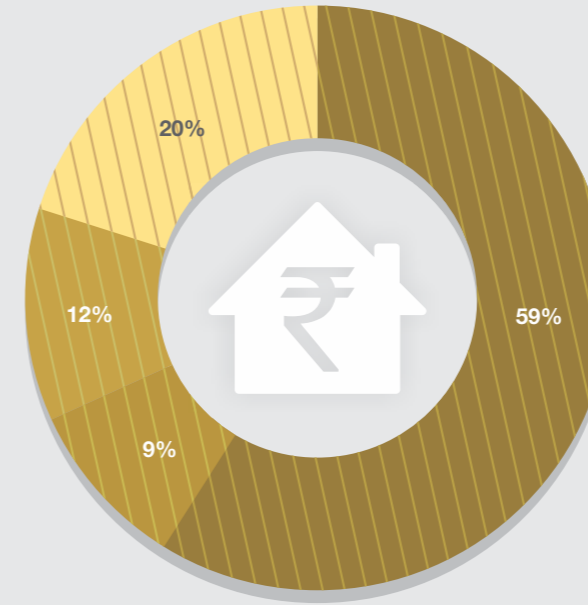
Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

■ Share of foreign brands
■ Share of national brands

Source: Knight Frank Research

Chart 3

Household income split in East Hyderabad

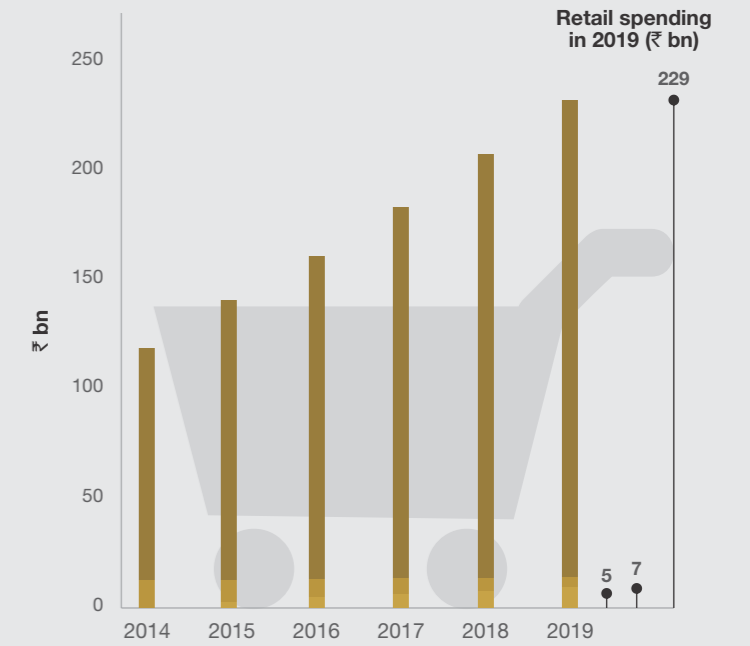


■ <₹300,000 ■ ₹300,001 - ₹500,000
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Source: Knight Frank Research, Indicus Analytics

Chart 4

Projected retail spending in East Hyderabad



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

- The total retail spending in the East Zone is forecasted to increase from ₹106 bn in 2014 to ₹229 bn in 2019 at a CAGR of 17 per cent
- The share of spending on brick and mortar modern retail format is expected to grow at a 12 per cent CAGR till 2019
- The growth of spending on modern retail in this zone will be complemented largely by E-tailing, whose share is expected to increase from 0.4 per cent in 2014 to 2.2 per cent in 2019

Future trends in East Hyderabad



Despite the availability of land and a sizeable residential catchment, this zone has been comparatively neglected by mall developers and big brands, as locations in West Hyderabad attracted most of the action. This situation is not expected to change much over the forecast period, but an increase in traction will be seen towards the end of the decade, as the progress in the construction of the metro and other transport infrastructure initiatives, coupled with cheaper land prices, encourages accelerated real estate development.

HYDERABAD ZONE ANALYSIS

West Hyderabad Zone Analysis

West Hyderabad map

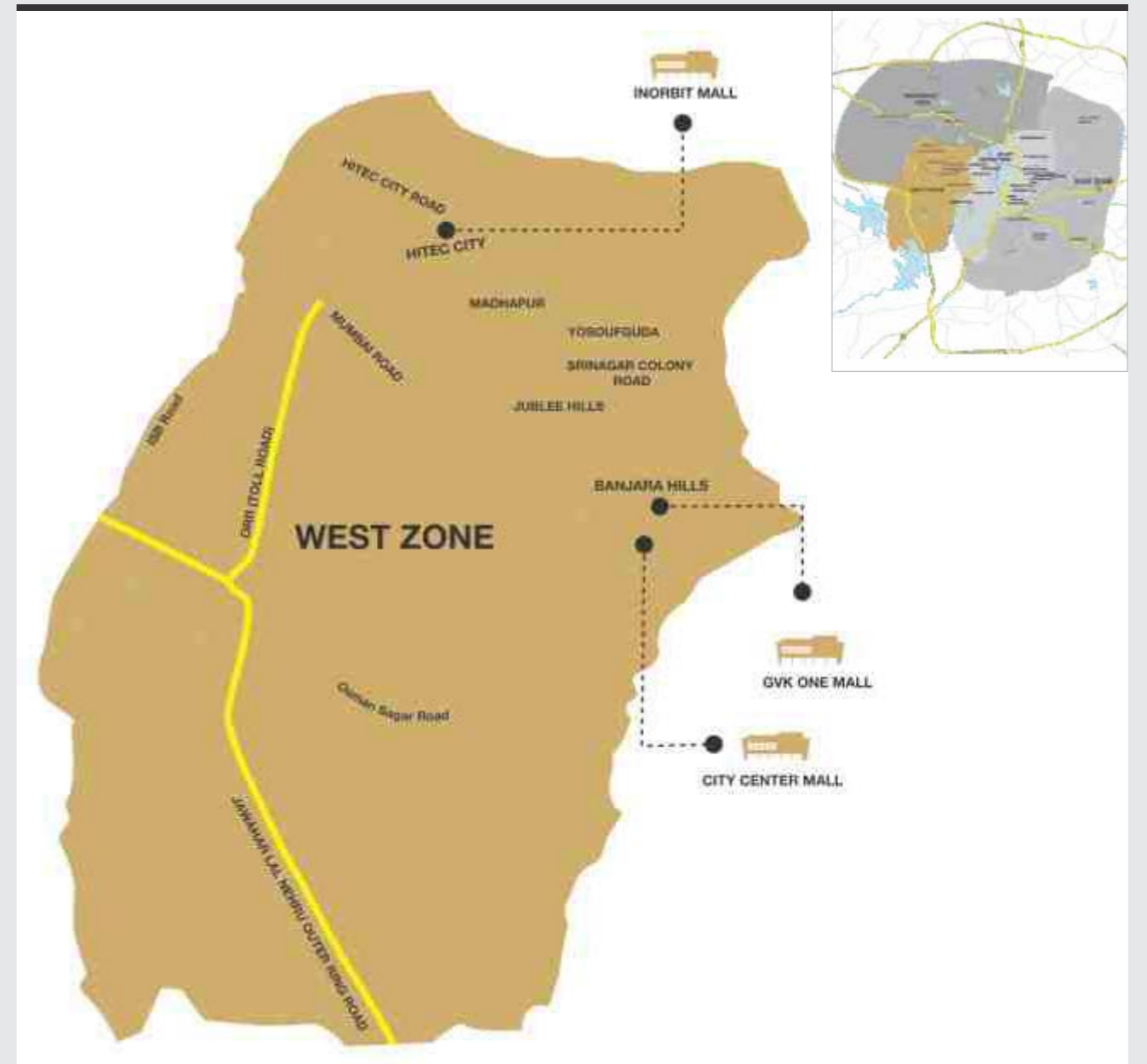
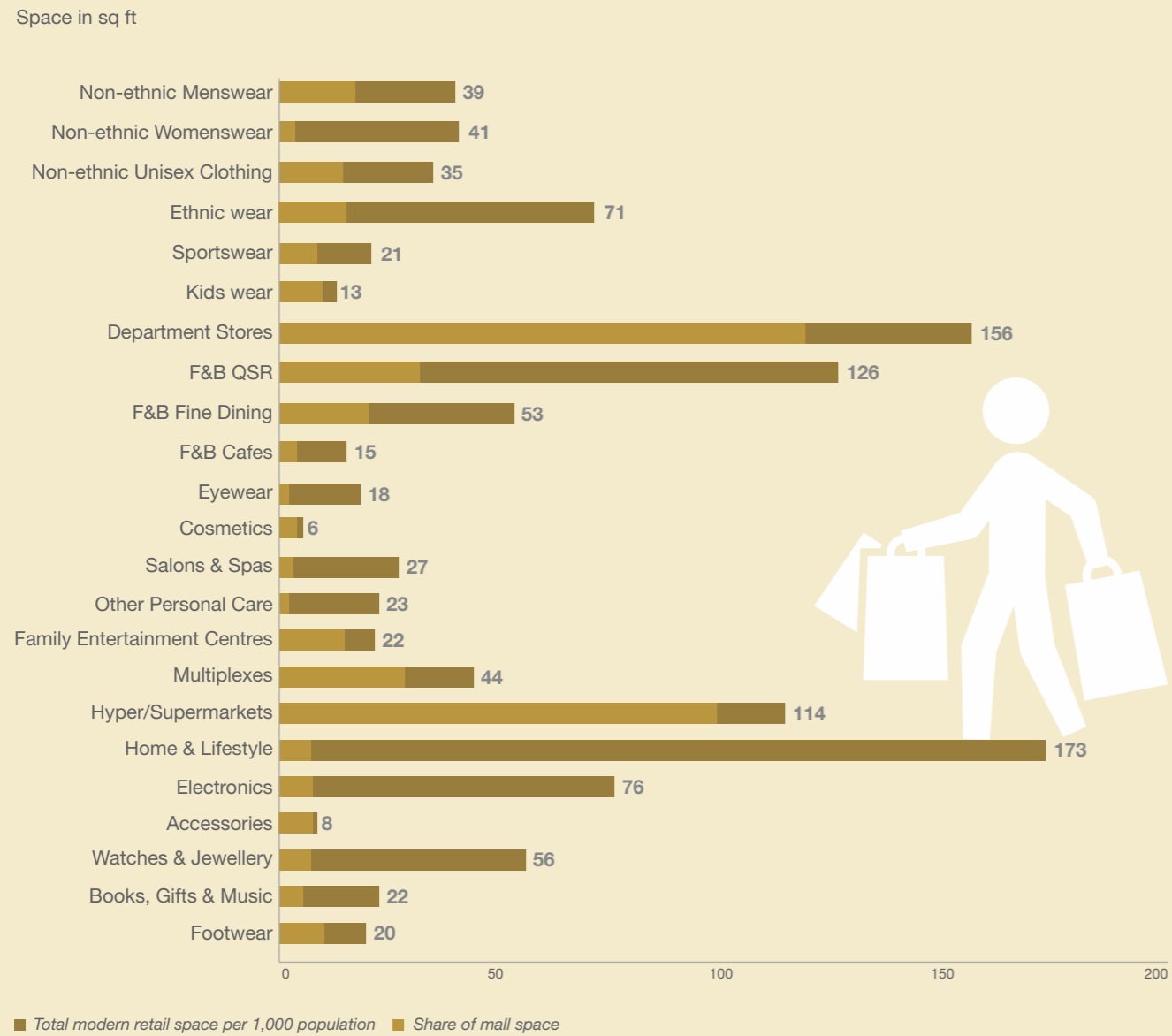


Chart 1

Per capita occupied modern retail space in West Hyderabad



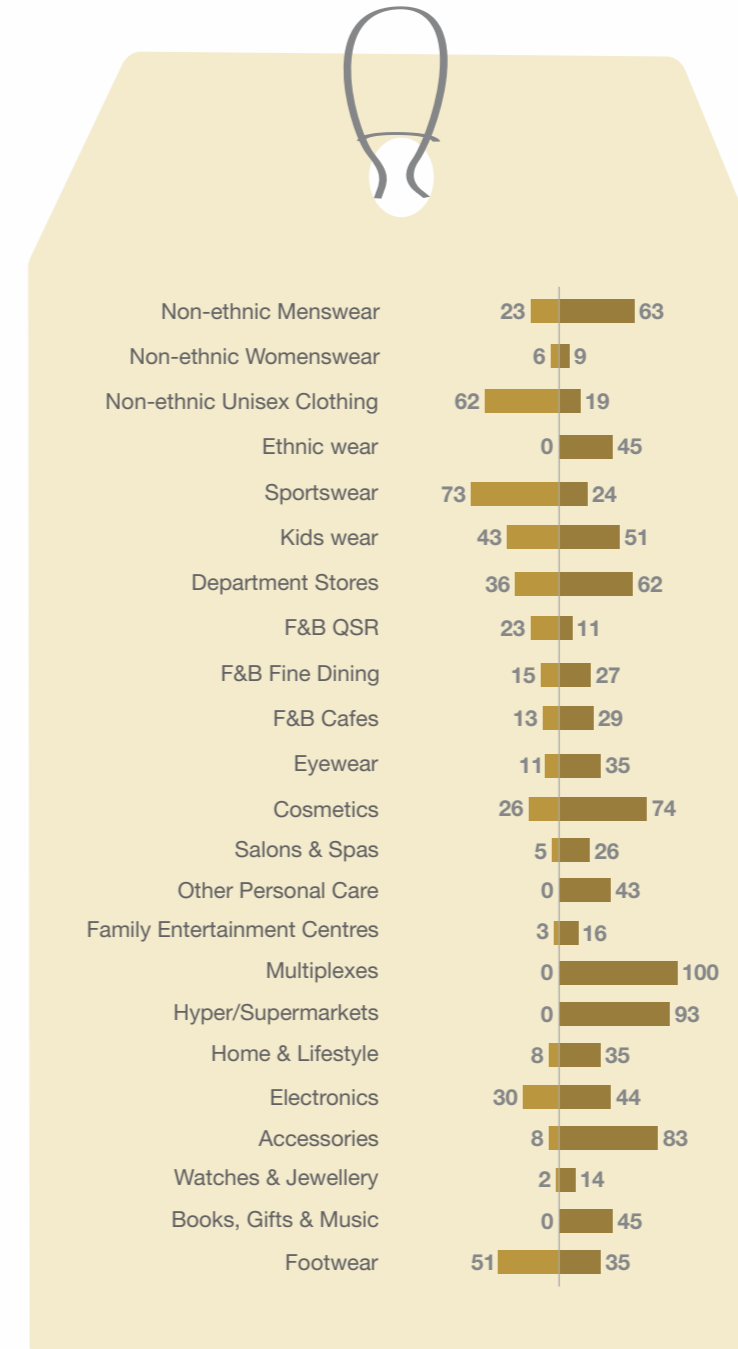
Source: Knight Frank Research, Indicus Analytics

- Department stores, home and lifestyle, and F&B QSR are the product categories with the highest modern retail space per 1,000 population
- Most of these department stores are situated in City Centre, GVK One and Inorbit mall at Banjara Hills andHITEC City
- On the other hand, almost all home and lifestyle retailers can be found on the shopping streets of Madhapur, Jubilee Hills and Banjara Hills
- Personal care products, especially salons and spas, and eyewear, have the highest presence in this zone

Chart 2

Share of foreign and national brand stores in the overall modern retail space

Share in Percentage



- Barring a few product categories like multiplexes, and books, gifts and music, most of them are well represented by foreign and national retailers
- Most of the foreign retailers are concentrated inHITEC City and have a slightly higher presence in the malls compared to the shopping streets
- In contrast, national retailers have a markedly higher preference for the shopping streets of Banjara Hills andHITEC City, compared to the malls

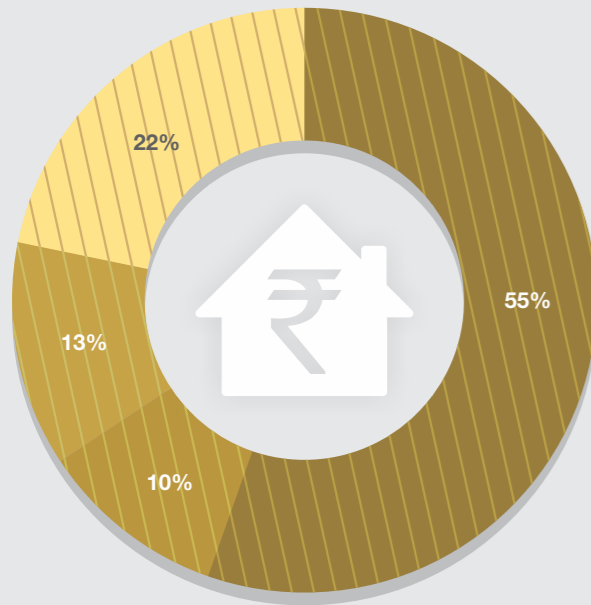
Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

■ Share of foreign brands ■ Share of national brands

Source: Knight Frank Research

Chart 3

Household income split in West Hyderabad

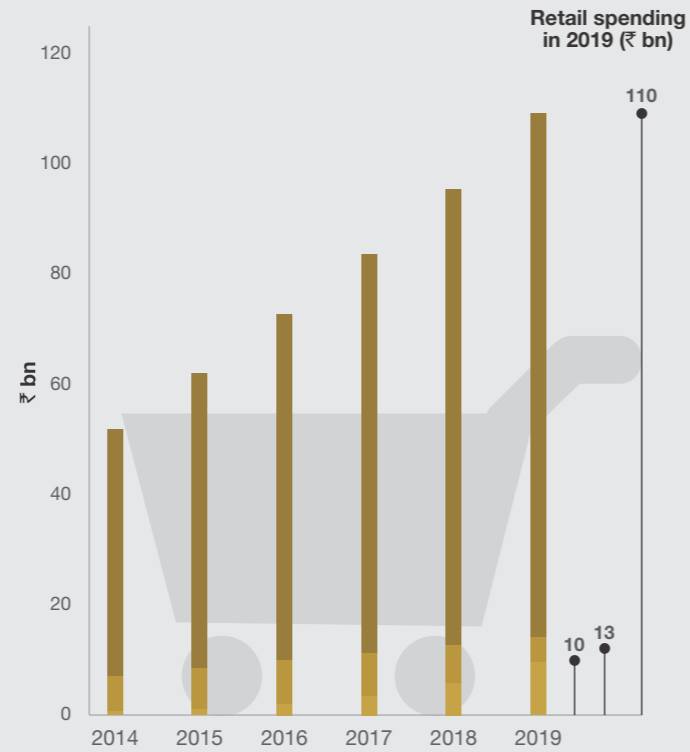


■ < ₹300,000 ■ ₹300,001 - ₹500,000
 ■ ₹500,001 - ₹1,000,000 ■ > ₹1,000,000

Source: Knight Frank Research, Indicus Analytics

Chart 4

Projected retail spending in West Hyderabad



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

- The total retail spending in the West zone is expected to increase from ₹51 bn in 2014 to ₹110 bn in 2019 at a CAGR of 17 per cent, second only to North West Hyderabad
- Modern retail spending is expected to grow at a rate of 23 per cent during the five-year period ending 2019, bringing the share of total modern retail spending as a proportion of total retail spending to 24 per cent in 2019 compared to 16 per cent in 2014

Future trends in West Hyderabad



Locations like Banjara Hills, Jubilee Hills and HITEC City in the West zone represent the best of the modern retail establishments in the Hyderabad market. The IT corridor, abundant Grade A office spaces and premium residential locations in this zone ensure that the retail environment in this zone will continue to grow in the coming years.

HYDERABAD ZONE ANALYSIS

North West Hyderabad Zone Analysis

North West Hyderabad map

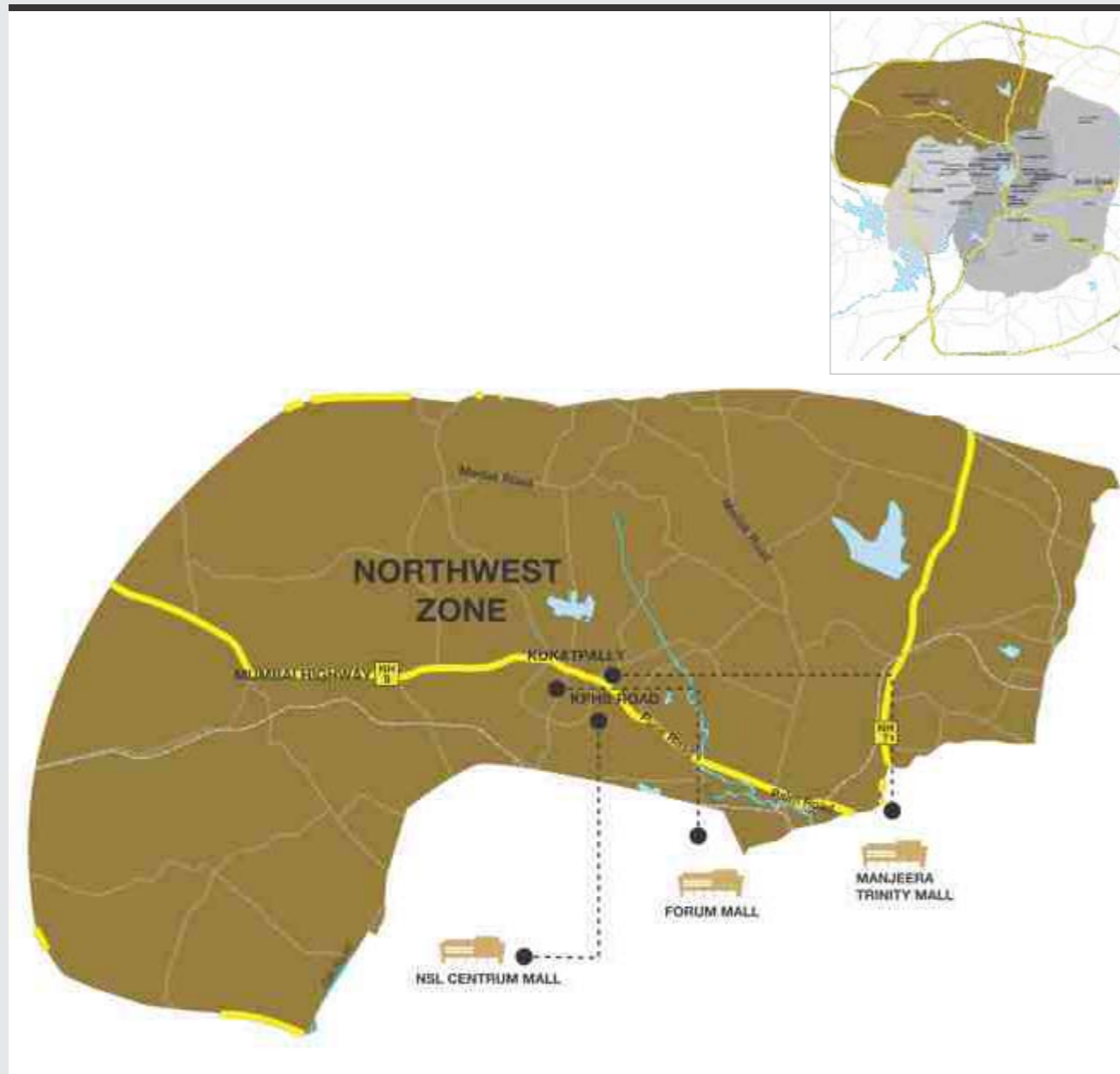
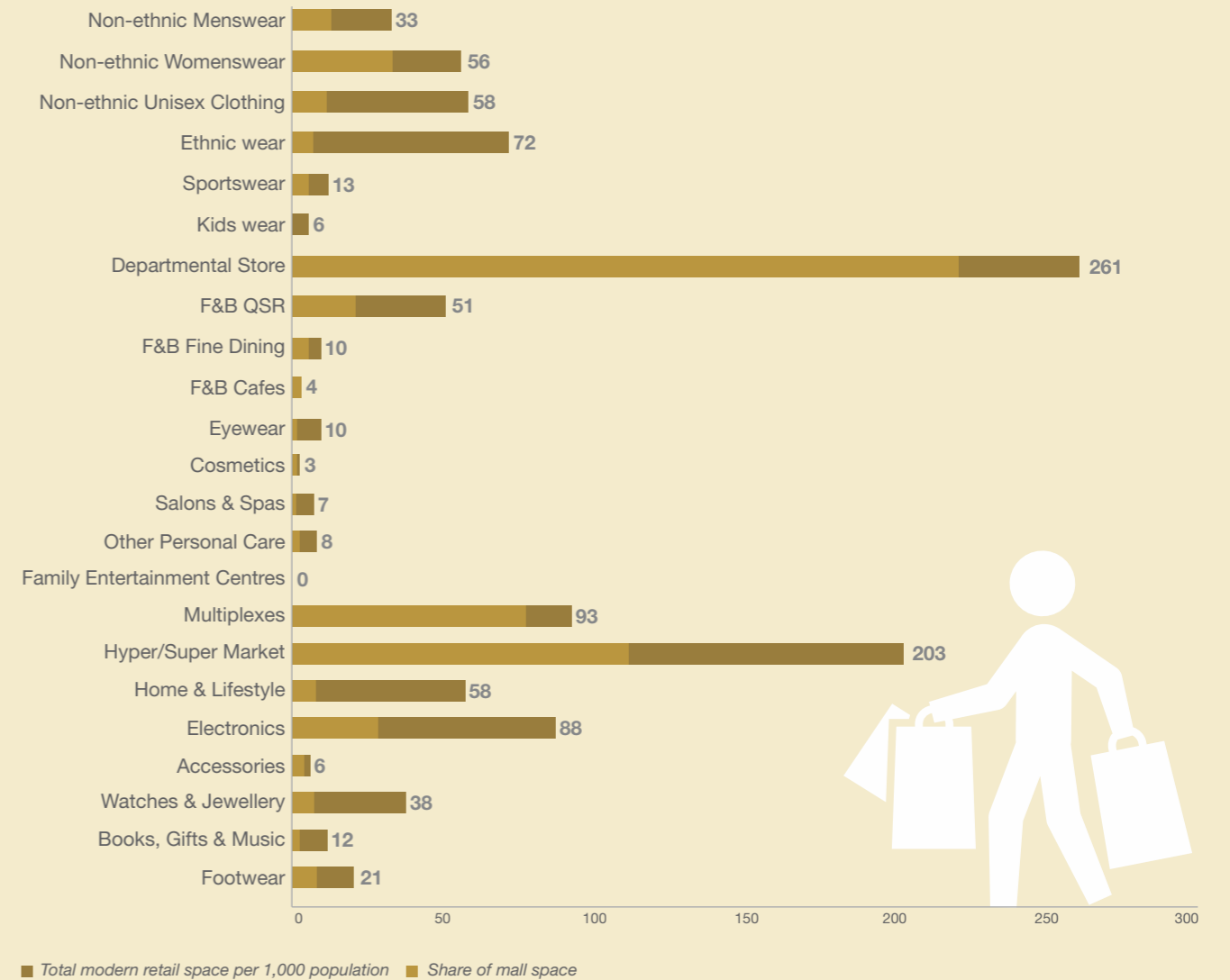


Chart 1

Per capita occupied modern retail space in North West Hyderabad

Space in sq ft



Note: Family entertainment centres and cosmetics have a negligible presence in this zone

Source: Knight Frank Research, Indicus Analytics

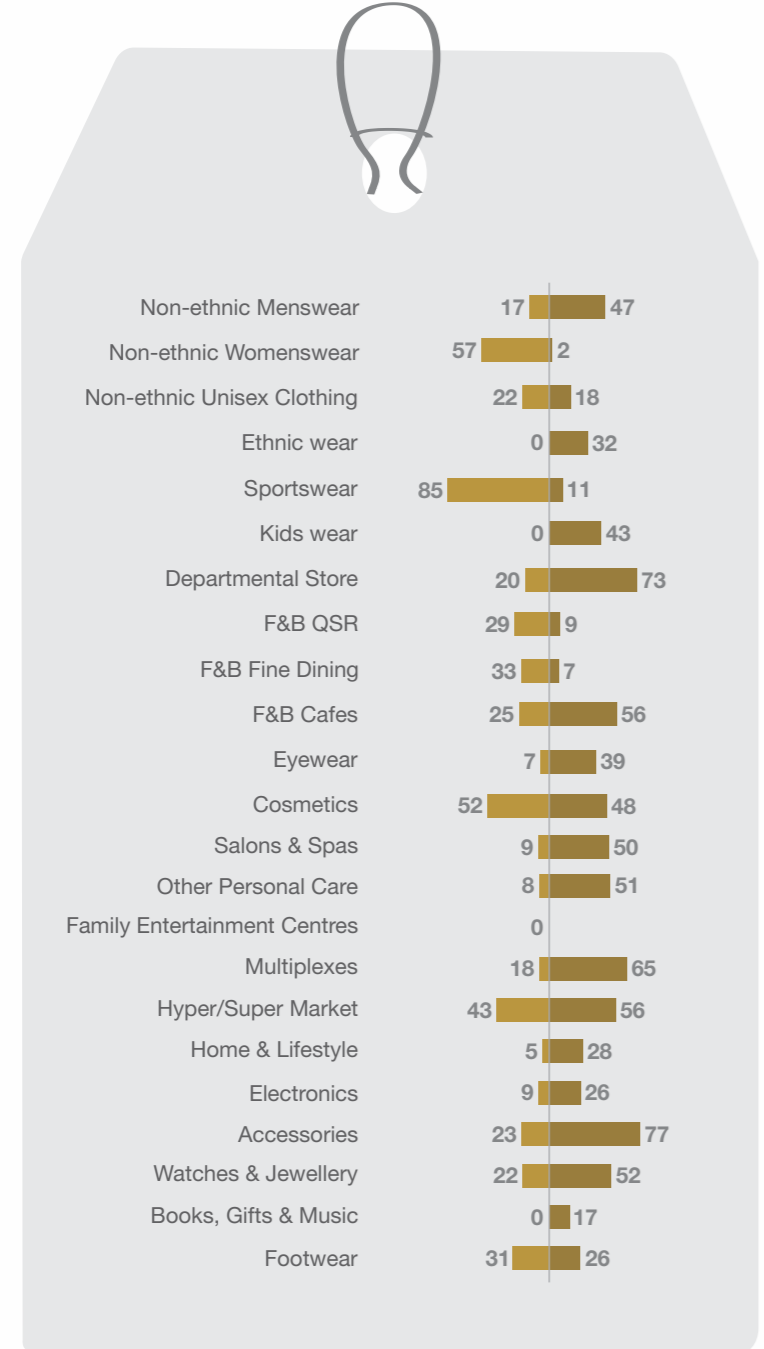
- The North West zone is the fastest developing retail market in Hyderabad. The abundant availability and low prices of land, coupled with a fast-developing office and residential environment, makes it an attractive proposition for fresh, modern retail development
- Department stores and hyper/supermarkets are clearly the dominant product categories in the North West zone in terms of total modern retail space per 1,000 population. Among all the retail zones in Hyderabad, the penetration of these two product categories is also the highest in this zone
- New mall developments, such as Manjeera Trinity and Forum, have induced major foreign hyper/supermarket retailers, such as Spar and Hyper CITY, to take up bulk spaces in these zones

Chart 2

Share of foreign and national brand stores in the overall modern retail space



Share in Percentage



- National and foreign brands have a healthy presence in almost all the product categories in the North West zone
- The overwhelming presence of major international retailers, such as Adidas, Nike and Puma, in the sportswear category, has resulted in an 85 per cent share for international retailers. There are few sportswear outlets in the modern retail format in the local and regional brand categories

Note 1: Balance percentage in all the product categories denotes the share of regional and local brand stores

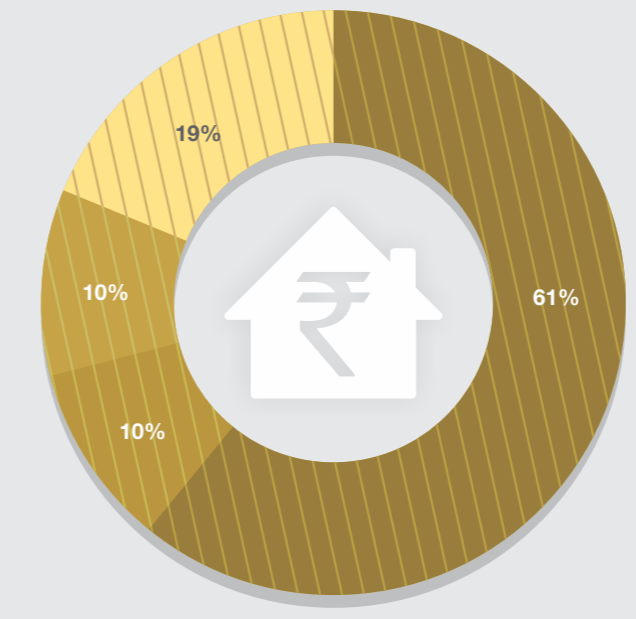
Note 2: Family entertainment centres and cosmetics have a negligible presence in this zone

■ Share of foreign brands
■ Share of national brands

Source: Knight Frank Research

Chart 3

Household income split in North West Hyderabad

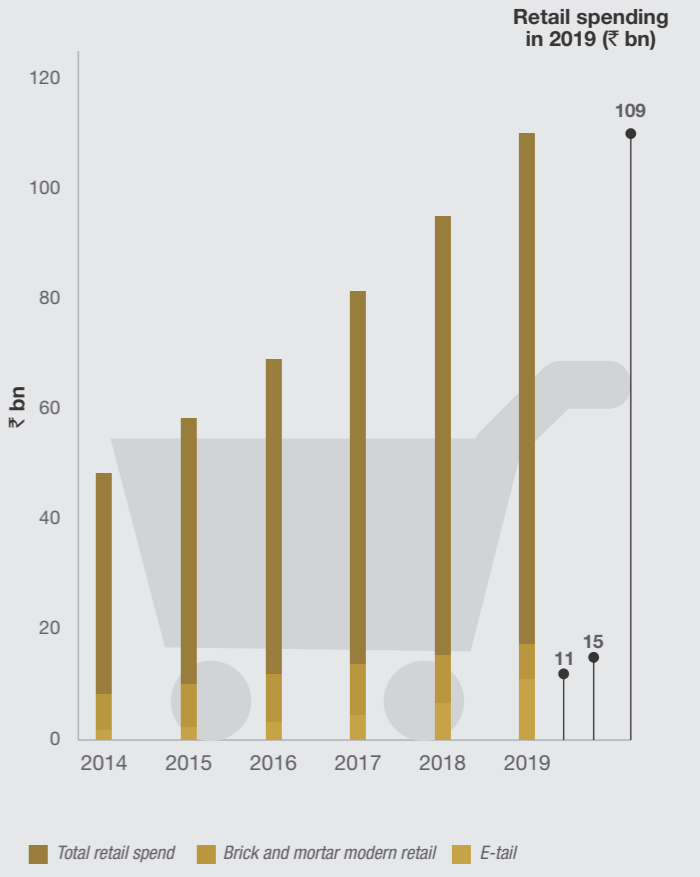


■ < ₹300,000 ■ ₹300,001 - ₹500,000
■ ₹500,001 - ₹1,000,000 ■ > ₹1,000,000

Source: Knight Frank Research, Indicus Analytics

Chart 4

Projected retail spending in North West Hyderabad



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

- The total retail spending in the North West zone is forecasted to increase from ₹45 bn in 2014 to ₹109 bn in 2019 at a CAGR of 19 per cent - the highest in Hyderabad
- This massive growth in total retail spending will be spurred by market leading growth numbers in brick and mortar modern retail, E-tail and non-modern retail spending, which we expect, will grow at a CAGR of 14 per cent, 64 per cent and 18 per cent respectively

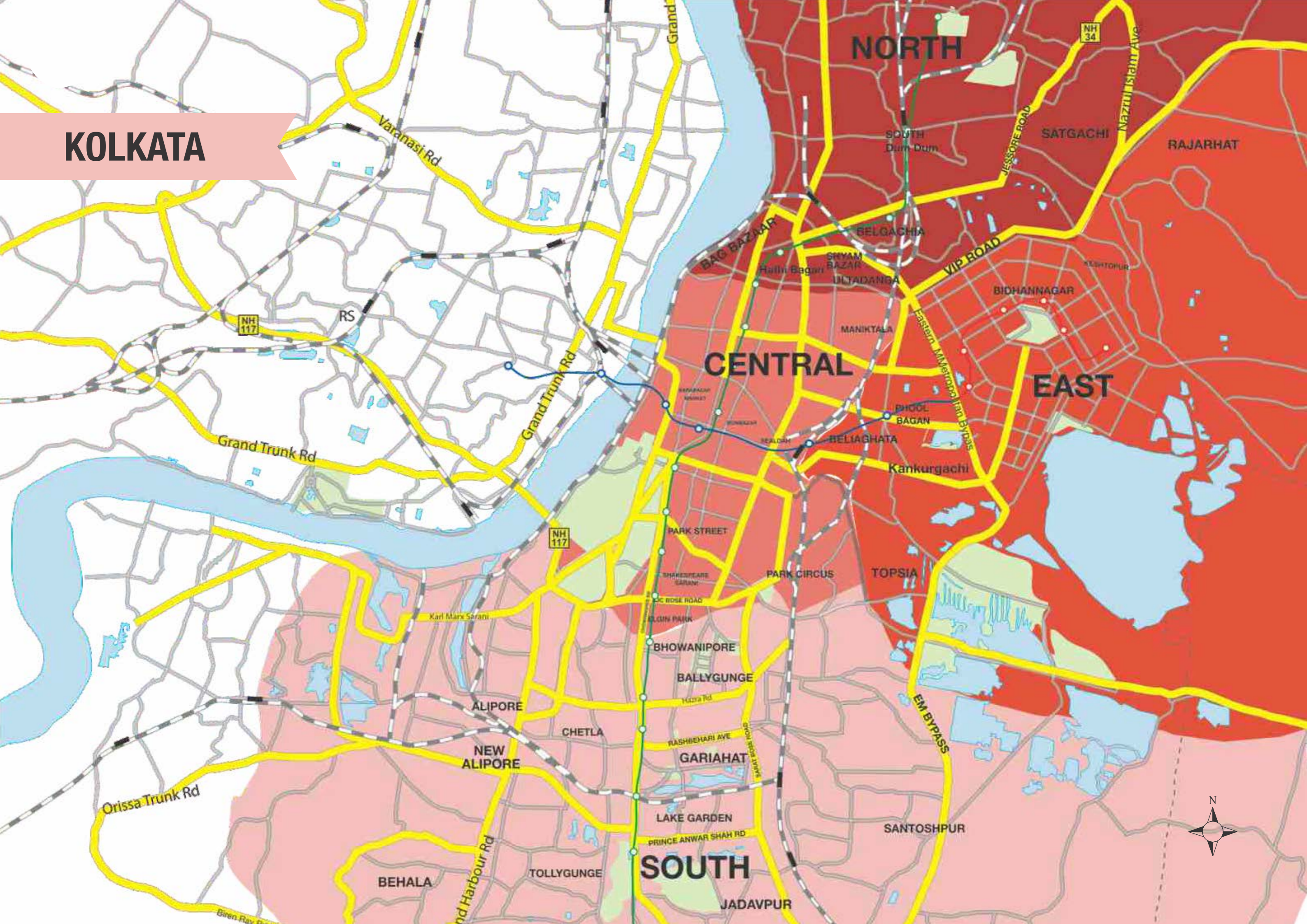
Future trends in North West Hyderabad



The abundant availability of land and proximity to upmarket residential locations like Kukatpally and the IT corridor have encouraged mall developers to expand in this zone, and this trend is expected to strengthen in the coming years. The North West zone has a lot of development potential because of its strong catchment and increased focus on transport infrastructure by the government.



KOLKATA



KOLKATA CITY ANALYSIS

Retail Landscape

Kolkata city map

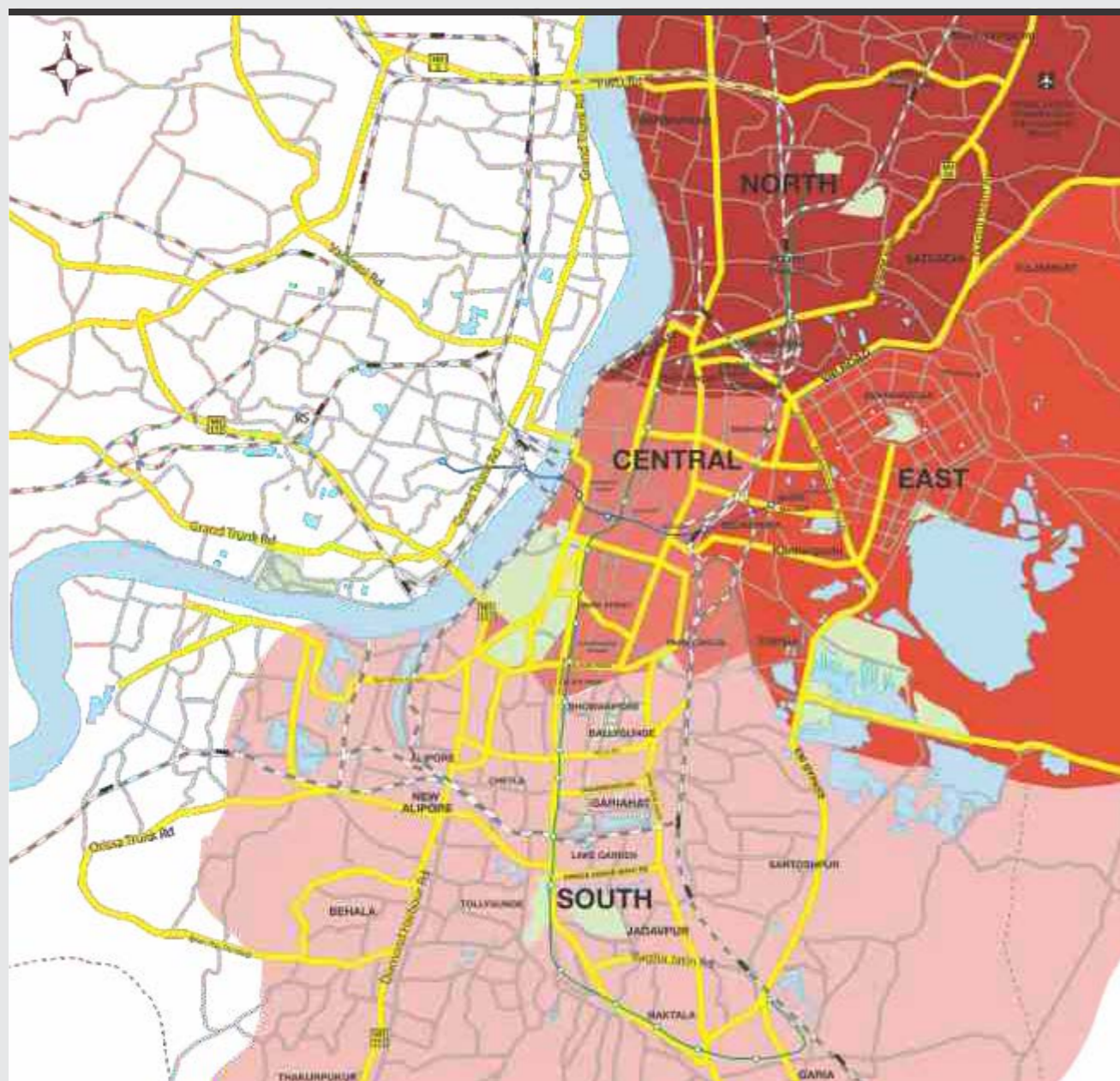
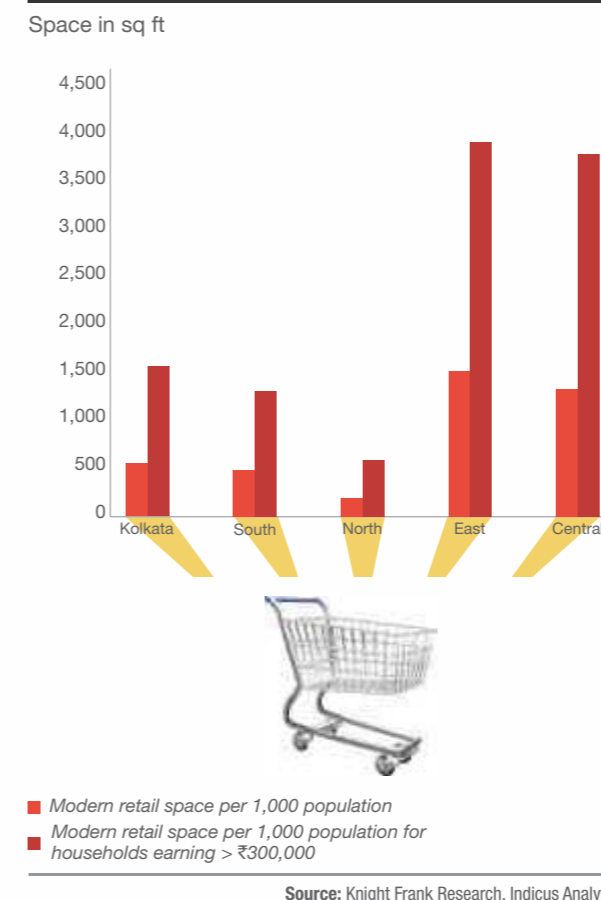


Chart 1

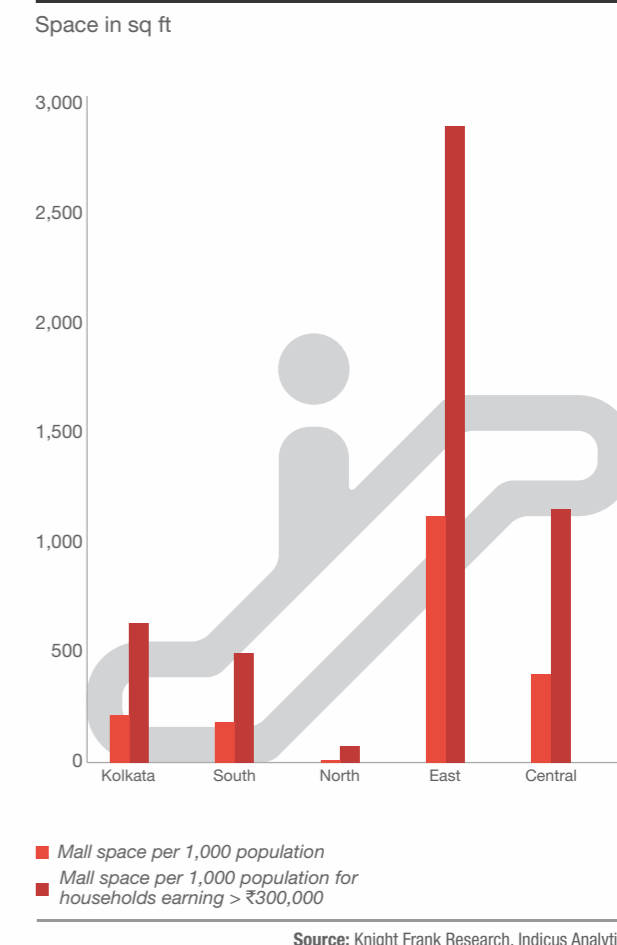
Per capita occupied modern retail space



- Modern retail in Kolkata has evolved steadfastly over the past few decades, and today, the city is considered by retailers and developers as one among the top destinations in the country to set up their retail establishments/projects
- The city, on an average, has 569 sq ft of modern retail space catering to the needs of every 1,000 of the population, while around 1,588 sq ft is available per 1,000 of the population in households earning over ₹300,000
- Interestingly, Central and East Kolkata have the highest per capita modern retail space available in the city
- While most parts of East Kolkata are relatively newly - developed, it scored the highest penetration of per capita retail space in the city owing to the presence of a number of large-format malls there
- In contrast, the long-standing region of Central Kolkata has a larger concentration of shopping streets, thereby augmenting the per capita modern retail space in the region

Chart 2

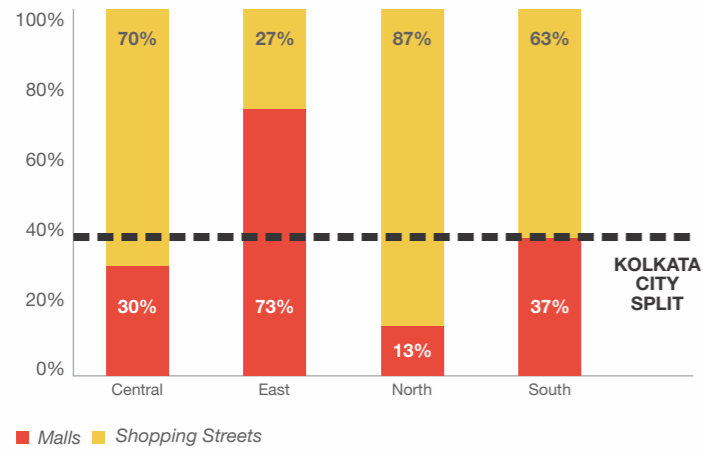
Per capita occupied mall space



- The average mall space availability per 1,000 persons in Kolkata stands at 229 sq ft, while it is higher, at 637 sq ft, for households earning over ₹300,000
- East Kolkata remains the region with the highest per capita mall space availability. The presence of several large-format malls catering to the retail needs of the population, chiefly employed in the IT hub of Salt Lake Sector V and Rajarhat, has taken the per capita mall space to a whopping 2,859 sq ft for households with an income of over ₹300,000
- On the other hand, the mall space availability of North Kolkata per 1,000 persons is minimal owing to the limited number of malls in the region

Chart 3

Split of occupied modern retail space into malls and shopping streets



Source: Knight Frank Research

- Kolkata has a clearly demarcated shopping street domination, with its share of modern retail space skewed at 60 per cent. This indicates the compliance of the traditional markets of the city towards the demand for modern retail
- However, East Kolkata saw a reverse trend, with a mall space of over 70 per cent leading the way in modern retail space
- The share of shopping streets is the highest in North Kolkata, with only one operational mall in the region. Central and South Kolkata have higher shares, too, as these regions, although substantiated with malls, have numerous shopping streets adjacent to heavily-populated residential areas

Chart 4

Product category split of occupied modern retail space in Central Kolkata



Source: Knight Frank Research

- Apparel accounted for the highest share of the modern retail space in Central Kolkata, primarily due to the presence of several shopping streets in the area, some of which specialised in apparel
- Its share of 26 per cent is followed by the watches & jewellery category at 17 per cent, jewellery being the dominant factor
- Department stores and food and beverages (F&B) followed, with a 10 per cent share each of the total modern retail space

Chart 5

Product category split of occupied modern retail space in East Kolkata

- East Kolkata has a profusion of apparel stores, located mainly in malls, and accounting for 22 per cent of the total modern retail space in the region
- Remarkably, the home & lifestyle, and entertainment avenues were responsible for the next highest share, to the tune of 14 per cent each, both these product categories having a considerable presence in malls and on shopping streets
- This points towards a developing region that is witnessing residential interest as well as an increase in modern consumers who prefer to visit multiplex theatres for leisure
- The region has a plethora of food & beverages joints, adding up to 9 per cent of the retail space, patronised largely by IT industry-employees at food courts

Source: Knight Frank Research

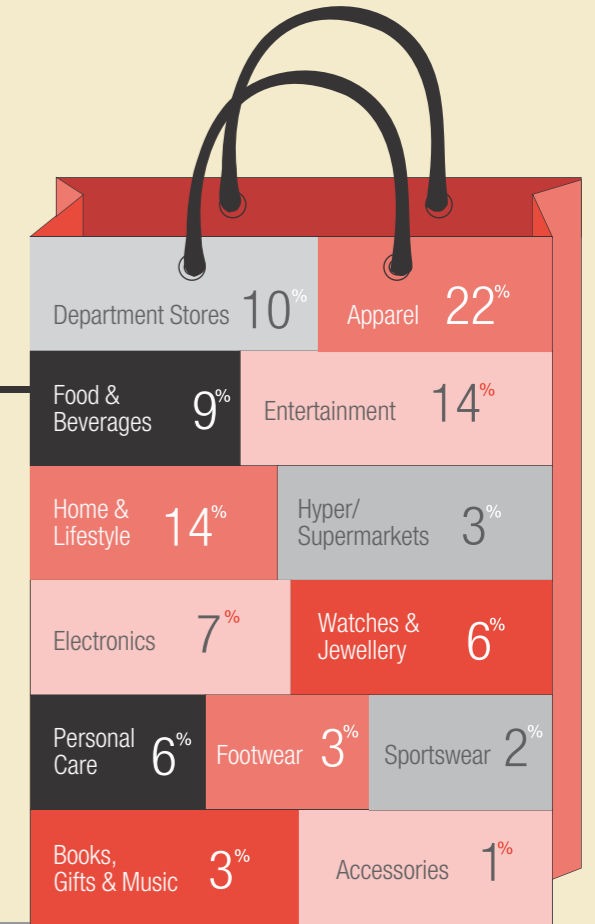


Chart 6

Product category split of occupied modern retail space in North Kolkata

- Apparel comprises the bulk of the modern retail space in North Kolkata, accounting for 23 per cent of the total pie
- The presence of a large number of furniture stores led this category to account for 18 per cent of the total modern retail pie - the second highest share in the region
- Hyper/supermarkets, consisting mainly of brands like Big Bazaar and Vishal Mega Mart, are third in the line - their prominence pointing towards an increasing preference of consumers to shop for their daily necessities in such large-format stores

Source: Knight Frank Research

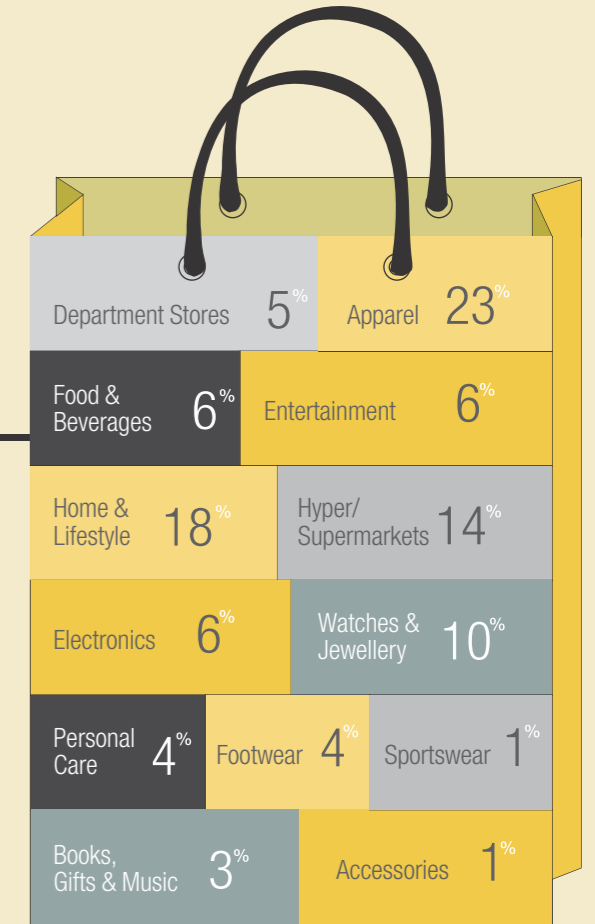


Chart 7

Product category split of occupied modern retail space in South Kolkata

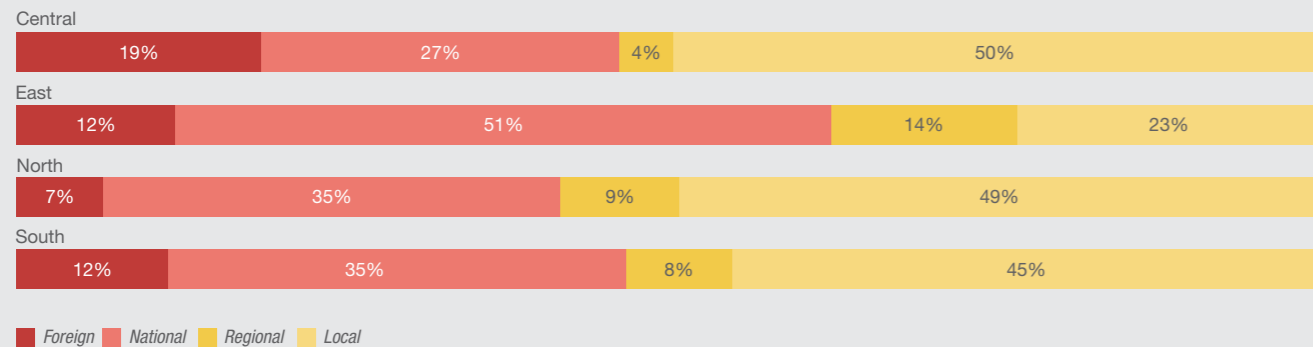


Source: Knight Frank Research

- South Kolkata consists of some of the most preferred residential locations in the city, the region boasting of a number of major shopping streets, some specialising in single-product categories like apparel and jewellery
- Not surprisingly, modern retail space here is led by apparel, at 26 per cent, followed by home & lifestyle, and watches & jewellery, each with shares of 11 per cent of the total pie

Chart 8

Brand-wise split of occupied modern retail store space

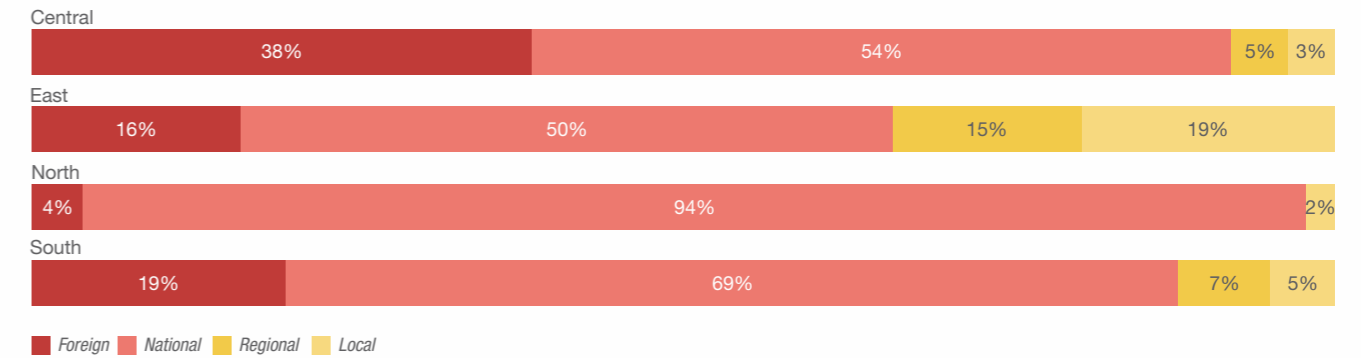


Source: Knight Frank Research

- Kolkata has emerged as a sought-after retail market in recent years, with several foreign and national brands setting up their stores in the city. Today, the city provides modern retail experience to buyers in various malls and shopping streets, targeting both the luxury segment and value shoppers
- An analysis of retail brands across markets shows that the majority of the foreign brands are located in the Central Kolkata region, mainly in the newly-launched Quest Mall and in high-end shopping streets such as Park Street
- Interestingly, Central Kolkata accounts for the highest share of local brands too, primarily due to the numerous traditional shopping streets that have attuned themselves to become modern retail spaces
- East and South Kolkata have a fair presence of foreign brands as well, with a share of 12 per cent each, which can be attributed primarily to the malls in these regions.
- The least share of foreign brands is observed in the northern zone, owing to the relatively undeveloped modern retail state of this region
- National brands have a considerable presence across all the zones, particularly in the east, while regional brands have yet to gain confidence

Chart 9

Brand-wise split of modern retail store space in malls

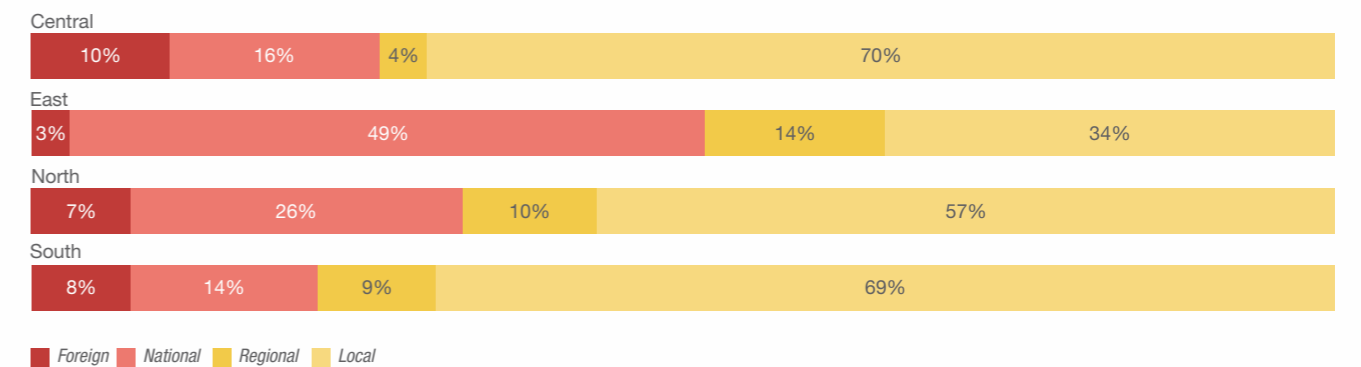


Source: Knight Frank Research

- The malls in the Central Kolkata region accounted for the highest share of foreign brands, primarily due to the presence of the high-end Quest Mall, which has a host of luxury brands
- South Kolkata has the second highest share of foreign brands, which can be attributed chiefly to the presence of South City, a large-format mall project
- However, modern retail space in Kolkata's malls is skewed considerably towards national brands, with its share in all the regions upward of 50 per cent
- North Kolkata has the largest share of modern retail space occupied by national brands in mall space

Chart 10

Brand-wise split of occupied modern retail store space in shopping streets









Source: Knight Frank Research

- Although the share of foreign brands is significantly less in the city's shopping streets, Central Kolkata, followed closely by South Kolkata, emerged as preferred regions for foreign retailers to set up their stores
- High streets, such as Park Street in Central Kolkata and parts of Rashbehari Avenue in the south, are responsible for the presence of foreign brands in their respective zones
- However, despite its share of foreign brands, the Central zone has the highest share of local brands too, owing to the presence of traditional markets in the region that have adapted to modern retail
- Meanwhile, East Kolkata, which boasted of a large share of foreign brands in malls, has the minimum share of the same on its shopping streets. Remarkably, the proliferation of national brands stood at a considerable 49 per cent in the region

Chart 11

Top foreign, national and regional brands

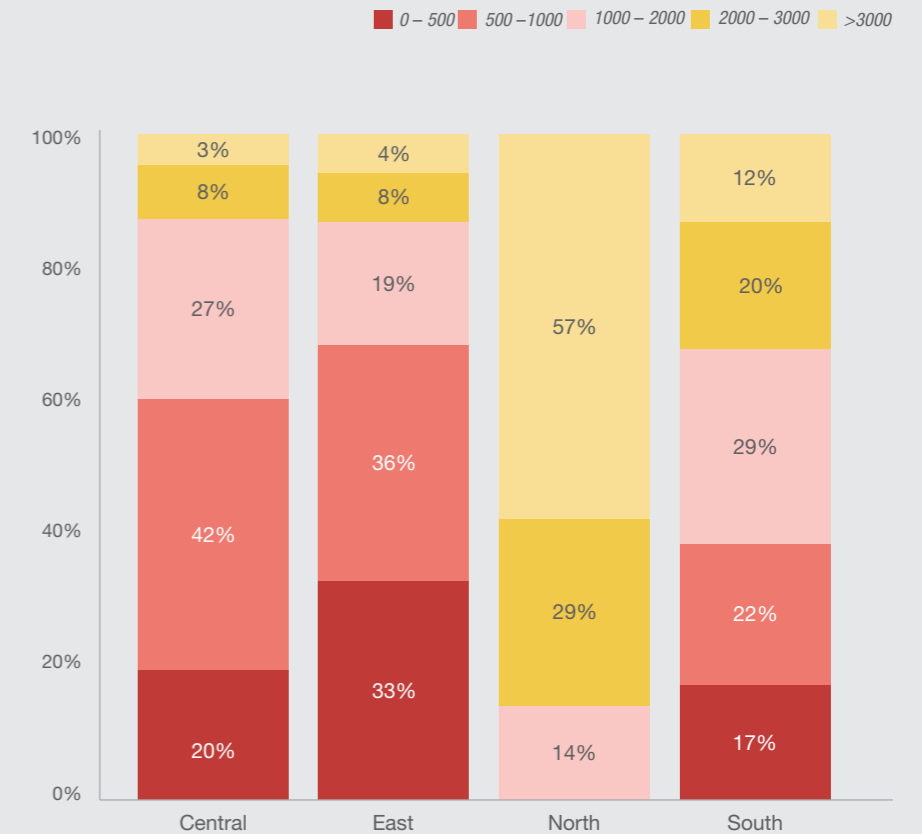
| FOREIGN BRANDS | CATEGORIES | NATIONAL/REGIONAL BRANDS |
|--------------------------------------|---|--|
| Claire's, Gucci, Accessorize |  | Hidesign, Fastrack |
| Levis, United Colors of Benetton |  | Raymonds, Prapti, The little shop |
| |  | Crossword, Archies, Landmark, Starmark bookshop, M3 music |
| Lifestyle, Max |  | Westside, Shoppers Stop, Pantaloons |
| Samsung, LG, Sony Center |  | Reliance Digital, E Zone |
| |  | INOX, PVR Cinemas, Cinemax, Fun Cinemas, Adventure plex |
| McDonald's, KFC, Pizza Hut |  | Café Coffee Day, Haldiram's |
| Bata, Clarks |  | Reliance Footprint, Metro Shoes, Khadims footwear |
| |  | Home Town, Godrej Interio, Estillo furniture, Jagdish Store, Mobel (furniture) |
| |  | Big Bazaar, Vishal Mega Mart, Spencers, Food Bazaar, More |
| |  | VLCC, GKB Opticals, Himalaya Opticals, The Thai spa, Skysports |
| Woodland, Nike, Puma, Adidas, Reebok |  | |
| |  | World of Titan, Tanishq, Senco jewellers, Adrija jewel |

Source: Knight Frank Research

Chart 12

Size-wise split of occupied modern retail stores in malls

Space in sq ft



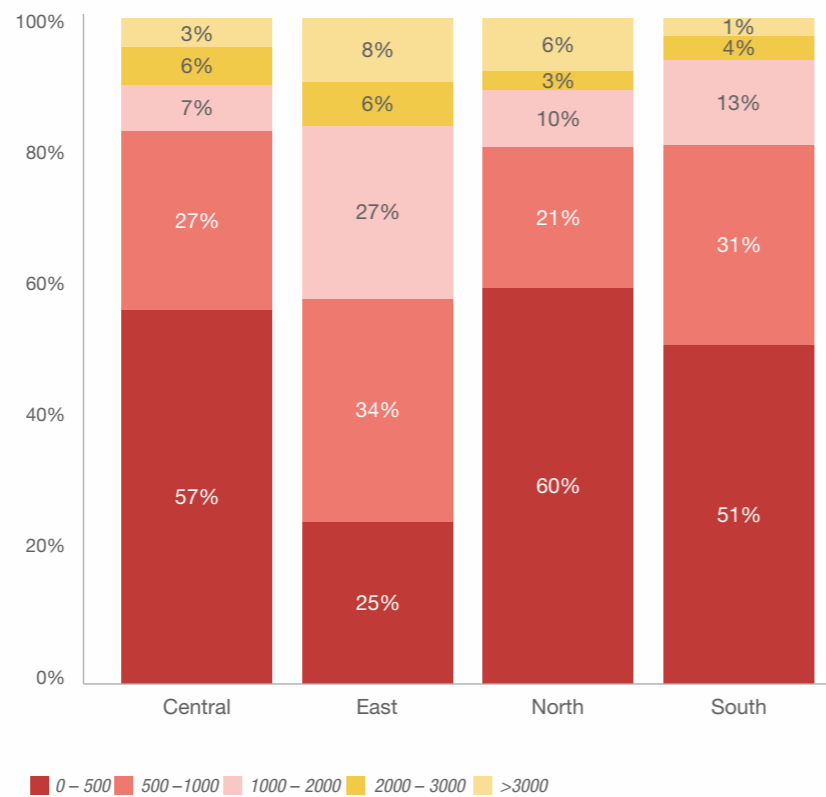
- South Kolkata emerges as the region with a fairly uniform share in the mix of shop sizes in malls, as compared to the other zones
- East Kolkata accounted for 69 per cent of the shops skewed towards the lower size range of less than 1,000 sq ft, owing to the presence of community malls like City Centre 1 and 2
- On the other hand, North Kolkata has the highest share of shops with sizes upwards of 3,000 sq ft. These large-size shops can be attributed to hyper/supermarkets that require large areas to operate

Source: Knight Frank Research

Chart 13

Size-wise split of occupied modern retail stores in shopping streets

Space in sq ft

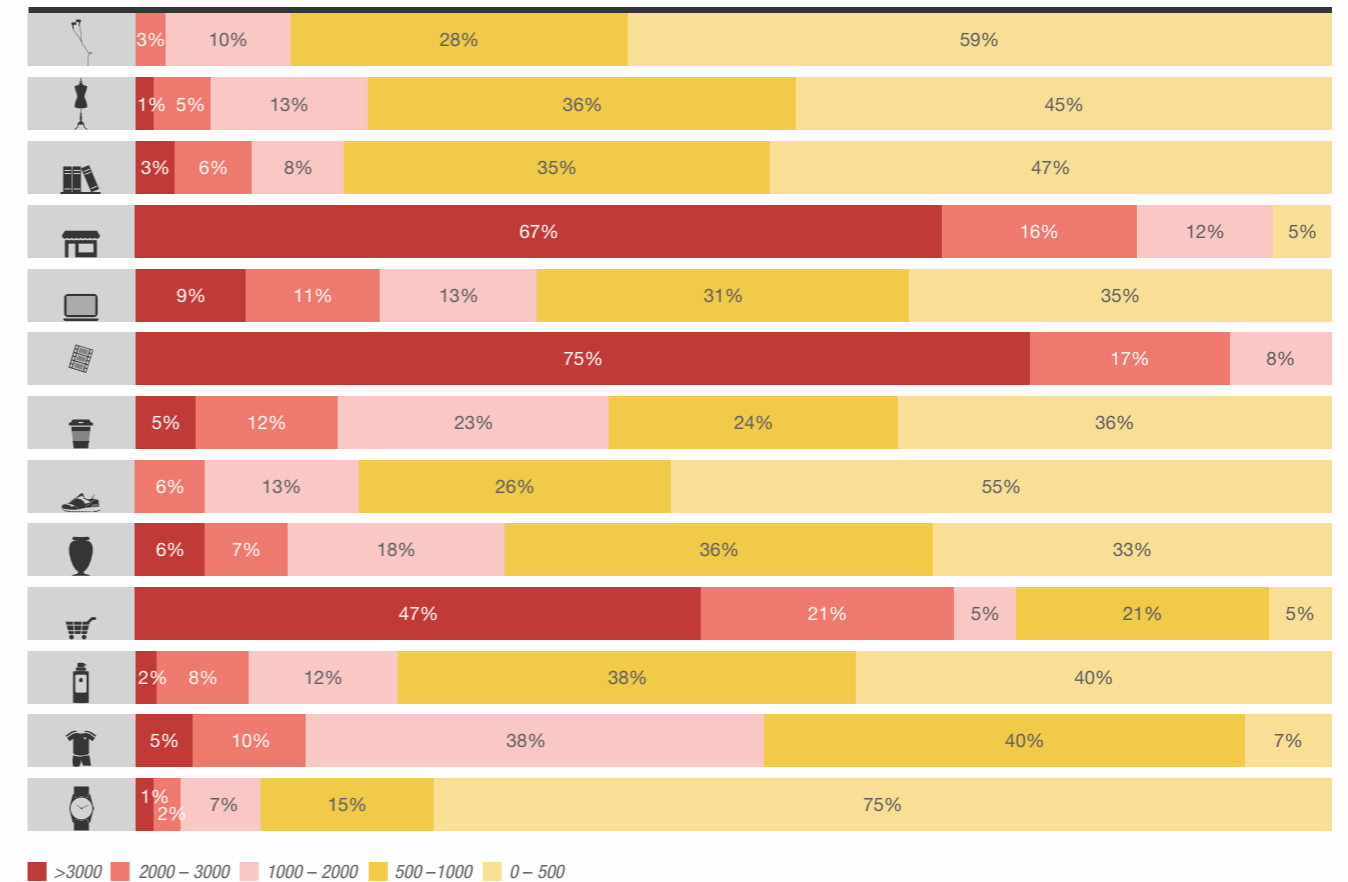


- Owing to the presence of a number of heavily-populated traditional shopping streets, Central and South Kolkata have a larger percentage share of shops with average sizes less than 1,000 sq ft - to the tune of 84 per cent and 82 per cent respectively, followed closely by North Kolkata at 81 per cent
- Despite its limited number of shopping streets, East Kolkata can be considered as the region with a comparatively better mix of shops in various sizes
- It also has the highest share of shops with sizes greater than an average of 3,000 sq ft, as the retail markets there have numerous electronics stores and fine dining options

Source: Knight Frank Research

Chart 14

Size-wise split of modern retail stores across product categories

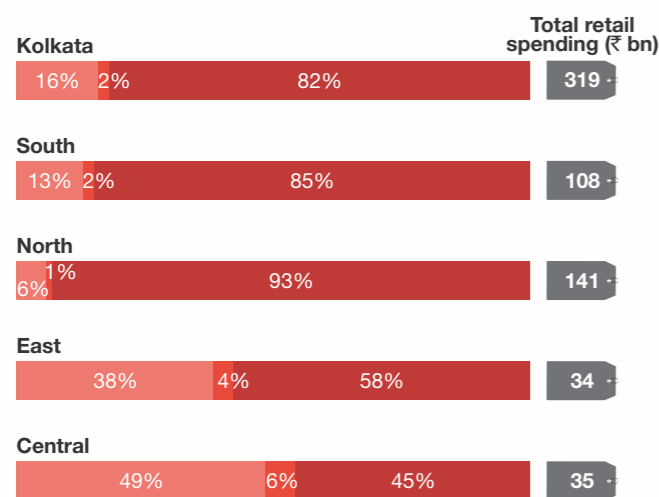


Source: Knight Frank Research

- Watches & jewellery, the product category with higher average trading density (ATD), has been observed to be housed mainly in shops with lower size ranges. A whopping 75 per cent of these stores have sizes less than 500 sq ft
- Not surprisingly, entertainment avenues like movie theatres, which require large formats, have the highest share of sizes exceeding 3,000 sq ft
- Department stores, another category that needs large formats to showcase their product ranges, has the second highest share of shop sizes that are greater than 3,000 sq ft
- Interestingly, sportswear, which consists mostly of foreign brands, has a considerable share of shops with sizes in the range of 1,000-2,000 sq.ft - to the tune of 38 per cent
- The accessories category has been observed to operate in small-size shops as well. Around 87 per cent of this product category belong to a size range of less than 1,000 sq ft

Chart 15

Total retail spending and penetration of modern retail in 2014



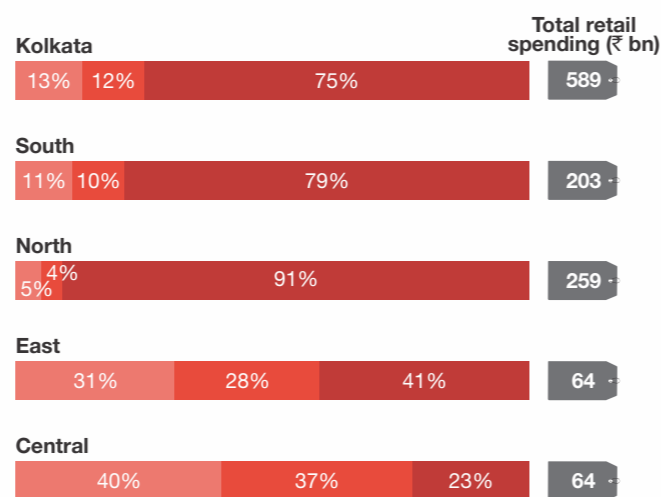
■ Brick and mortar modern retail ■ E-tail ■ Non-modern retail
 Note: Brick and mortar modern retail + E-tail = Modern retail

Source: Knight Frank Research

- At present, the total retail spending in Kolkata amounts to ₹319 bn, with North Kolkata accounting for the largest share at 44 per cent. This is in line with the population of this zone, which stands at 45 per cent
- The share of modern retail in Kolkata stood at 18 per cent in 2014, of which brick and mortar is at 16 per cent, and E-tail, at 2 per cent
- Central Kolkata has the highest share of modern retail, at 55 per cent, followed by the eastern zone. The presence of a large number of shopping streets in Central Kolkata and several large-format malls in East Kolkata with a substantial IT population seem to have tilted the balance towards modern retail in these two zones
- Significantly, although non-modern retail accounts for more than 90 per cent of the retail market in North Kolkata, compared to less than 50 per cent in Central Kolkata, its retail spending is much higher

Chart 16

Projected total retail spending and penetration of modern retail in 2019



■ Brick and mortar modern retail ■ E-tail ■ Non-modern retail
 Note: Brick and mortar modern retail + E-tail = Modern retail

Source: Knight Frank Research

- The total retail spending in Kolkata is projected to increase from ₹319 bn in 2014 to ₹589 bn in 2019. The share of modern retail is estimated to increase from 18 per cent to 25 per cent during this period
- While the share of E-tail is expected to increase exponentially by six times, from 2 per cent in 2014 to 12 per cent in 2019, the share of brick and mortar modern retail is expected to fall correspondingly, from 16 per cent to 13 per cent during the same period
- Central and East Kolkata are expected to witness the maximum impact in terms of modern retail share owing to the fast-paced growth of the E-tail segment in the next five years. On the other hand, North Kolkata will continue to be dominated by non-modern retail during the same period

KOLKATA ZONE ANALYSIS

Central Kolkata Zone Analysis

Central Kolkata map

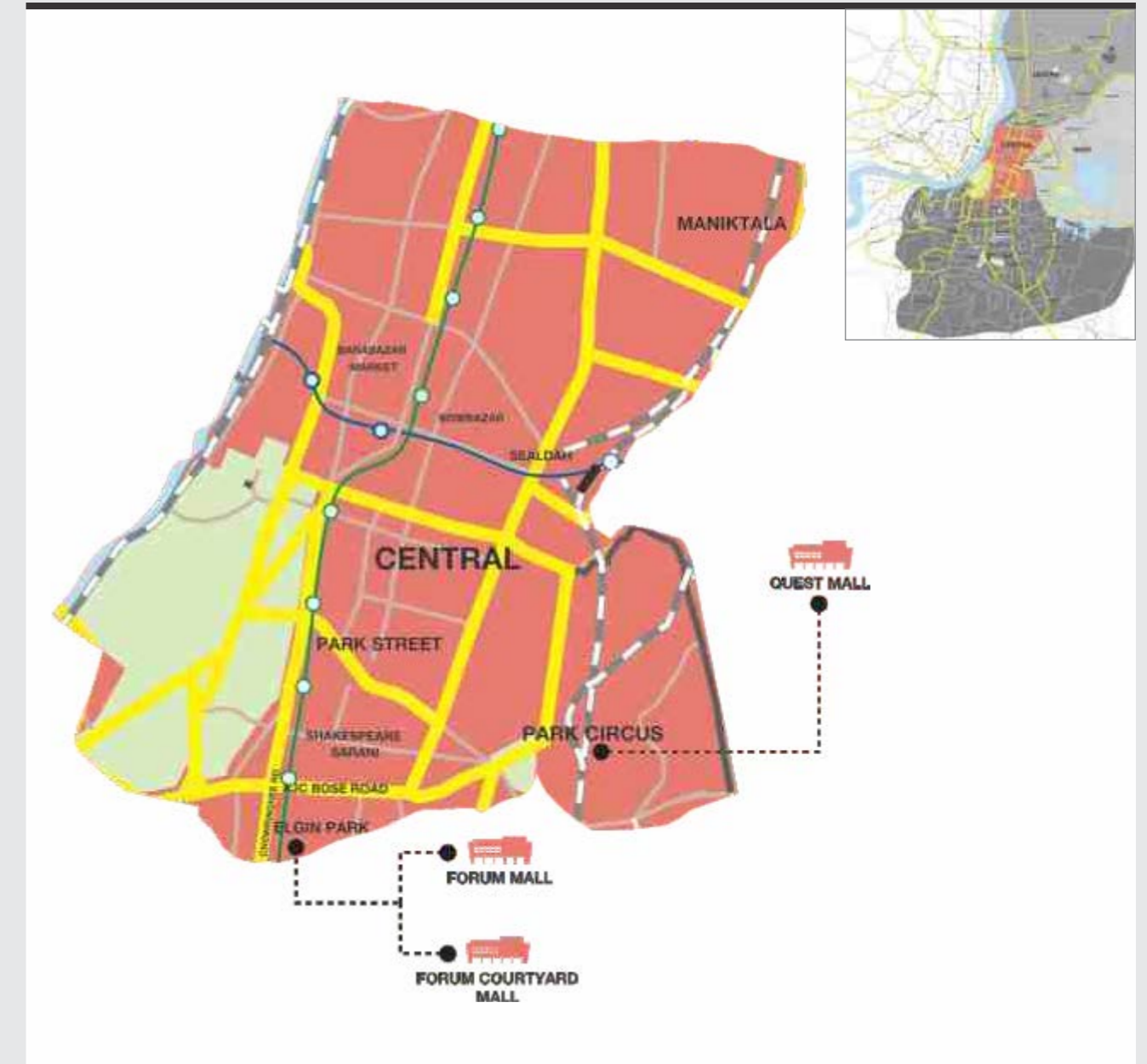
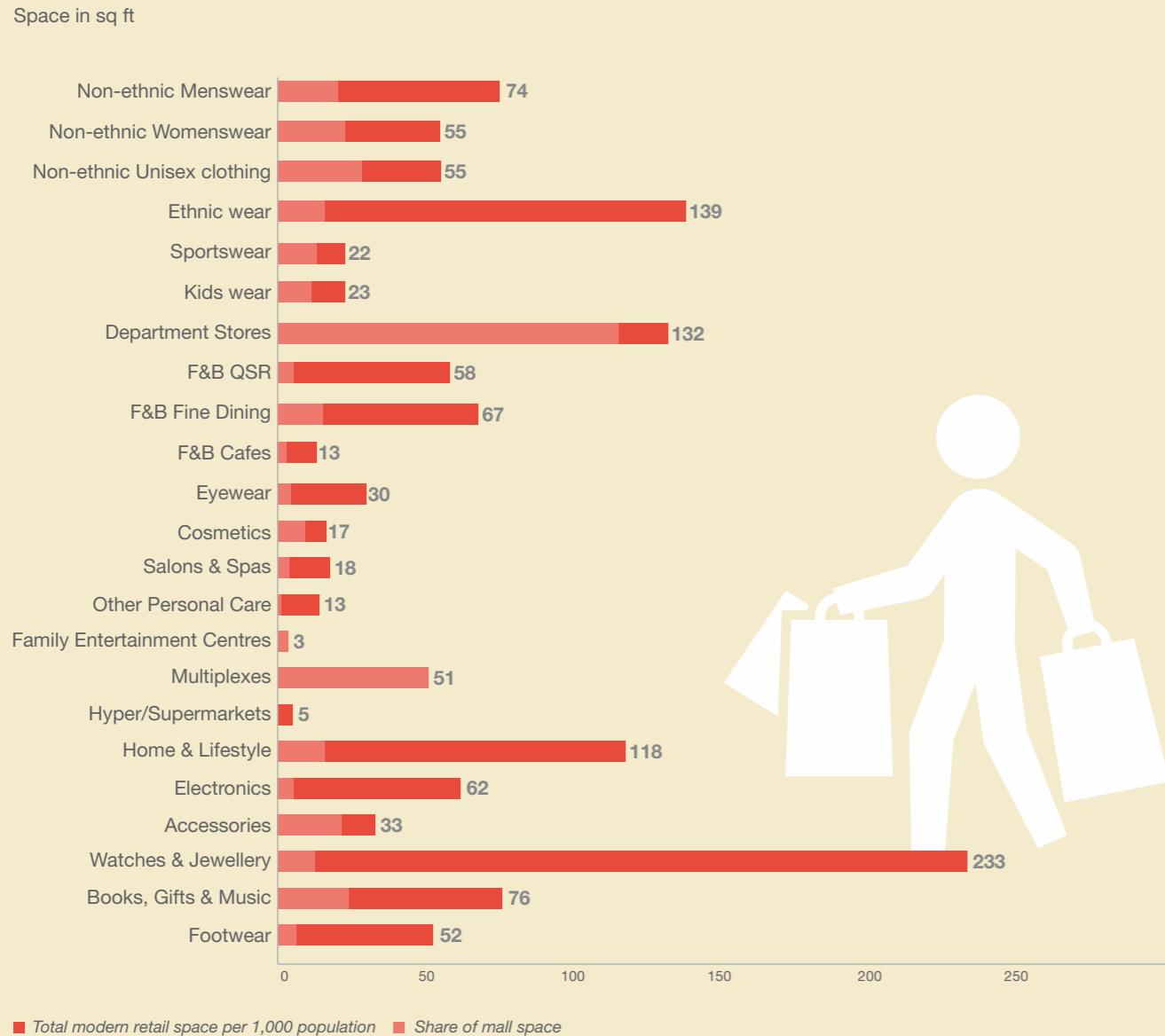


Chart 1

Per capita occupied modern retail space in Central Kolkata



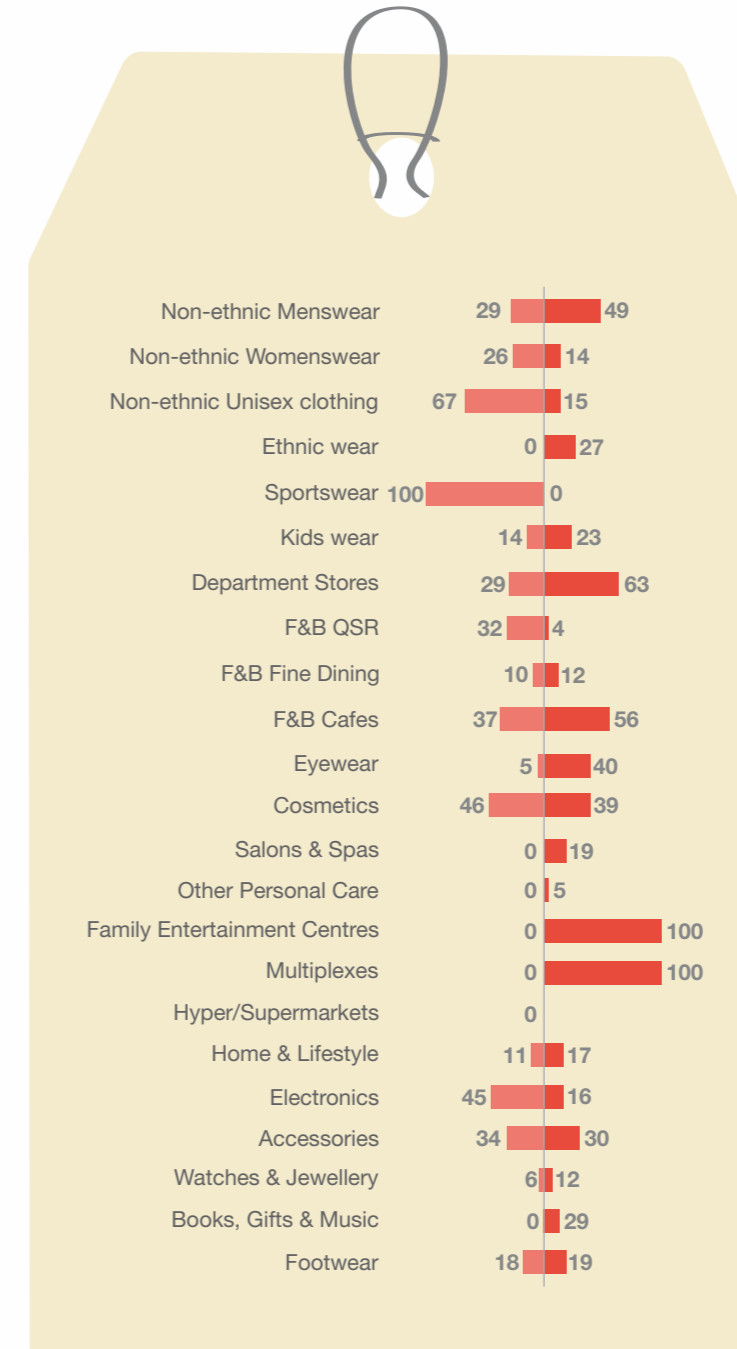
Source: Knight Frank Research, Indicus Analytics

- It has been observed that for most product categories, shopping streets in Central Kolkata score higher on the availability of modern retail space per 1,000 persons compared to malls
- The highest per capita modern retail space availability in Central Kolkata is for watches and jewellery due to the large number of stores located on the numerous shopping streets, some of them specialising only in jewellery. However, this share is minimal on the mall space front
- Conversely, modern retail space for department stores is predominantly mall-centric, with lesser shopping street penetration.
- On an interesting note, the non-ethnic apparel for women's and unisex clothing categories have an almost equal share in the modern retail space availability per 1,000 persons on the shopping streets as well as in malls

Chart 2

Share of foreign and national brand stores in the overall modern retail space

Share in Percentage



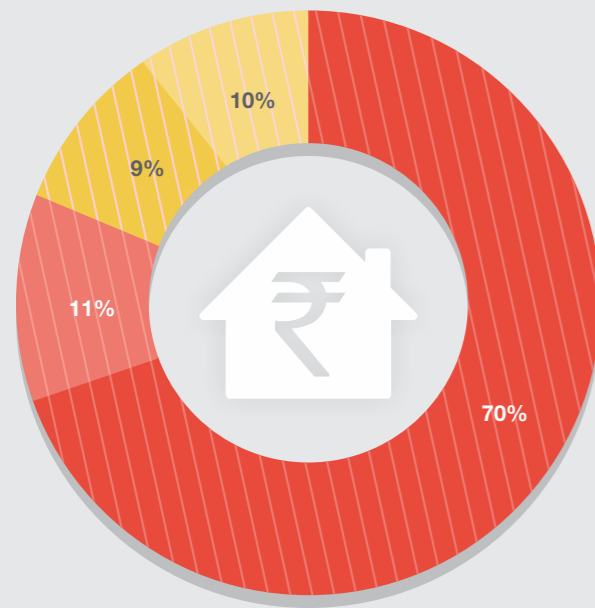
- The highest percentage share of foreign brands in Central Kolkata's modern retail space is seen in the sportswear segment, where the entire product category is dominated by brands like Nike, Adidas, Puma and others, leaving no space for either national or local brands
- Foreign brands also scored significantly over national and regional brands in the case of non-ethnic unisex apparel and cosmetics, with shares of 67 per cent and 46 per cent respectively. A majority of these stores are located in malls
- Meanwhile, quick service restaurants (QSR) with foreign origins like McDonald's, KFC and Pizza Hut dominated the region, with multiple outlets, both in the malls and on the shopping streets
- On the other hand, retail space in national brands are more evident in product categories like F&B cafe, ethnic wear and department stores, besides having a comprehensible presence in categories like multiplexes and FECs

Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

Source: Knight Frank Research

Chart 3

Household income split in Central Kolkata



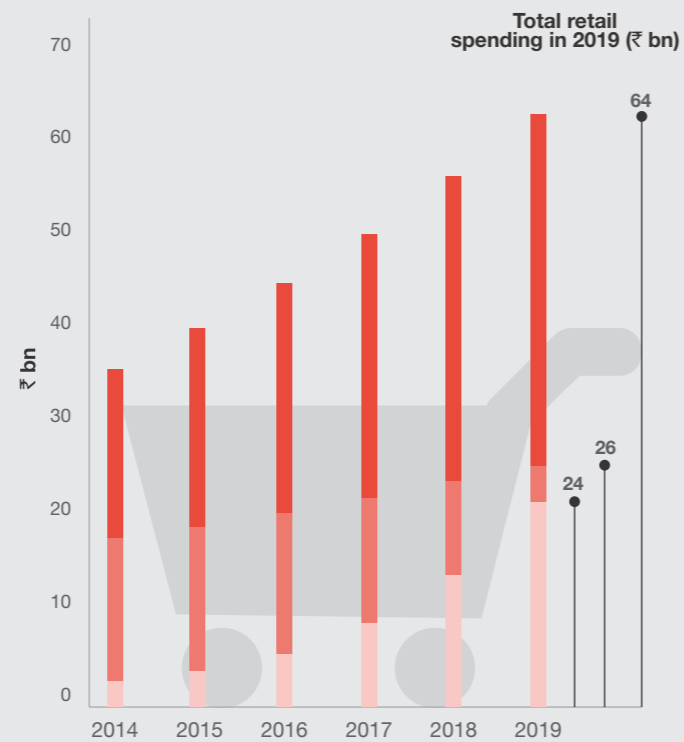
■ < ₹300,000 ■ ₹300,001 – ₹500,000
 ■ ₹500,001 – ₹1,000,000 ■ > ₹1,000,000

Source: Knight Frank Research, Indicus Analytics

- Central Kolkata has a select group of HIG-segment dwellers, with a considerable chunk of the population belonging to other income segments spread out across the other parts of the region
- While 10 per cent of the region's households have incomes on the upper side of ₹1,000,000, a sizeable 70 per cent of the households earned below ₹300,000
- This explains the rather large concentration of local brands on this zone's shopping streets, and also the reason behind the high per capita availability of modern retail space per 1,000 persons for households earning over ₹300,000

Chart 4

Projected retail spending in Central Kolkata



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

- The total retail spending in Central Kolkata is projected to increase from ₹35 bn in 2014 to ₹64 bn in 2019, resulting in an annual growth rate of 12 per cent
- The most remarkable observation in this zone involves the share of E-tail in total retail, which is estimated to increase from 6 per cent in 2014 to a whopping 37 per cent in 2019. Consequently, the share of brick and mortar modern retail is estimated to witness a fall, from 49 per cent to 40 per cent during the same period
- Not surprisingly, the share of modern retail, which includes both E-tail and brick and mortar, is expected to increase substantially from 54 per cent in 2014 to 77 per cent in 2019. This implies that modern retail will account for a major share of the total retail spending in Central Kolkata by 2019

Future trends in Central Kolkata



The considerable growth of the E-tail segment expected in Central Kolkata over the next five years could result in infringing on the brick and mortar modern retail segment. This will lead to a lower requirement for brick and mortar incremental space in this zone.



Shopping streets will continue to lead in terms of brick and mortar modern retail owing to the diversity observed in the household incomes of this region.



The region presently has sufficient space in most of the product categories, though categories like cosmetics and accessories have a good potential for retailers to pursue growth over the next five years.

KOLKATA ZONE ANALYSIS

East Kolkata Zone Analysis

East Kolkata map

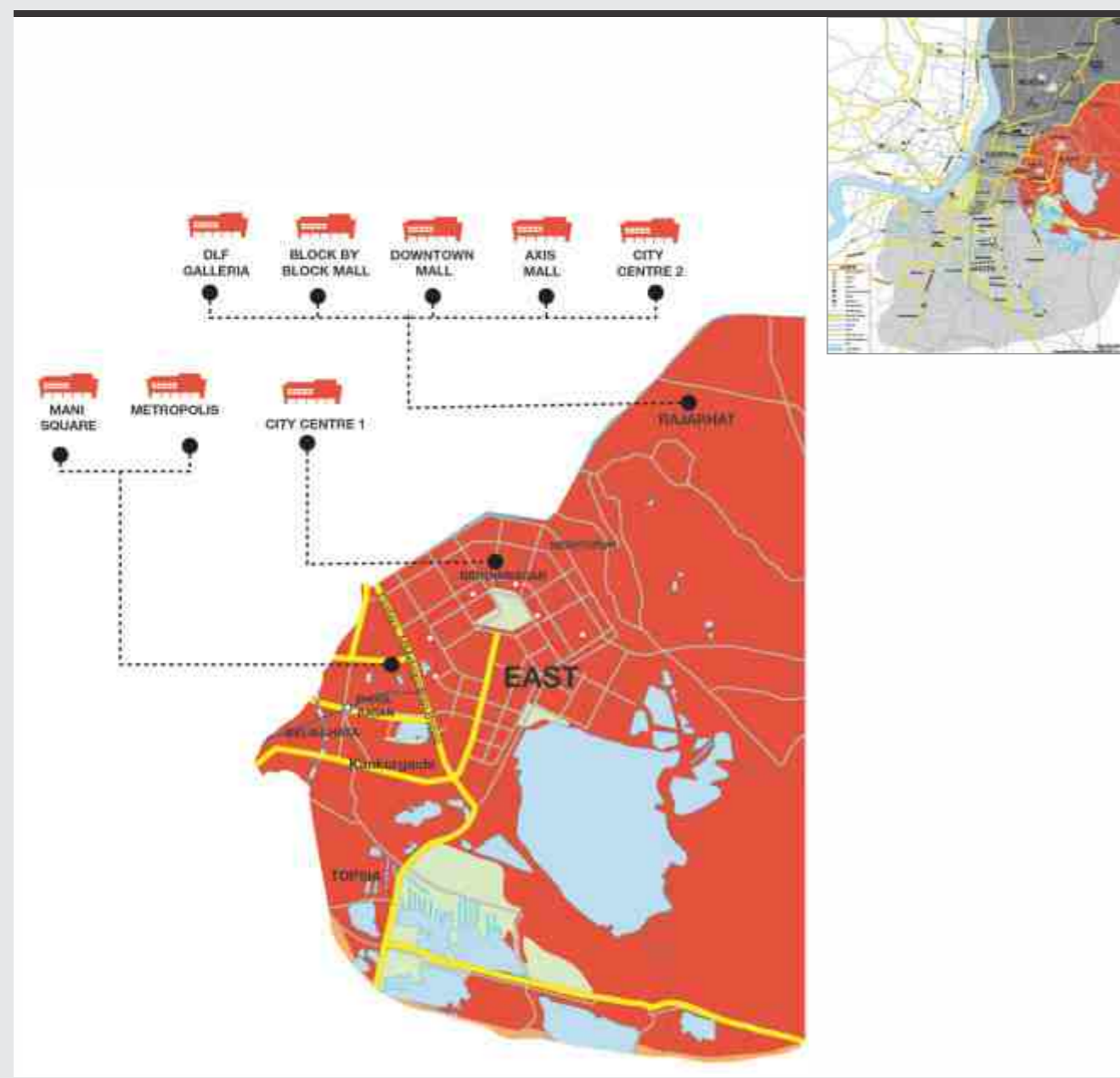
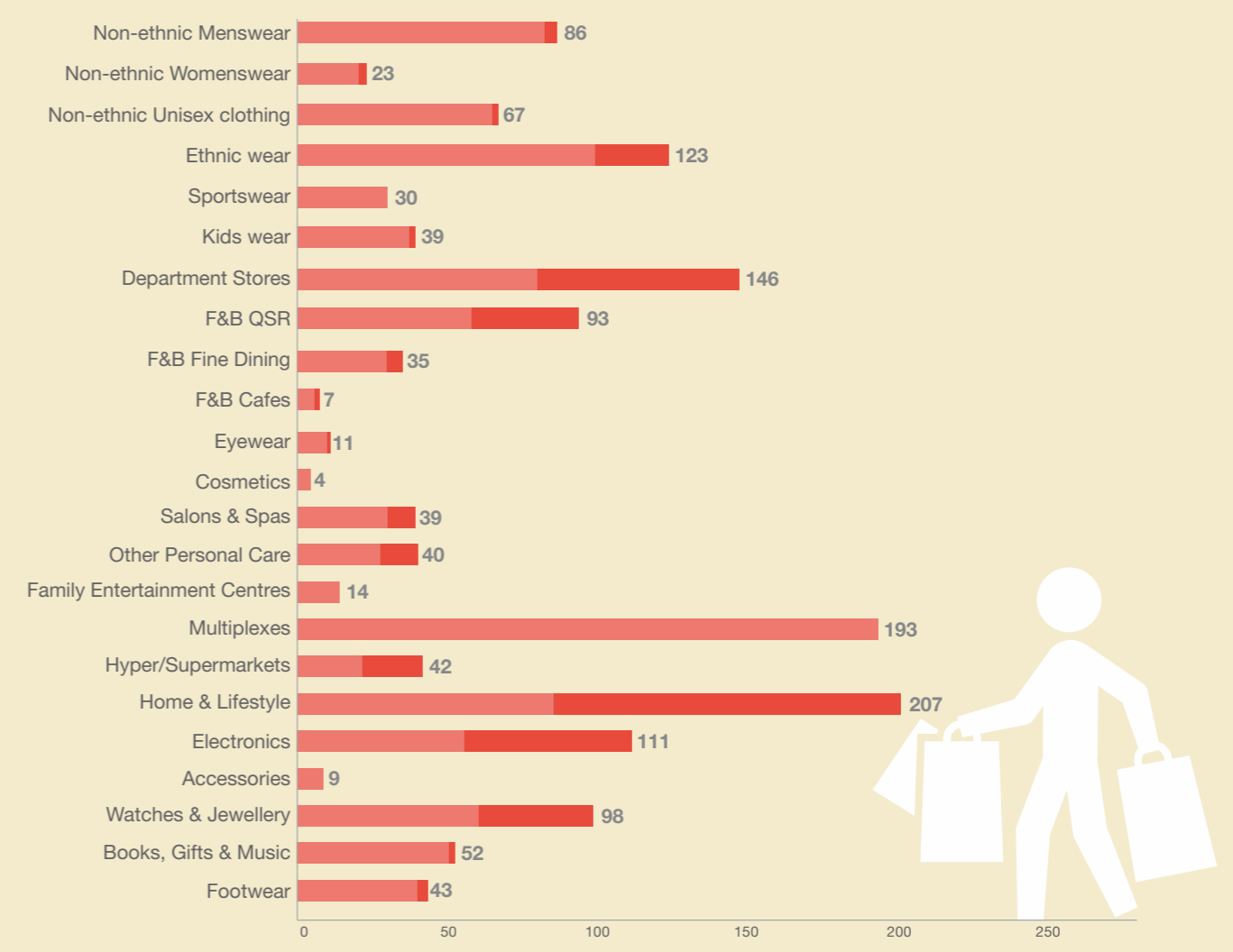


Chart 1

Per capita occupied modern retail space in East Kolkata

Space in sq ft



■ Total modern retail space per 1,000 population ■ Share of mall space

Source: Knight Frank Research, Indicus Analytics

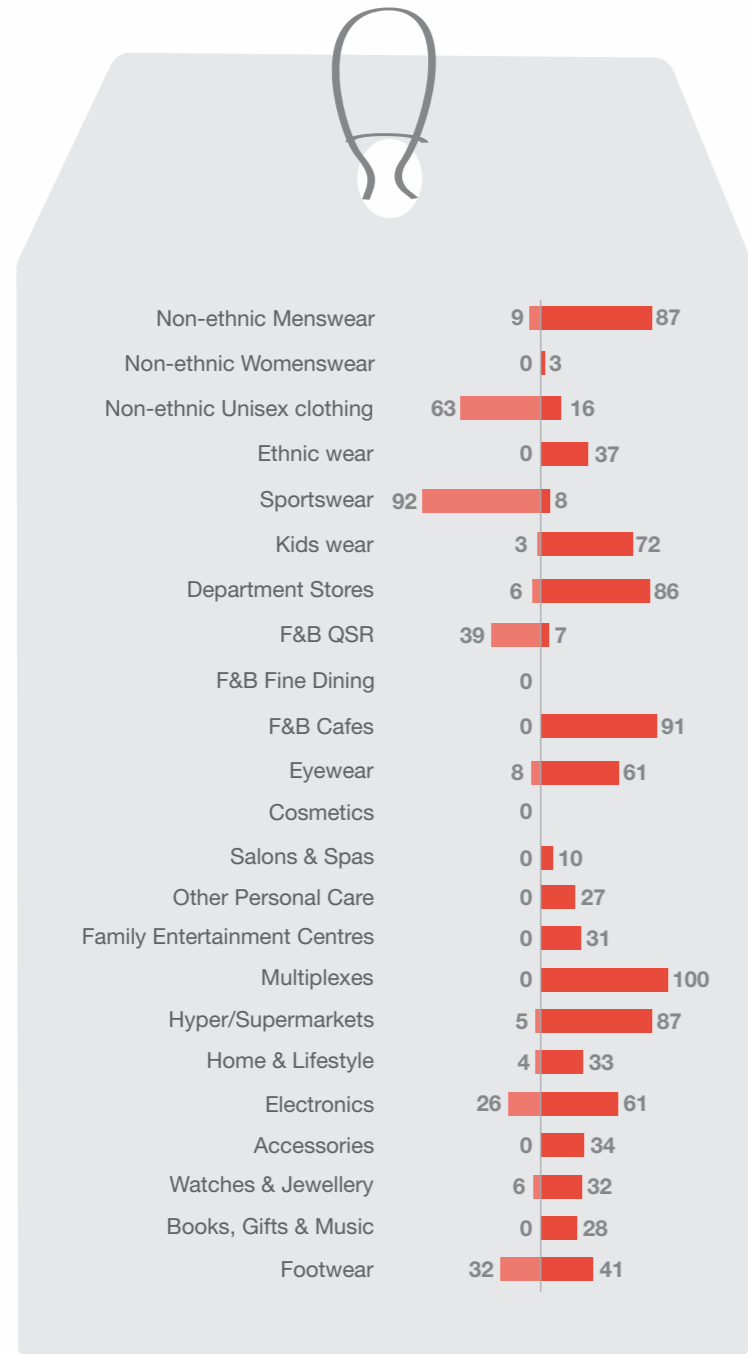
- Owing to the profusion of large-format malls in this region, East Kolkata has a greater share of mall space availability per 1,000 persons in most of the product categories
- This supports the finding wherein the zone had scored the highest availability of per capita retail space in the city in terms of malls
- However, the per capita retail space available in home & lifestyle stores is considerably more in the shopping streets than in the malls

Chart 2

Share of foreign and national brand stores in the overall modern retail space



Share in Percentage



- Modern retail in the eastern region has a dominance of foreign brands in sportswear and non-ethnic unisex apparel, while national brands led the way in most other categories, particularly in the non-ethnic menswear, multiplex and F&B cafe segments
- Footwear and electronics with foreign origins, though outnumbered by national brands in terms of retail space, had a fair share in the pie owing to the number of stores located in the malls
- Another perceptible finding regarding the share of retail space in the eastern zone, is on the hyper/supermarket front. National brands like Big Bazaar and Spencer's accounted for 87 per cent of the total share of space in that category

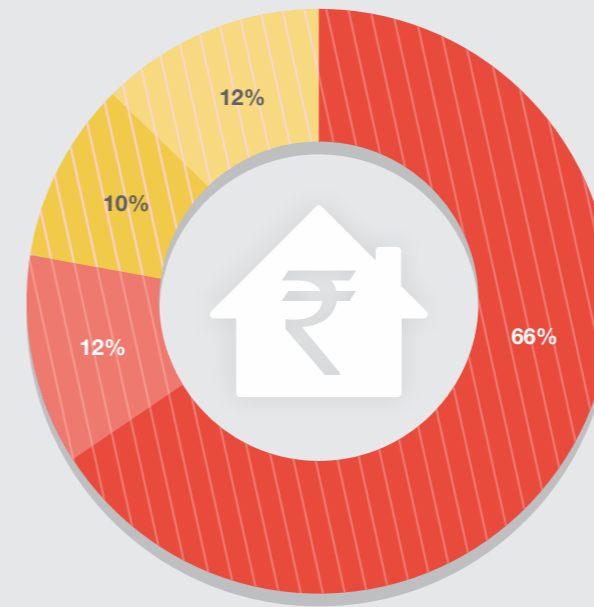
Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

■ Share of foreign brands
■ Share of national brands

Source: Knight Frank Research

Chart 3

Household income split in East Kolkata



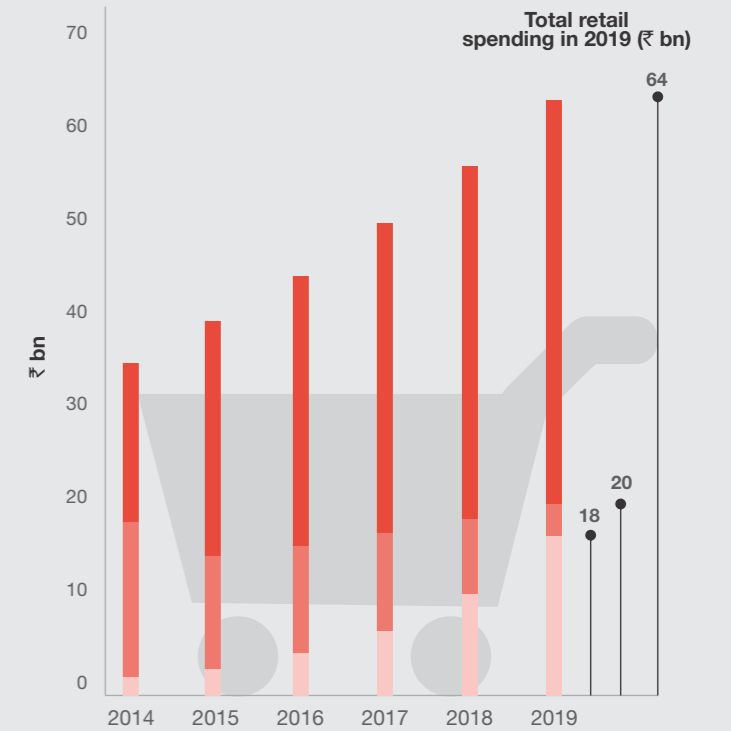
■ < ₹300,000 ■ ₹300,001 – ₹500,000
■ ₹500,001 – ₹1,000,000 ■ > ₹1,000,000

Source: Knight Frank Research, Indicus Analytics

- Until a few decades back, most parts of East Kolkata were sparsely populated. Presently, it is one of the prime IT hubs of the city, with a fair share of households, viz. 12 per cent, earning over ₹1,000,000
- The establishment of the IT sector explains the hectic development of large-format malls in the region, thereby increasing its per capita modern retail space availability
- On the other hand, a sizeable 66 per cent of the households have incomes less than ₹300,000, which introspects whether there is a potential scenario of oversupply of mall space in the region

Chart 4

Projected retail spending in East Kolkata



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

- Similar to Central Kolkata, the total retail spending in East Kolkata is also expected to grow at the rate of 13 per cent per annum. East Kolkata's total retail spending will rise from ₹34 bn in 2014 to ₹64 bn in 2019
- While the share of E-tail is estimated to increase seven times, from 4 per cent in 2014 to 28 per cent in 2019, the share of brick and mortar modern retail is expected to decline from 38 per cent to 31 per cent during the same period, owing to the infringement of the E-tail segment upon its share
- However, the share of modern retail is expected to rise from 43 per cent in 2014 to 59 per cent in 2019, on the back of the burgeoning E-tail segment

Future trends in East Kolkata



East Kolkata has ample brick and mortar modern retail space in terms of malls, and additional mall space supply could result in an oversupply situation, impacting the rental values and vacancy levels of the mall space here.



On the other hand, the expected drop in the share of non-modern retail, from 57 per cent to 41 per cent augurs well for the modern retail sector and implies that there is potential for more modern retailers to enter the zone.



The present low penetration observed in product categories like accessories and cosmetics necessitate a high potential for these categories to increase their presence in East Kolkata in the next five years.

KOLKATA ZONE ANALYSIS

North Kolkata Zone Analysis

North Kolkata map

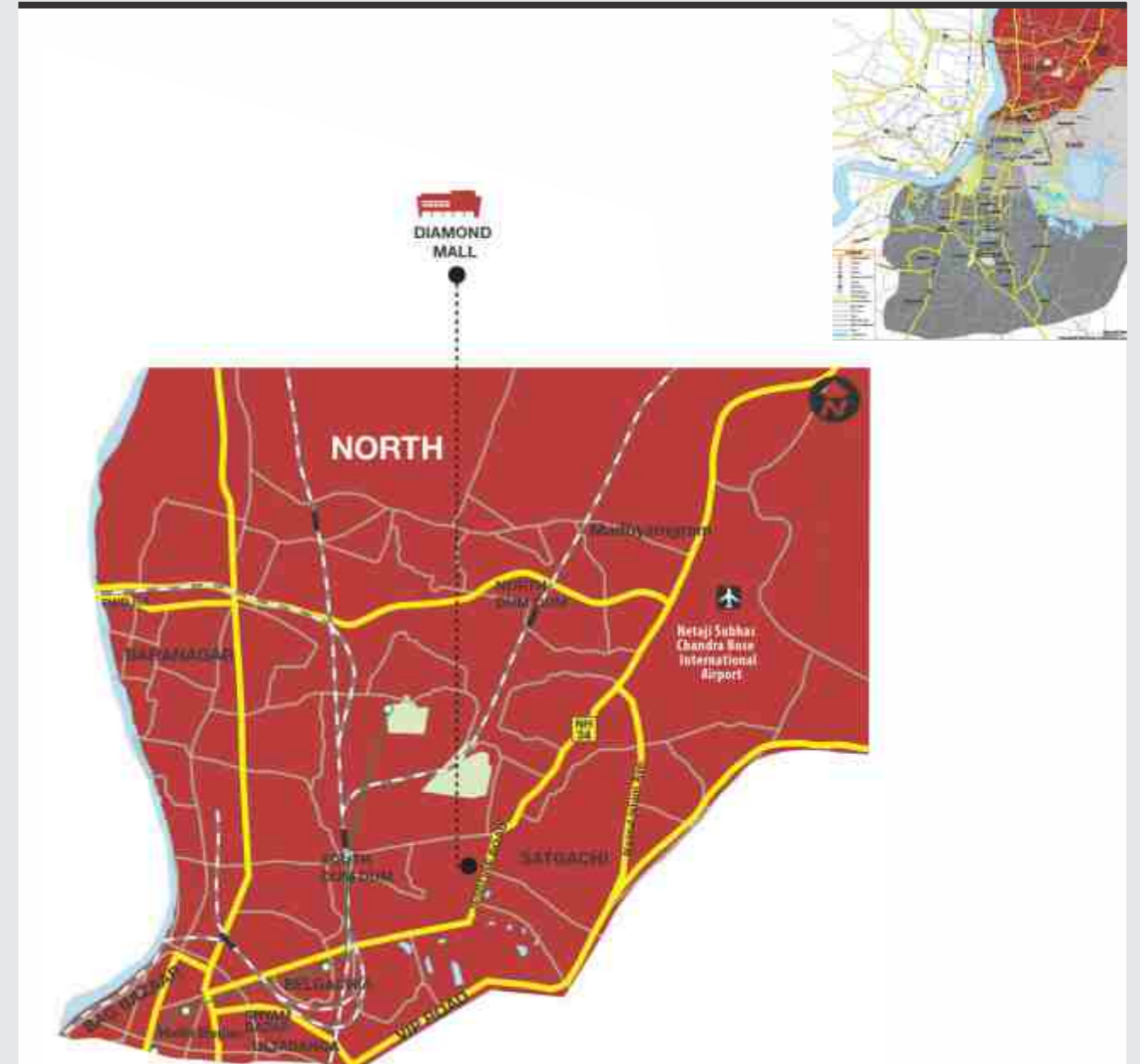
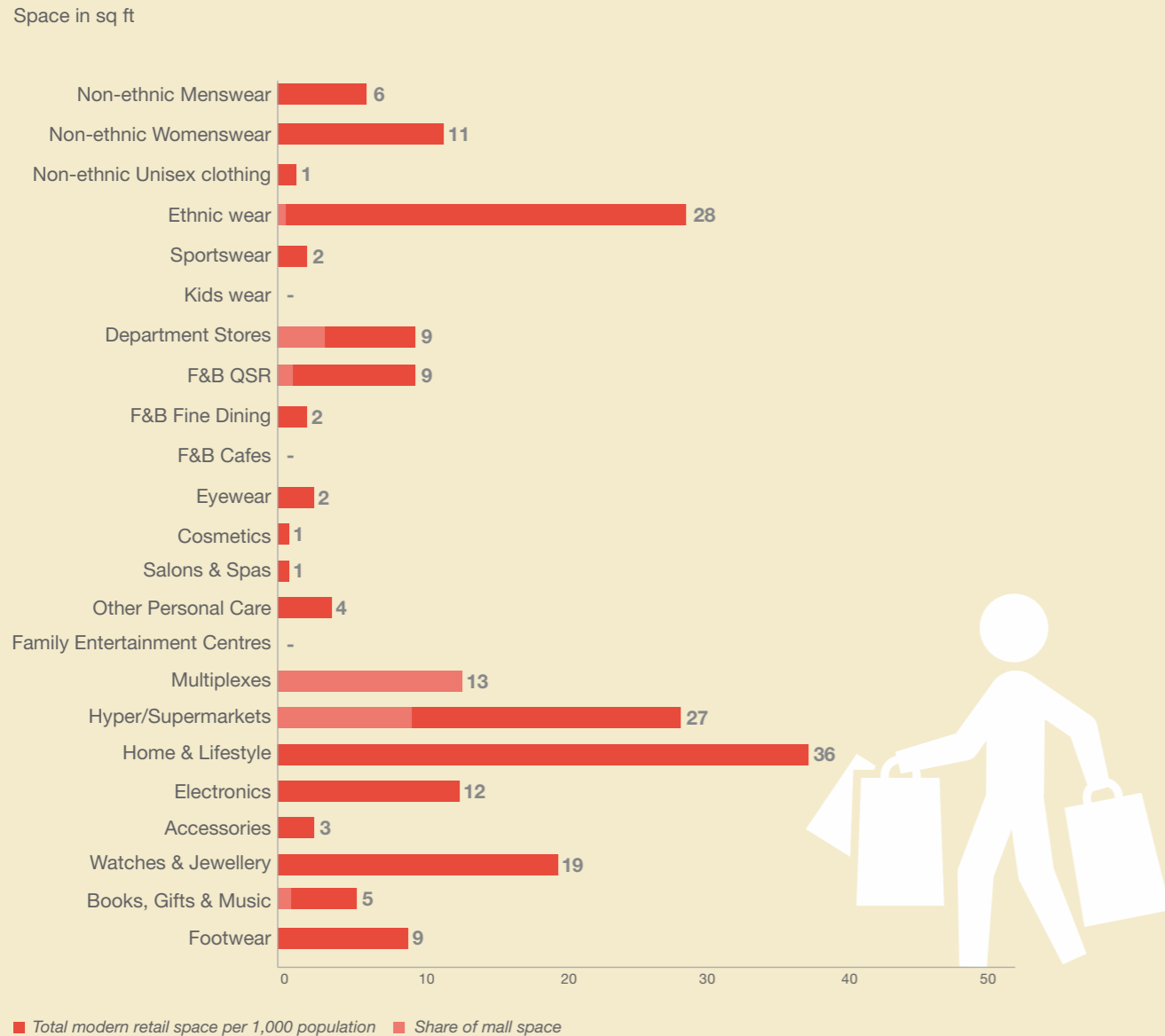


Chart 1

Per capita occupied modern retail space in North Kolkata



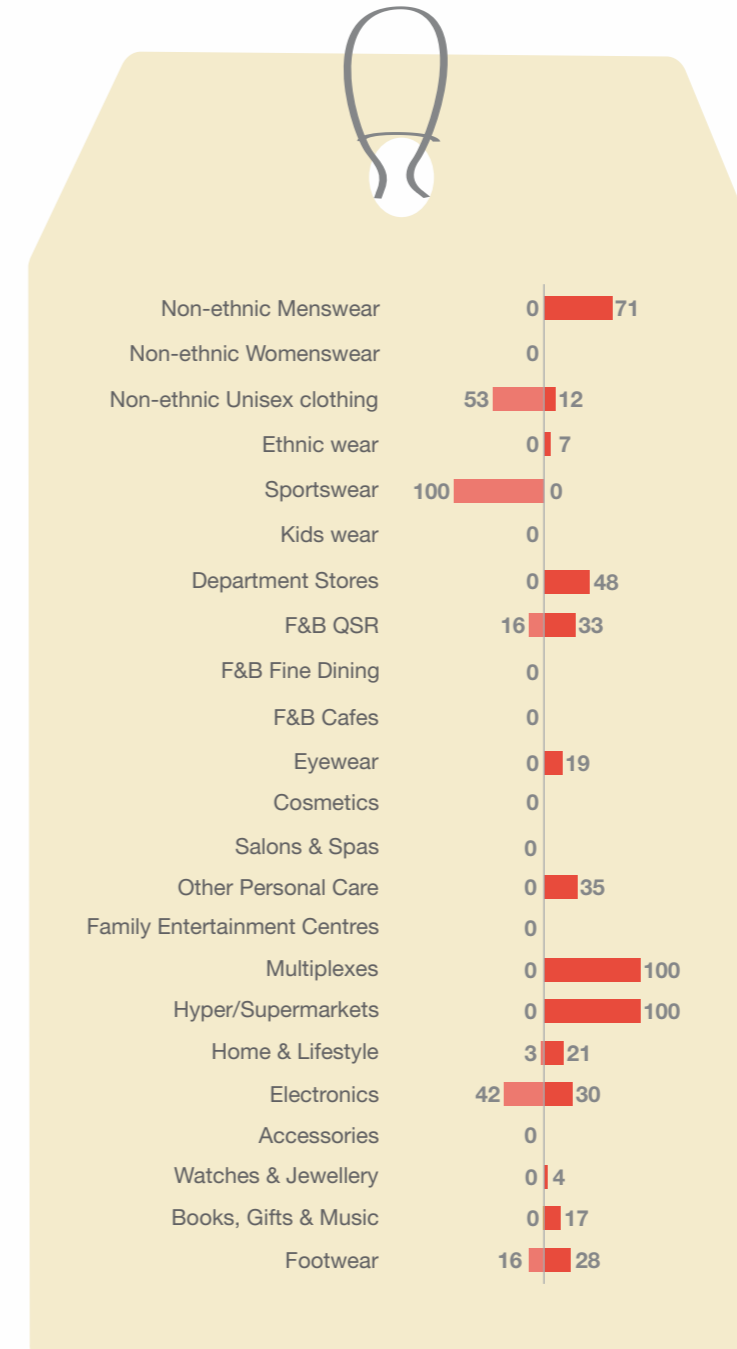
Source: Knight Frank Research, Indicus Analytics

- North Kolkata is characterised primarily by shopping streets and hence, the per capita mall space share in the total modern retail space availability is minimal in most of the product categories
- The ethnic wear and home & lifestyle categories lead the market, with the highest modern retail space availability of 36 sq ft and 28 sq ft per 1,000 persons respectively, of which the mall space share is almost negligible
- Overall, modern retail space in the shopping streets is relatively undeveloped in North Kolkata, and its availability per 1,000 persons is significantly lower for most of the product categories

Chart 2

Share of foreign and national brand stores in the overall modern retail space

Share in Percentage



- The share of foreign brands in the North Kolkata modern retail space, quite plausibly, is marginal in most cases, barring product categories like sportswear, non-ethnic unisex apparel and electronics, where the share exceeds that of national brands
- Other segments where foreign brands have competitive shares with national brands are footwear and F&B QSR
- On the other hand, department stores with national brands like Megamart, Reliance Trends and Pantaloons account for a 48 per cent share
- Hyper/supermarkets such as Big Bazaar and Vishal Megamart constitute 100 per cent of the total modern retail space in their respective categories, thereby filling in for the malls in the region

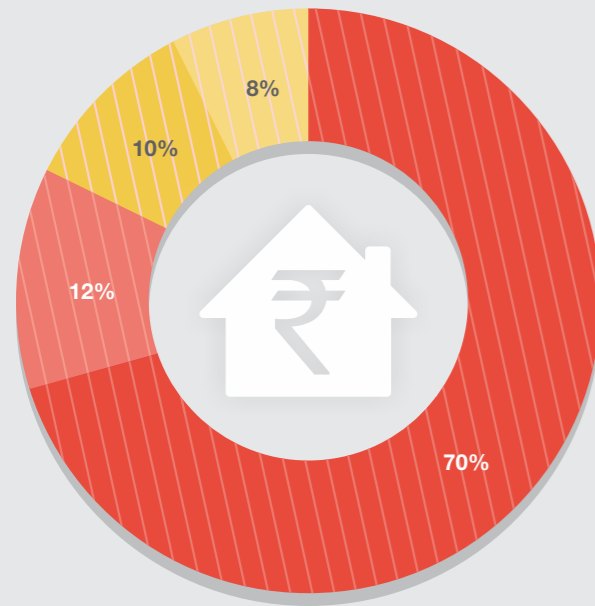
Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

■ Share of foreign brands
■ Share of national brands

Source: Knight Frank Research

Chart 3

Household income split in North Kolkata



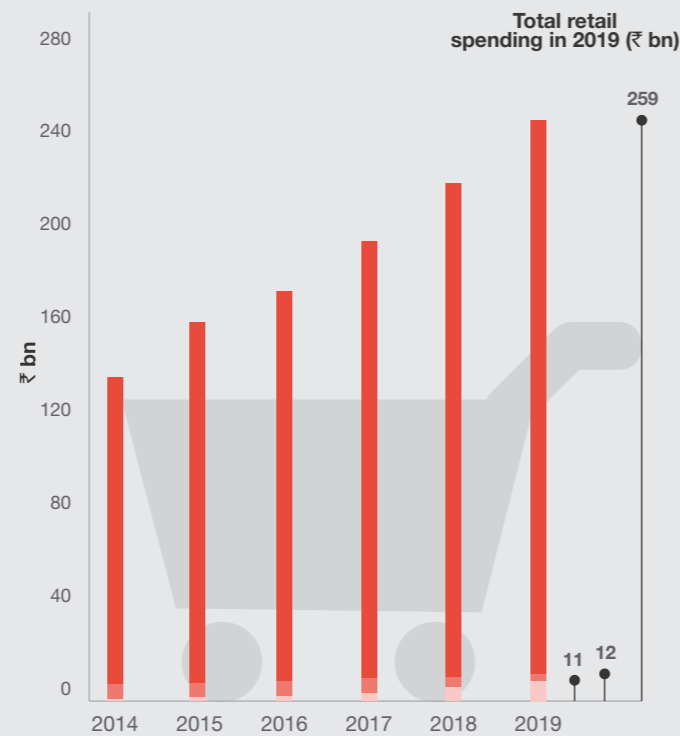
■ < ₹300,000
 ■ ₹300,001 – ₹500,000
■ ₹500,001 – ₹1,000,000
 ■ > ₹1,000,000

Source: Knight Frank Research, Indicus Analytics

- North Kolkata has a fairly small number of households earning over ₹1,000,000 in the region – amounting to 8 per cent
- Meanwhile, a significant 70 per cent of the households have incomes less than ₹300,000, which explains the presence of shopping streets and limited mall projects
- Also, owing to the income profile of the region, the modern retail space here is skewed more towards local brands

Chart 4

Projected retail spending in North Kolkata



■ Total retail spend
 ■ Brick and mortar modern retail
 ■ E-tail

Source: Knight Frank Research

- The total retail spending in North Kolkata is projected to increase from ₹141 bn in 2014 to ₹259 bn in 2019, resulting in an average annual growth rate of 13 per cent
- North Kolkata will continue to witness the domination of non-modern retail in the retail market in this zone over the next five years, with the share of modern retail in the region expected to increase to 9 per cent from 6 per cent by the end of 2019
- The E-tail segment will witness a relatively moderate rise in the region, from 1 per cent in 2014 to 4 per cent by 2019, largely at the cost of brick and mortar modern retail, which is estimated to drop from 6 per cent in 2014 to 5 per cent by 2019

Future trends in North Kolkata



As mentioned earlier, North Kolkata will continue to be led by non-modern retail in the coming years. The dearth of brick and mortar modern retail will provide ample opportunities for mall space development in the region.



Currently, most of the product categories are grossly under supplied in the brick and mortar modern retail space of the region, which could also be exploited by modern retailers in the coming years.



Fine dining options are limited in this region, while product categories like watches & jewellery are dominated by regional and local brand stores in this zone. Thus, the potential for foreign and national retailers is very high in these product categories in North Kolkata.



The absence of substantial mall space, restraining product categories such as FECs and multiplexes that are generally housed in malls, offers an opportunity for mall developers and retailers to exploit these categories in the forthcoming years.

KOLKATA ZONE ANALYSIS

South Kolkata Zone Analysis

South Kolkata map

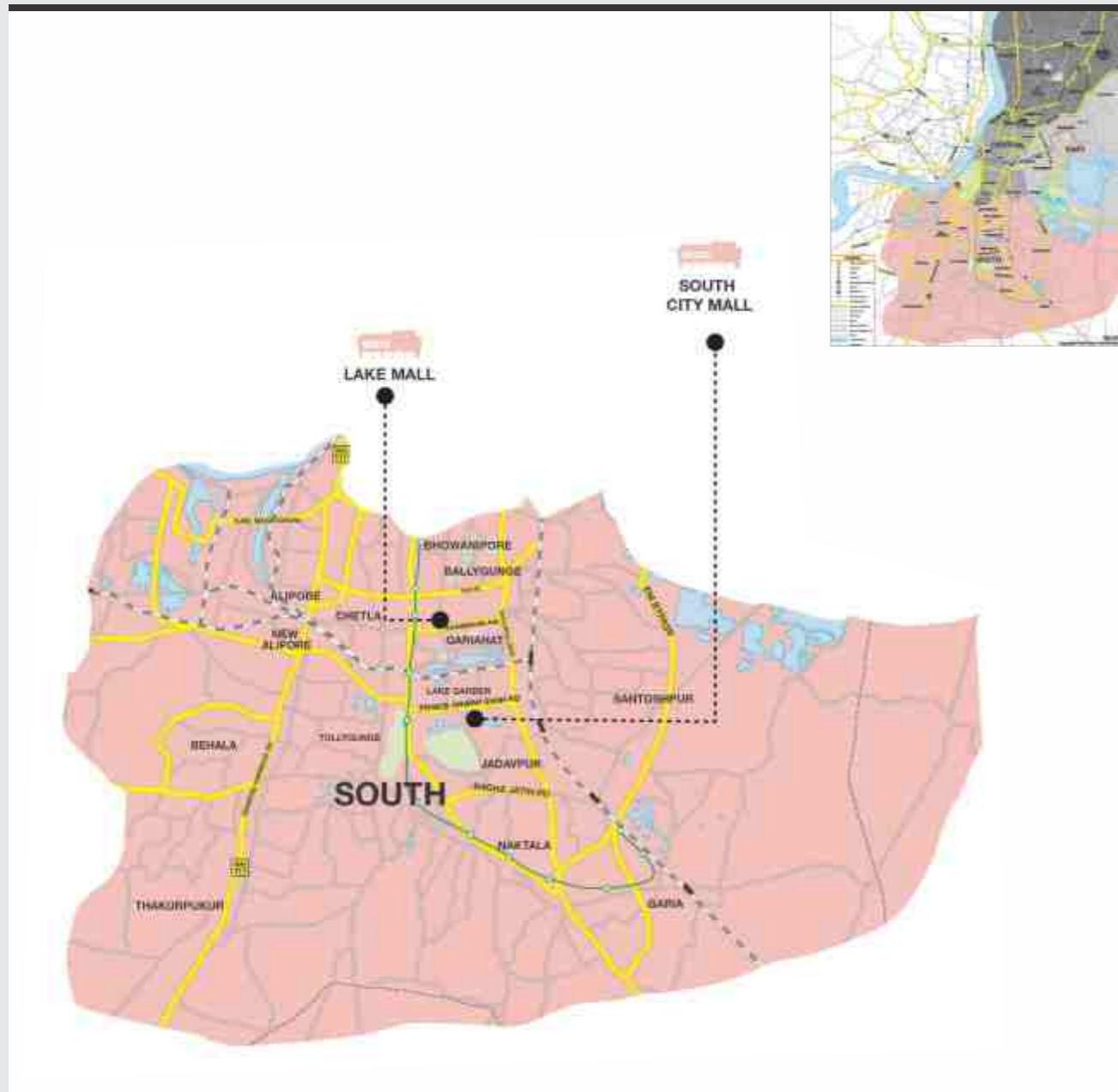
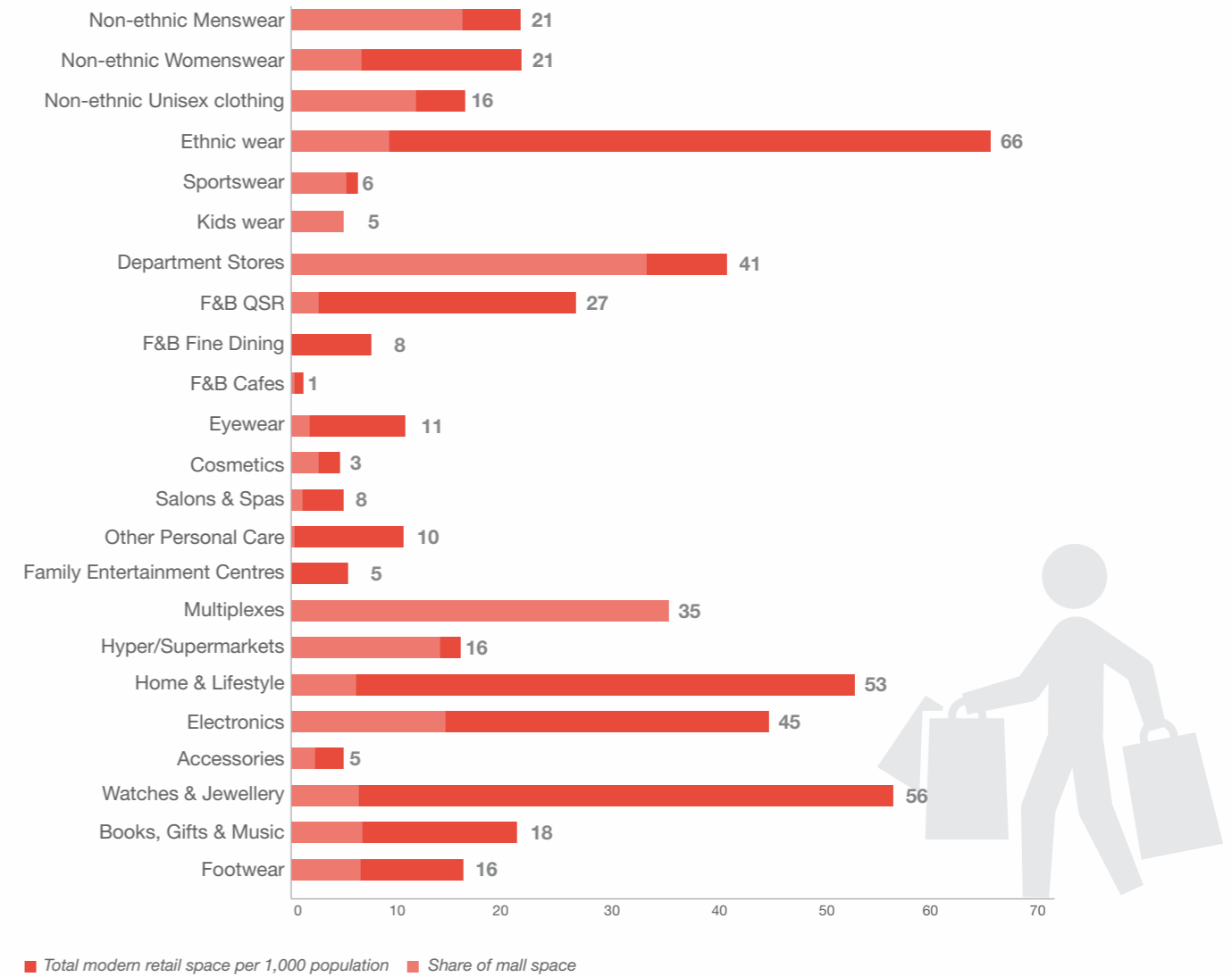


Chart 1

Per capita occupied modern retail space in South Kolkata

Space in sq ft



Source: Knight Frank Research, Indicus Analytics

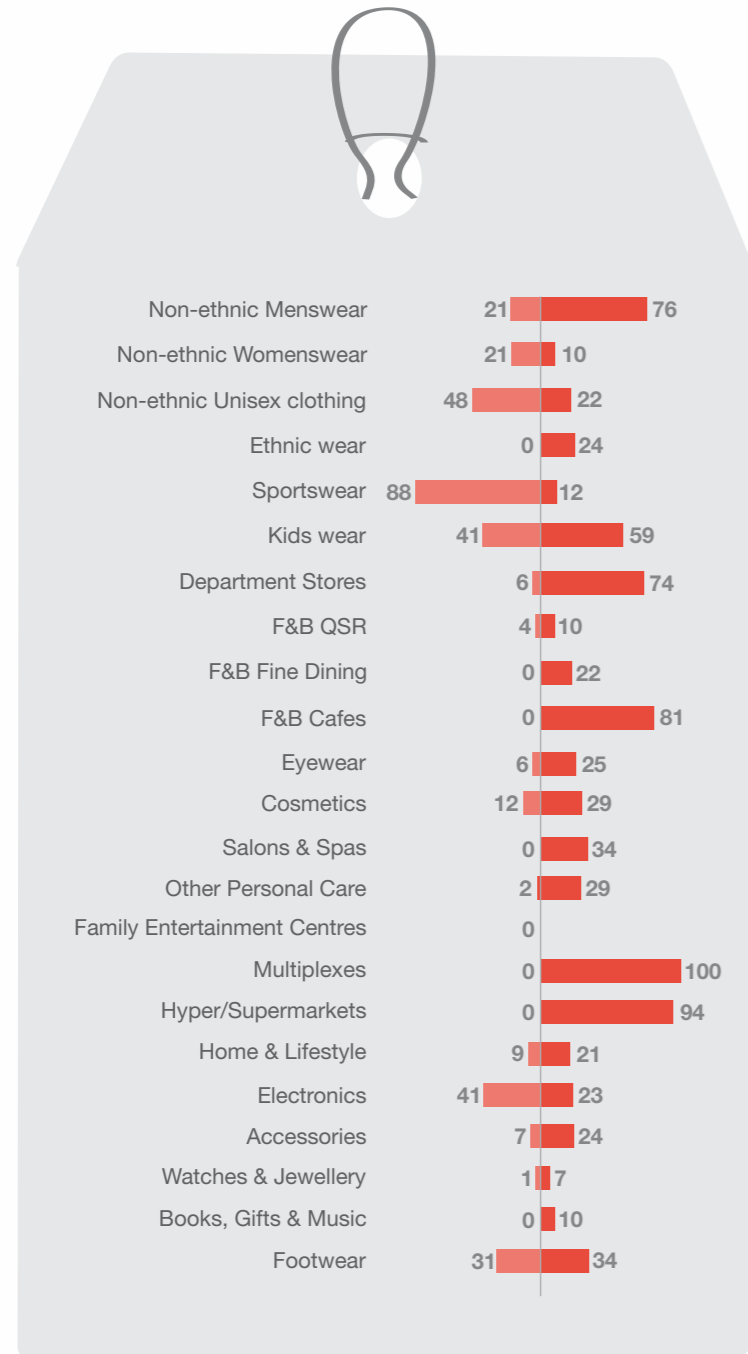
- South Kolkata has been the traditional residential destination of the city owing to its developed social infrastructure
- The region has numerous shopping streets and houses a few malls as well
- In this zone, product categories like ethnic wear, watches & jewellery, and home & lifestyle have a high modern retail space penetration per 1,000 persons, primarily in the shopping streets
- While the shopping streets' domination is more apparent, a higher volume of modern retail space penetration per 1,000 persons in mall space is observed in department stores and non-ethnic menswear
- Another important observation is the fairly low level of per capita retail space availability in the F&B cafe segment, while it is quite high in the QSR segment

Chart 2

Share of foreign and national brand stores in the overall modern retail space



Share in Percentage



- South Kolkata has a large share of shopping streets owing to its long-standing residential markets that comprise both national and foreign brands
- While foreign brands are dominant in the sportswear, non-ethnic women's and unisex apparel, and electronics segments, it has a fair share in footwear and kids wear as well
- On the other hand, the share of national brands is more evident in categories such as non-ethnic menswear, multiplexes, hyper/supermarkets and F&B cafes

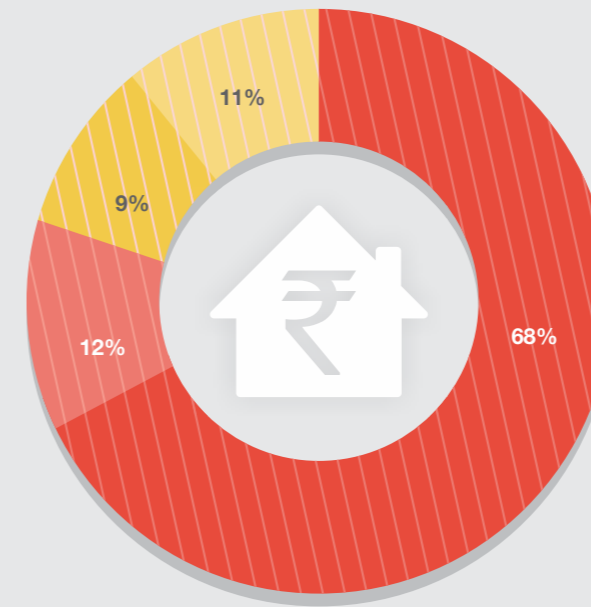
Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

■ Share of foreign brands
■ Share of national brands

Source: Knight Frank Research

Chart 3

Household income split in South Kolkata



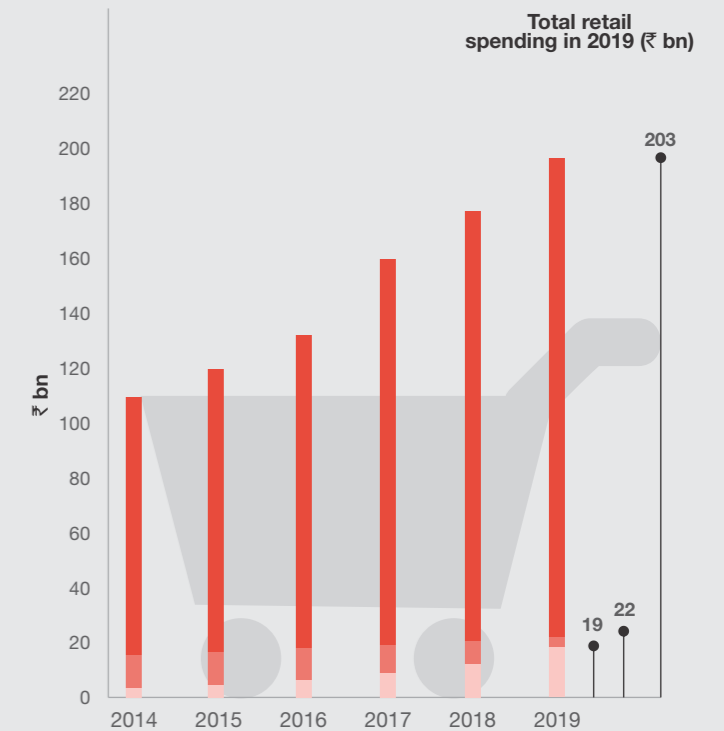
■ < ₹300,000 ■ ₹300,001 – ₹500,000
■ ₹500,001 – ₹1,000,000 ■ > ₹1,000,000

Source: Knight Frank Research, Indicus Analytics

- South Kolkata, one of the most favoured residential markets of the city, has a relatively better concentration of households earning over ₹1,000,000 – to the tune of 11 per cent
- It enjoys proximity to the office hubs in Central Kolkata, thereby accounting for a sizeable part of the high-income households
- On the modern retail space front, this region has a predominant share of shopping streets, catering to the needs of 68 per cent of the households that have incomes less than ₹300,000

Chart 4

Projected retail spending in South Kolkata



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

- The total retail spending in South Kolkata is projected to increase from ₹108 bn in 2014 to ₹203 bn in 2019, resulting in an annual growth rate of 13 per cent, similar to the other regions of the city
- While the share of E-tail in total retail is just 2 per cent presently, it is estimated to increase to a significant 10 per cent in 2019, thus impacting the share of brick and mortar modern retail, which is estimated to fall from 13 per cent to 11 per cent during the same period
- However, the share of modern retail, which includes both E-tail and brick and mortar, is expected to increase favourably from 15 per cent in 2014 to 20 per cent in 2019
- Despite the fair growth in the share of E-tail in South Kolkata, non-modern retail will continue to dominate 79 per cent of the total retail spending in this zone

Future trends in South Kolkata



The South Kolkata retail market is a varied mix of malls and shopping streets, with non-modern retail being the overriding factor. Nevertheless, the estimated growth rate of modern retail portends good potential for retailers in the next five years.



Significantly, although the region has sufficient presence of most product categories, the relatively lower penetration of product categories such as F&B cafes and cosmetics as compared to the other categories offers opportunities to modern retailers in the coming years.



Besides, with numerous traditional shopping streets in the region, there exists enough scope for developers and retailers. The development of modern retail space on the shopping streets could help shift consumers from non-modern retail towards modern retail, in the forthcoming years.



MUMBAI METROPOLITAN REGION (MMR)



MUMBAI METROPOLITAN REGION (MMR) ANALYSIS

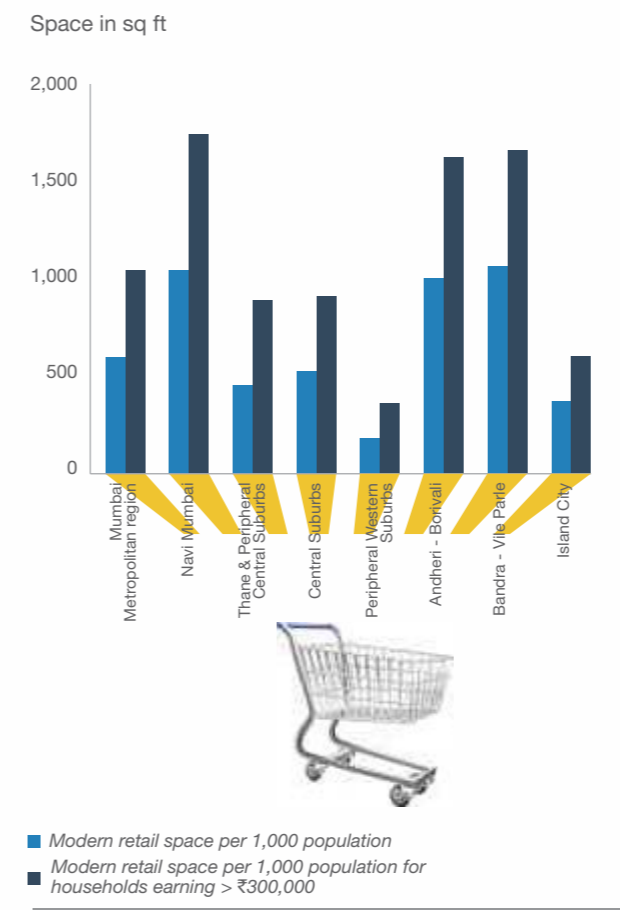
Retail Landscape

Mumbai Metropolitan Region (MMR) map



Chart 1

Per capita occupied modern retail space

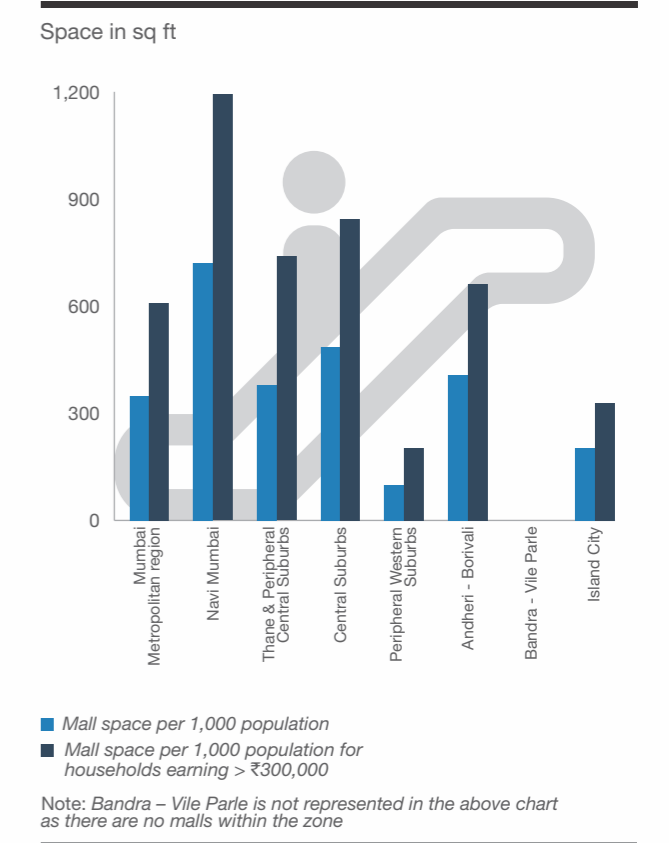


Source: Knight Frank Research, Indicus Analytics

- A comparison of the retail zones across the MMR reveals that the Bandra-Vile Parle zone has the highest density of modern retail space despite the absence of malls. This has been possible on the back of shopping avenues on prominent shopping streets like Linking Road, Juhu Tara Road and S. V. Road
- Considering the income dynamics, the modern retail space for households earning more than ₹300,000 is the highest in Navi Mumbai – a planned satellite city of Mumbai. However, it still does not feature among the top 15 zones in the country

Chart 2

Per capita occupied mall space

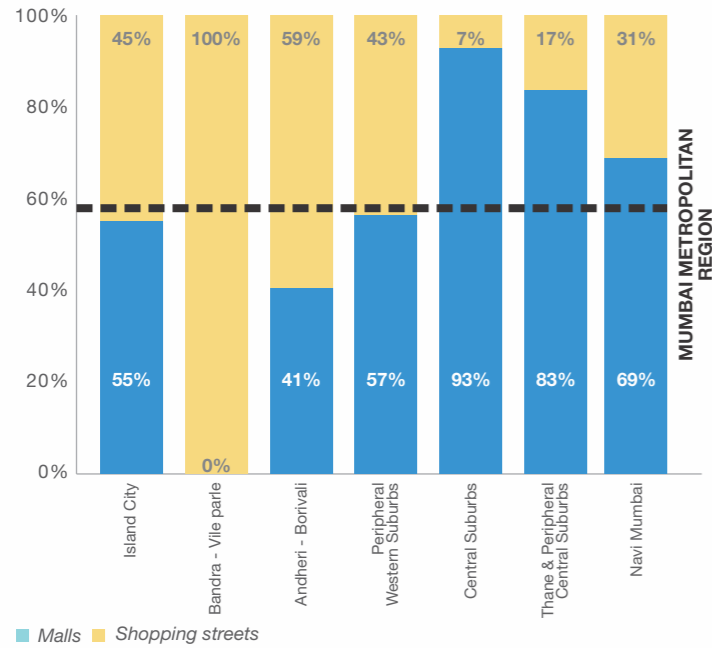


Source: Knight Frank Research, Indicus Analytics

- While the MMR ranks second in the country in terms of total mall space, it lags when compared with the density of the population. At 350 sq ft of mall space per 1,000 of the population, the MMR ranks fifth, lagging behind NCR, Bengaluru, Pune and Chennai
- A comparison of the zones within the MMR indicates that the Navi Mumbai zone, at 723 sq ft, has the highest density of mall space. However, it still does not feature among the top 10 zones in the country

Chart 3

Split of occupied modern retail space into malls and shopping streets



- With a share of 59 per cent, malls dominate the modern retail arena in the MMR—clear evidence of the acceptance of the mall culture in the metropolis
- Within the MMR, the Central Suburbs zone has a significantly higher proportion of mall space in comparison to shopping streets. On the other hand is the Bandra–Vile Parle zone, which has only shopping streets
- The Island City and the Western Suburbs beyond Vile Parle, including the peripheral regions, show a better balance between shopping streets and malls

Source: Knight Frank Research

Chart 4

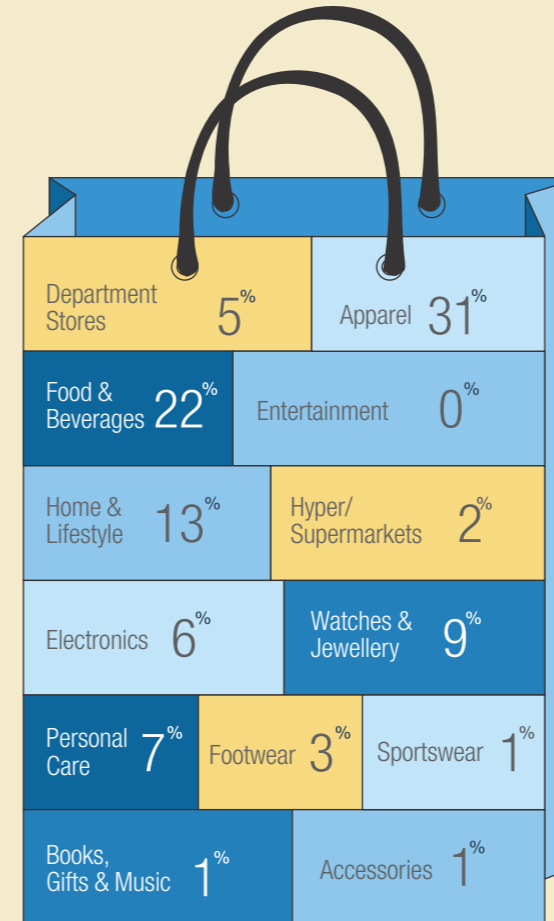
Product category split of occupied modern retail space in Island City



Source: Knight Frank Research

Chart 5

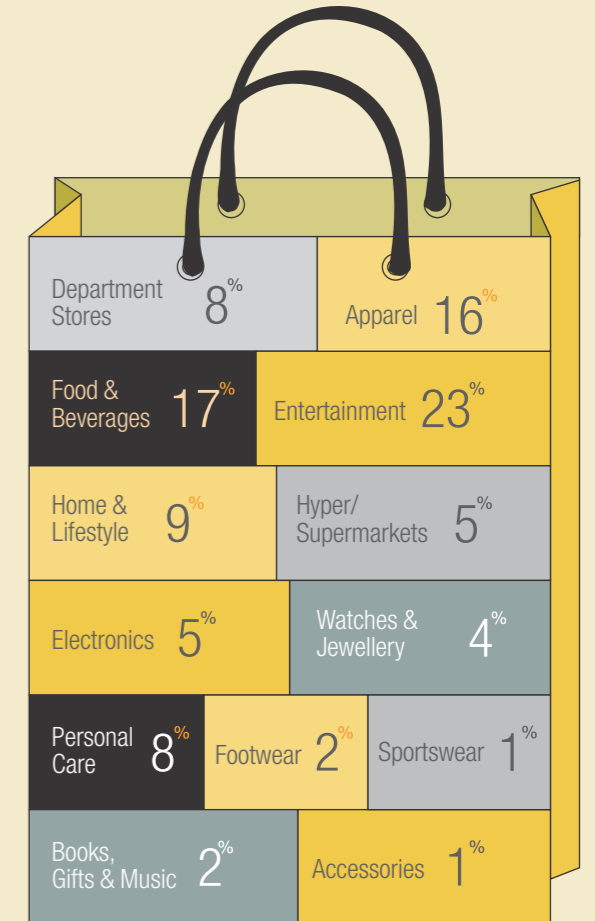
Product category split of occupied modern retail space in Bandra - Vile parle



Source: Knight Frank Research

Chart 6

Product category split of occupied modern retail space in Andheri - Borivali



Source: Knight Frank Research

Chart 7

Product category split of occupied modern retail space in Peripheral Western Suburbs



Source: Knight Frank Research

Chart 8

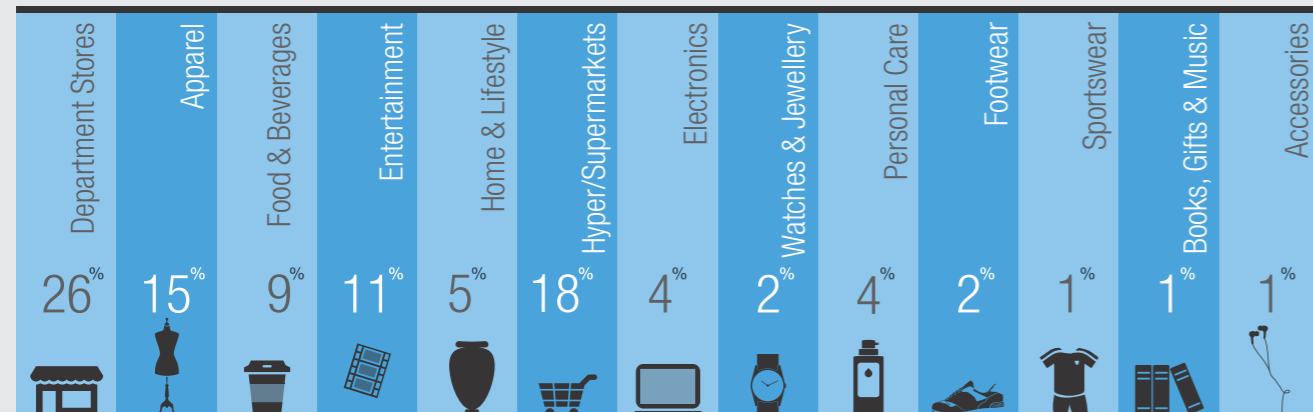
Product category split of occupied modern retail space in Central Suburbs



Source: Knight Frank Research

Chart 9

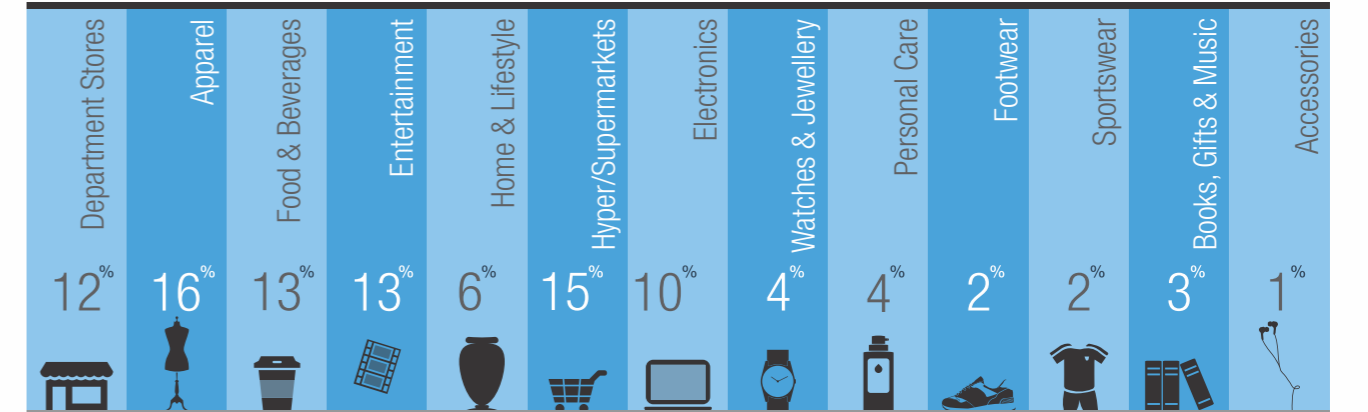
Product category split of occupied modern retail space in Thane & Peripheral Central Suburbs



Source: Knight Frank Research

Chart 10

Product category split of occupied modern retail space in Navi Mumbai



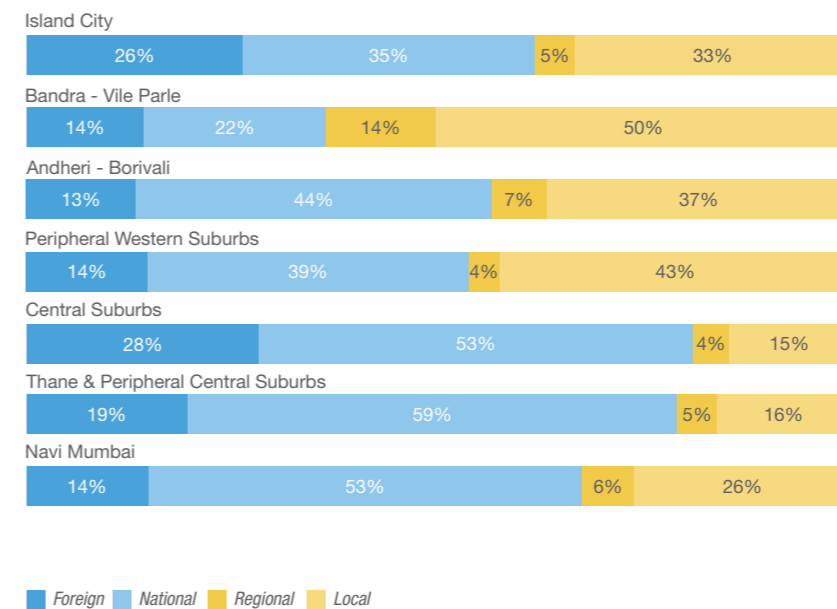
Source: Knight Frank Research

- Apparel is the largest retail product category in four out of seven zones across the MMR. Food and beverages (F&B), department stores and entertainment are other significant categories in terms of their space presence
- In the Bandra-Vile Parle stretch, where only shopping streets constitute modern retail, four product categories,

namely apparel, F&B, home and lifestyle, and watches and jewellery have taken up 75 per cent of the retail space. In contrast, for the mall-dominated market of the Central Suburbs, these categories contribute just 35 per cent

Chart 11

Brand-wise split of occupied modern retail store space

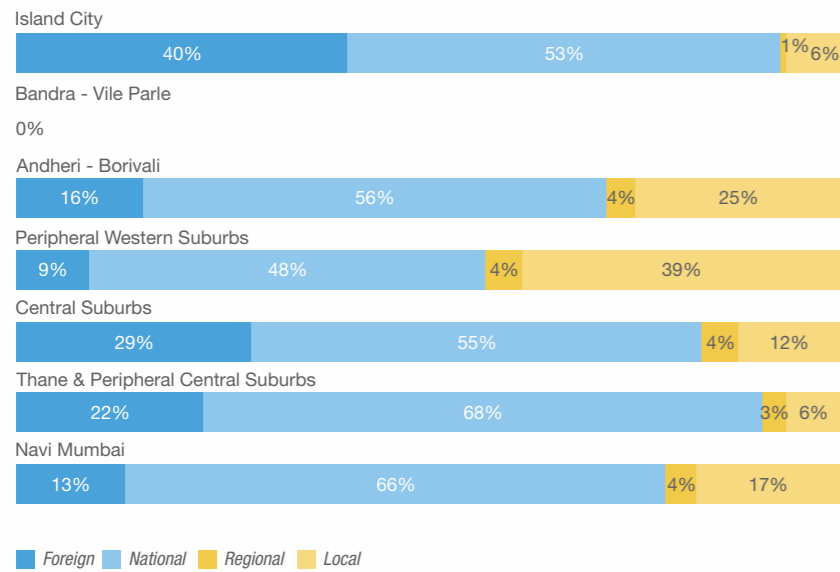


- Almost all the zones have embraced foreign brand outlets, as indicated in the chart showing the space presence. However, the Central Suburbs zone needs a mention because its 28 per cent space presence for foreign brand stores in a zone is the largest, not only in the MMR but also in the country
- There is a significant presence of national brand outlets in most of the zones of the MMR
- The maturity of modern retail in zones like Bandra-Vile Parle, the Island City, Andheri-Borivali and the Peripheral Western Suburbs is evident from the sizeable presence of local brand outlets in these zones

Source: Knight Frank Research

Chart 11

Brand-wise split of occupied modern retail store space in malls



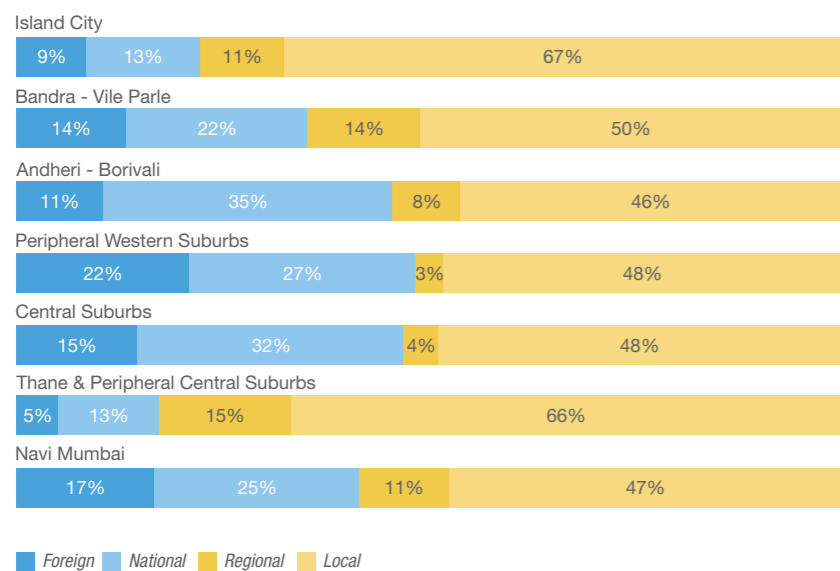
- In the case of mall space among all the zones, the clear winners are foreign and national brand outlets, which together overshadow local and regional retailers in terms of occupied space
- The presence of local brand shops is significant in Andheri-Borivali and the Peripheral Western Suburbs
- Consumers in the Island city have embraced foreign brand outlets very well, and this is reflected in its 40 per cent share among the malls in this zone

Note: Bandra-Vile Parle is not represented in the chart above as there are no malls within the zone

Source: Knight Frank Research

Chart 11

Brand-wise split of occupied modern retail store space in shopping streets



- Local brand outlets dominate shopping street-based modern retail. Together with regional brand shops, they occupy more than half of the space in each of the retail zones in the metropolis
- Among the shopping streets, the ones in the Island City, and Thane and the Peripheral Central Suburbs have a high concentration of local brand outlets

Source: Knight Frank Research

Chart 14

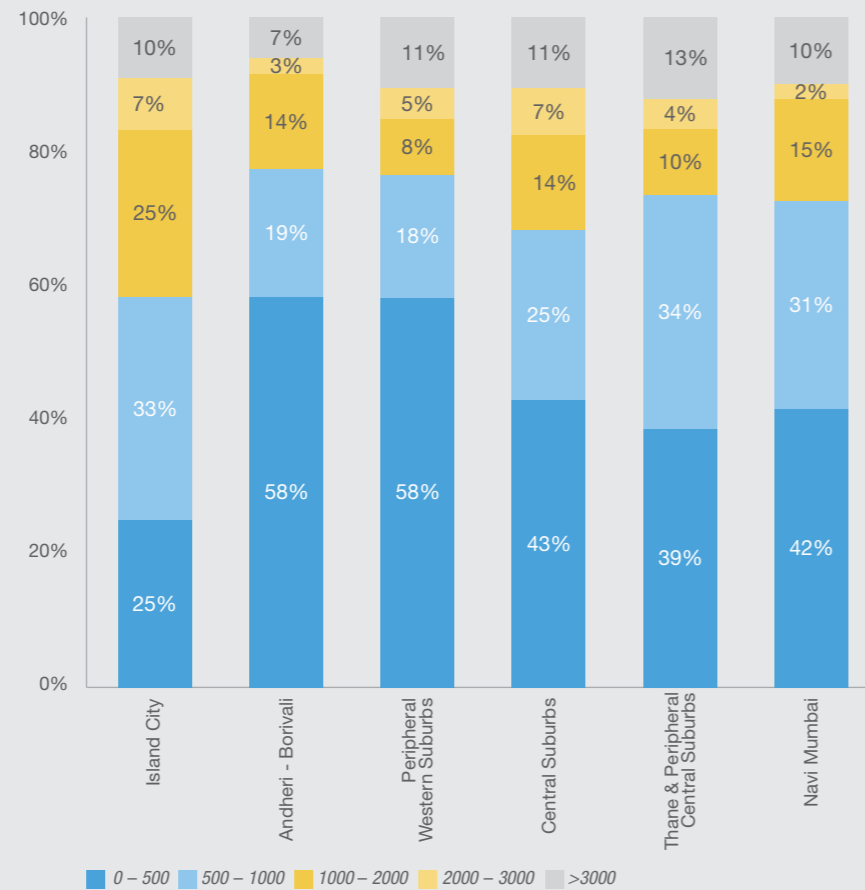
Top foreign, national and regional brands

| FOREIGN BRANDS | CATEGORIES | NATIONAL/REGIONAL BRANDS |
|--|-----------------|---|
| Rhysetta | Accessory | Esbeda, Hidesign, Baggit |
| Forever 21, United Colors of Benetton, Vero Moda | Apparel | Raymonds, Ethnicity |
| Hamleys | Books | Crossword, Landmark, Archies, Hobby Ideas |
| Lifestyle | Home Goods | Shoppers Stop, Central, Pantaloons, Westside |
| | Electronics | Reliance Digital, Croma, Vijay Sales, E Zone, Arcee electronics |
| | Cinema | PVR Cinemas, INOX, Cinemax, Big Cinemas, Timezone |
| McDonald's, KFC, Dominos | Food & Beverage | Café Coffee Day, Mainland China |
| Bata, Pavers England | Footwear | Metro Shoes, Reliance Footprint, Mochi |
| Home Centre | Home Goods | Home Town, Home Stop, @ Home, Tangent |
| Decathlon Sports | Retail | HyperCITY, Big Bazaar, Star Bazaar, Easy Day, Reliance Mart |
| Nike, Woodland, Adidas, Puma, Reebok | Sportswear | Talwalkars, Enrich Salon, Kaya Skin Clinic, Parcos |
| | Jewelry | Tanishq, Titan, Tbz Jewellers, World Of Titan, Reliance Jewels |

Source: Knight Frank Research

Chart 15
Size-wise split of occupied modern retail stores in malls

Space in sq ft



0 - 500 500 - 1000 1000 - 2000 2000 - 3000 >3000

Note: Bandra - Vile Parle is not represented in the above chart as there are no malls within the zone

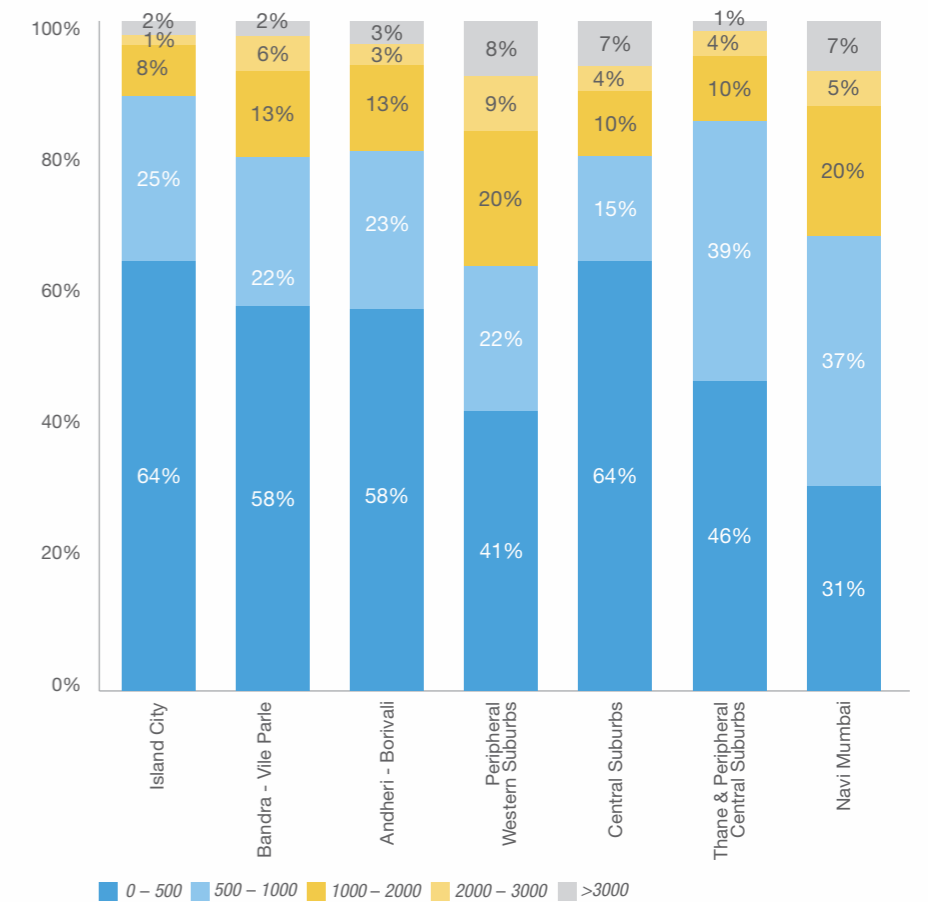
- In Mumbai, the majority of the shops in malls have sizes below 1,000 sq ft
- 58 per cent of the shops in malls in Andheri-Borivali and the Peripheral Western Suburb zones are in the 0-500 sq ft category. In contrast, only 25 per cent of the shops in the Island City zone are in this category on account of the premium market positioning of the malls in this market
- The Andheri-Borivali zone, an established residential catchment, has the highest number of malls. This is followed by Navi Mumbai, and Thane and the Peripheral Central Suburbs



Source: Knight Frank Research

Chart 16
Size-wise split of occupied modern retail stores in shopping streets

Space in sq ft



0 - 500 500 - 1000 1000 - 2000 2000 - 3000 >3000

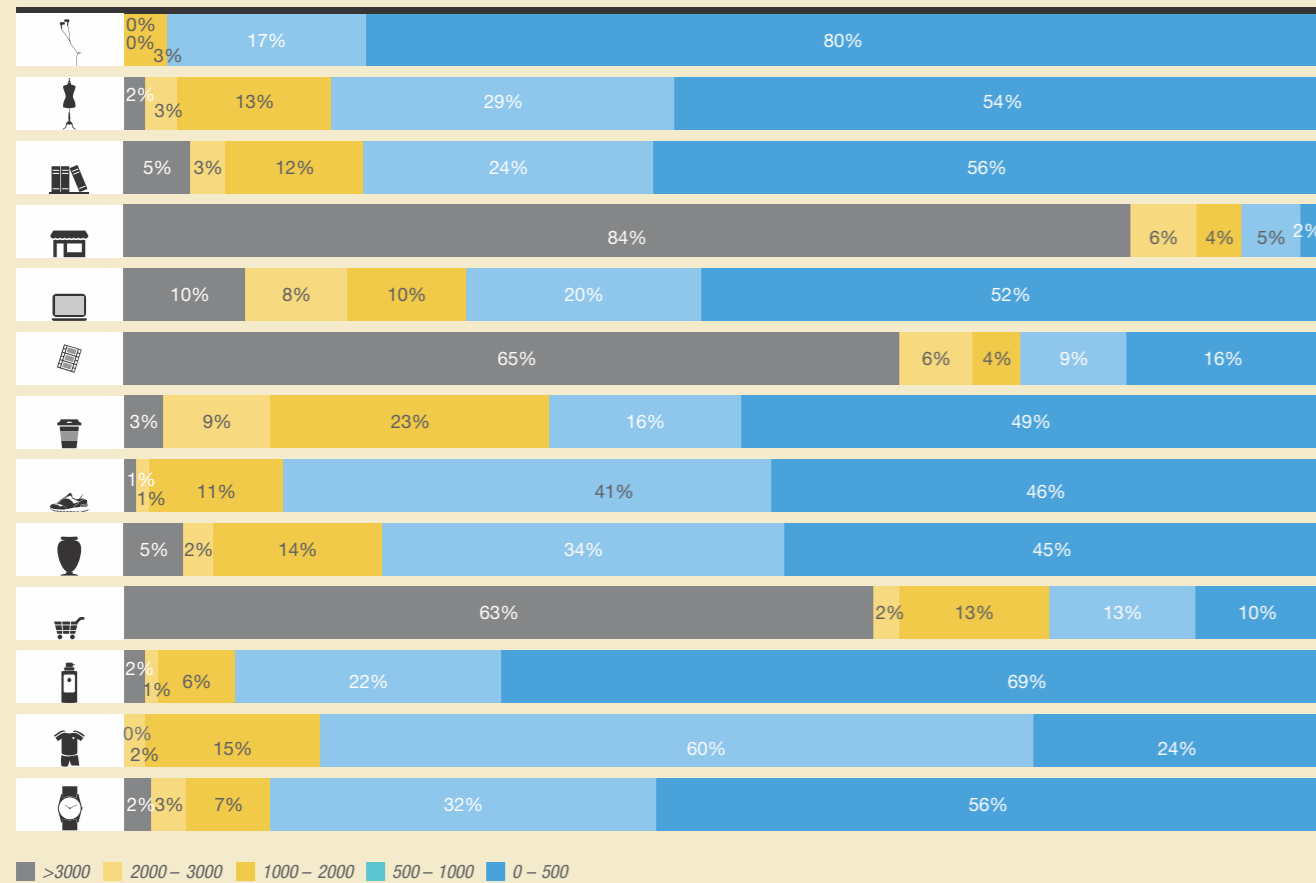
- Navi Mumbai has the most evenly distributed mix of shop sizes across the MMR
- Island City zone and Central Suburbs zone have the highest concentration of 0-500 sq ft-shops



Source: Knight Frank Research

Chart 17

Size-wise split of modern retail stores across product categories



Source: Knight Frank Research

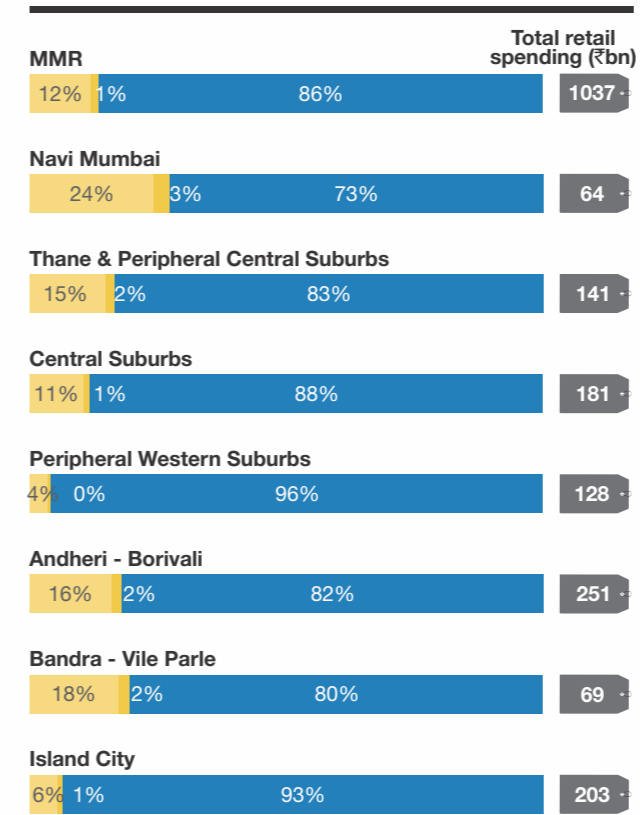
The size of the stores is influenced by the product category and positioning of the brand. For categories like department stores, hyper/supermarkets and entertainment, which set up shop primarily in malls and act as anchor tenants, the store size is more than 3,000 sq ft in most cases. Specifically, in the case of department stores, the average store size is around

11,000 sq ft. In the case of hyper/supermarkets, it is 15,000 sq ft, and for entertainment, it remains at around 15,500 sq ft

Categories like accessories and personal care require smaller spaces, and therefore, rank high in terms of the shop size concentration in the 0-500 sq ft range

Chart 18

Total retail spending and penetration of modern retail in 2014



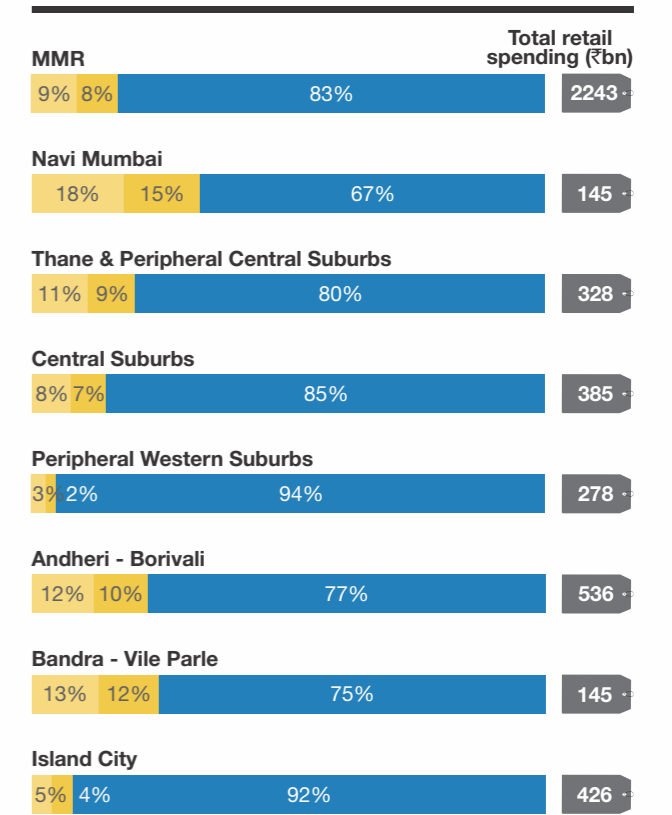
Note: Brick and mortar modern retail + E-tail = Modern retail

Source: Knight Frank Research

The total retail spending in the MMR amounted to ₹1,037 bn in 2014. The Andheri-Borivali zone was the largest contributor, with a share of 24 per cent despite having a 20 per cent share in population. Modern retail's share in the MMR stood at 14 per cent in 2014, of which brick and mortar was at 12 per cent and E-tail, at 2 per cent. The Navi Mumbai zone has the highest share of modern retail, followed by the Bandra-Vile Parle zone. A planned satellite city of Mumbai, Navi Mumbai has a large number of organised shopping avenues in shopping streets and malls.

Chart 19

Projected total retail spending and penetration of modern retail in 2019



Note: Brick and mortar modern retail + E-tail = Modern retail

Source: Knight Frank Research

The total retail spending in the MMR is projected to more than double, from ₹1,037 bn in 2014 to ₹2,243 bn in 2019, primarily on account of an accelerated growth in modern retail. While the brick and mortar modern retail spending will increase from ₹126 bn in 2014 to ₹209 bn in 2019, its share in the total retail spending will decline from 12 per cent to 9 per cent in the next five years. A rapidly-improving information technology infrastructure, coupled with a favourable demography in the city, would boost the fortunes of E-tail, leading to an increase in its share in the total retail spending from the current 1 per cent to 8 per cent in 2019.

MUMBAI ZONE ANALYSIS

Island City Zone

Island City map

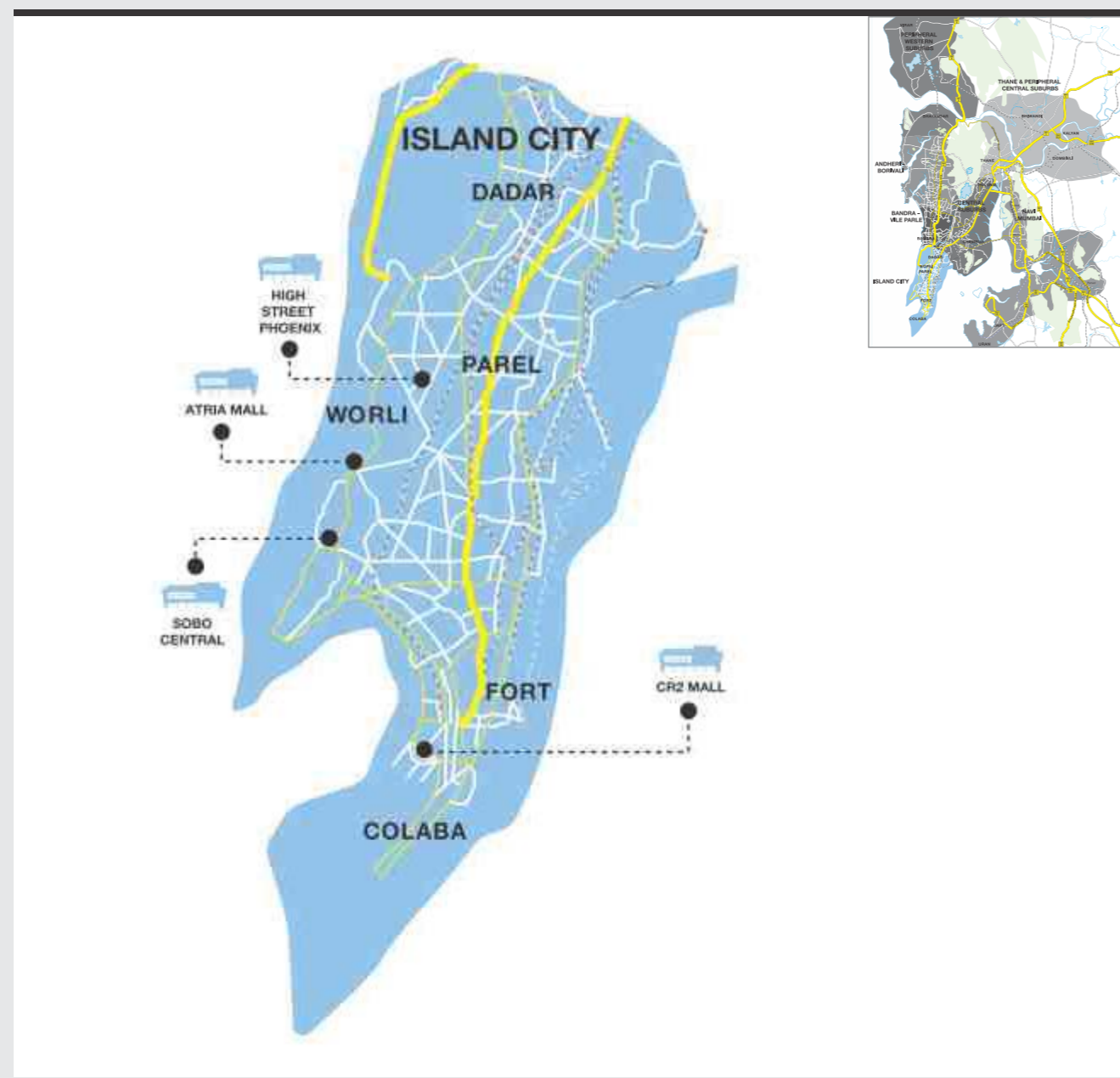
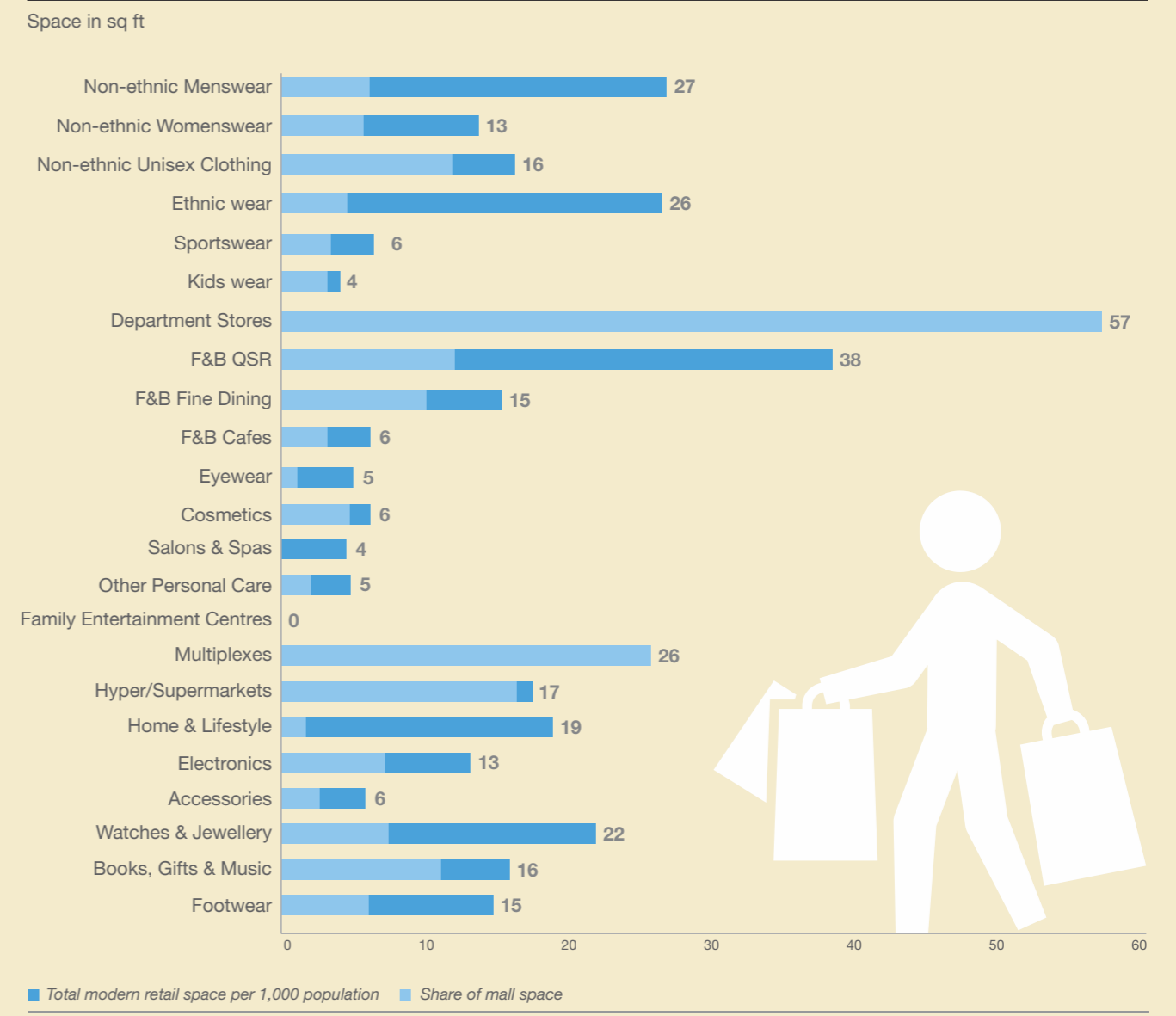


Chart 1

Per capita occupied modern retail space in Island City



Source: Knight Frank Research, Indicus Analytics

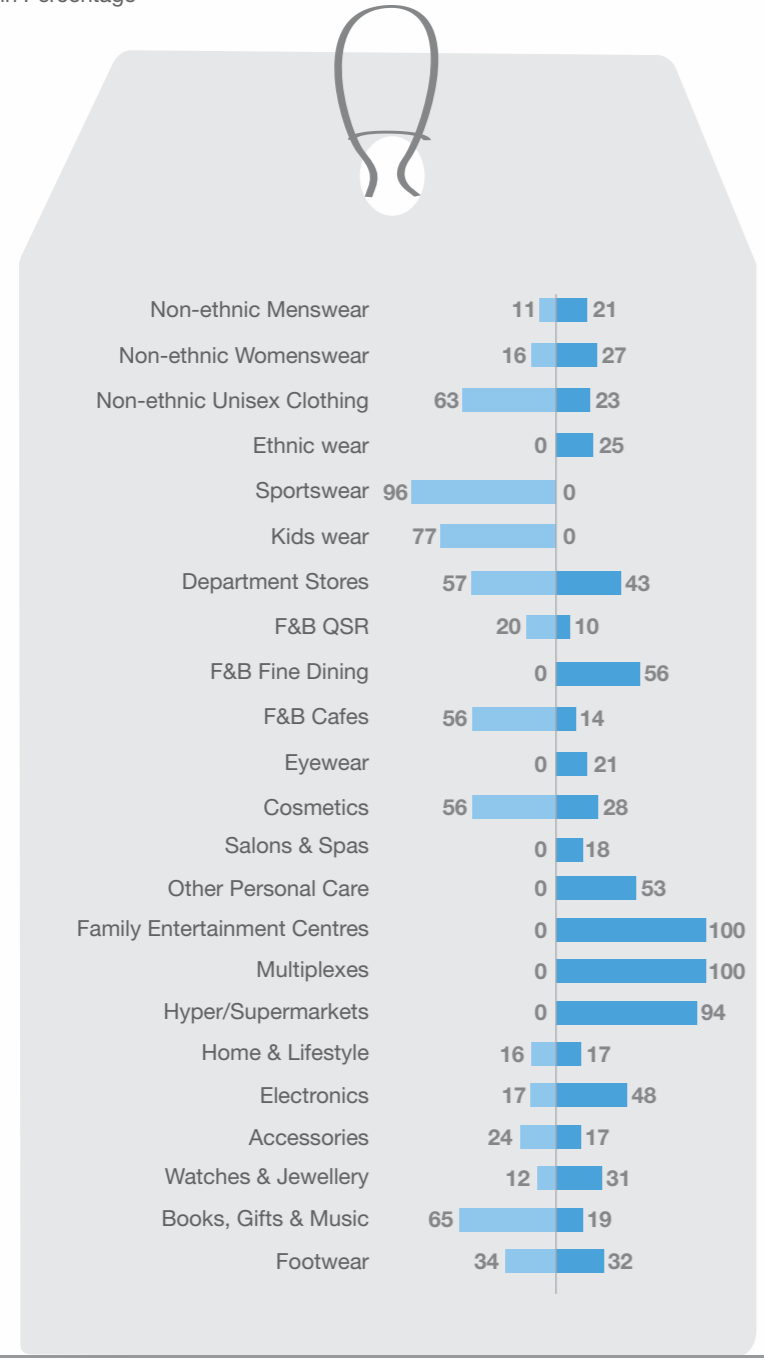
- Department stores have the highest density of retail space in the Island City zone, with a 100 per cent dominance of malls. Similarly, the multiplexes category is found only in malls
- Food and beverage quick service restaurants (F&B QSR) is another category that has a relatively higher per capita modern retail space; however, the presence of this category is primarily in the shopping streets
- Categories like family entertainment centres (FECs), kids wear, salons and spas, eyewear and other personal care are under represented, with a modern retail space of not more than 5 sq ft/1,000 population in this zone

Chart 2

Share of foreign and national brand stores in the overall modern retail space



Share in Percentage



- While multiplexes and FECs are dominated by national brand stores, sportswear is dominated by foreign brand stores
- Categories like salons and spas, ethnic wear and eyewear are dominated by local and regional brand stores, which constitute 75 per cent or more in space occupied

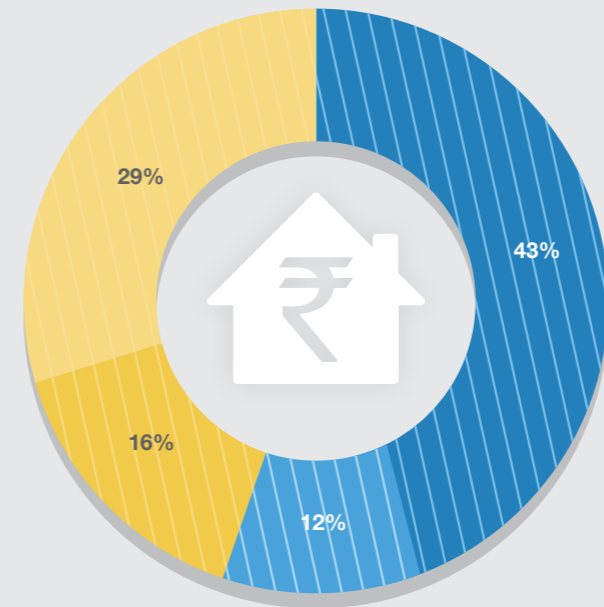
Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

■ Share of foreign brands
■ Share of national brands

Source: Knight Frank Research

Chart 3

Household income split in Island City



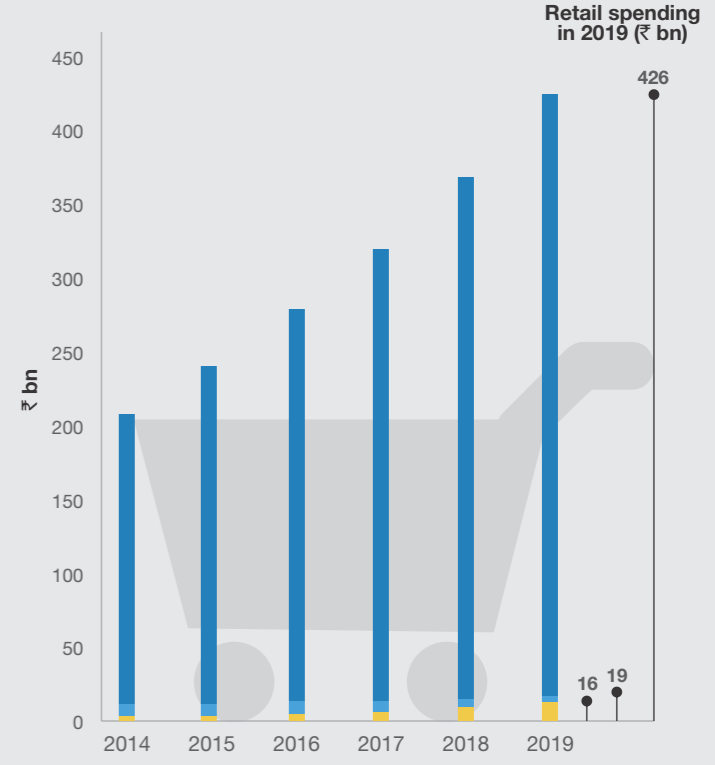
■ < ₹300,000 ■ ₹300,001 - ₹500,000
■ ₹500,001 - ₹1,000,000 ■ > ₹1,000,000

Source: Knight Frank Research, Indicus Analytics

- The total retail spending in the Island City zone is projected to increase from ₹203 bn in 2014 to ₹426 bn in 2019, growing at the rate of 16 per cent each year
- At present, the modern retail spending in this zone is 7 per cent, which will go up to 8 per cent by 2019. E-tail will be the largest contributor to this changing retail landscape

Chart 4

Projected retail spending in Island City



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

Future trends in Island City



Although the size of brick and mortar modern retail will grow from ₹12 bn at present to ₹19 bn in the next five years, its share in the consumers' wallet will decline, necessitating a rethinking of leasing strategy for malls and shops.



The size of E-tail spending from this market is projected to witness a phenomenal growth during the next five years.

MUMBAI ZONE ANALYSIS

Bandra-Vile Parle Zone

Bandra-Vile Parle map

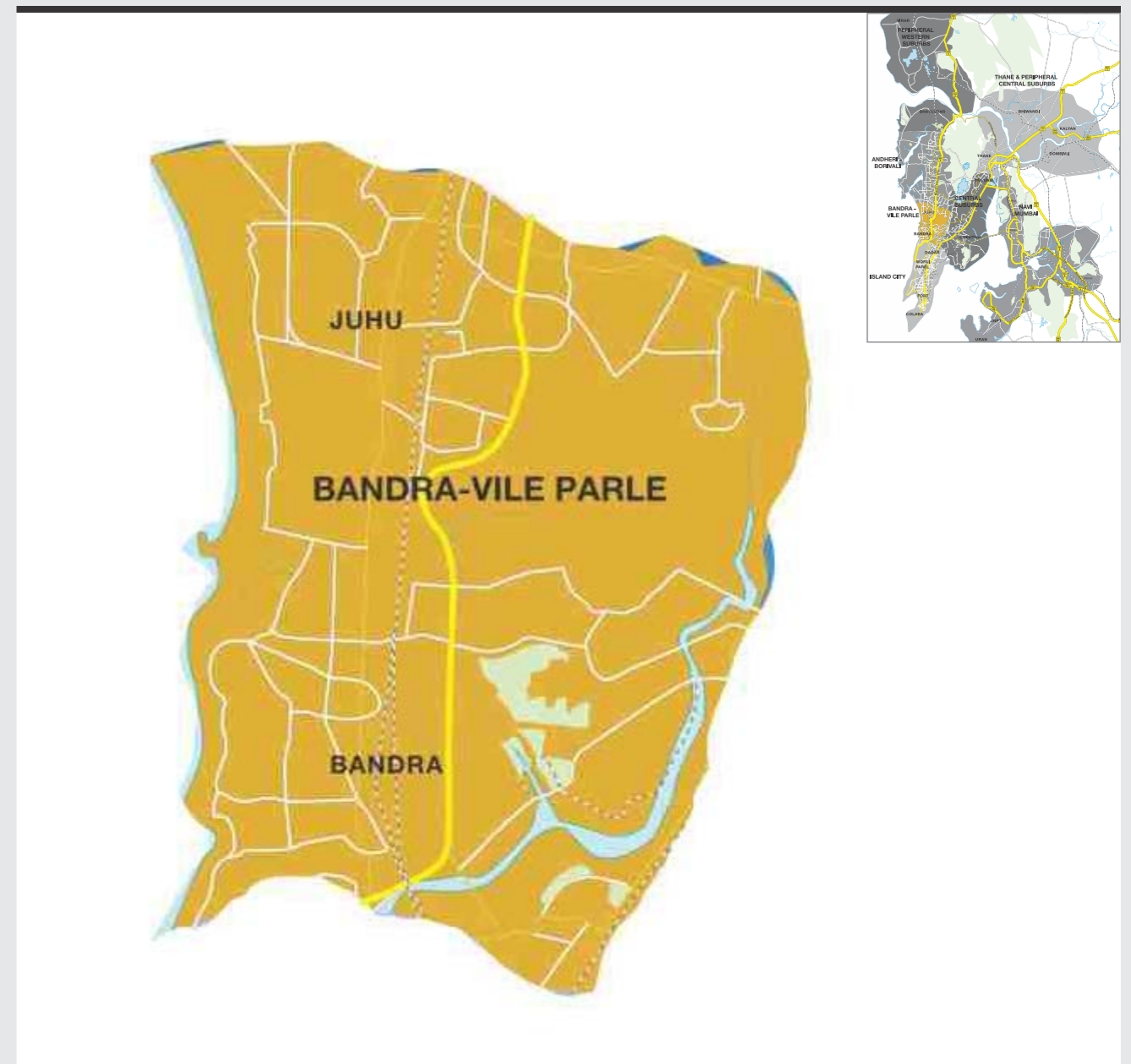
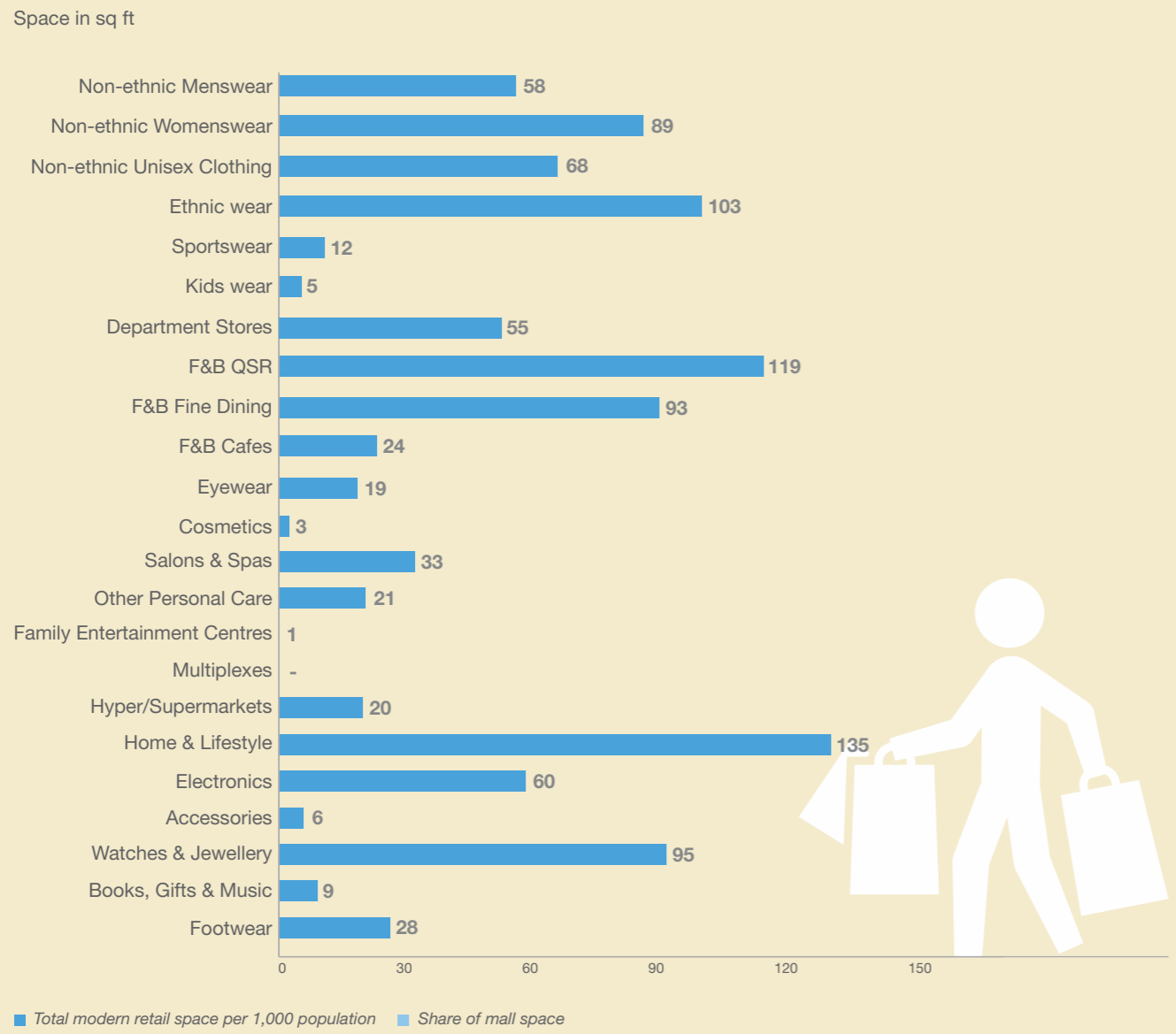


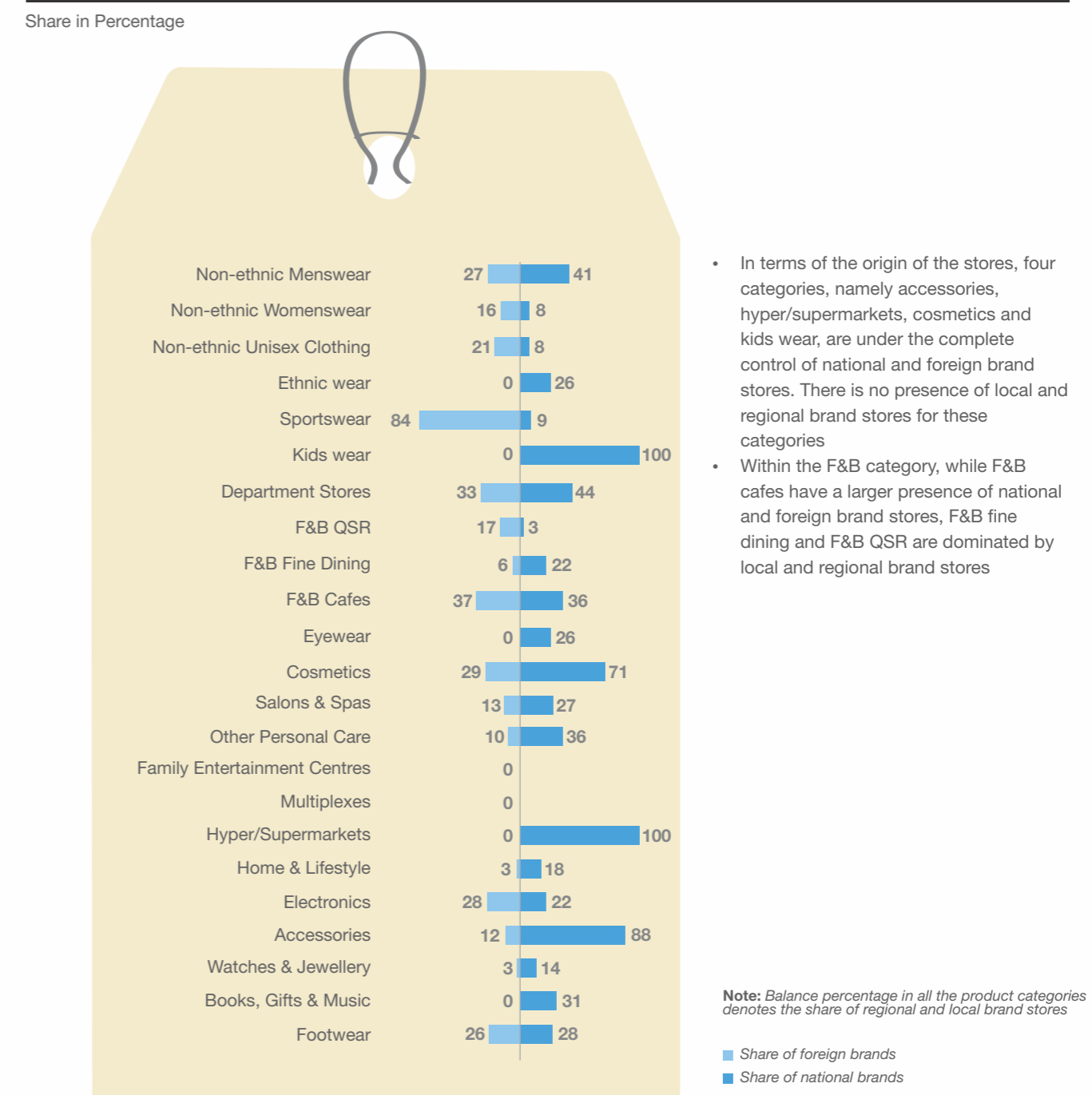
Chart 1
Per capita occupied modern retail space in Bandra-Vile Parle



Source: Knight Frank Research, Indicus Analytics

- The Bandra-Vile Parle zone, on the back of prominent high streets like Linking Road and S.V. Road, has more than 100 sq ft/1,000 population modern retail space in categories like ethnic wear, F&B QSR and home and lifestyle
- Since the Bandra-Vile Parle zone has no malls, the share of mall space analysis is not provided

Chart 2
Share of foreign and national brand stores in the overall modern retail space



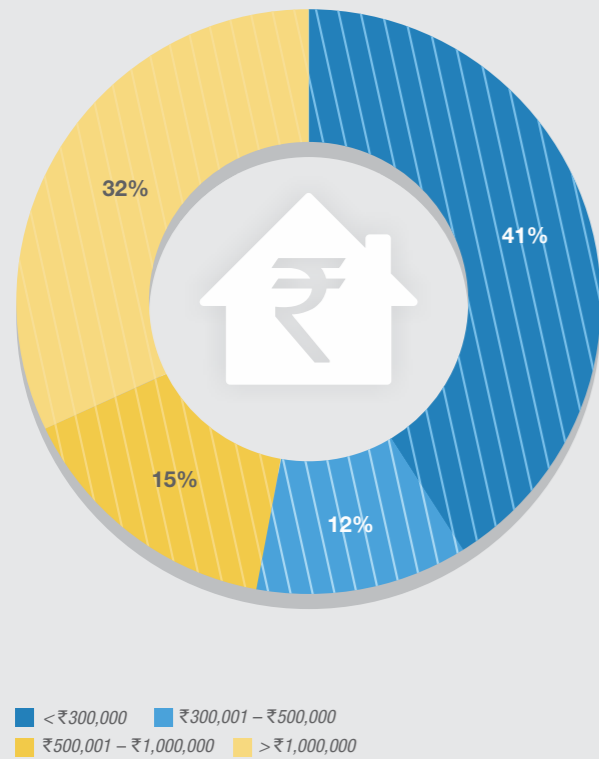
- In terms of the origin of the stores, four categories, namely accessories, hyper/supermarkets, cosmetics and kids wear, are under the complete control of national and foreign brand stores. There is no presence of local and regional brand stores for these categories
- Within the F&B category, while F&B cafes have a larger presence of national and foreign brand stores, F&B fine dining and F&B QSR are dominated by local and regional brand stores

Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

■ Share of foreign brands
■ Share of national brands

Source: Knight Frank Research

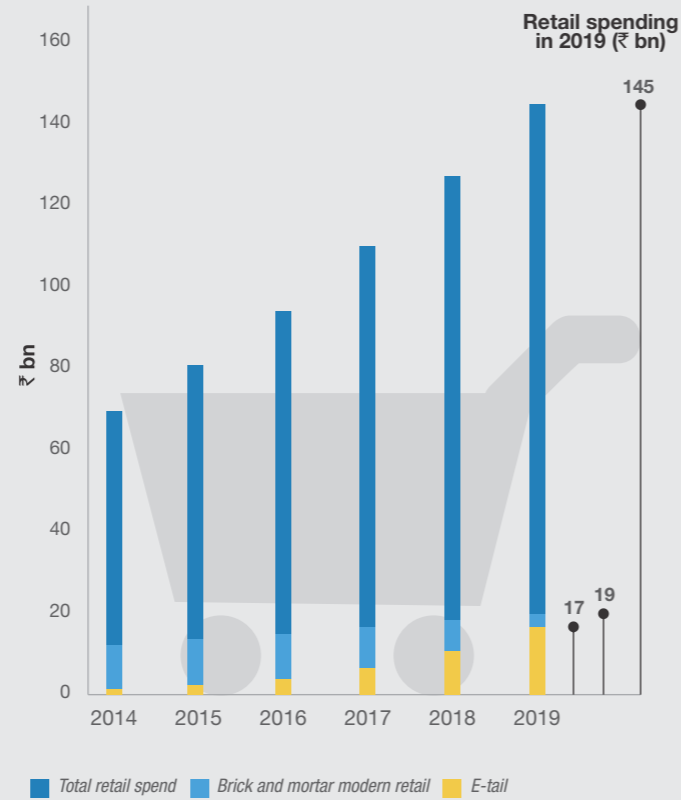
Chart 3
Household income split in Bandra-Vile Parle



Source: Knight Frank Research, Indicus Analytics

- The total retail spending in Bandra-Vile Parle is projected to increase two fold to ₹145 bn in the next five years
- Even as the modern retail market will grow 2.65 times during the next five years, the share of brick and mortar modern retail will shrink in favour of E-tail

Chart 4
Projected retail spending in Bandra-Vile Parle



Source: Knight Frank Research

Future trends in Bandra-Vile Parle



The growth of the brick and mortar modern retail market from ₹12 bn in 2014 to ₹19 bn in 2019, coupled with the lack of land availability and malls in this zone, will augur well for rent growth for shops in this market.



The prominent high streets of Linking Road and S.V. Road will benefit on account of such development.

MUMBAI ZONE ANALYSIS

Andheri-Borivali Zone

Andheri-Borivali map

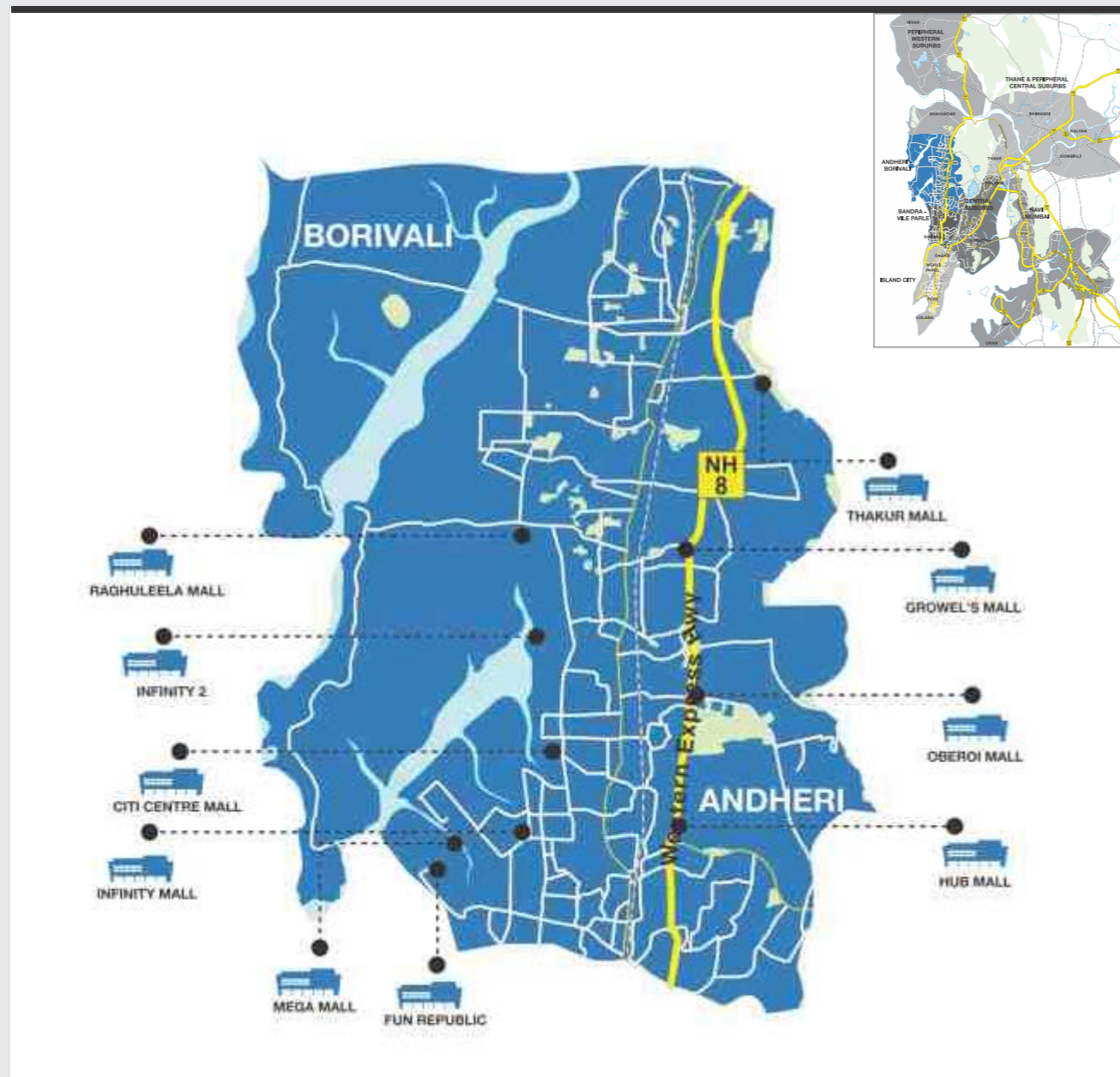
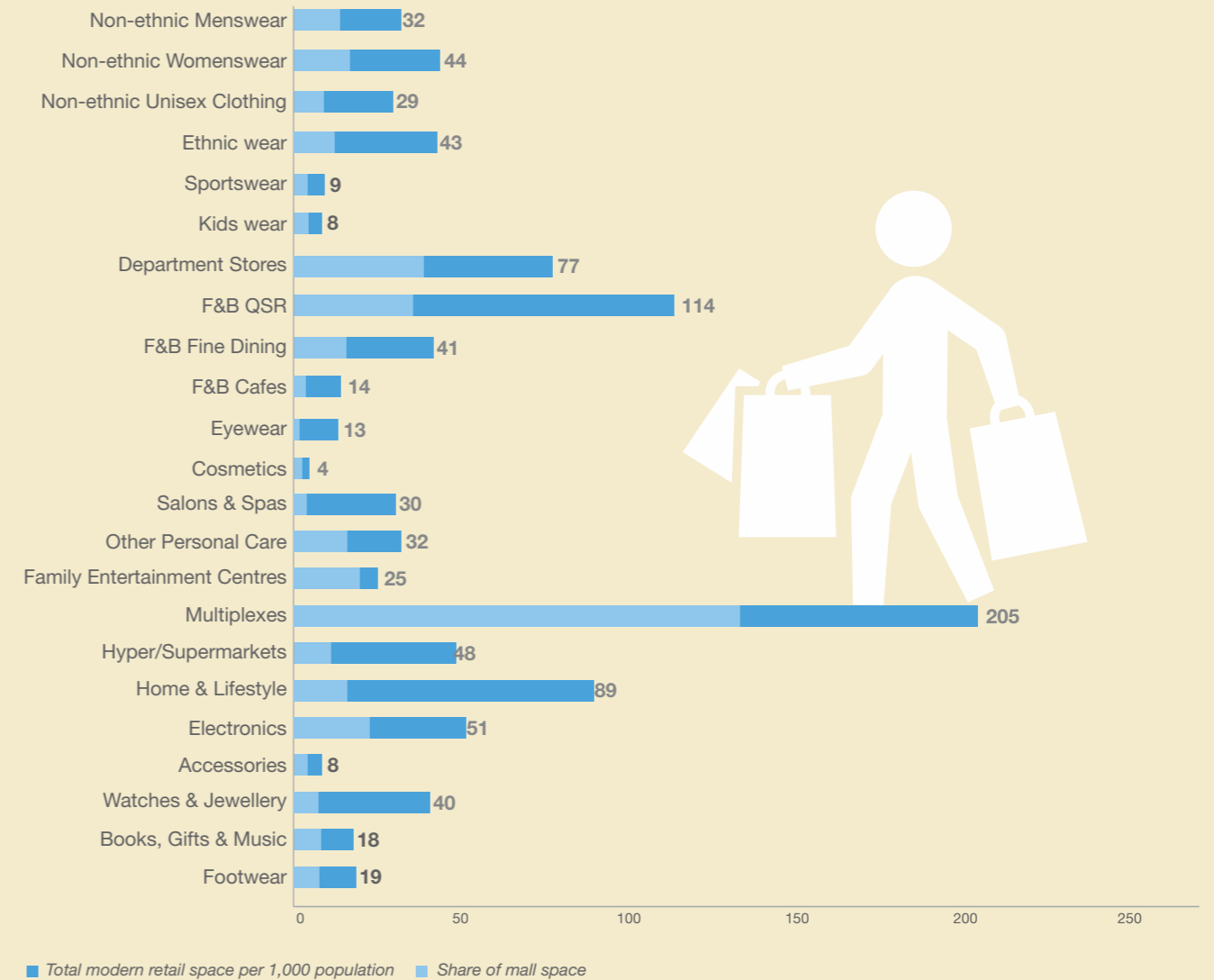


Chart 1

Per capita occupied modern retail space in Andheri-Borivali

Space in sq ft



Source: Knight Frank Research, Indicus Analytics

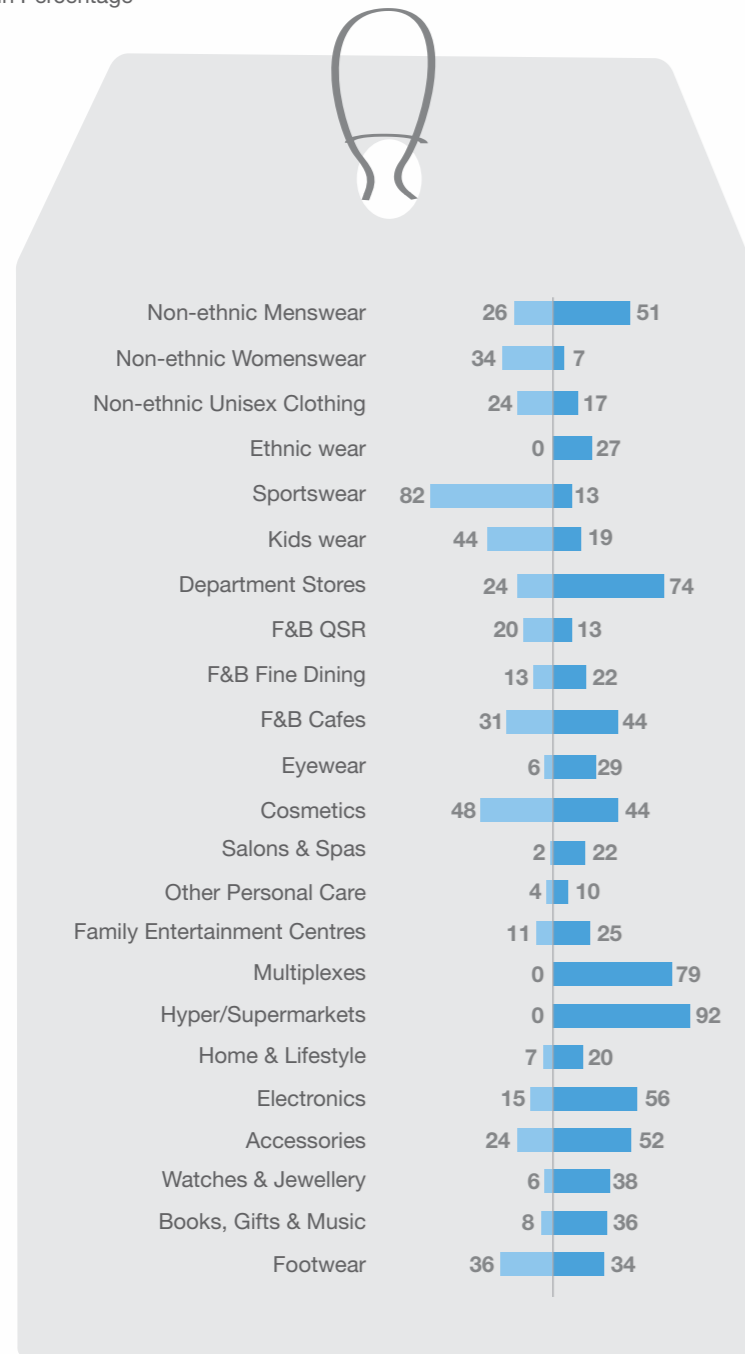
- With a fairly large number of malls, this zone is represented by stores from all 23 product categories
- Multiplexes have the largest presence in the zone, followed by F&B QSR and department stores

Chart 2

Share of foreign and national brand stores in the overall brick and mortar modern retail space



Share in Percentage



- Foreign and national brand stores together account for more than 90 per cent of the store space presence in the department store, cosmetics, hyper/supermarkets and sportswear categories
- Other personal care and salons and spas are the two top categories dominated by regional and local brand stores

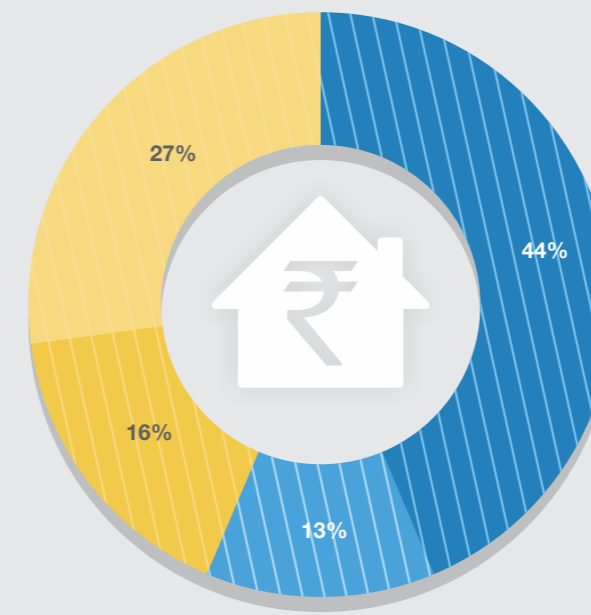
Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

■ Share of foreign brands
■ Share of national brands

Source: Knight Frank Research

Chart 3

Household income split in Andheri-Borivali

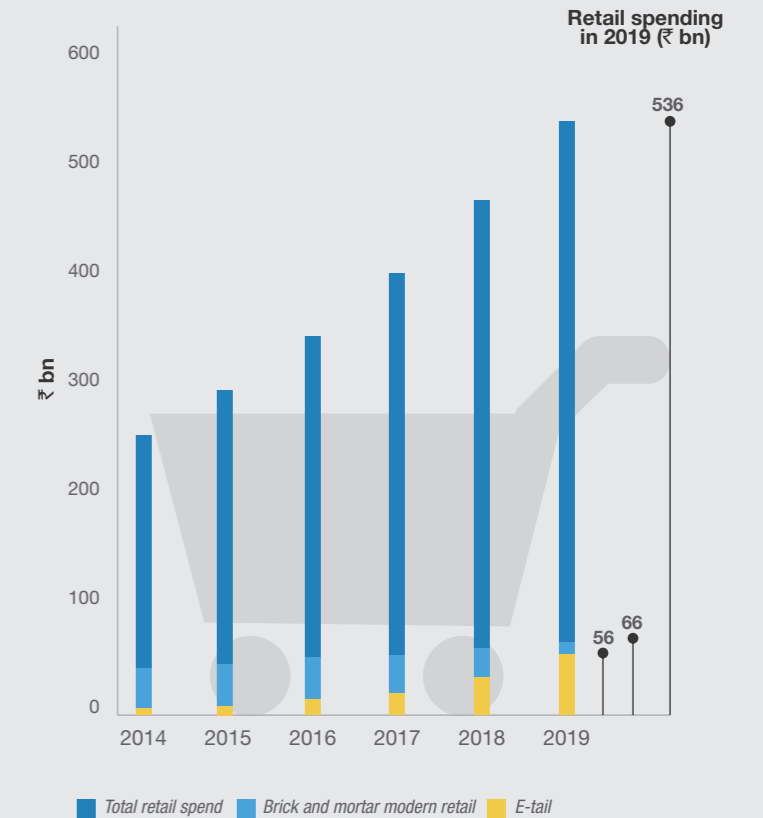


■ < ₹300,000 ■ ₹300,001 – ₹500,000
■ ₹500,001 – ₹1,000,000 ■ > ₹1,000,000

Source: Knight Frank Research, Indicus Analytics

Chart 4

Projected retail spending in Andheri-Borivali



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

- The total retail spending in this market is projected to increase from ₹251 bn in 2014 to ₹536 bn in 2019. The Andheri – Borivali zone is the largest market in the MMR, with a share of 24 per cent. This dominance will hold true even during the next five years
- The zone witnessed consumer spending of ₹41 bn in 2014 through the brick and mortar modern retail format. In contrast, the size of consumer spending through E-tailing was ₹5 bn

Future trends in Andheri-Borivali



The zone has a modern retail density of 1,000 sq ft per 1,000 population, with a fair representation from malls as well as shopping streets. An established residential catchment, coupled with a 63 per cent increase in brick and mortar modern retail spending, will benefit modern retail spaces across malls as well as shopping streets.



While all the product categories have a presence in this zone, new experiential brands will be willing to take up space in this market.

MUMBAI ZONE ANALYSIS

Peripheral Western Suburbs Zone

Peripheral Western Suburbs map

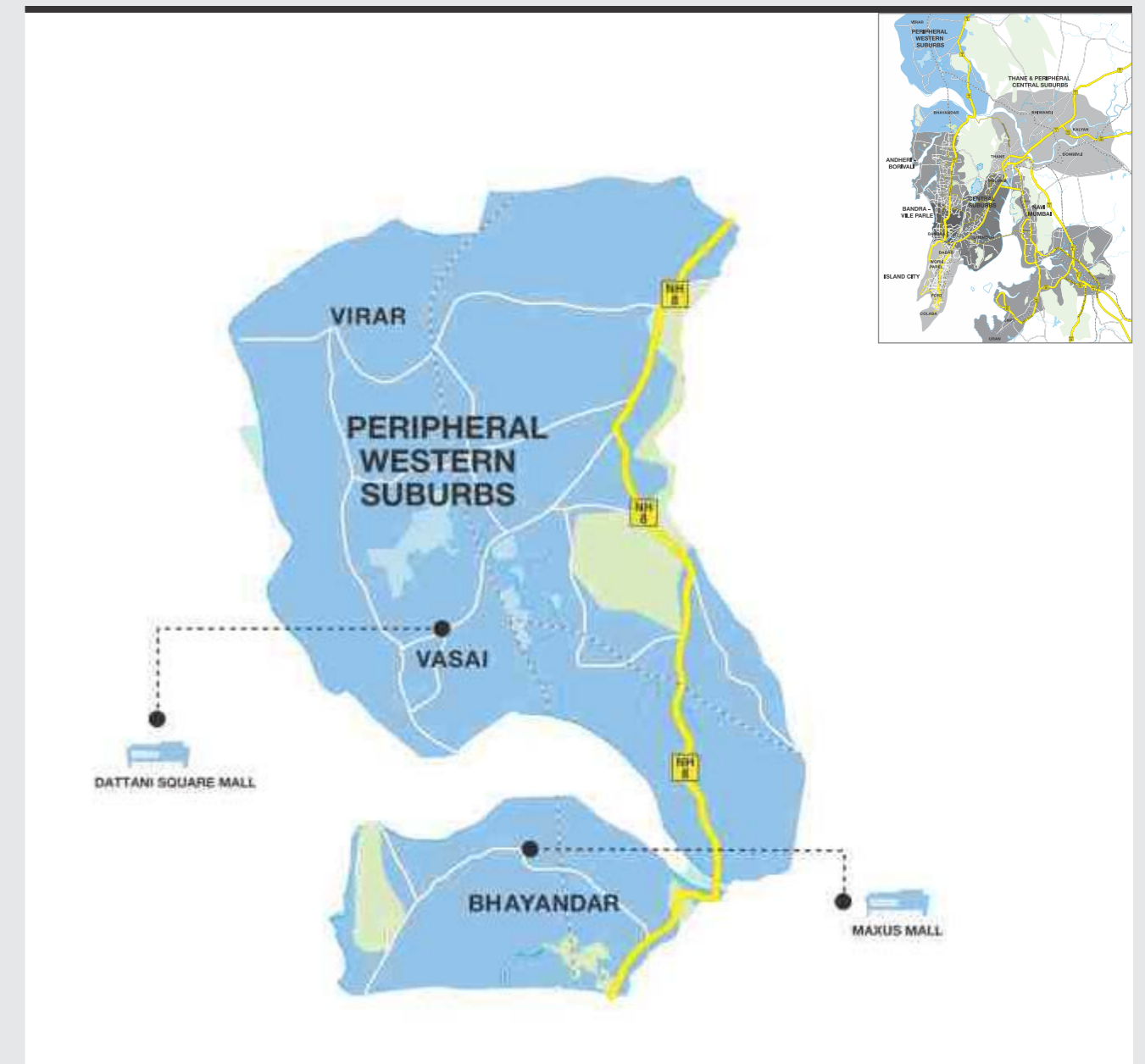
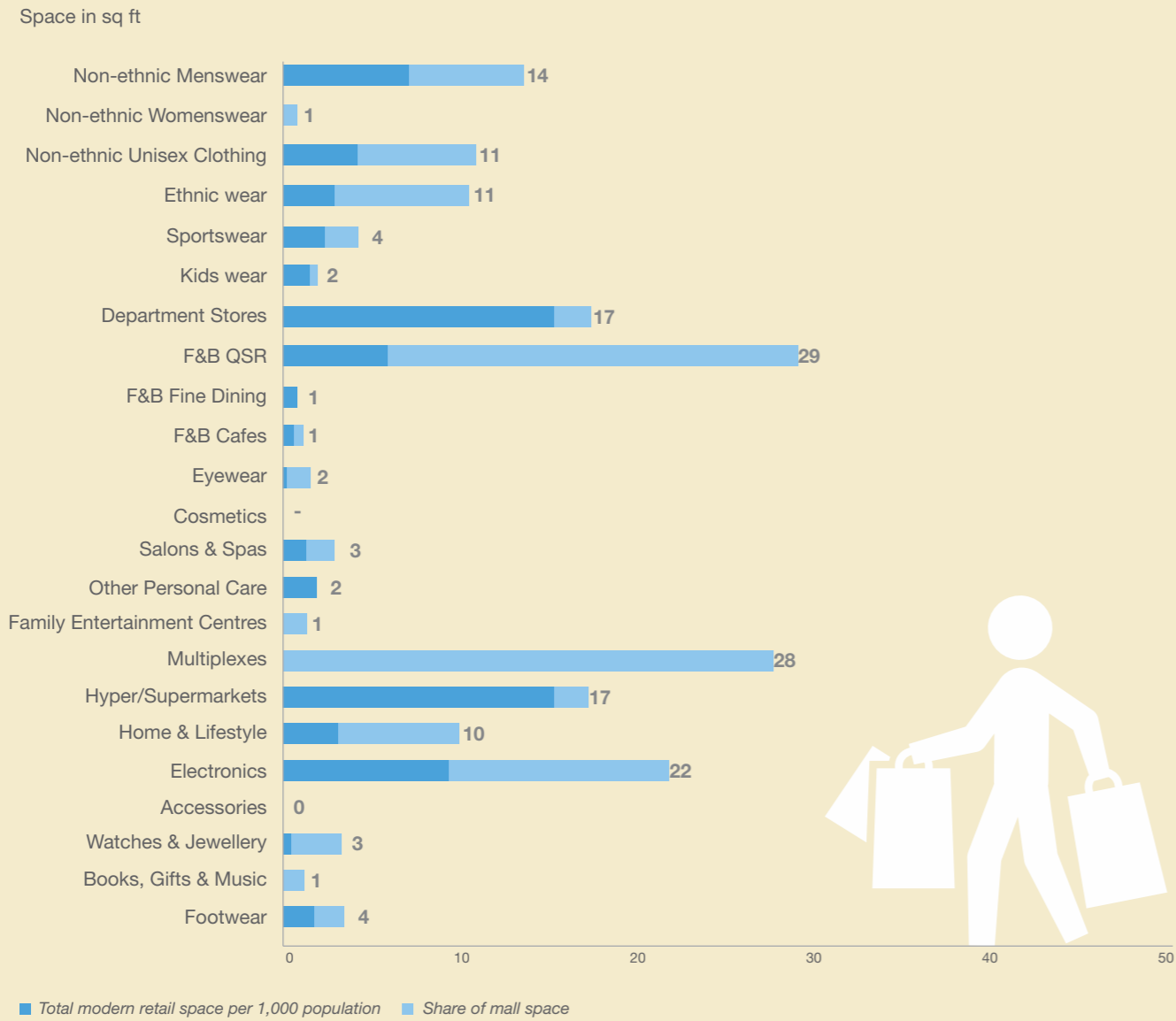


Chart 1

Per capita occupied modern retail space in Peripheral Western Suburbs

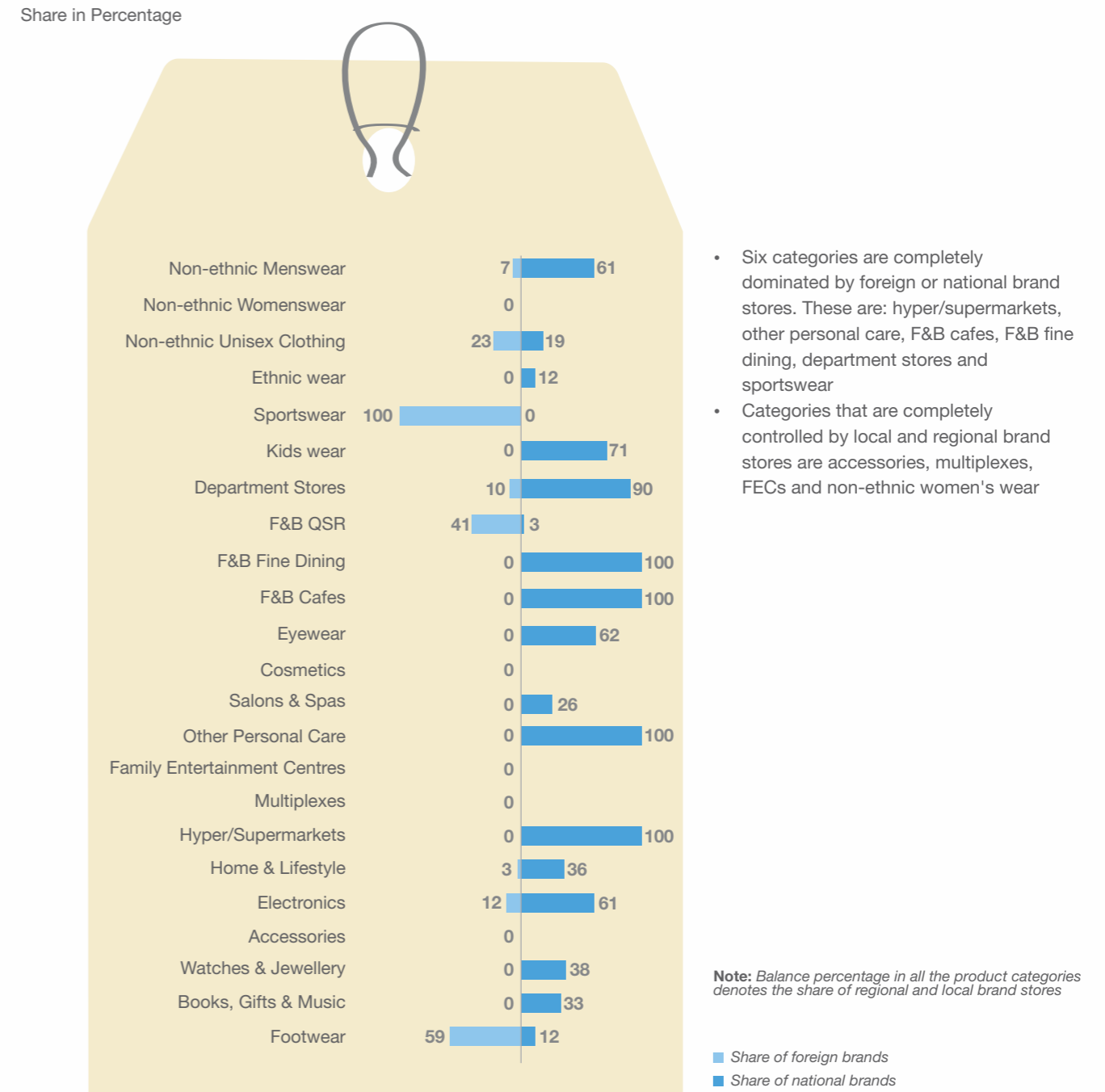


Source: Knight Frank Research, Indicus Analytics

- This zone has the lowest modern retail density in comparison to all the 42 zones countrywide studied in the report. Despite being a fast-growing residential catchment, the presence of few malls and major shopping streets in this zone has created such a scenario
- As many as seven retail product categories have a presence of 1sq ft/1,000 population or less in this zone. This clearly hints at untapped opportunity

Chart 2

Share of foreign and national brand stores in the overall modern retail space



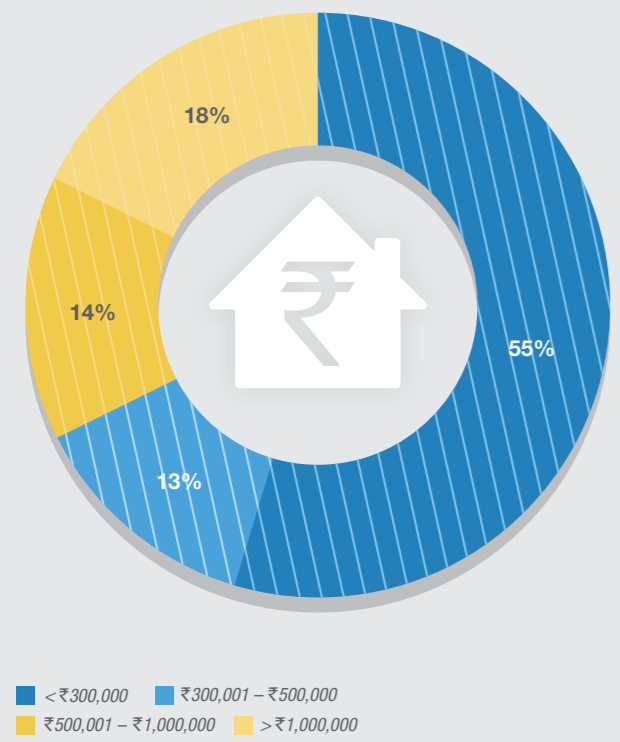
- Six categories are completely dominated by foreign or national brand stores. These are: hyper/supermarkets, other personal care, F&B cafes, F&B fine dining, department stores and sportswear
- Categories that are completely controlled by local and regional brand stores are accessories, multiplexes, FECs and non-ethnic women's wear

Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

Source: Knight Frank Research

Chart 3

Household income split in Peripheral Western Suburbs

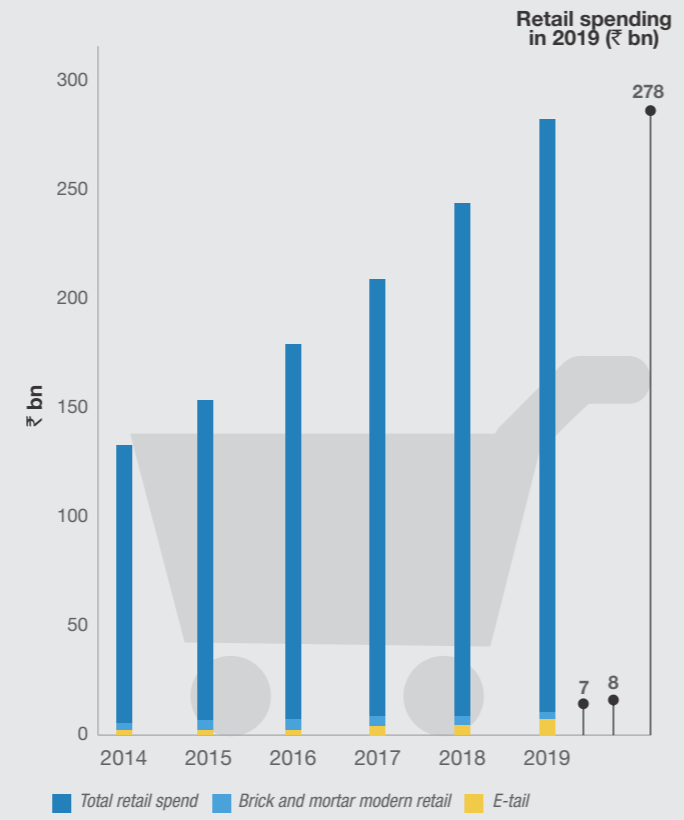


Source: Knight Frank Research, Indicus Analytics

- The total retail spending in this zone is projected to increase from ₹128 bn in 2014 to ₹278 bn in 2019, growing at a compounded annual growth rate of 17 per cent
- The brick and mortar modern retail spending is projected to grow from ₹5 bn in 2014 to ₹8 bn in 2019

Chart 4

Projected retail spending in Peripheral Western Suburbs



Source: Knight Frank Research

Future trends in Peripheral Western Suburbs



The zone has the lowest penetration of modern retail despite being a fast-growing residential catchment. Such a scenario creates opportunity for brands looking to expand their footprint across the MMR.



Many product categories are severely under represented and modern format retailers are expected to take cognisance of this opportunity.

MUMBAI ZONE ANALYSIS

Central Suburbs Zone

Central Suburbs map

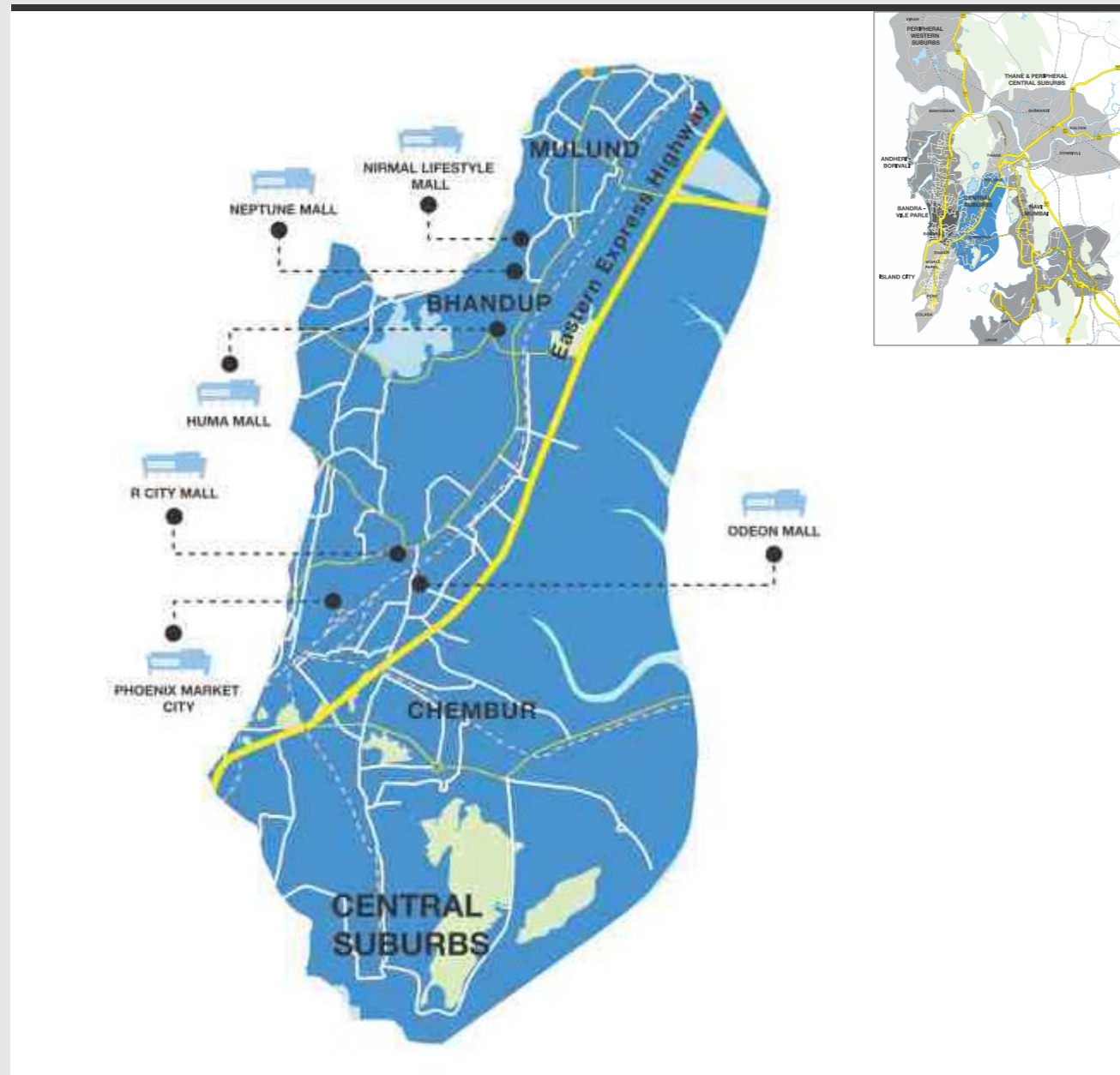
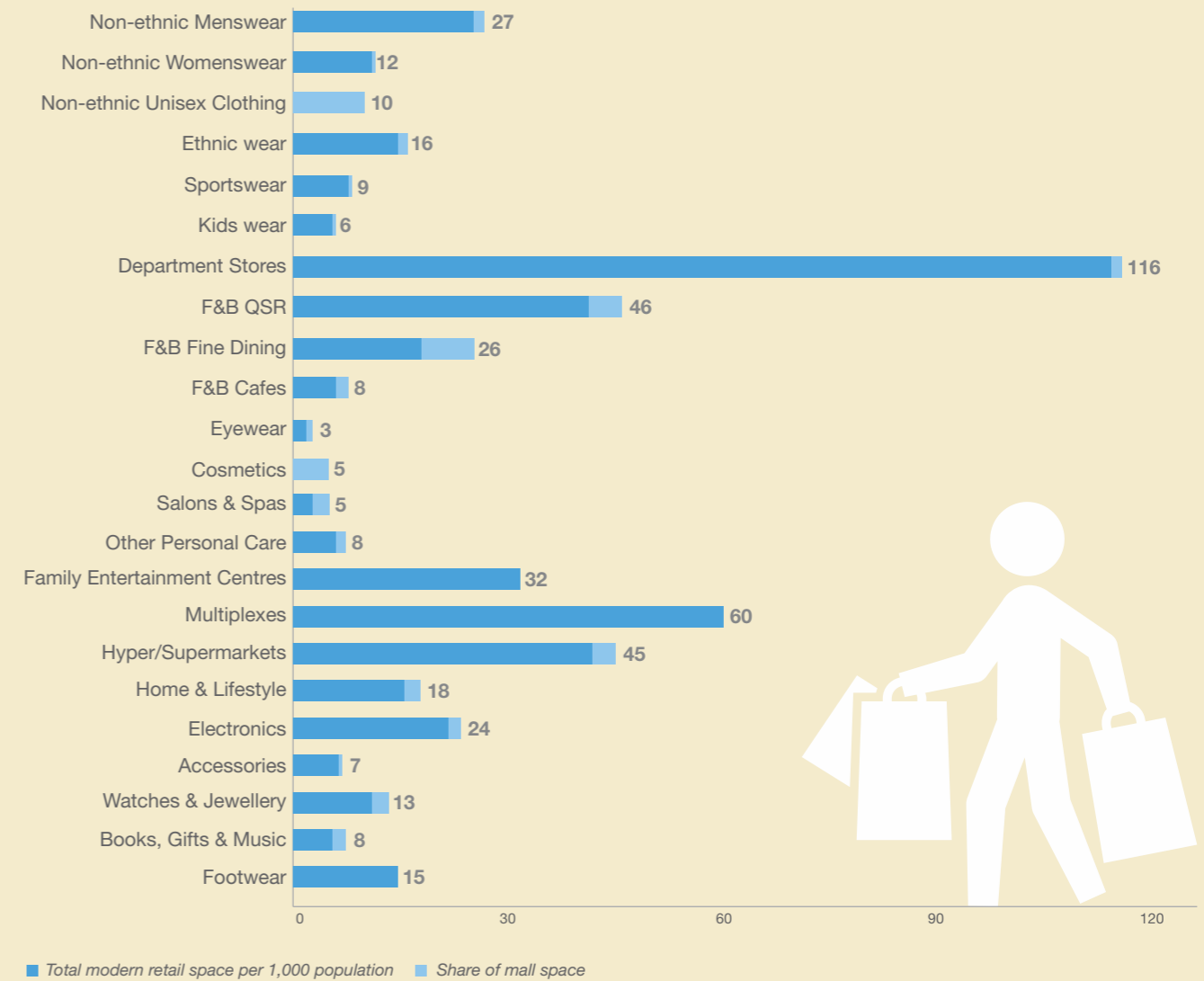


Chart 1

Per capita occupied modern retail space in Central Suburbs

Space in sq ft



Source: Knight Frank Research, Indicus Analytics

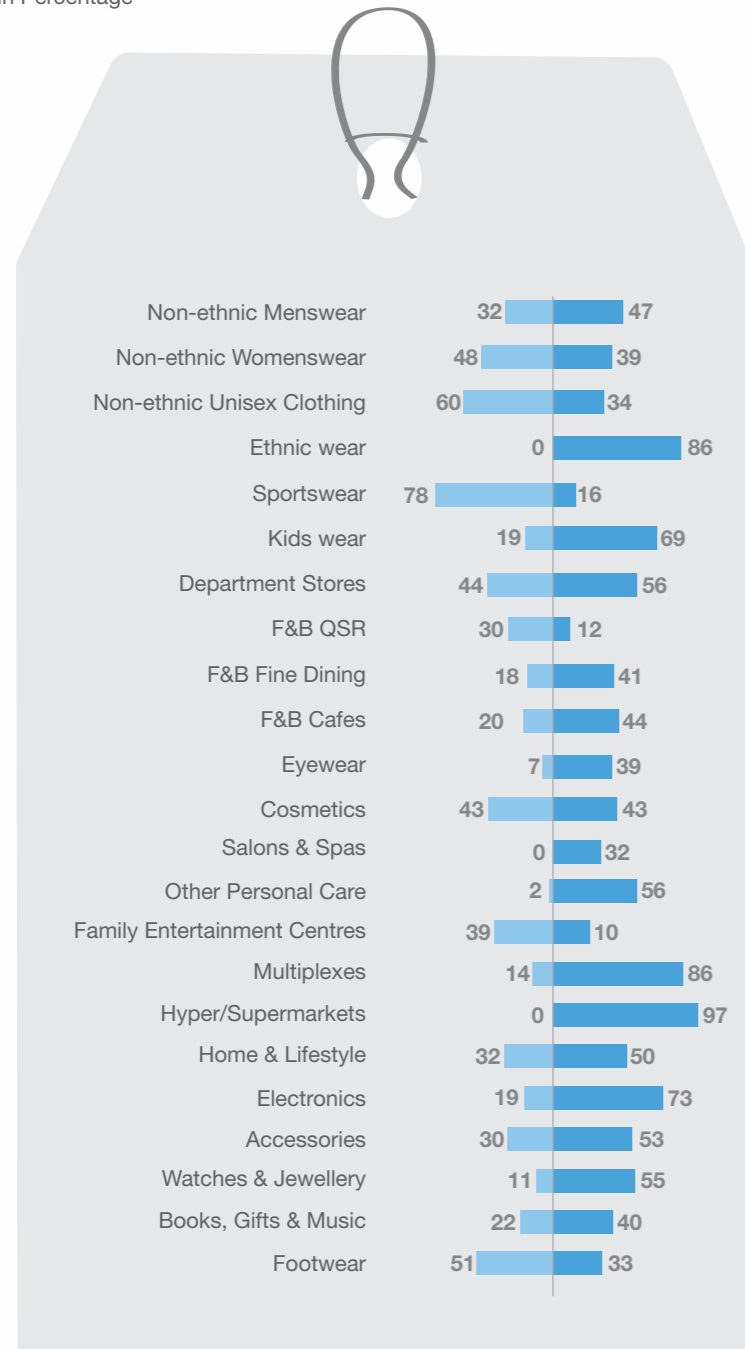
- The Central Suburbs have 526 sq ft of modern retail space per 1,000 population. This zone has six malls, most of them lined up at short distances on LBS Road
- Among the 23 product categories studied in this report, the department stores category has the highest density; they are nestled predominantly in malls. The most under represented categories are eyewear, salons and spas and cosmetics

Chart 2

Share of foreign and national brand stores in the overall modern retail space



Share in Percentage



- With the presence of a large number of malls, the Central Suburbs have a fairly large presence of foreign and national brand stores
- Stores in five categories, namely multiplexes, department stores, non-ethnic unisex clothing, sportswear and electronics have a 90 per cent or more presence from foreign and national brand stores. In contrast, 60 per cent or more space in the salons and spas category is contributed by local players

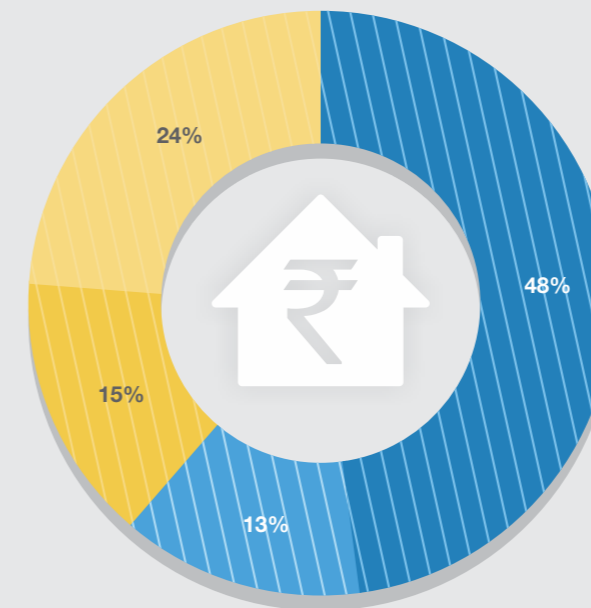
Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

■ Share of foreign brands
■ Share of national brands

Source: Knight Frank Research

Chart 3

Household income split in Central Suburbs



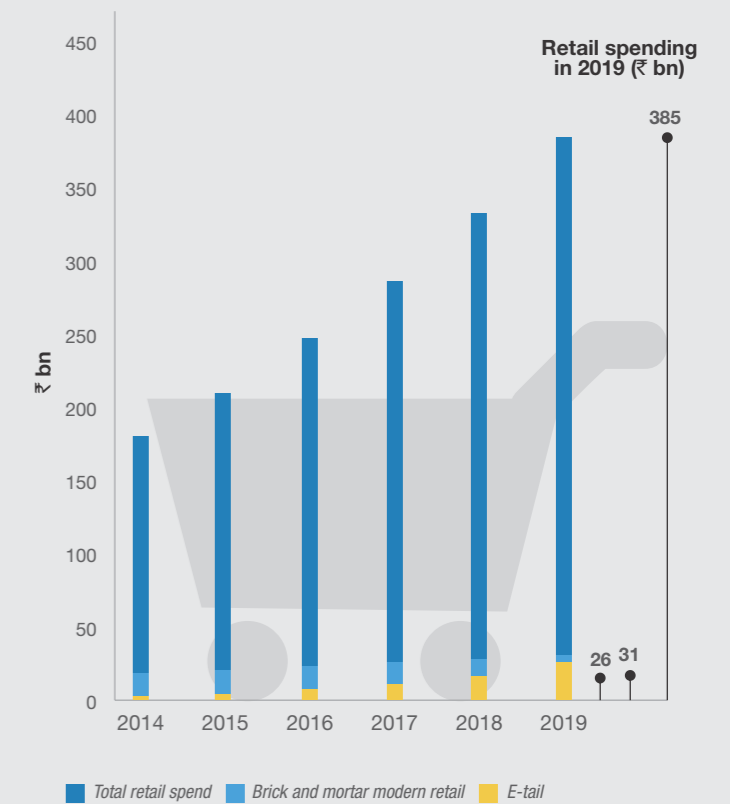
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■ ₹500,001 – ₹1,000,000 ■ > ₹1,000,000

Source: Knight Frank Research, Indicus Analytics

- The total retail spending in the Central Suburbs zone is projected to increase from ₹181 bn in 2014 to ₹385 bn in 2019, growing at the rate of 16 per cent each year
- The share of modern retail will grow from 12 per cent at present to 15 per cent in the next five years

Chart 4

Projected retail spending in Central Suburbs



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

Future trends in Central Suburbs



The zone has a modern retail density of 526 sq ft/1,000 population. With an influx of new malls in the last few years, the catchment of most malls in this zone has shrunk, leading to increased vacancy levels. Even the successful malls of yesteryear in locations like Mulund have suffered.



The zone will see brick and mortar modern retail spending increase by 62 per cent in the next five years. While this will improve occupancy levels in the modern retail formats, the shrinking catchment on account of new malls in the neighbouring zones will keep a check on rent growth.

MUMBAI ZONE ANALYSIS

Thane & Peripheral Central Suburbs Zone

Thane & Peripheral Central Suburbs map

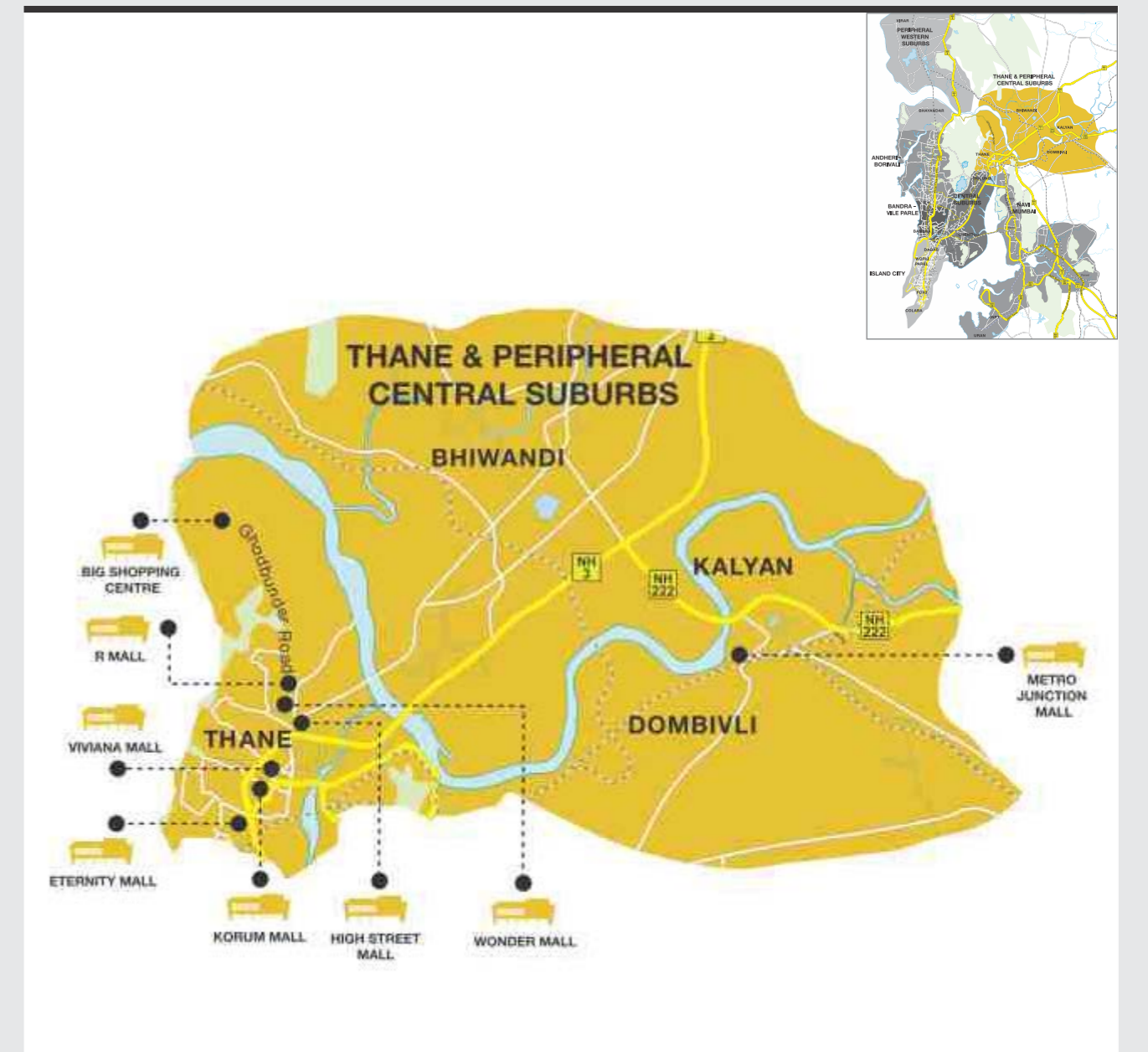
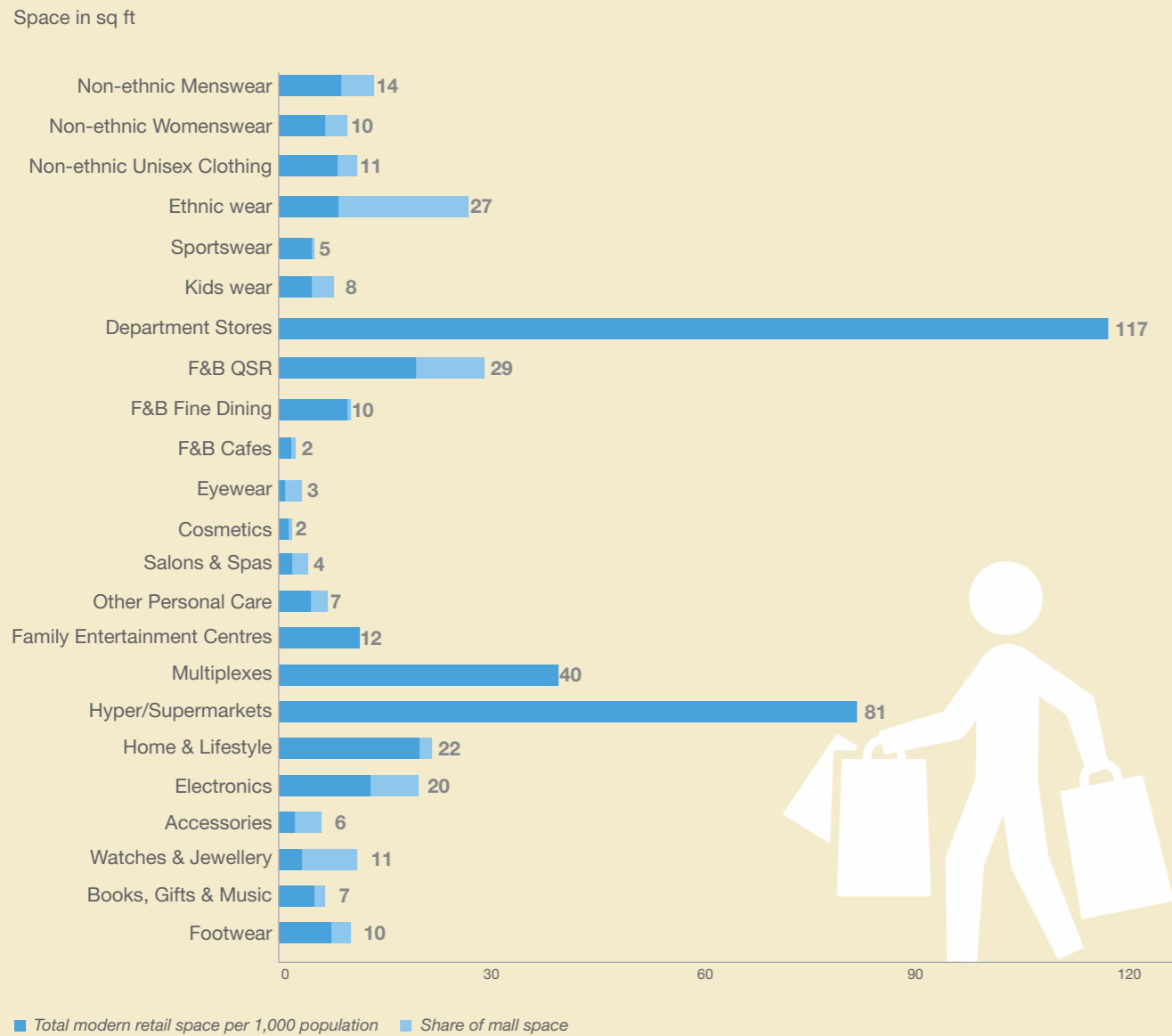


Chart 1

Per capita occupied modern retail space in Thane and the Peripheral Central Suburbs



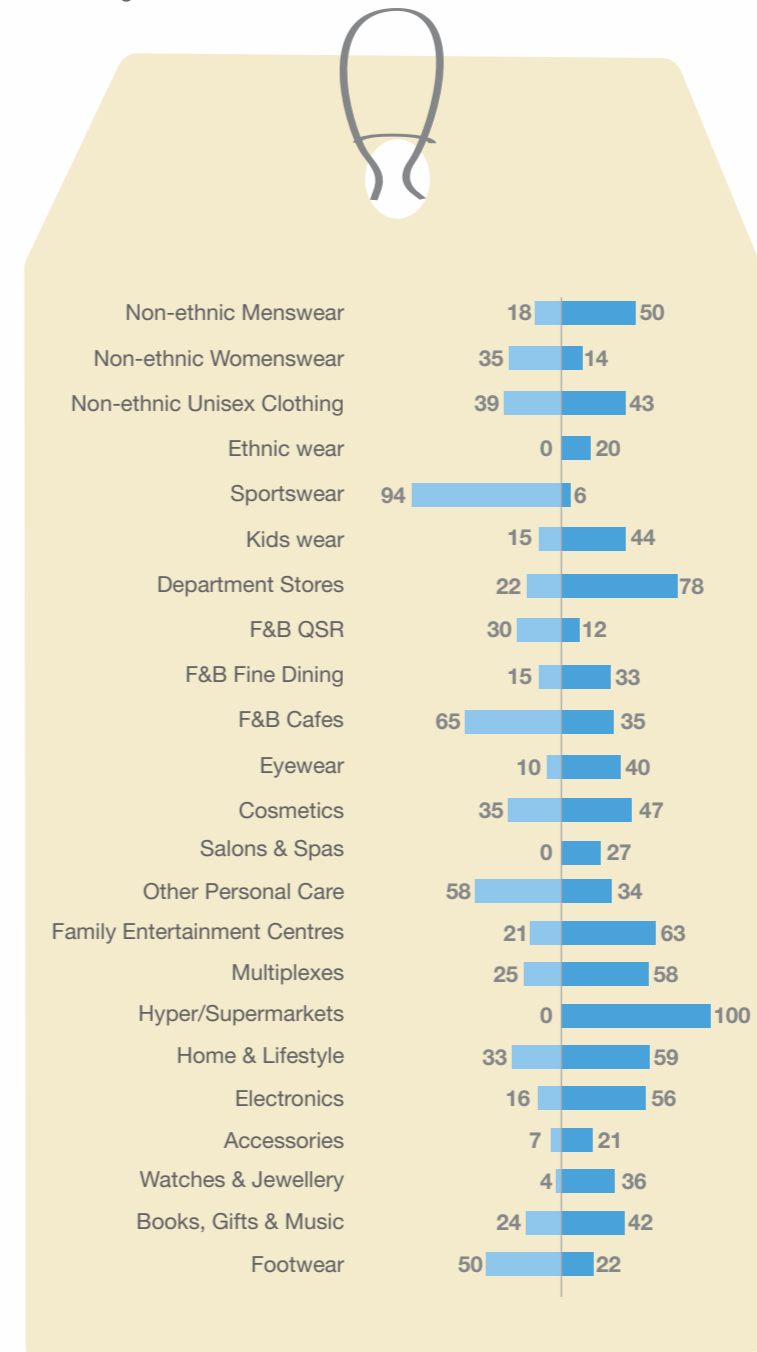
Source: Knight Frank Research, Indicus Analytics

- With a mix of shopping streets and nine malls, this zone has a vibrant retail catchment. However, it is concentrated predominantly in Thane. The mall culture in this zone has not spread beyond Kalyan, which has only one mall
- The share of malls is fairly large in most of the product categories; none are less than 30 per cent

Chart 2

Share of foreign and national brand stores in the overall modern retail space

Share in Percentage



- With a large number of malls, the Thane and the Peripheral Central Suburbs market has a high representation from foreign and national brand stores. As many as 12 of the 23 product categories have 70 per cent or more space occupied by foreign and national brand stores
- The high streets of Ram Maruti Road and Gokhale Road in Thane have a high concentration of local brand stores, followed by an equal representation from national and regional players

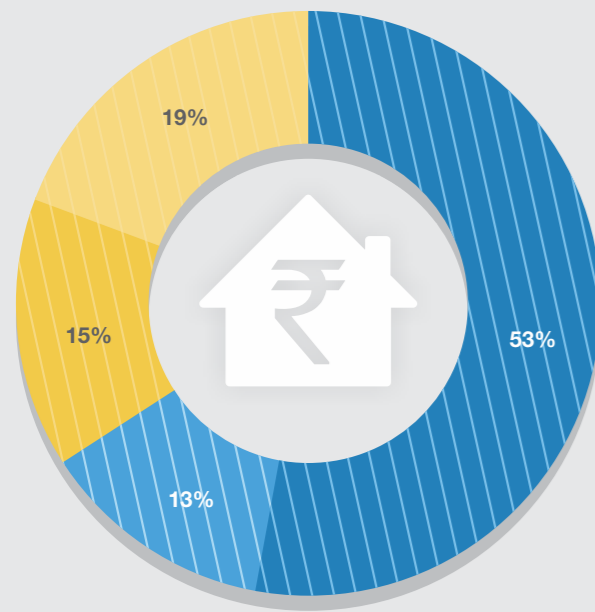
Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

■ Share of foreign brands
■ Share of national brands

Source: Knight Frank Research

Chart 3

Household income split in Thane and the Peripheral Central Suburbs



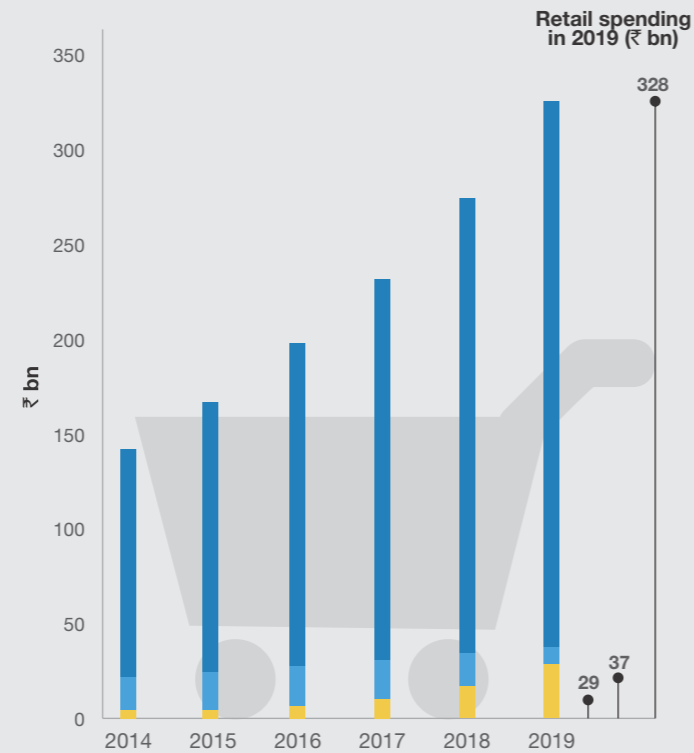
■ < ₹300,000 ■ ₹300,001 – ₹500,000
 ■ ₹500,001 – ₹1,000,000 ■ > ₹1,000,000

Source: Knight Frank Research, Indicus Analytics

- The total retail spending in the Thane and the Peripheral Central Suburbs zone is projected to increase from ₹141 bn in 2014 to ₹328 bn in 2019, growing at the rate of 18 per cent CAGR, which is the fastest growth rate in the MMR
- The share of modern retail will grow from the current 17 per cent to 20 per cent in the next five years on account of a strong E-tailing penetration

Chart 4

Household income split in Thane and the Peripheral Central Suburbs



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

Future trends in Thane and the Peripheral Central Suburbs



The zone is a fast-growing residential catchment, thereby presenting an opportunity for modern retail growth. Most of the malls in this zone have come up in the Thane city region and indicate a polarised performance on the occupancy front.



Going forward, modern retail spending in this zone would grow by 75 per cent to ₹37 bn in 2019. While premium brands will make inroads in locations like Thane, mass market brands will tighten their grip on the fast-developing residential catchments in locations like Kalyan Dombivali and Ambarnath.

MUMBAI ZONE ANALYSIS

Navi Mumbai Zone

Navi Mumbai map

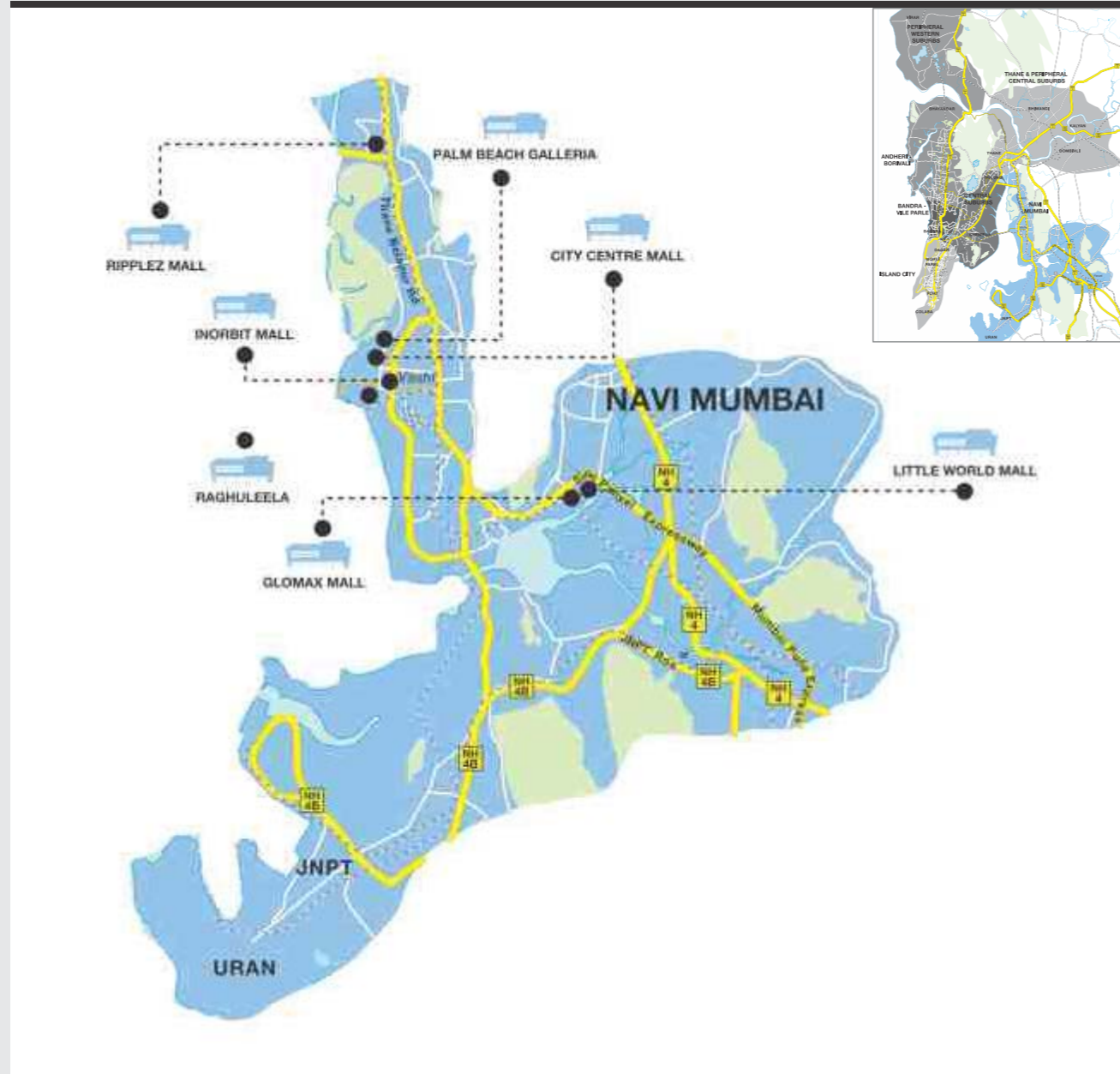
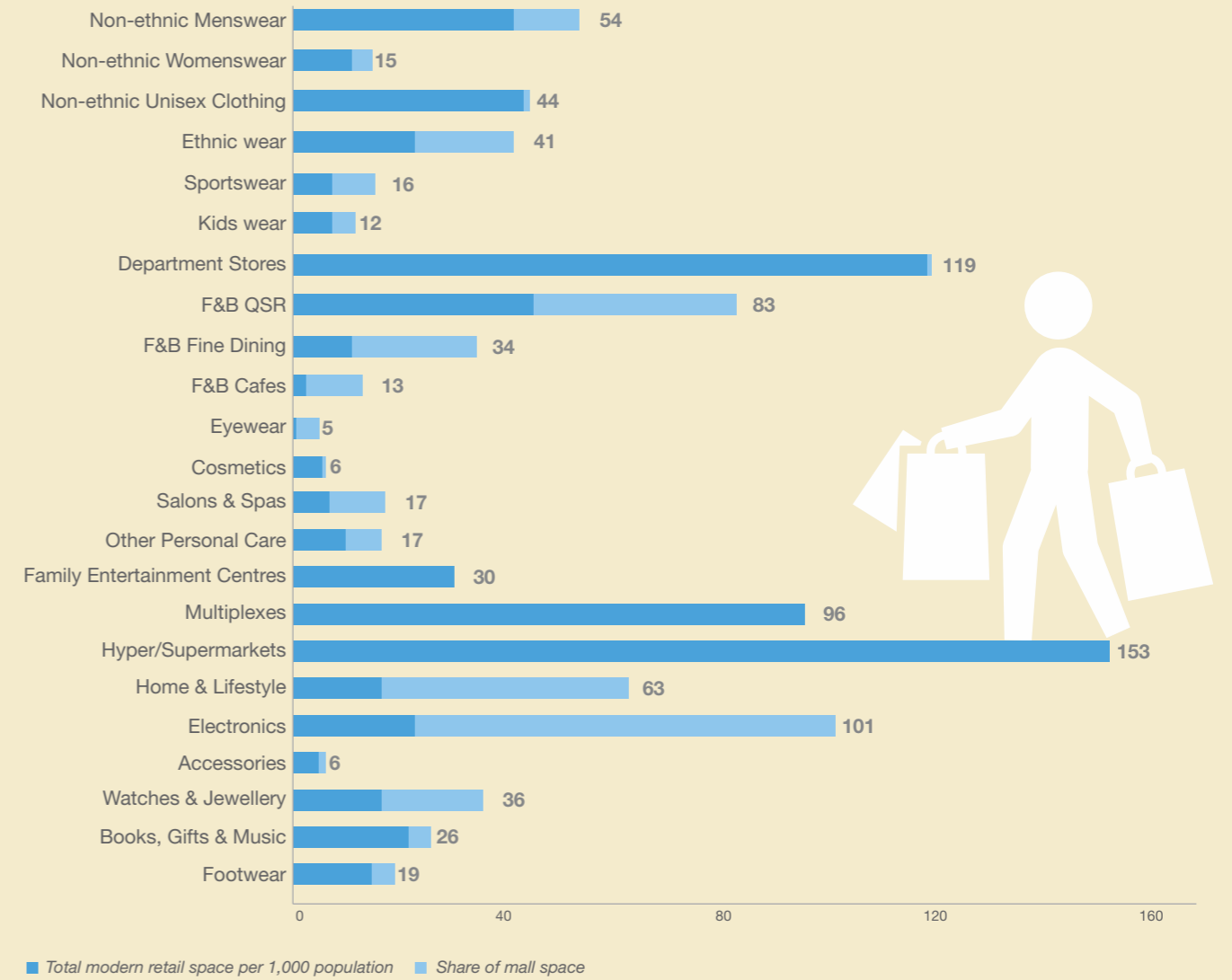


Chart 1

Per capita occupied modern retail space in Navi Mumbai

Space in sq ft



Source: Knight Frank Research

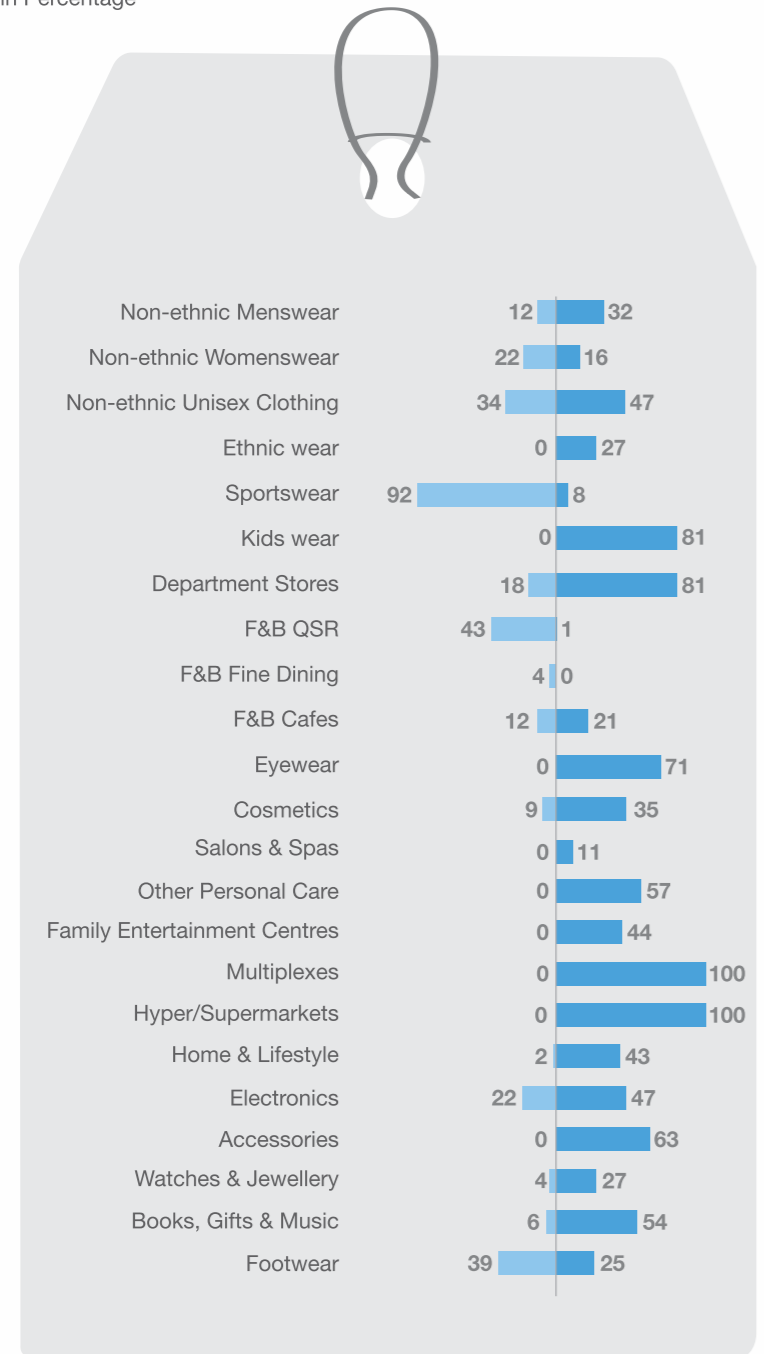
- The zone has nine malls, most of which are in close proximity to each other in Vashi. Together with avenues of high street shopping, this zone has a presence of all 23 product categories
- A total of 15 out of the 23 product categories have more than half of their retail space in malls

Chart 2

Share of foreign and national brand stores in the overall modern retail space



Share in Percentage



- Foreign and national brand stores have a high representation in this zone. A total of 12 out of the 23 product categories have the majority of their space occupied by national and foreign brand stores
- Categories where local brand stores have a more than 80 per cent share are F&B fine dining, and salons and spas

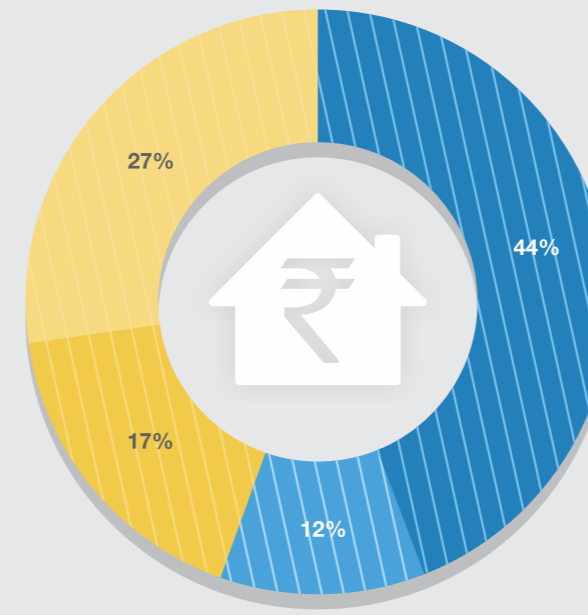
Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

■ Share of foreign brands
■ Share of national brands

Source: Knight Frank Research

Chart 3

Household income split in Navi Mumbai



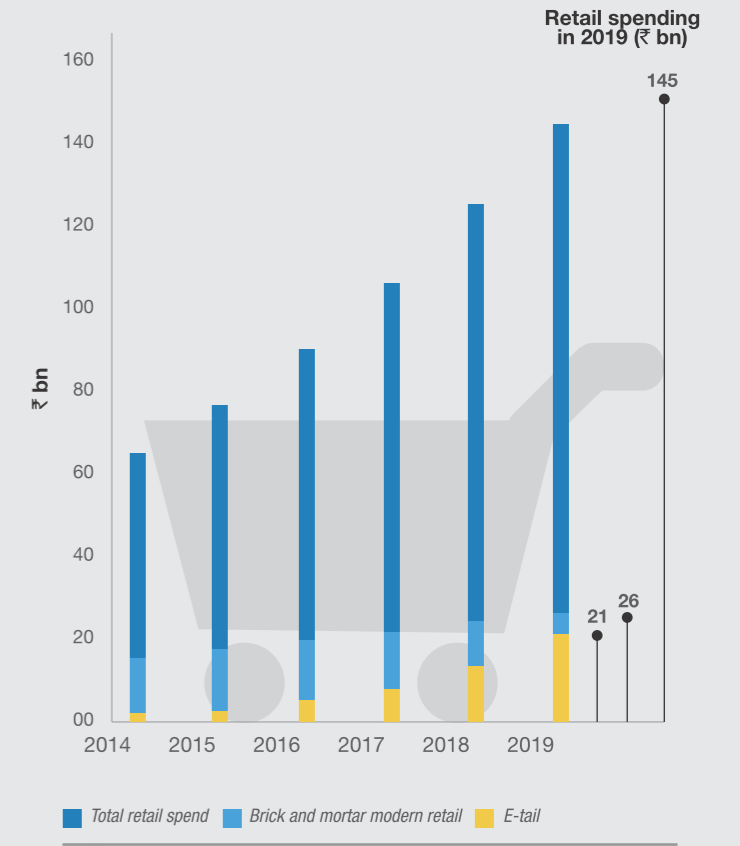
■ < ₹300,000 ■ ₹300,001 – ₹500,000
■ ₹500,001 – ₹1,000,000 ■ > ₹1,000,000

Source: Knight Frank Research, Indicus Analytics

- The total retail spending in Navi Mumbai is projected to increase from ₹64 bn in 2014 to ₹145 bn in 2019, growing at the rate of 18 per cent each year
- This zone contributes just 6 per cent to the total retail spending of the MMR. However, the zone is foremost in the MMR in terms of modern retail penetration, which stands at 27 per cent at present

Chart 4

Projected retail spending in Navi Mumbai



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

Future trends in Navi Mumbai



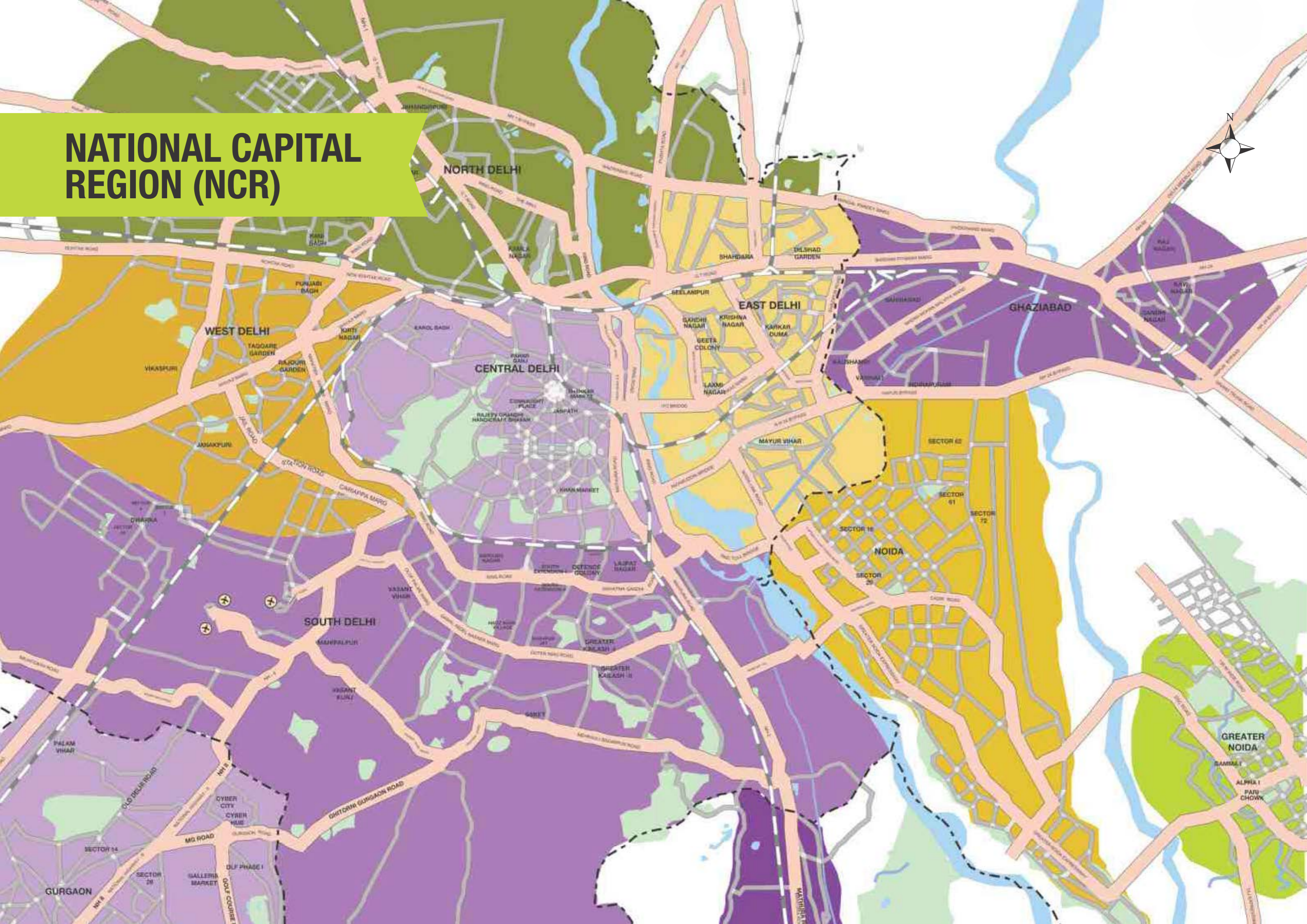
Navi Mumbai, a planned satellite city of Mumbai, was developed on the premise of an affordable and quality residential alternative to decongest Mumbai. It has witnessed unprecedented real estate growth over the last decade. The same is expected to accelerate further. With a modern retail density of 1,051 sq ft per 1,000 population and mall developments limited primarily to Vashi, the zone has scope for further modern retail growth.



We forecast brick and mortar modern retail spending to increase from ₹16 bn in 2014 to ₹26 bn in 2019. Such a growth will augur well for brick and mortar modern retail stores.



NATIONAL CAPITAL REGION (NCR)



NCR CITY ANALYSIS

Retail Landscape

The 10 zones of the National Capital Region (NCR) have their own distinct retail character. Some are dominant in malls, while others contain a mix of shopping streets and malls. In NCR, 57 per cent of the modern retail distribution is in malls, and the remaining 43 per cent, in shopping streets. The agglomeration of NCR outshines other Indian cities in the available modern retail space per thousand of the area's population.

NCR city map

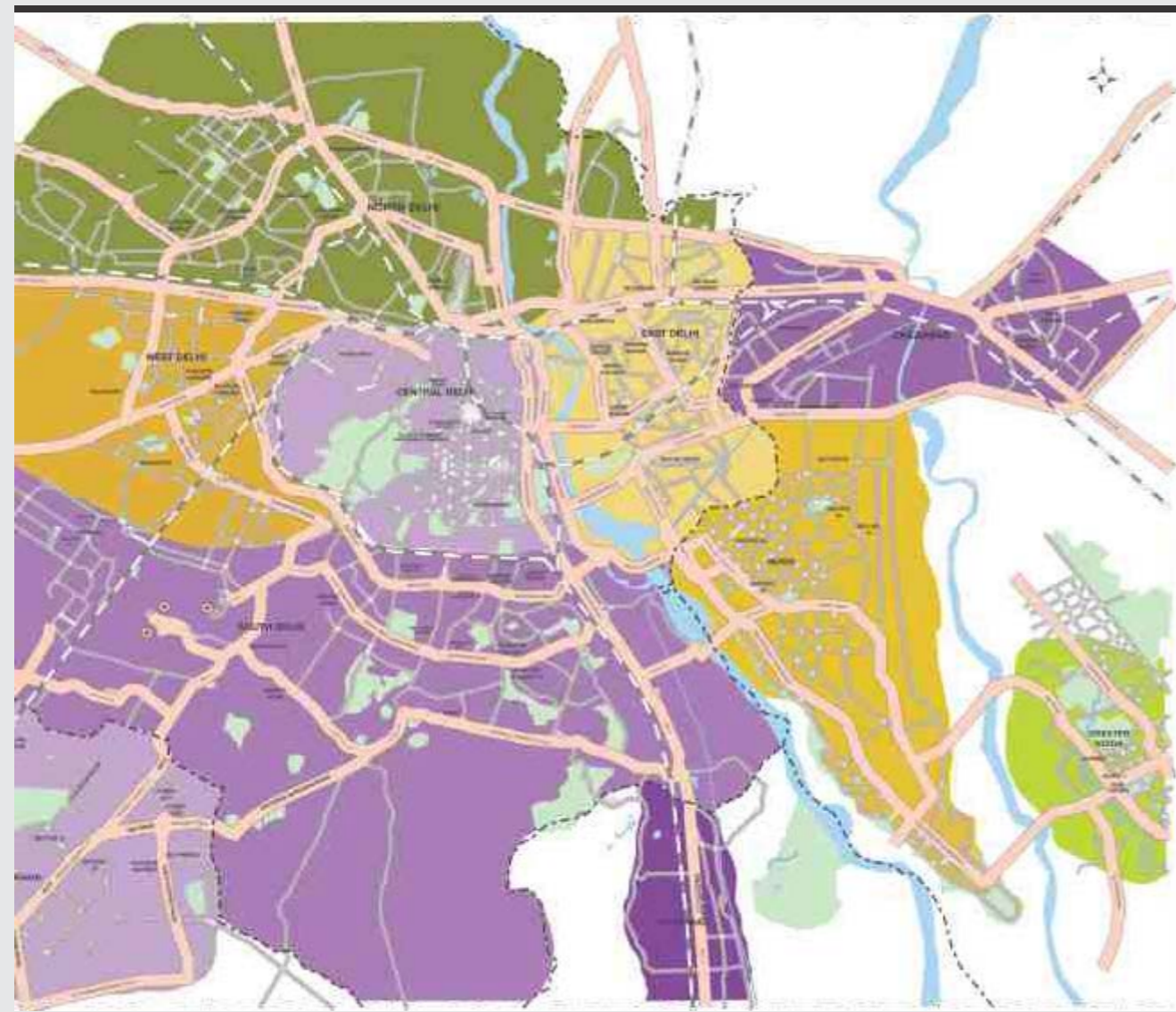
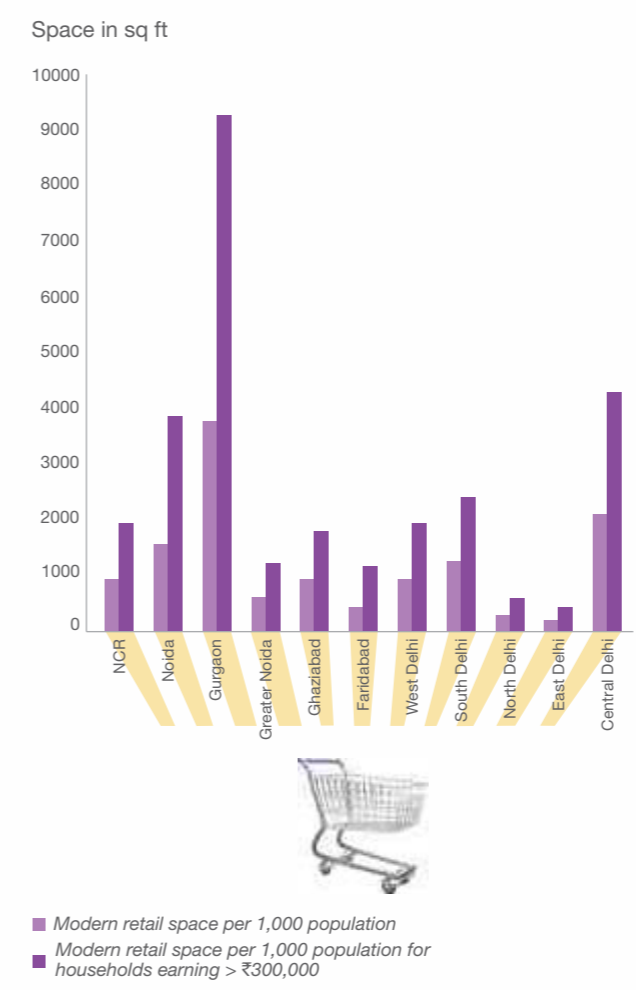


Chart 1

Per capita occupied modern retail space

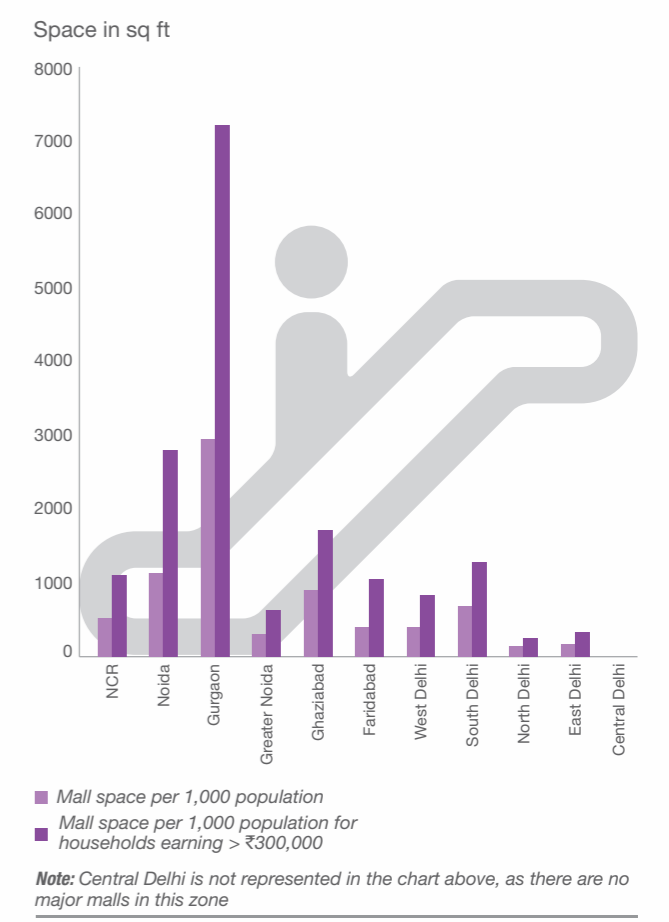


Source: Knight Frank Research, Indicus Analytics

- Gurgaon outdoes NCR and other Indian cities, with 3,775 sq ft of modern retail space per 1,000 population
- Being a relatively young city compared to other cities like Delhi, Mumbai and Hyderabad, most of Gurgaon's retail is in the modern format, and a striking 78 per cent is concentrated in malls
- The Millennium City, as Gurgaon is called, also leads in the modern retail space for households earning more than ₹300,000 per year, closely followed by Central Delhi, Noida and South Delhi
- North and East Delhi emerge as under served markets for modern retail, with the lowest per square foot space per 1,000 population

Chart 2

Per capita occupied mall space

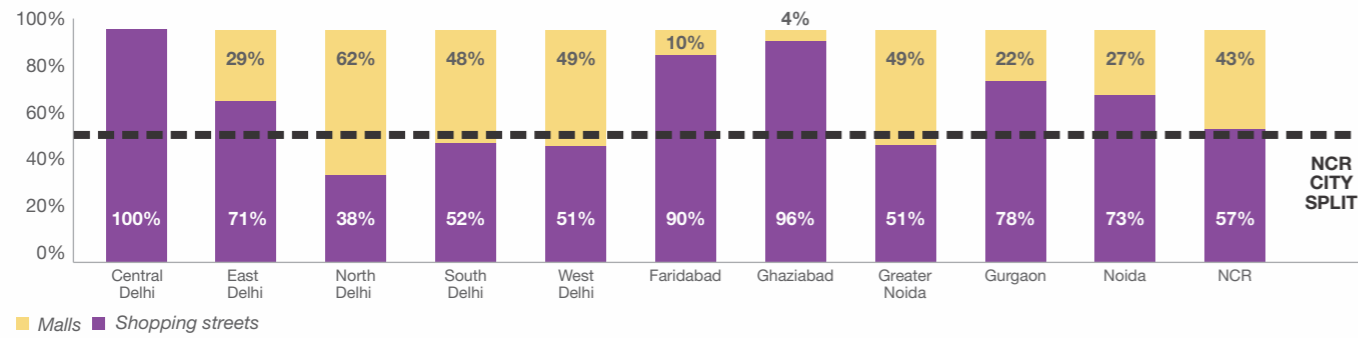


Source: Knight Frank Research, Indicus Analytics

- Similar to modern retail space, mall space in Gurgaon outranks that in other Indian cities. Rightly called the 'City of Malls', Gurgaon boasts of 2,953 sq ft of mall space per 1,000 population
- The concept of mixed-use spaces has contributed to the ample modern retail space in Gurgaon, and owing to the corporate character of the city, ground floor retail spaces in office buildings add to its modern retail footprint
- Noida and South Delhi follow Gurgaon, with 1,134 sq ft and 656 sq ft of mall space per 1,000 population respectively
- East and North Delhi fall far below NCR's average of 536 sq ft of mall space per 1,000 population

Chart 3

Split of occupied modern retail space into malls and shopping streets



Source: Knight Frank Research

- Approximately 59 per cent of the modern retail stores in NCR are on shopping streets. However, due to restricted store sizes, the space occupied by modern retail stores in malls is much more, taking up 57 per cent of NCR's total modern retail space
- The South and West Delhi zones show a better balance between shopping streets and malls. Around 48-49 per cent of modern retail space in South and West Delhi is concentrated in shopping streets like South Extension, Greater Kailash, Shahpur Jat, Sarojini Nagar Market, Defence Colony, Meherchand Market, Hauz Khas Village, Rajouri Garden Market and Janakpuri
- The Central Delhi zone is almost entirely represented by shopping streets like Connaught Place, Chandni Chowk, Janpath and Karol Bagh
- More than 90 per cent of the modern retail space in Ghaziabad and Faridabad are concentrated in malls. Favourable infrastructure and good customer experience have drawn modern retail formats to the malls in these zones

Chart 4

Product category split of occupied modern retail space in Central Delhi



Note: 0% indicates negligible presence

Source: Knight Frank Research

- Apparel dominates 48 per cent of Central Delhi's modern retail space - the highest among all the zones in NCR
- In Connaught Place, a high-end shopping street in Central Delhi, 32 per cent of the modern retail space is taken up by apparel and footwear, while another 32 per cent is occupied by the food and beverage (F&B) category
- Footwear takes up 8 per cent of the modern retail space in Central Delhi, which is higher than the South Delhi and Gurgaon zones
- Modern retail formats of accessories, and books, gifts and music have little presence in Central Delhi

Chart 5

Product category split of occupied modern retail space in East Delhi

- About 20 per cent of East Delhi's modern retail space is taken up by apparel and 19 per cent by department stores. It can be assumed that department stores cater significantly to this zone's apparel demand
- After Gurgaon, South Delhi and Noida, modern retail penetration in the F&B category is the highest in East Delhi, taking up 15 per cent of the total modern retail space
- Electronics and white goods take up 22 per cent of East Delhi's modern retail space

Note: 0% indicates negligible presence

Source: Knight Frank Research

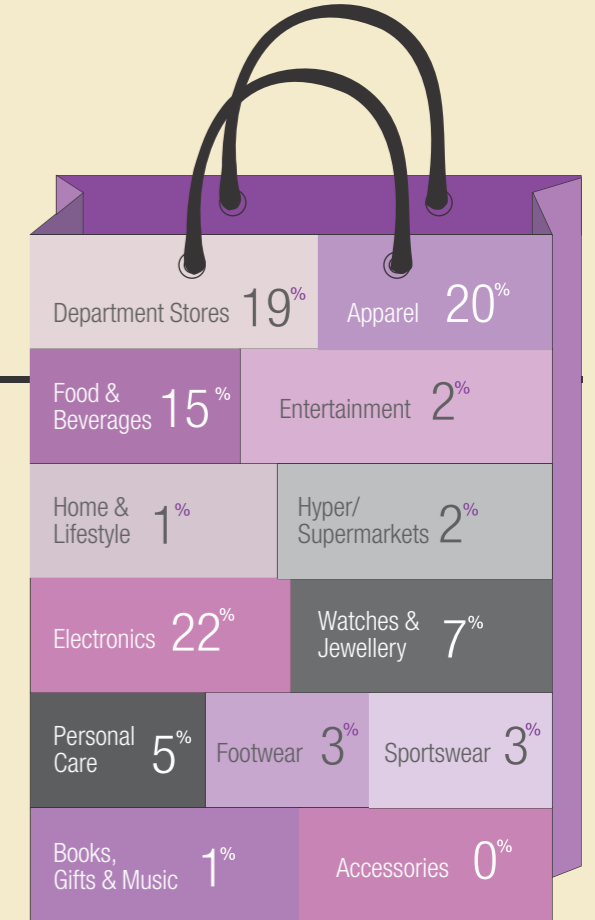


Chart 6

Product category split of occupied modern retail space in North Delhi

- Apparel takes up 40 per cent of North Delhi's modern retail space, while footwear takes up only 4 per cent of the total share
- After apparel, department stores take up 16 per cent of the total modern retail space in North Delhi
- The accessories, books, gifts and music, and home and lifestyle categories have a negligible presence in North Delhi

Source: Knight Frank Research

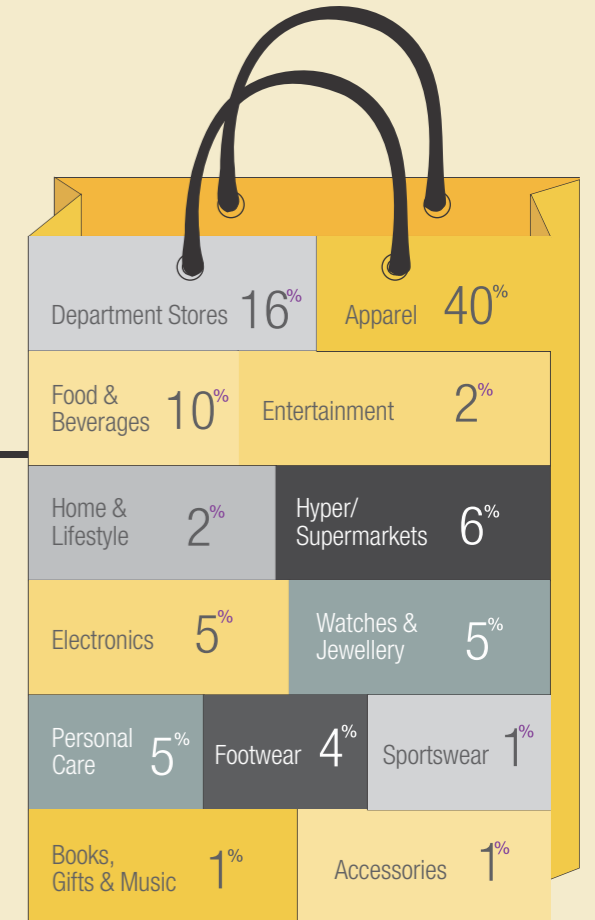


Chart 7

Product category split of occupied modern retail space in South Delhi



Source: Knight Frank Research

- Apparel takes up 31 per cent of South Delhi's overall modern retail space, while F&B occupies 17 per cent in this zone
- The share of F&B in South Delhi, along with Gurgaon, is the highest among all the zones in NCR
- Hypermarkets/supermarkets contribute only five per cent to the overall modern retail space in South Delhi, as opposed to 15 per cent in Gurgaon
- Footwear takes up only 2 per cent of South Delhi's modern retail market, which is lower than NCR's city average.

Chart 8

Product category split of occupied modern retail space in West Delhi



Source: Knight Frank Research

- Apparel takes up 23 per cent of the modern retail space in West Delhi, which is higher than Gurgaon and Noida
- Department stores have a dominant presence in West Delhi, with 22 per cent of the total modern retail space taken up by this category
- The prominent Kirti Nagar Market in West Delhi contributes significantly to the share of the home and lifestyle category

Chart 9

Product category split of occupied modern retail space in Gurgaon

- Gurgaon ranks the lowest in the share of the apparel category across all the zones, comprising only 17 per cent of its total modern retail space
- Modern retail space in Gurgaon is dominated by the F&B category, with a share of 17 per cent of the overall market
- Gurgaon outshines the other zones in the share of hypermarkets/supermarkets in NCR, with 15 per cent of its modern retail space dominated by this format
- This zone also accounts for the highest percentage share of the personal care category (salons and spas) in NCR, which takes up 8 per cent of Gurgaon's total modern retail space

Source: Knight Frank Research

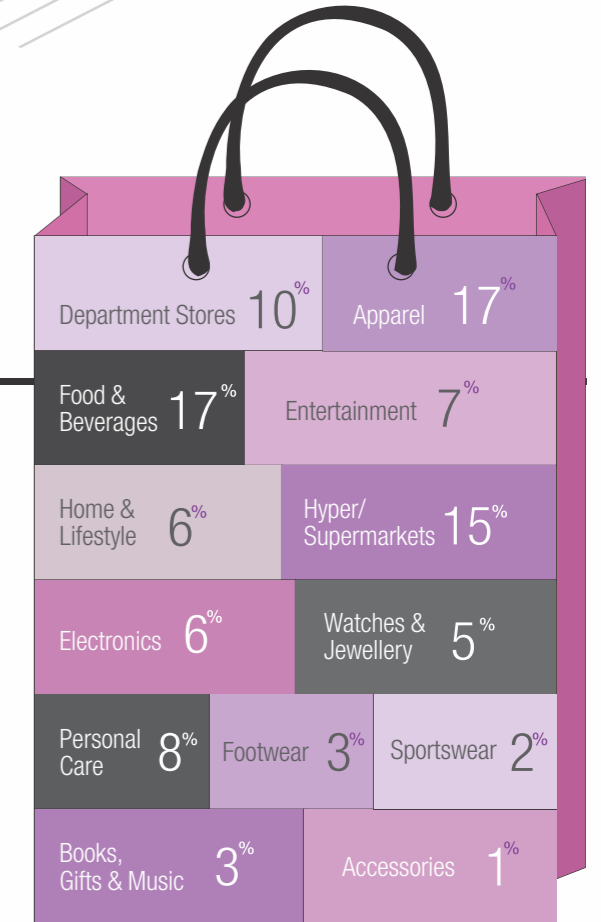


Chart 10

Product category split of occupied modern retail space in Noida

- A 22 per cent share of the modern retail space in Noida is occupied by apparel and footwear, while 15 per cent is taken up by department stores
- The F&B category takes up 15 per cent of the modern retail space in Noida, second to Gurgaon and South Delhi
- The home and lifestyle category in Noida accounts for 14 per cent of the zone's total modern retail space, placing it alongside West Delhi

Note: 0% indicates negligible presence

Source: Knight Frank Research

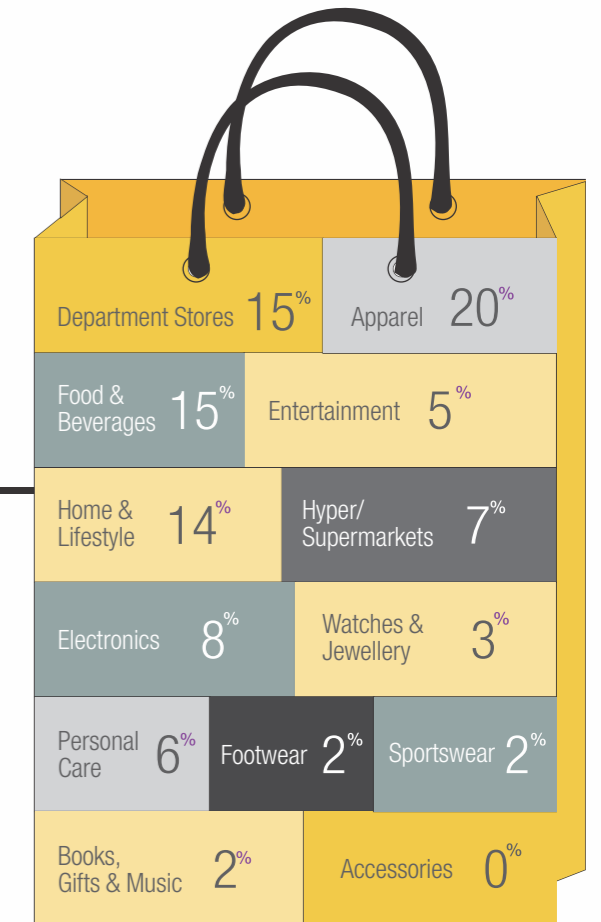


Chart 11

Product category split of occupied modern retail space in Ghaziabad



Note: 0% indicates negligible presence

Source: Knight Frank Research

- Department stores provide a variety of fashion trends and discounts, making this category popular among all age groups. The Ghaziabad zone is skewed towards modern retail penetration in department stores, accounting for 37 per cent of the zone's total market - the highest among all the zones
- Ghaziabad has 9 per cent of its modern retail space under F&B, which is on the lower side compared to the other zones in NCR
- The share of the accessories, sportswear, and watches and jewellery categories is negligible in Ghaziabad

Chart 12

Product category split of occupied modern retail space in Faridabad



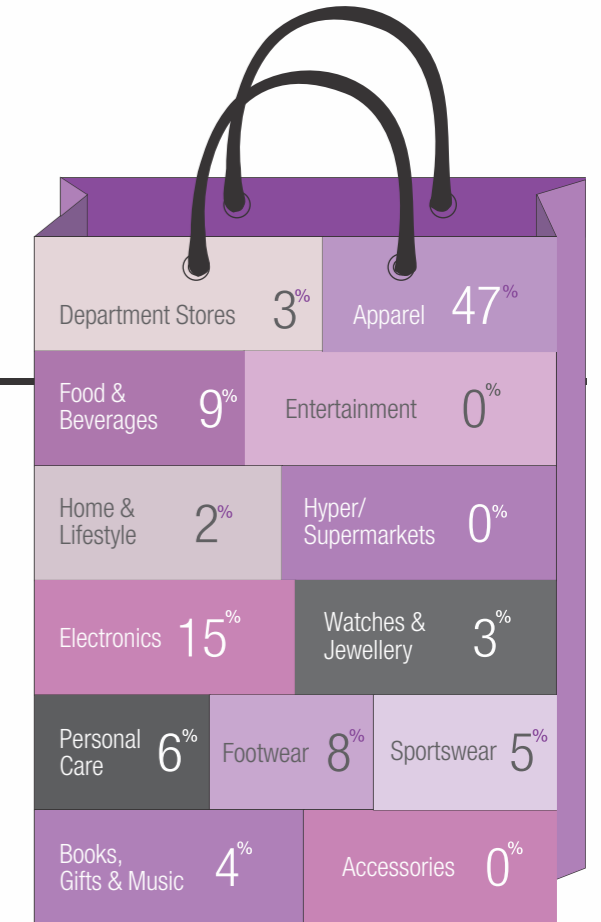
Note: 0% indicates negligible presence

Source: Knight Frank Research

- A 28 per cent total of Faridabad's modern retail space is occupied by apparel and footwear
- The accessories, and books, gifts and music categories have the least presence in this zone, with only a few stores present in malls
- After Gurgaon, the share of hypermarkets/supermarkets in Faridabad's modern retail space is the highest among all the zones. This category takes up 12 per cent of the zone's total modern retail space

Chart 13

Product category split of occupied modern retail space in Greater Noida



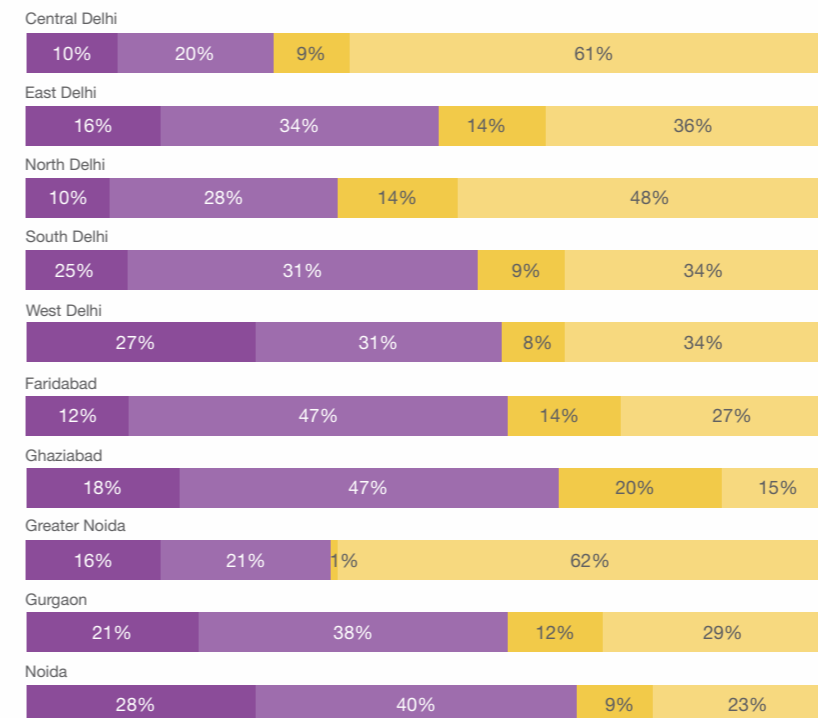
- Modern retail space in Greater Noida is concentrated in the apparel and footwear categories, with 54 per cent of the market being dominated by them
- Greater Noida has negligible entertainment options, and its share of space in department stores and hypermarkets is also significantly low. This could be attributed to the fact that this zone is still in the development stage, and though many residential projects have come up, they are yet to be occupied. It can be said that in the coming years, the modern retail market of Greater Noida will develop significantly

Note: 0% indicates negligible presence

Source: Knight Frank Research

Chart 14

Brand-wise split of occupied modern retail store space



- NCR registers a significant presence of local and national brand outlets
- Of the total foreign brand outlet space in NCR, 55 per cent is concentrated in South Delhi and Gurgaon, followed closely by West Delhi
- The South and West Delhi markets are similar in retail character, which is substantiated by the brand category split in these zones
- The Ghaziabad and Faridabad markets show a preference for regional and local brand outlets, with 47 per cent of the stores retailing national brands
- A substantial 61 per cent of Central Delhi and 62 per cent of Greater Noida's modern retail stores are operated by local retailers

Legend: Foreign (purple), National (dark purple), Regional (yellow), Local (orange)

Source: Knight Frank Research

Chart 15

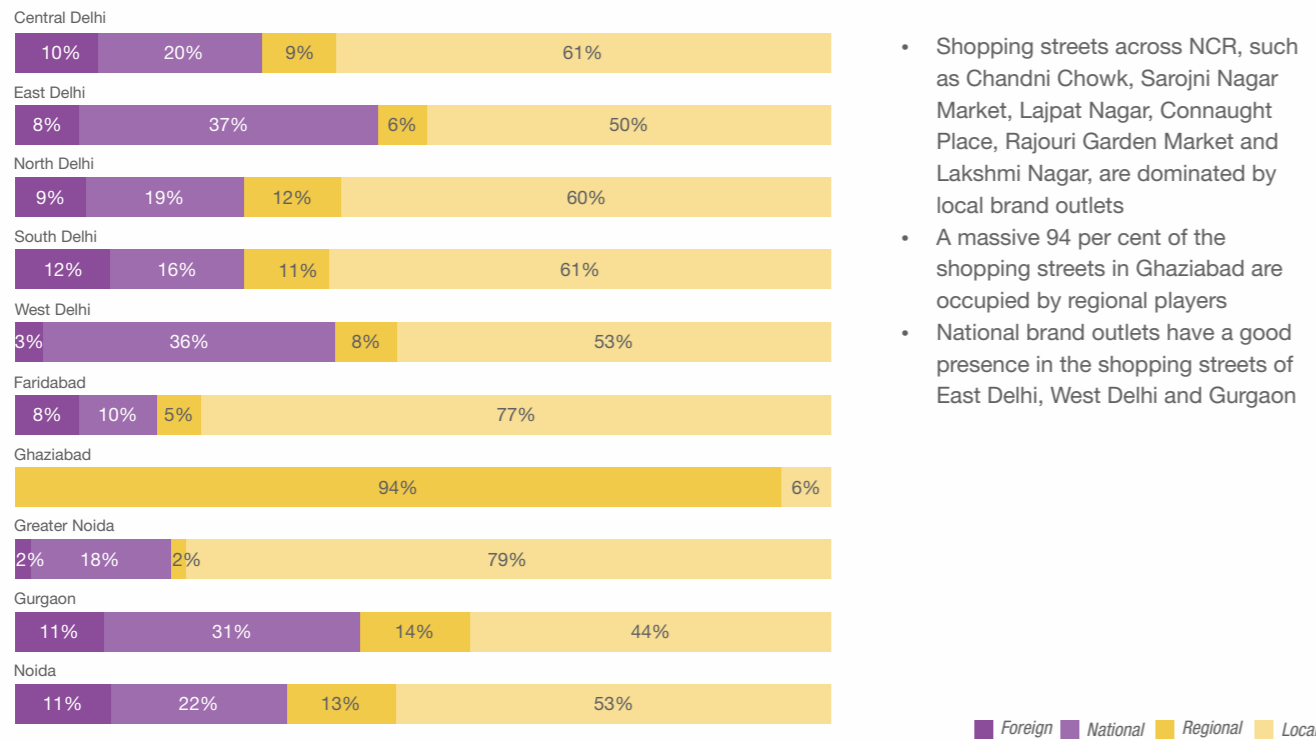
Brand-wise split of modern retail store space in malls



- The West and South Delhi malls are dominated by foreign brand stores, which take up 38 to 51 per cent of their total retail space. The preference for these zones by foreign retailers is substantiated by the concentration and quality of the mall spaces here
- It is observed that the presence of local retailers in malls is reduced significantly when compared to shopping streets. This decline can be attributed either to higher rentals or the location preference of these retailers for shopping streets

Chart 16

Brand-wise split of occupied modern retail store space in shopping streets



- Shopping streets across NCR, such as Chandni Chowk, Sarojni Nagar Market, Lajpat Nagar, Connaught Place, Rajouri Garden Market and Lakshmi Nagar, are dominated by local brand outlets
- A massive 94 per cent of the shopping streets in Ghaziabad are occupied by regional players
- National brand outlets have a good presence in the shopping streets of East Delhi, West Delhi and Gurgaon

Chart 17

Top foreign, national and regional brands

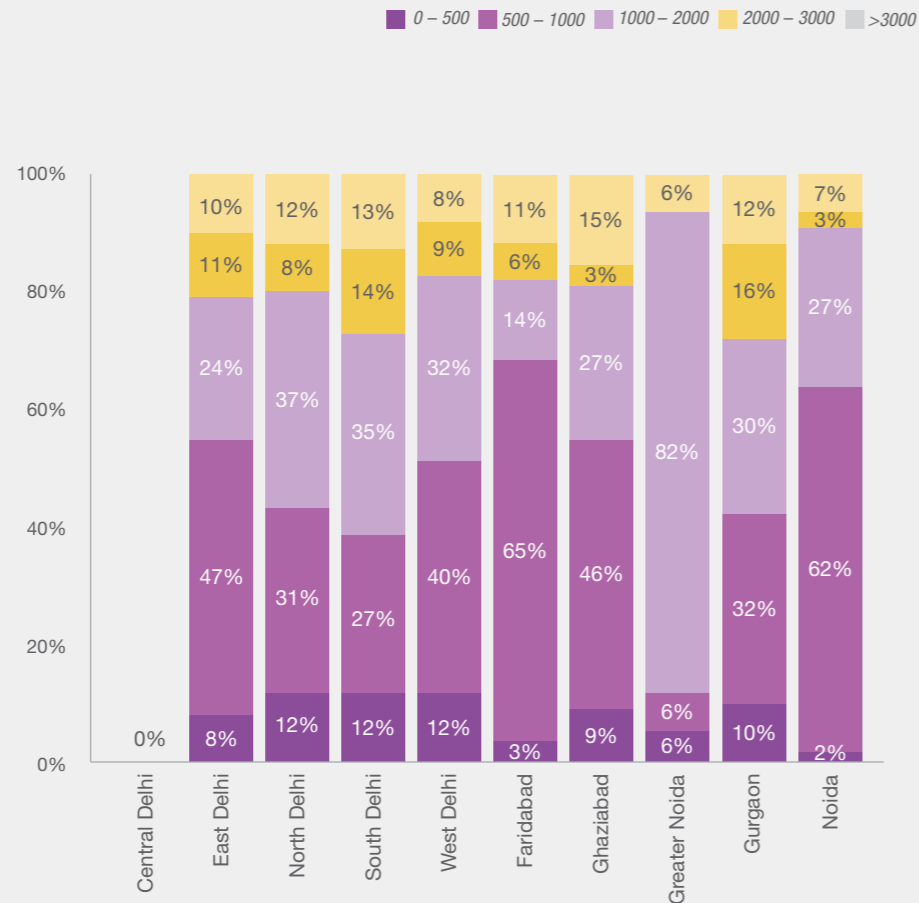
| FOREIGN BRANDS | CATEGORIES | NATIONAL/REGIONAL BRANDS |
|---|-------------|---|
| Claire's | Accessorize | Da Milano, Hidesign, BG's |
| Levi's, Forever 21, United Colors of Benetton, Van Heusen | | Chhabra 555 |
| Hamleys | | Archies, Landmark, Om Book Shop, Kriti Creations |
| Lifestyle, Marks & Spencer | | Central, Shoppers Stop, Pantaloons, Westside, Ritu Wears, C&M |
| Samsung, Sony, Jumbo Electronics | | Croma, Reliance Digital, Digitally Wow |
| Fun City | | PVR Cinemas, Blu O, DT Cinemas, Wave Cinemas |
| McDonald's, KFC, Pizza Hut | | Haldiram's, Café Coffee Day |
| Bata | | Liberty, Reliance Footprint, Red Tape, Stilettoes |
| Home Centre, Samsonite | | Home Town, Home Saaz, EVOK |
| | | Big Bazaar, Spencer's, Easy Day, Reliance Mart, More |
| Fitness First Platinum, Body Shop | | Looks Salon, Affinity Salon, New U |
| Woodland, Nike, Puma, Adidas, Reebok | | |
| | | Titan, Tanishq, PC Jewellers, Gitanjali, Hazooril Jewellers |

Source: Knight Frank Research

Chart 18

Size-wise split of occupied modern retail stores in malls

Space in sq ft



Note: Central Delhi is not represented in the chart above, as there are no major malls in this zone

- A prominent 68 per cent of the stores in NCR malls are in the range of 500-2,000 sq ft, while only 10 per cent of the stores are less than 500 sq ft in size
- A 15 per cent share of the modern retail formats in Ghaziabad are above 3,000 sq ft in size, justifying the fact that 46 per cent of the total modern retail space in the city is taken up by department stores and hypermarkets/supermarkets

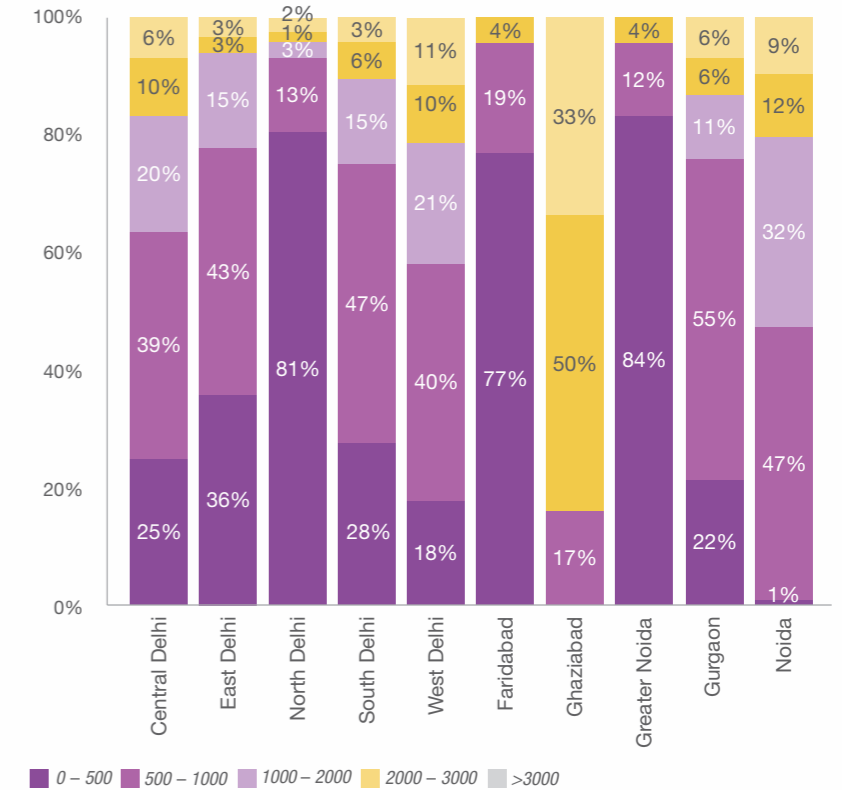


Source: Knight Frank Research

Chart 19

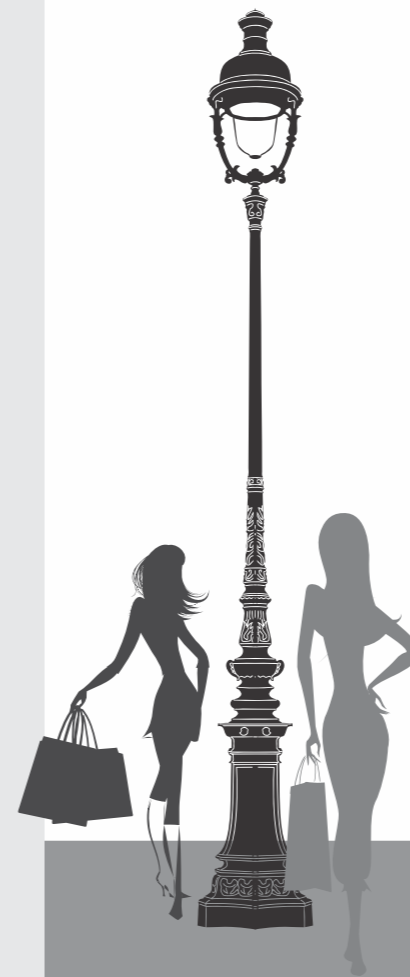
Size-wise split of occupied modern retail stores in shopping streets

Space in sq ft



Note: Central Delhi is not represented in the chart above, as there are no major malls in this zone

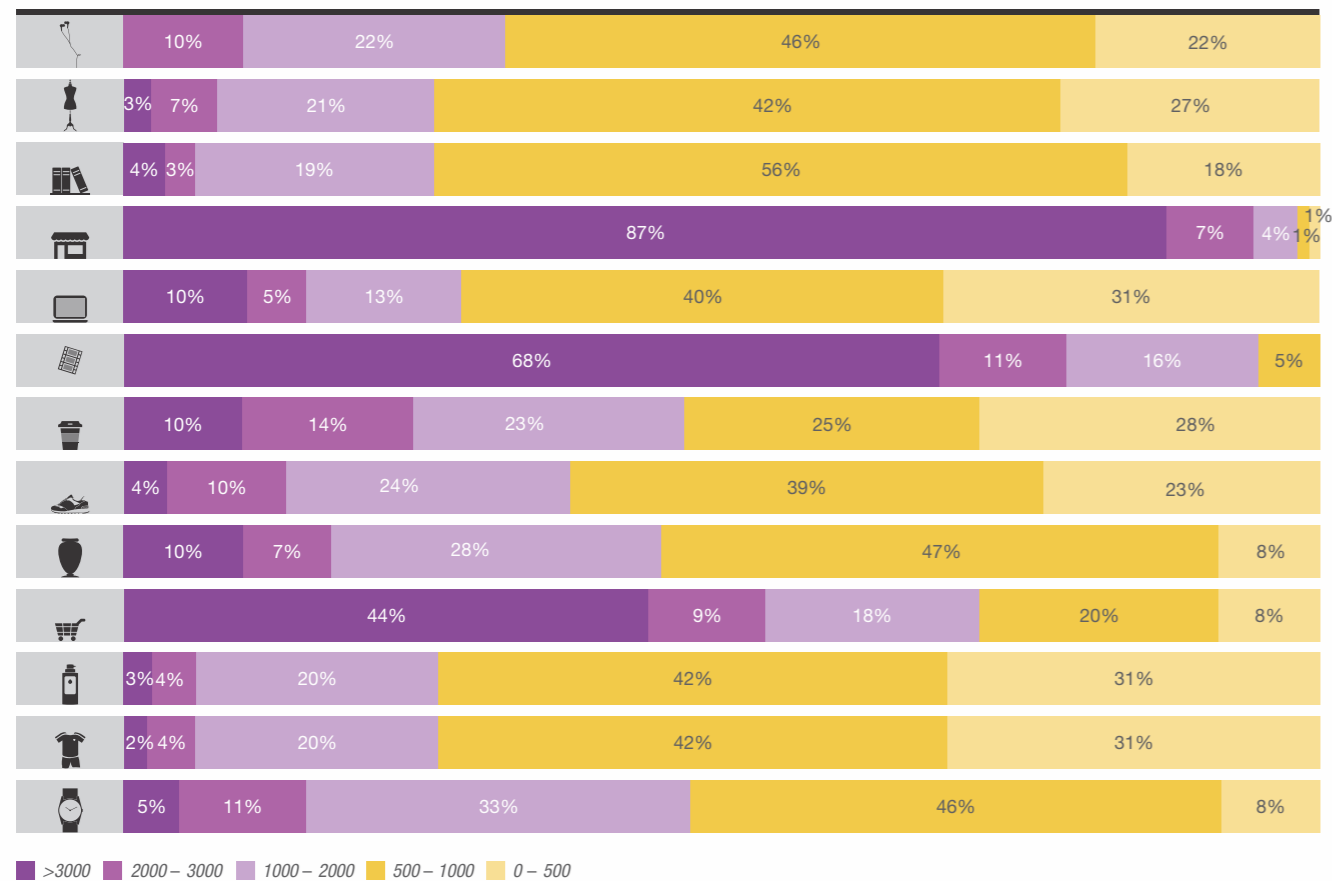
- Shopping streets can be organic, like Khan Market, or planned, like Connaught Place, and their store sizes are smaller than those of malls. Markets like South Extension and Greater Kailash have buildings with fixed floor plates that are small in size. The retailer either takes up a single shop or combines two or more shops to create a store. This is evident from the fact that 75 per cent of the total stores in NCR's shopping streets are less than 1,000 sq ft in size
- Stores that are larger than 3,000 sq ft in size on the shopping streets of NCR are either stand-alone buildings or a combination of small stores for a single brand. Only 5 per cent of the stores on shopping streets in NCR are above 3,000 sq ft in size



Source: Knight Frank Research

Chart 20

Size-wise split of modern retail stores across product categories

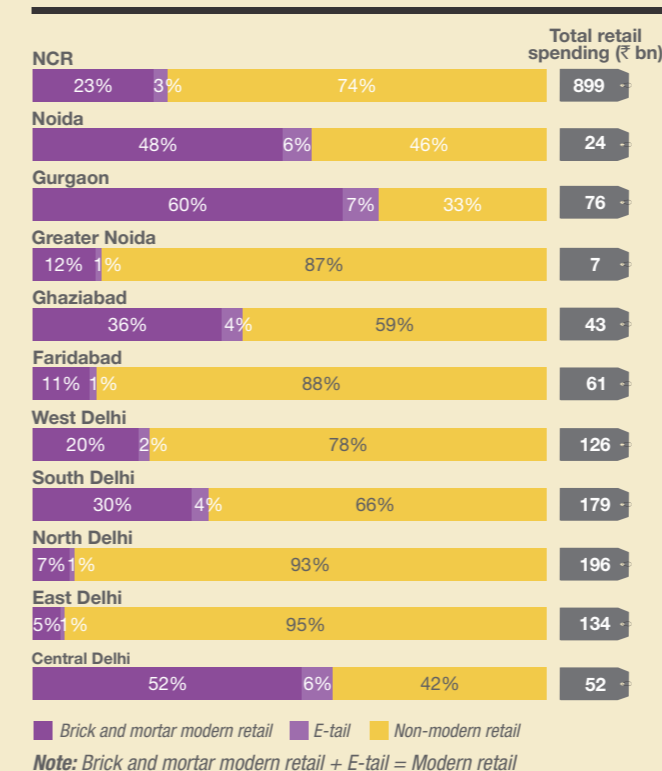


Source: Knight Frank Research

- It is observed that only 5 per cent of watch and jewellery stores are above 3,000 sq ft in size, while this size bracket has negligible presence in the accessories category
- Stores sizes in the range of 500-1,000 sq ft are more dominant in product categories like sportswear, books, gifts and music, home and lifestyle, electronics, footwear and personal care
- Department stores, hypermarkets/supermarkets and entertainment take up more space in the modern retail format, with more than half the stores being above 3,000 sq ft in size

Chart 21

Total retail spending and penetration of modern retail in 2014

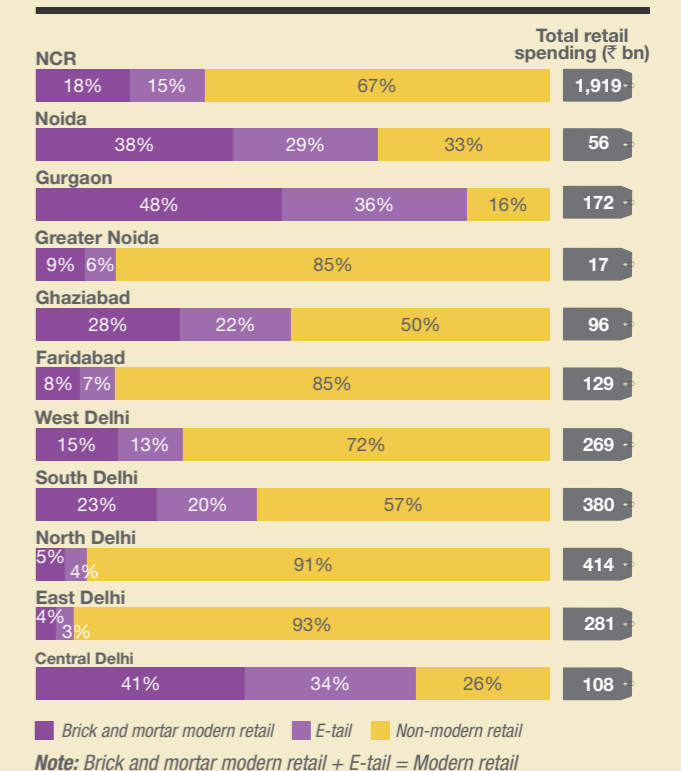


Source: Knight Frank Research

- In 2014, the total retail spending in NCR is estimated to be ₹899 bn, with a massive 42 per cent share taken up by North and South Delhi. The share of retail spending is explained by the population concentration in these zones
- NCR's 26 per cent of the total retail spending is taken up by modern retail formats in 2014, of which brick and mortar accounts for 23 per cent, and 3 per cent is represented by E-tail
- An impressive 67 per cent of Gurgaon and 58 per cent of Central Delhi's total retail spending is on modern retail in NCR. It is interesting to note that though both these zones account for a mere 11 per cent of NCR's population base, the modern retail penetration in these zones is the highest
- The huge share of modern retail penetration in Central Delhi points to the fact that not only the zone's own population, but also the catchment population of NCR shops in this zone, thereby creating a sustained demand for quality retail
- Modern retail penetration in North Delhi is estimated to be 8 per cent, while a huge 93 per cent of the zone's spending is on non-modern retail

Chart 22

Projected total retail spending and penetration of modern retail in 2019



Source: Knight Frank Research

- By the year 2019, modern retail in NCR will grow at a CAGR of 22 per cent, with the total retail spending projected to increase from ₹899 bn in 2014 to ₹1,919 bn in 2019
- The E-tail frenzy will overrun the spending in brick and mortar retail by 2019 across the zones. Projected to grow strongly at 64 per cent annually, E-tail will dominate the modern retail landscape in NCR. Currently, E-tail takes up 10 per cent the overall modern retail spending in NCR and it is projected that by 2019, the online retail platform will increase its share to 45 per cent
- It is estimated that brick and mortar modern retail spending will grow at 11 per cent CAGR, while its overall share will decline from 23 per cent in 2014 to 19 per cent by 2019
- Gurgaon, Central Delhi and Noida will see an increase in their share of modern retail spending in the next five years, while no significant change is expected in the other zones

NCR ZONE ANALYSIS

Central Delhi Zone Analysis

Central Delhi map

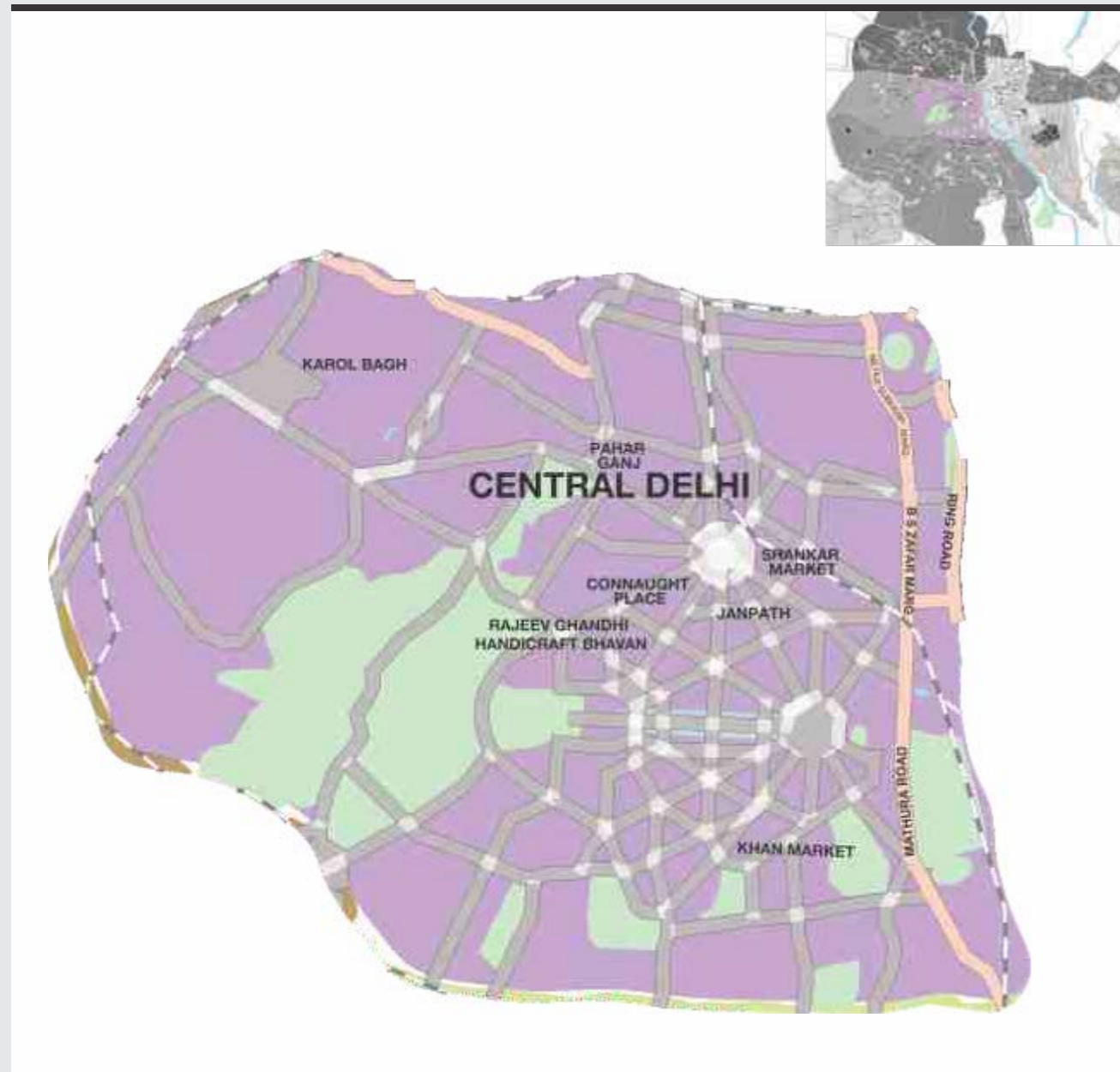
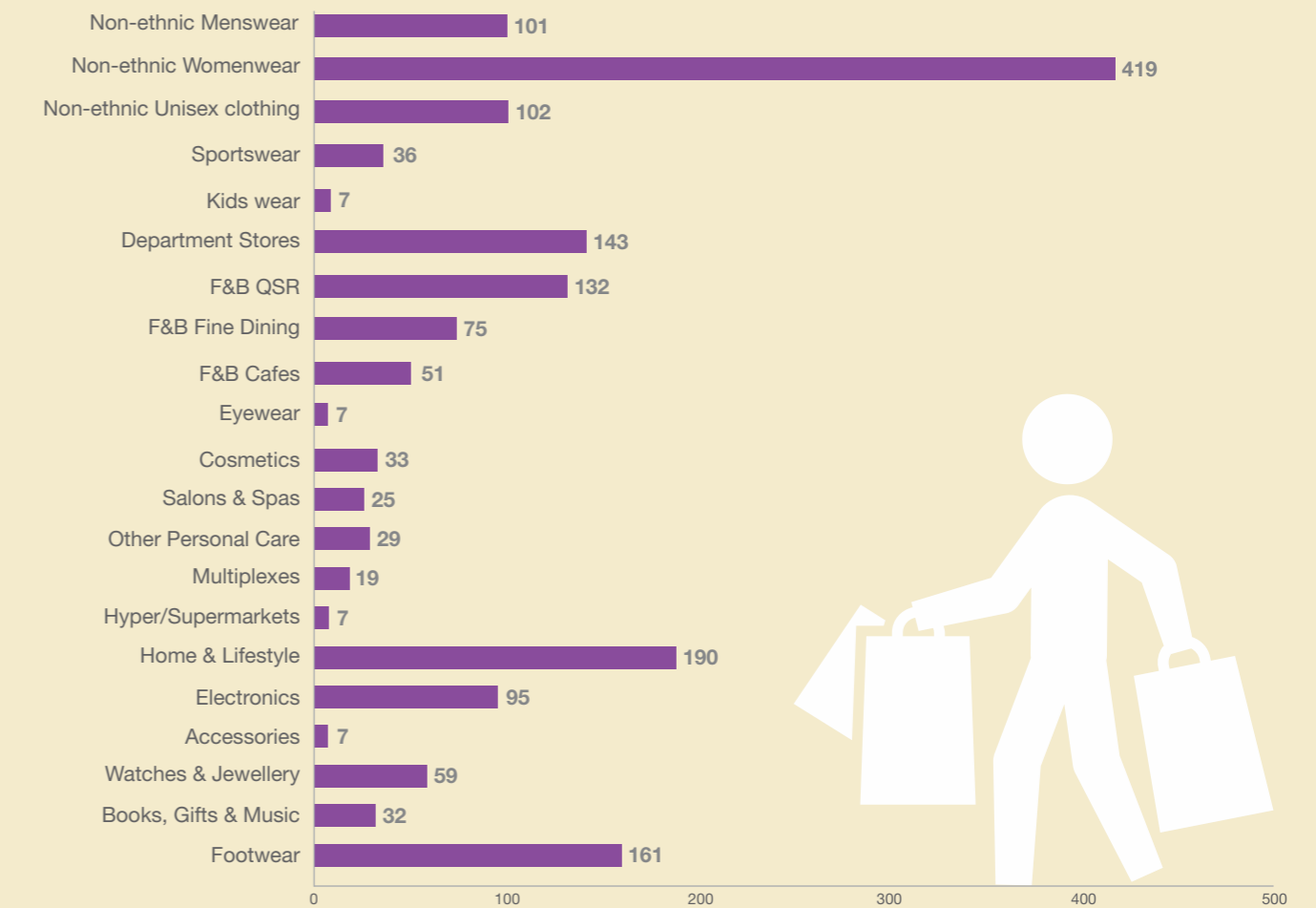


Chart 1

Per capita occupied modern retail space in Central Delhi

Space in sq ft



■ Total modern retail space per 1,000 population ■ Share of mall space

Source: Knight Frank Research, Indicus Analytics

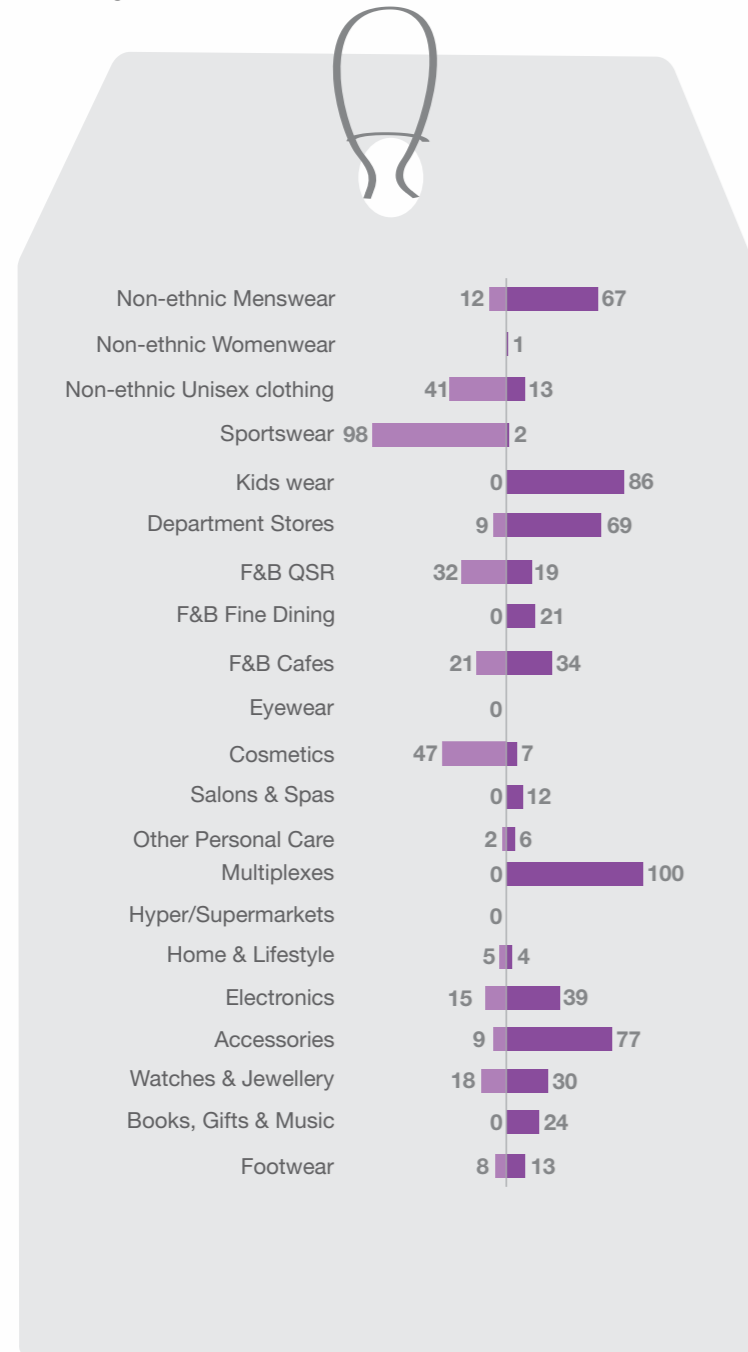
- Central Delhi does not have malls, but consists of shopping streets like Chandni Chowk, Connaught Place, Janpath, Khan Market and Karol Bagh
- This zone ranks the highest in NCR in the available modern retail space for women's non-ethnic wear, at 419 sq ft per 1,000 population
- Central Delhi also boasts of the highest per square foot modern retail space for footwear in NCR, with 161 sq ft per 1,000 population

Chart 2

Share of foreign and national brand stores in the overall modern retail space



Share in Percentage



- National brand outlets dominate the modern retail space in the men's non-ethnic wear category in Central Delhi
- Modern retail space in the women's non-ethnic wear category is driven by regional and local brands
- Around 32 per cent of the quick service restaurant (QSR) space in Central Delhi is dominated by brands of foreign origin - the highest among all the zones in NCR
- National accessory brands like Esbeda, Hidesign and Da Milano occupy 77 per cent of the modern retail space in Central Delhi

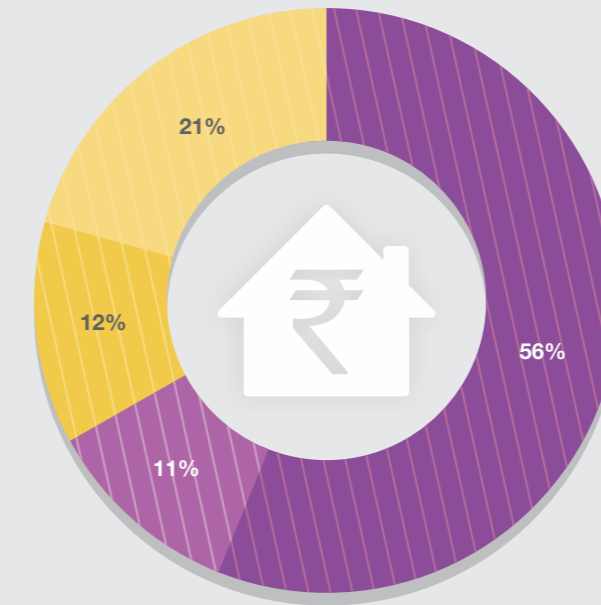
■ Share of foreign brands
■ Share of national brands

Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

Source: Knight Frank Research

Chart 3

Household income split in Central Delhi

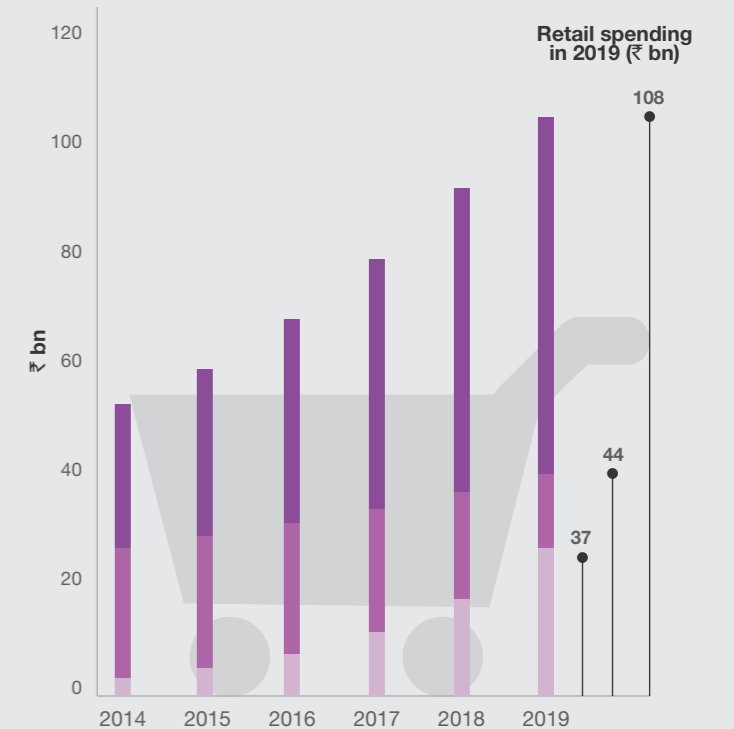


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Source: Knight Frank Research, Indicus Analytics

Chart 4

Projected retail spending in Central Delhi



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

- Growing annually at 22 per cent, spending on modern retail in Central Delhi is expected to increase from ₹30 bn in 2014 to ₹80 bn by 2019
- By 2019, 74 per cent of the total retail spending will be on modern retail, comprising both brick and mortar, and E-tail, respectively
- E-tail will form a major component of total retail spending in 2019 in Central Delhi, while the spending on brick and mortar retail is expected to decline gradually to 41 per cent from the current 52 per cent

Future trends in Central Delhi



Central Delhi, like the other zones in NCR, is seen to transcend towards E-tail by 2019, but retail spending in the modern brick and mortar formats will continue to act as a magnet for the other zones of NCR.



Since Central Delhi is an administrative zone, modern brick and mortar retail will continue to flourish on the shopping streets of Connaught Place, Khan Market and Karol Bagh.



Apparel and F&B dominate Central Delhi's modern retail space currently, and this is likely to continue over the next five years.



Large-format categories like hypermarkets, family entertainment centres and department stores will continue to have a negligible presence in Central Delhi due to the lack of availability of such large spaces.



Rental values in shopping streets like Connaught Place and Khan Market will see an upward trend due to the non-availability of quality shopping street options in Central Delhi.

NCR ZONE ANALYSIS

East Delhi Zone Analysis

East Delhi map

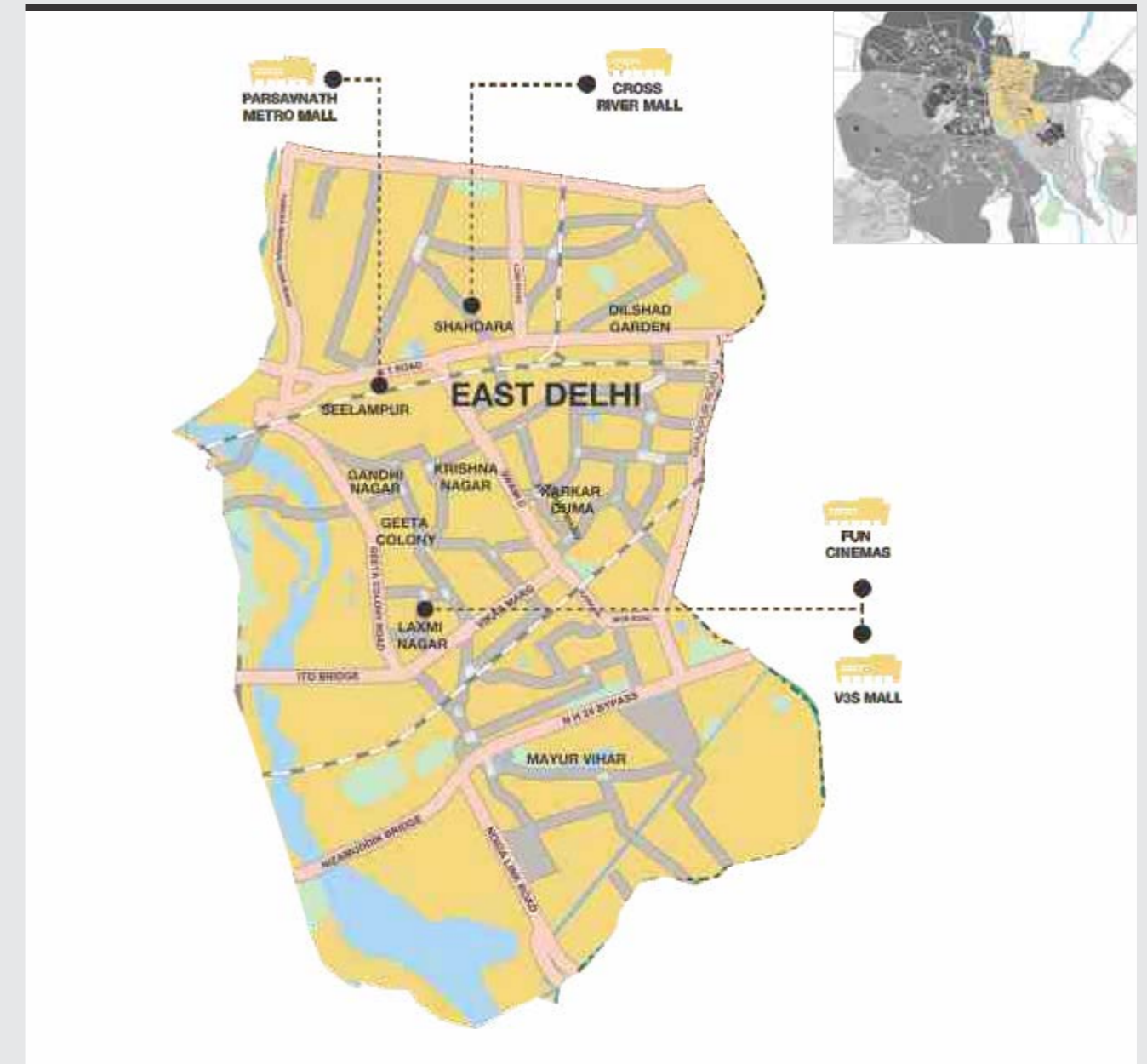
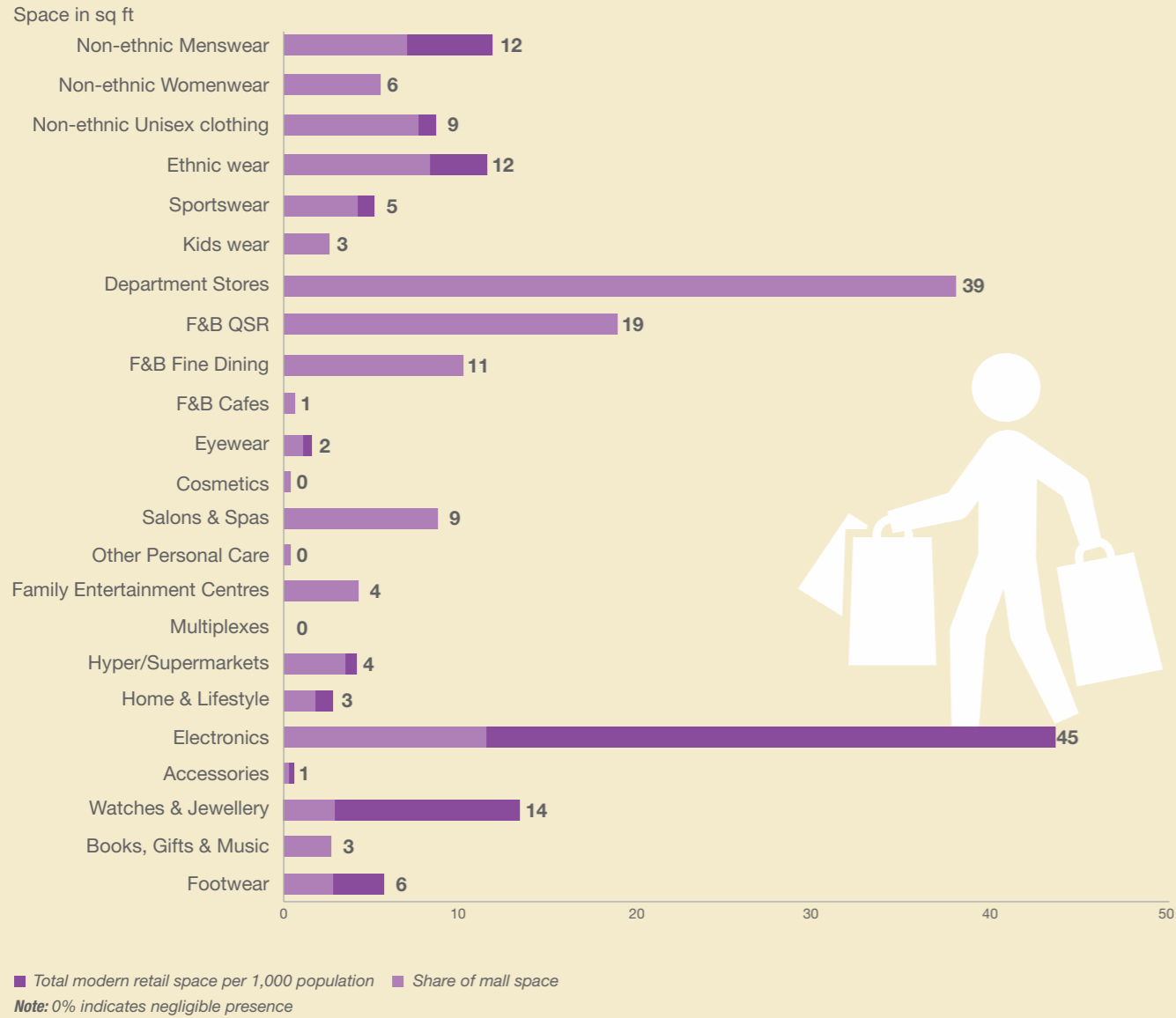


Chart 1

Per capita occupied modern retail space in East Delhi

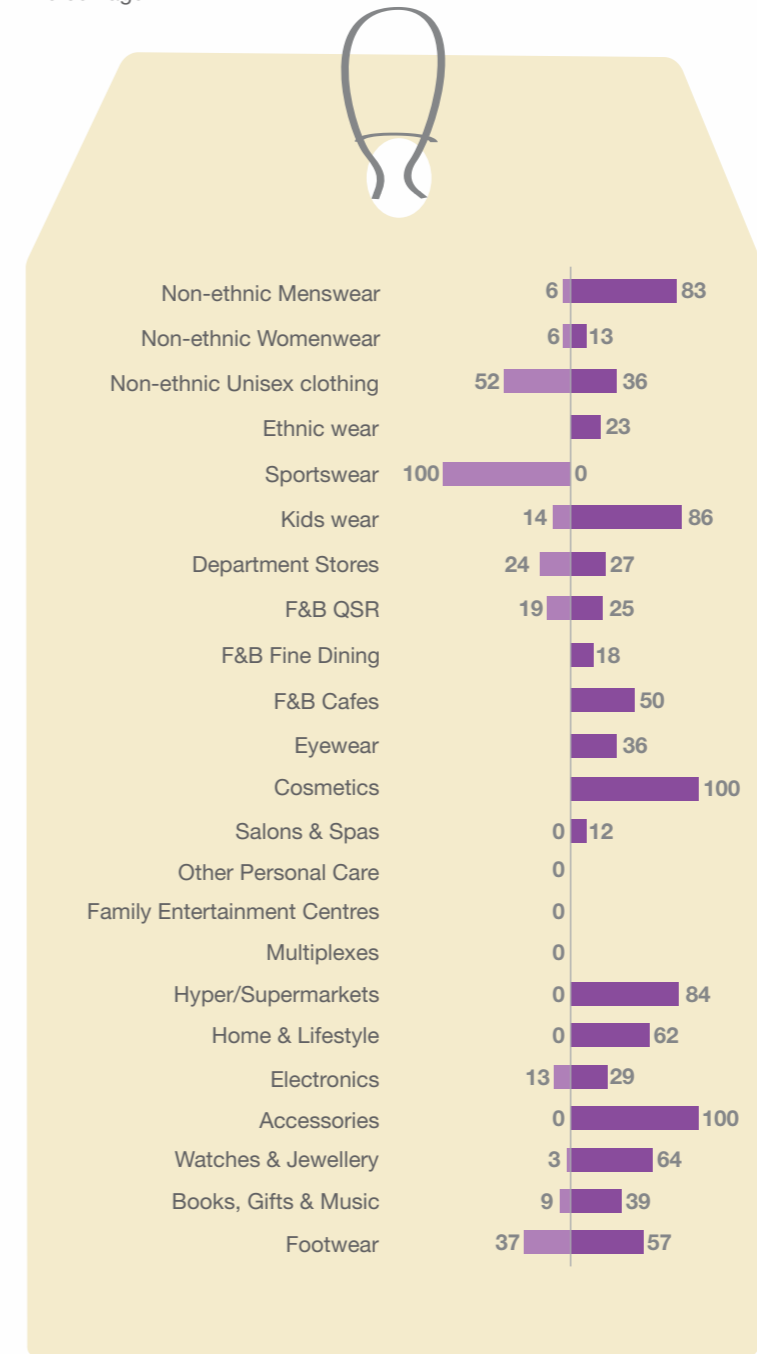


- The East Delhi retail is overshadowed by that of Ghaziabad due to their fluid boundaries. The actual available modern retail space in East Delhi is 169 sq ft per 1,000 population, which increases significantly if the modern retail space of Ghaziabad is added to it. Since East Delhi's population shops in malls that adjoin both zones, such as East Delhi (EDM) Mall, Shipra Mall and Pacific Mall, the share of its modern retail space is significantly low across the product categories
- Most of East Delhi's modern retail space is concentrated in malls like V3S Mall, since there are only a few good quality shopping street options in this zone
- While almost all the department stores in East Delhi are concentrated in malls, 75 per cent of the electronics space is concentrated in shopping streets like Lakshmi Nagar
- The modern retail space distribution of salons and spas is concentrated wholly in malls across East Delhi
- In the watches and jewellery category, Gili and PC Jewellers are some of the leading national brands present in the shopping streets here

Chart 2

Share of foreign and national brand stores in the overall modern retail space

Share in Percentage



- A massive 83 per cent of the men's non-ethnic wear space is dominated by national brands like Cantabil, Cobb and Peter England
- On the other hand, the unisex non-ethnic wear category is dominated by foreign brand stores like Levi's, Pepe and Wrangler
- National brand stores dominate the kids wear category in East Delhi
- A major 57 per cent of the total footwear space in East Delhi is dominated by national brands like Action Shoes, Liberty and Red Tape

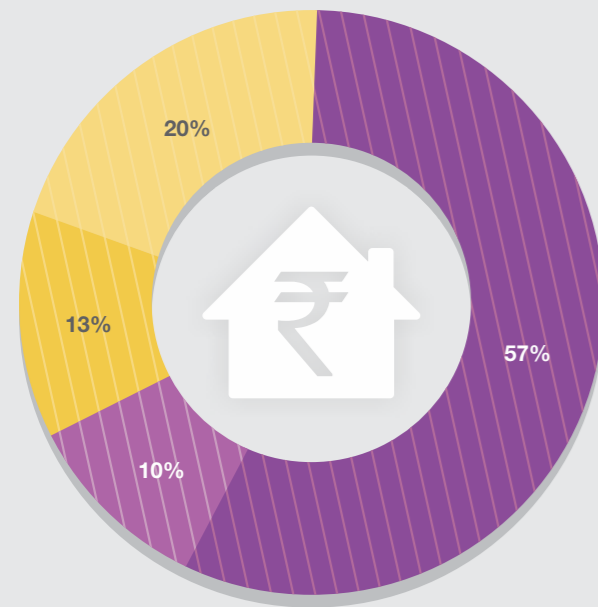
Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

■ Share of foreign brands
■ Share of national brands

Source: Knight Frank Research

Chart 3

Household income split in East Delhi

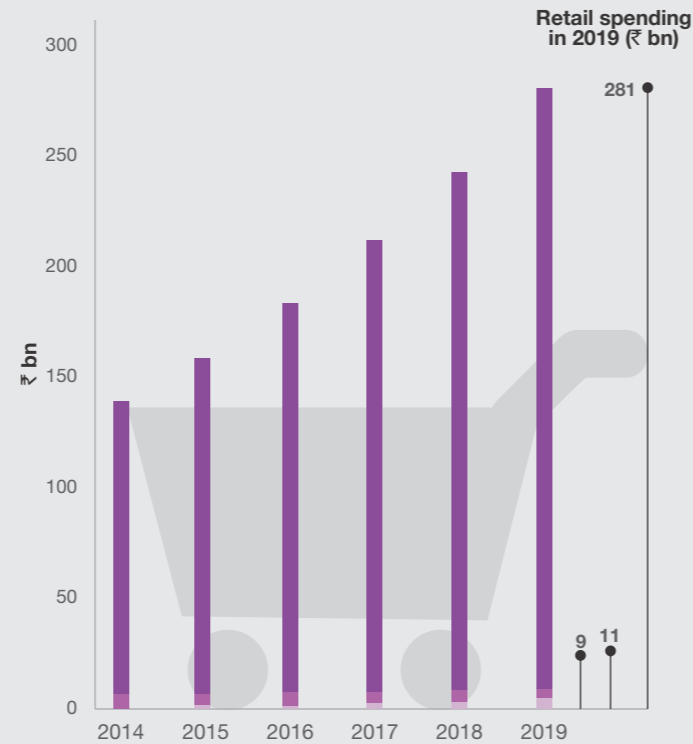


■ < ₹300,000 ■ ₹300,001 - ₹500,000
■ ₹500,001 - ₹1,000,000 ■ > ₹1,000,001

Source: Knight Frank Research, Indicus Analytics

Chart 4

Projected retail spending in East Delhi



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

- East Delhi sees a 16 per cent increase in its total retail spending, increasing ₹134 bn in 2014 to ₹281 bn in 2019
- Currently, 94 per cent of East Delhi's retail spending is on non-modern retail, and this pattern is likely to continue in the next five years
- However, E-tail is seen to alter the percentage share of brick and mortar retail spending in 2019 significantly, increasing its share from 10 per cent in 2014 to 46 per cent by 2019

Source: Knight Frank Research, Indicus Analytics

Future trends in East Delhi



Since most of the retail spending in this zone is on non-modern retail, there is a good potential for modern retail formats in the form of shopping streets or malls in this zone.



Currently, the East Delhi market is dominated by apparel and electronics, and there is a huge potential for categories like home & lifestyle, footwear and personal care.

NCR ZONE ANALYSIS

North Delhi Zone Analysis

North Delhi map

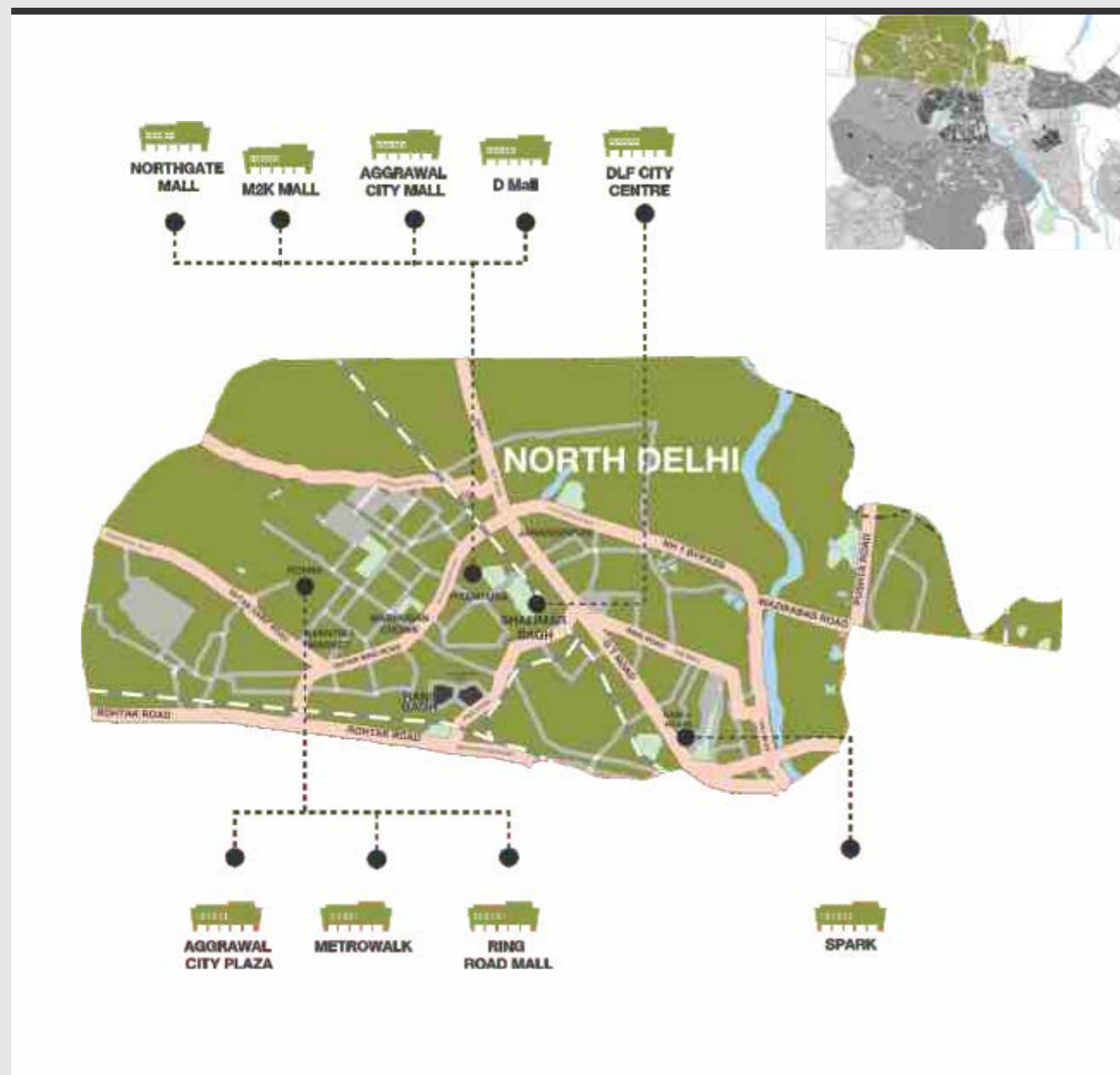
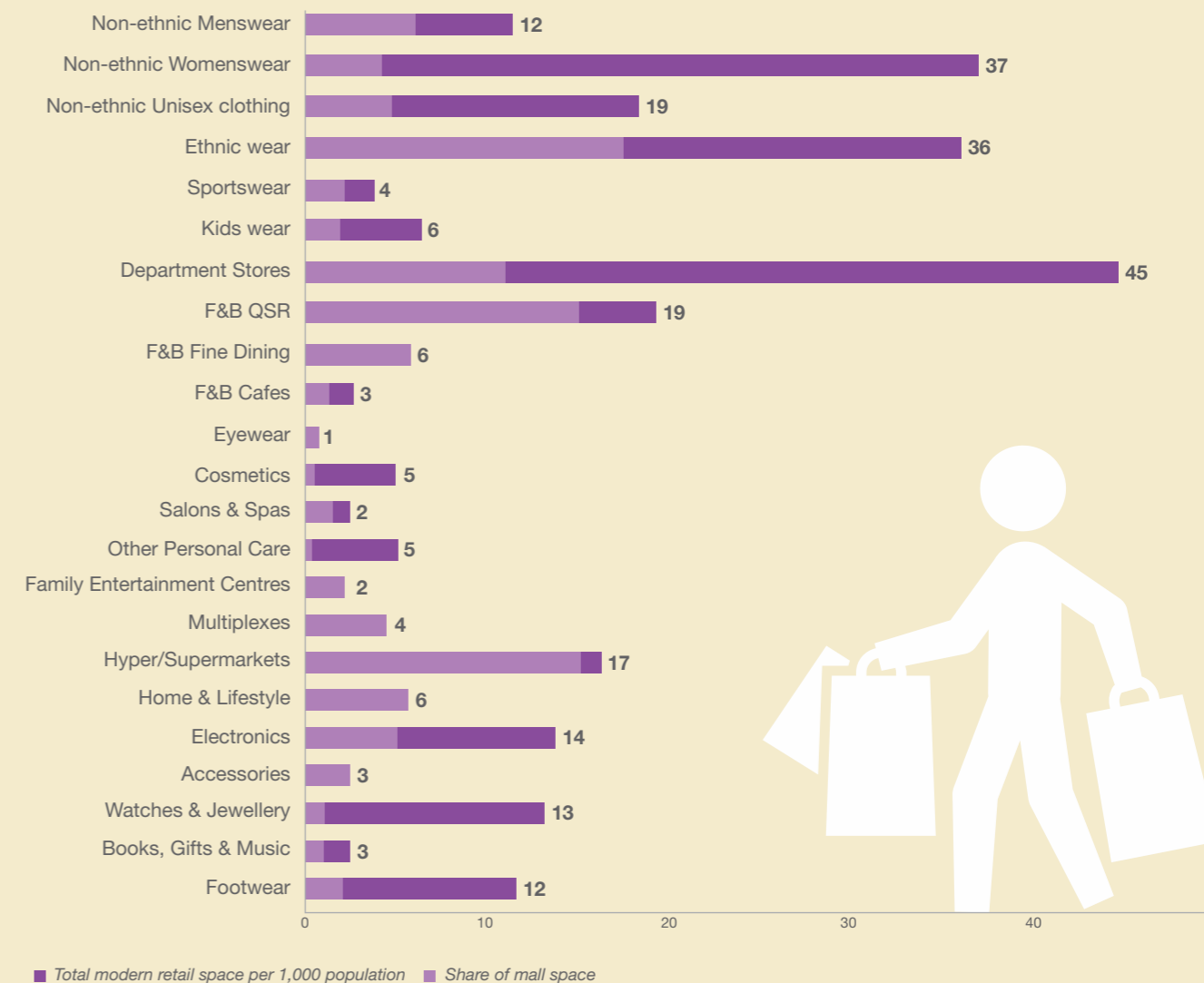


Chart 1

Per capita occupied modern retail space in North Delhi

Space in sq ft



Source: Knight Frank Research

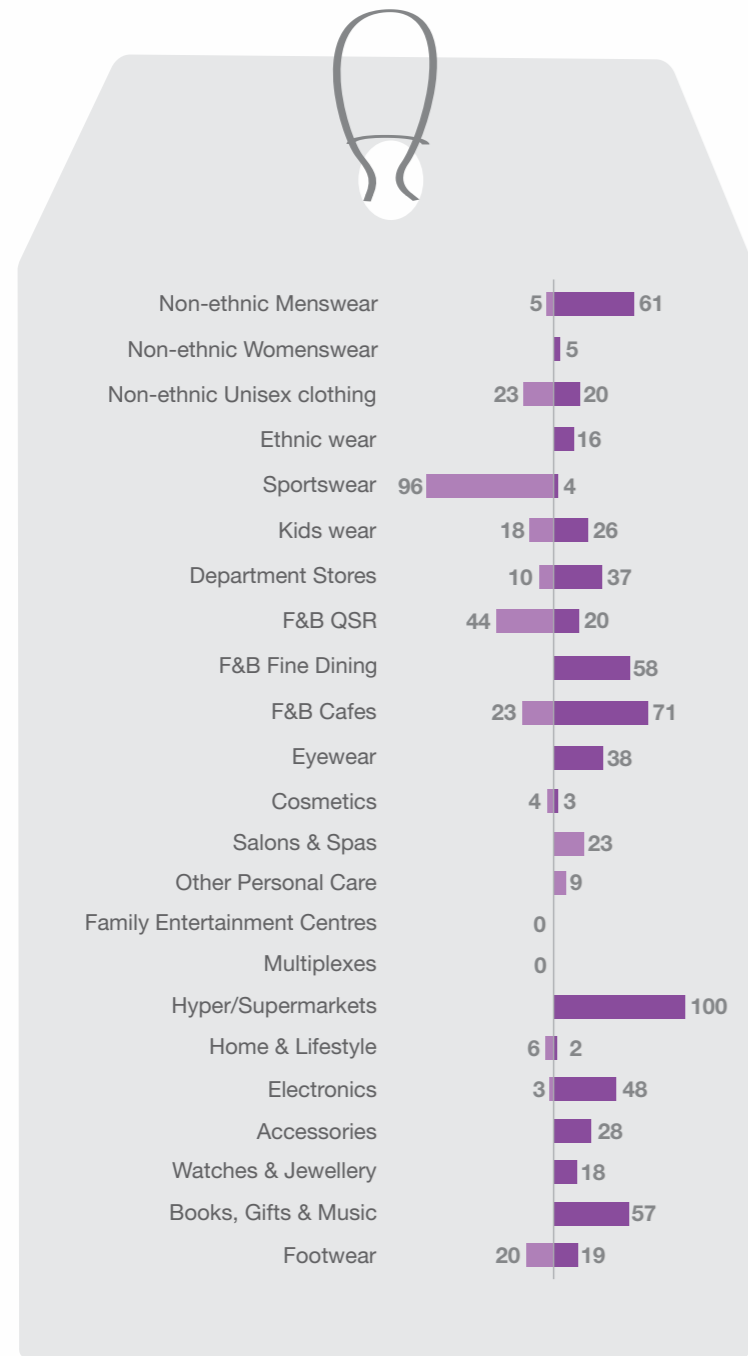
- Around 16 per cent of North Delhi's modern retail space is concentrated in department stores, of which 75 per cent are located on shopping streets. These include brands like Bindals, Ritu Wears, Stanmax, Pantaloons and C&M
- Only 18 per cent of the overall footwear space in North Delhi is present in malls, while the rest is distributed on shopping streets like Kamla Nagar
- Eyewear and sportswear stores, and salons and spas have a negligible presence in North Delhi
- It is observed that fine dining restaurants in North Delhi are concentrated mostly in malls
- A prominent 90 per cent of the cosmetics stores in this zone are spread over the shopping streets of North Delhi
- With very little space per 1,000 population, hypermarkets/supermarkets are concentrated only in malls
- Watch and jewellery stores are located mainly on the shopping streets in North Delhi
- The modern retail space for footwear across NCR is the lowest in North Delhi

Chart 2

Share of foreign and national brand stores in the overall modern retail space



Share in Percentage



- National brand stores, such as Peter England, John Players and Raymond, dominate the men's non-ethnic wear space in North Delhi
- National brands like Barista and Cafe Coffee Day take up 71 per cent of the F&B café category in North Delhi
- Approximately 61 per cent of the footwear space in North Delhi is driven by local brand stores
- Family entertainment centres and multiplexes in North Delhi are dominated by regional and local brands

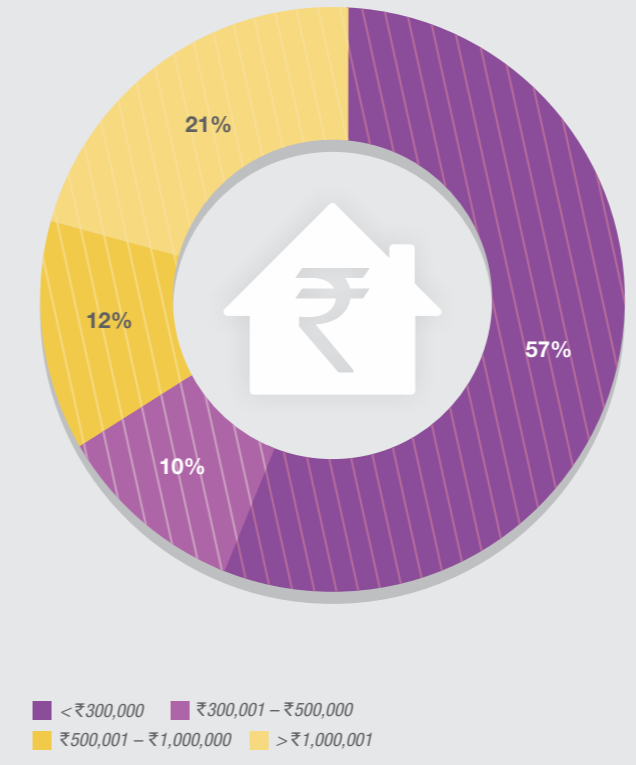
■ Share of foreign brands
■ Share of national brands

Note: Balance percentage in all product categories denotes the share of regional and local brand stores

Source: Knight Frank Research, Indicus Analytics

Chart 3

Household income split in North Delhi



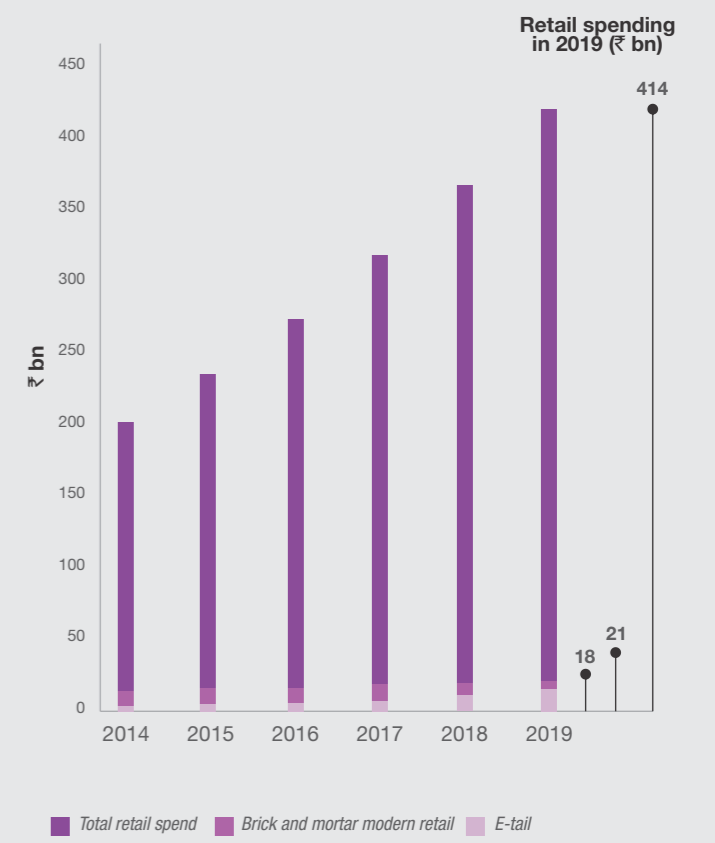
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■ ₹500,001 – ₹1,000,000 ■ > ₹1,000,001

Source: Knight Frank Research, Indicus Analytics

- With an increase in retail spending from ₹196 bn to ₹414 bn in 2019, the share of modern retail spending only sees a marginal increase, from 7 per cent in 2014 to 9 per cent in 2019
- It is to be noted that in the coming five years, non-modern retail will continue to dominate the North Delhi zone

Chart 4

Projected retail spending in North Delhi



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

Future trends in North Delhi



North Delhi is currently dominated by retail spending in non-modern retail, just like East Delhi, and the situation is expected to change only marginally over the next five years.



Over the next five years, shopping streets like Kamla Nagar and Rani Bagh will see an increased penetration of national, international and regional brands in the apparel category, while footwear will continue to be served by local brands.



More hypermarkets/supermarkets and discount-oriented department stores are expected to come up in Rohini and Pitampura.

NCR ZONE ANALYSIS

South Delhi Zone Analysis

South Delhi map

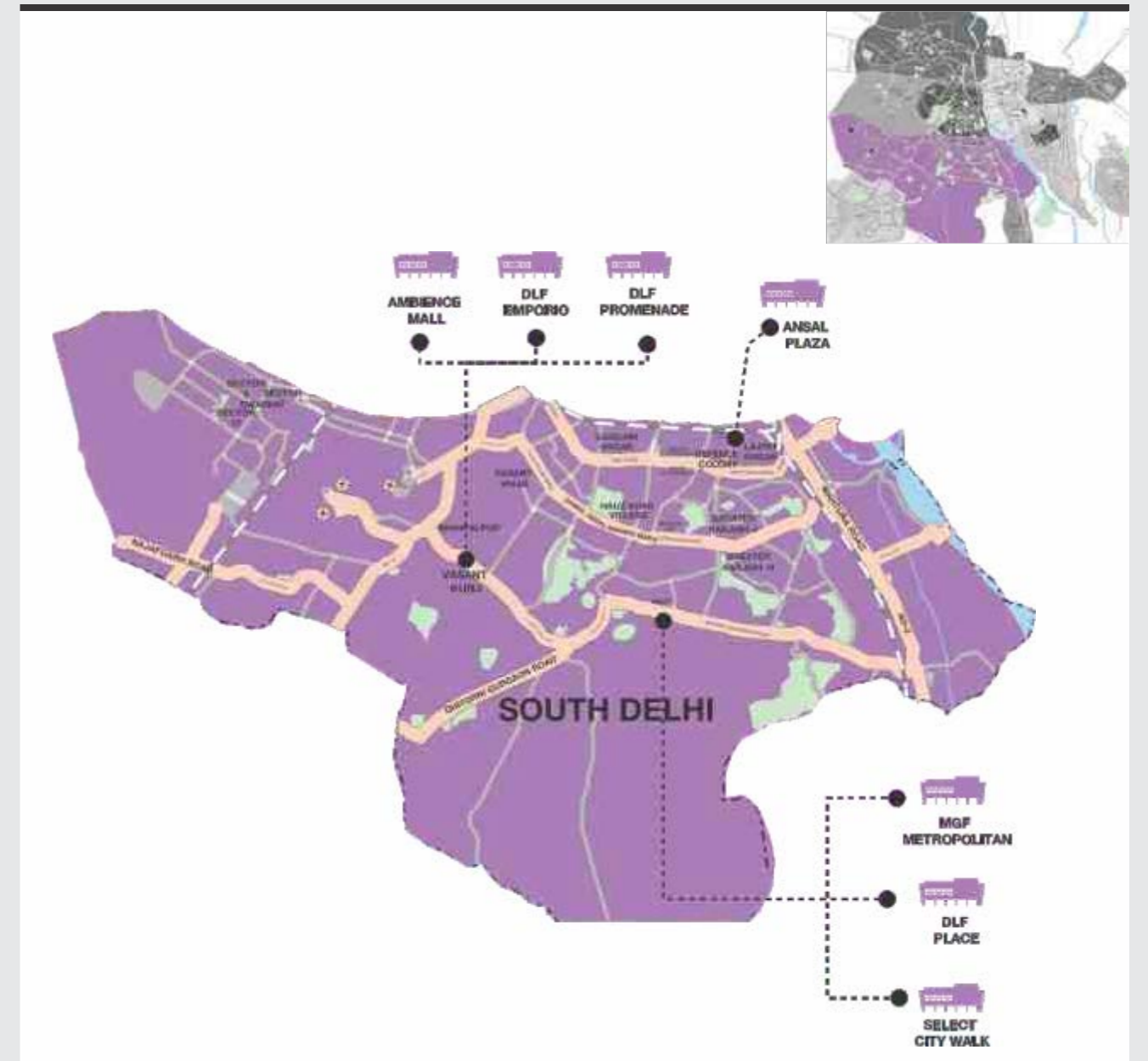
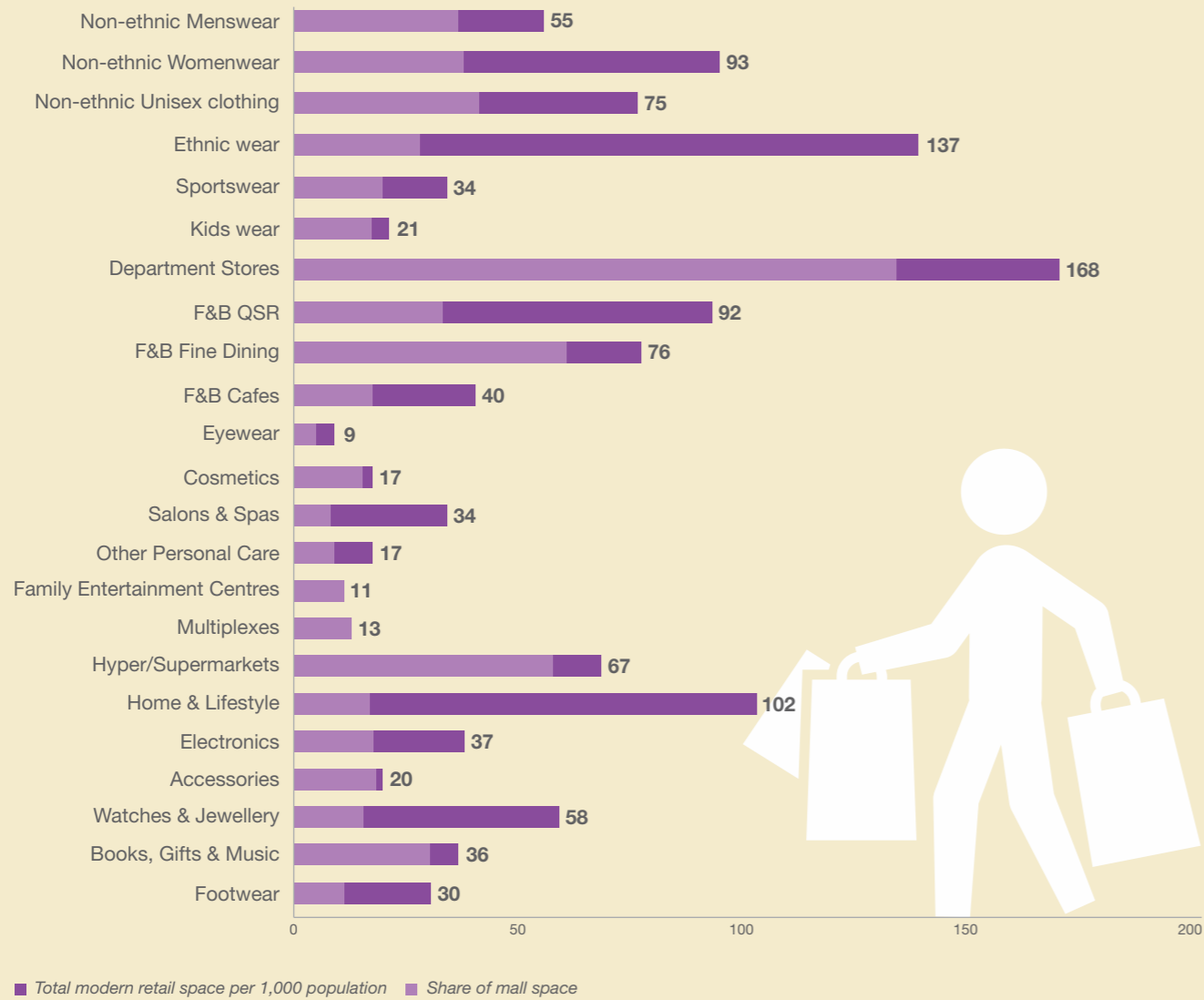


Chart 1

Per capita occupied modern retail space in South Delhi

Space in sq ft



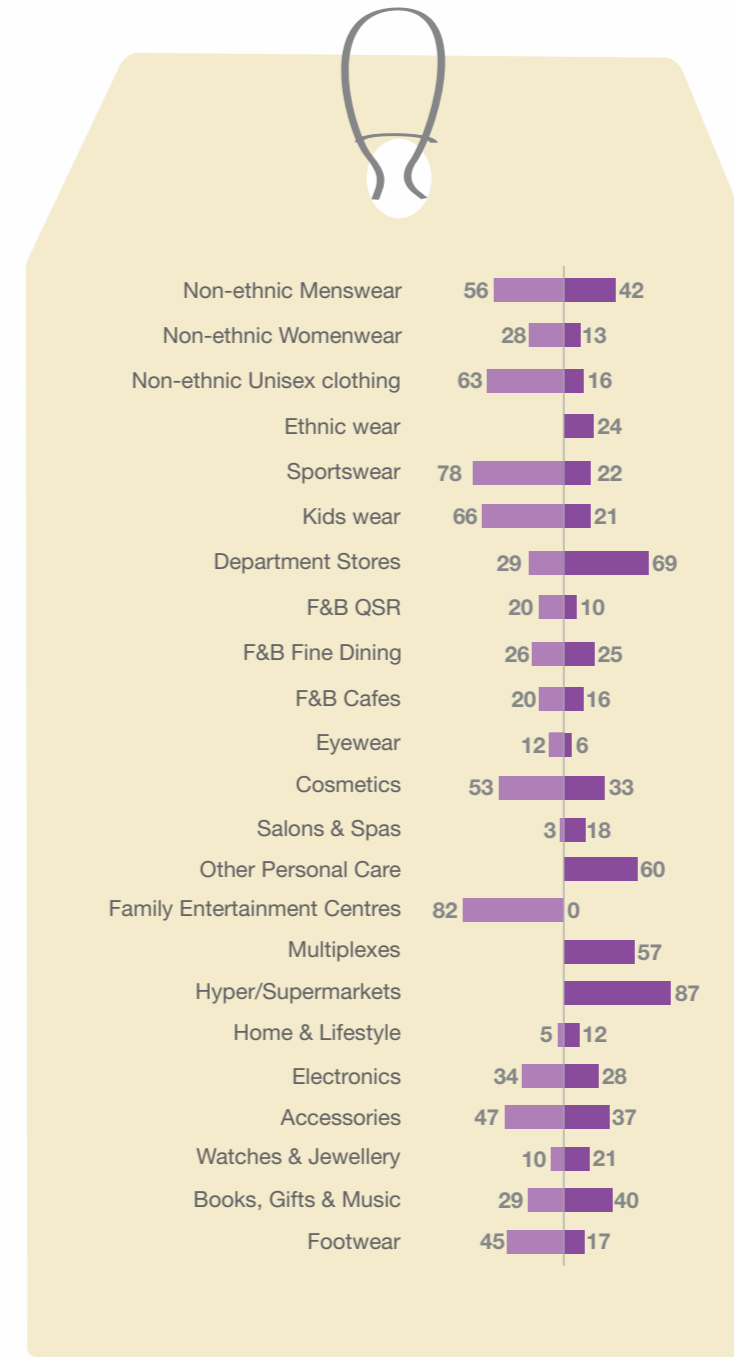
Source: Knight Frank Research, Indicus Analytics

- The modern retail distribution of ethnic wear stores in South Delhi indicates a preference for shopping streets, with 80 per cent of the stores located on streets like Shahpur Jat and Mehar Chand Market, which house a mix of designers. On the other hand, national designers targeting the luxury segment have congregated at DLF Emporio in Vasant Kunj
- Department stores in South Delhi take up 168 sq ft of the modern retail space per 1,000 population. These stores are concentrated in the mall format, with 79 per cent of them based in the malls of Saket and Vasant Kunj
- Around 52 per cent of the F&B category in South Delhi is concentrated in malls. Brands like Pizza Hut, McDonald's, Sagar Ratna, Domino's, Haldiram's and KFC dominate the F&B QSR category in this zone
- Owing to good quality spaces and good infrastructure, the fine dining category prefers the malls in South Delhi
- The shopping streets of Greater Kailash and Ghitorni contribute significantly to the home and lifestyle category in South Delhi

Chart 2

Share of foreign and national brand stores in the overall modern retail space

Share in Percentage

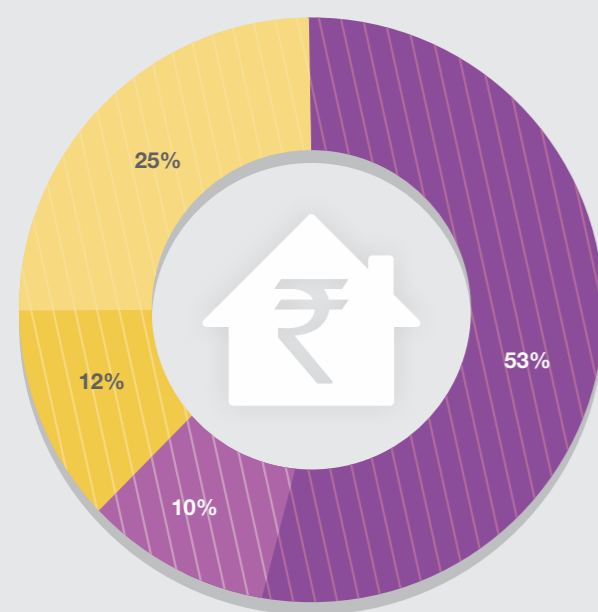


- Modern retail space in the men's non-ethnic wear category is represented equally by foreign and national brands in South Delhi
- Unisex non-ethnic wear is dominated by foreign brands like United Colors of Benetton, Calvin Klein and Levi's
- Department store space in South Delhi is controlled by national brands, with Pantaloons, Westside and Shoppers Stop leading the pack
- South Delhi has the highest percentage share of foreign brand stores in the fine dining category, such as La Tagliatella, Yauatcha and Sakae Sushi
- A total of 70 per cent of the QSR space in South Delhi is driven by regional and local brands, and most of them are located on shopping streets
- A major 86 per cent of the cosmetics stores in South Delhi are dominated by national and foreign brands, with brands like Forest Essentials, The Body Shop, Color Bar and Mac in the lead
- Around 62 per cent of the modern retail space in the footwear category is taken up by foreign and national brands, while the remaining 38 per cent is occupied by regional and local retailers. Steve Madden, Aldo, Rosso Brunello, Christian Louboutin, Charles & Keith and Jimmy Choo are some of prominent foreign brands in this category

Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

Source: Knight Frank Research

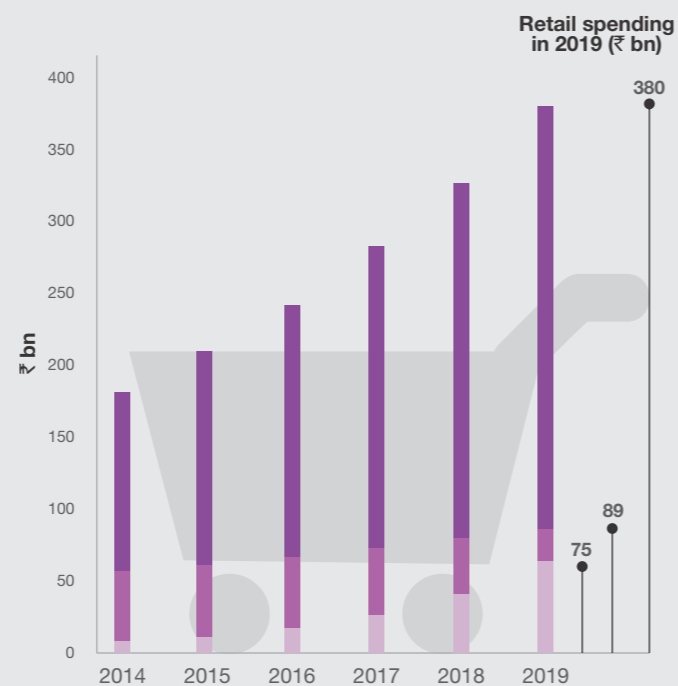
Chart 3
Household income split in South Delhi



■ < ₹300,000 ■ ₹300,001 – ₹500,000
■ ₹500,001 – ₹1,000,000 ■ > ₹1,000,001

Source: Knight Frank Research, Indicus Analytics

Chart 4
Projected retail spending in South Delhi



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

- In line with the zone's vibrant retail landscape, total retail spending in South Delhi is projected to increase from ₹179 bn in 2014 to ₹380 bn in 2019
- It is to be noted that South Delhi's non-modern retail spending is much lower than other parts of Delhi, and this percentage is expected to go down even further to 57 per cent in 2019 from the current 66 per cent
- It is estimated that 43 per cent of South Delhi's retail spending will be on modern retail by 2019, increasing from the current share of 34 per cent

Source: Knight Frank Research, Indicus Analytics

Future trends in South Delhi



With a healthy modern retail mix of malls and shopping streets, South Delhi will continue to reign as the major shopping zone of NCR.



E-tail is expected to bring down the share of modern retail spending in this zone, which may have an impact on the rental values of the shopping streets in particular.



International brands will continue their preference towards malls in South Delhi due to an affluent residential catchment and the absence of any other matched quality retail spaces in NCR.

NCR ZONE ANALYSIS

West Delhi Zone Analysis

West Delhi map

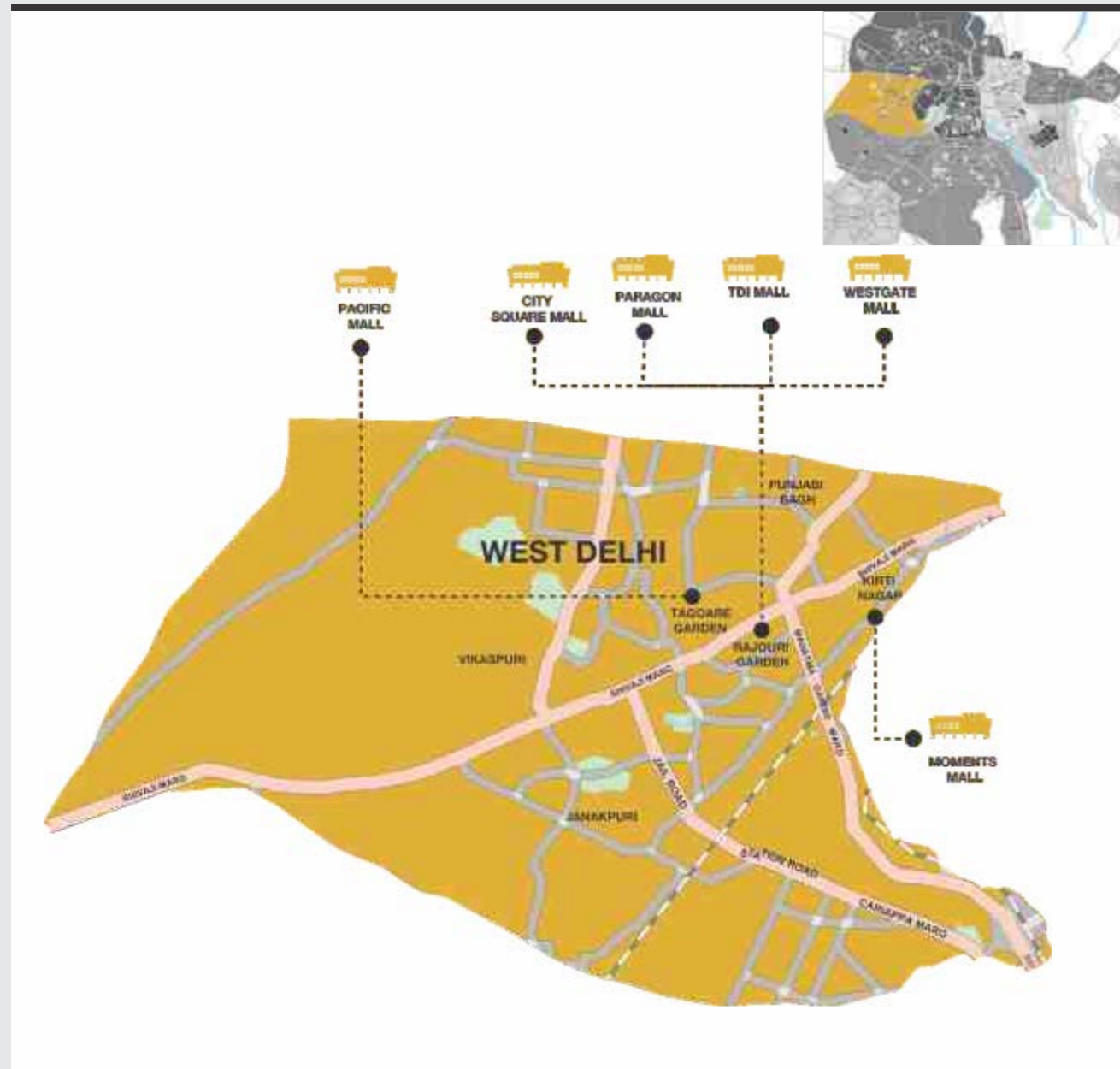
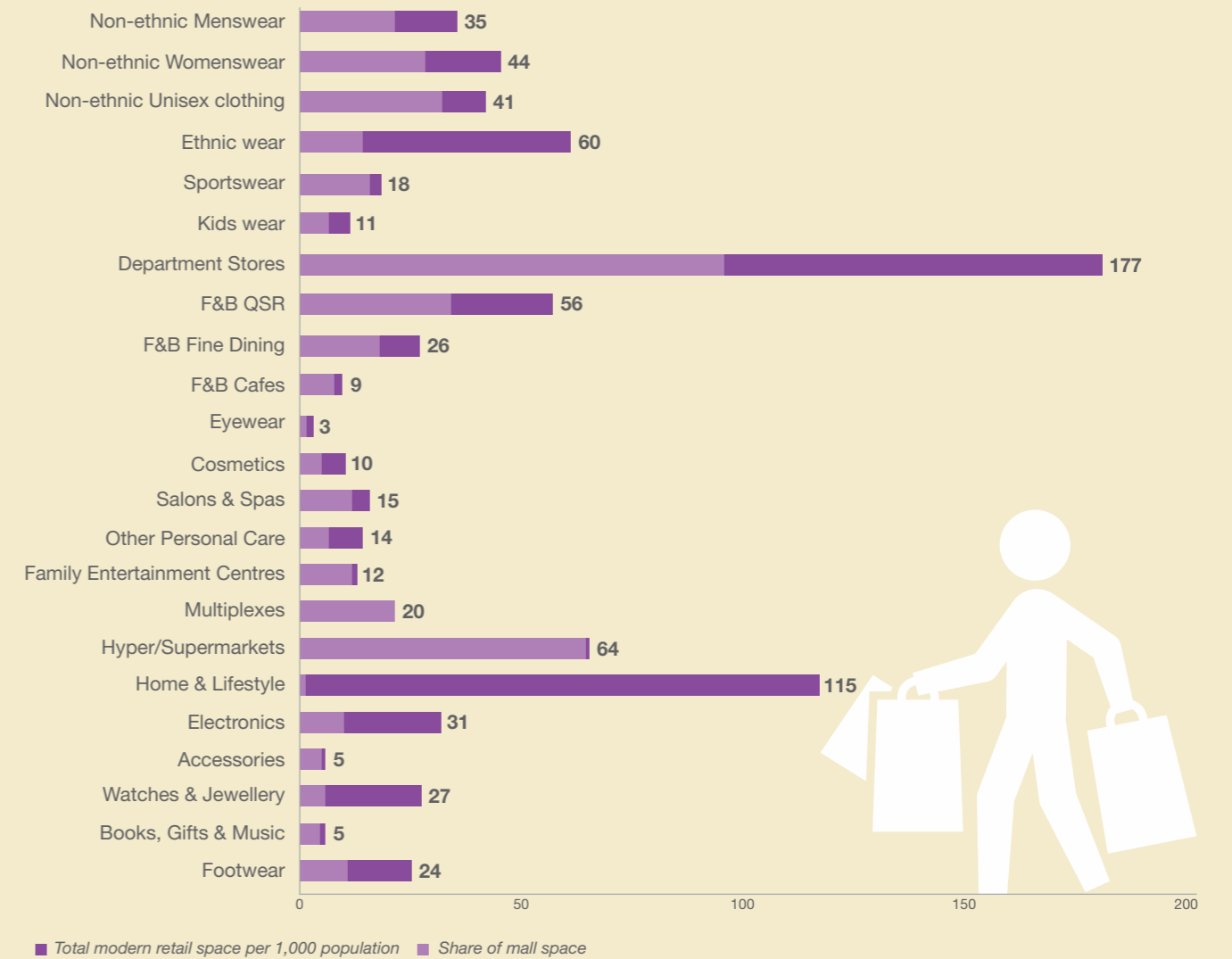


Chart 1

Per capita occupied modern retail space in West Delhi

Space in sq ft



Source: Knight Frank Research, Indicus Analytics

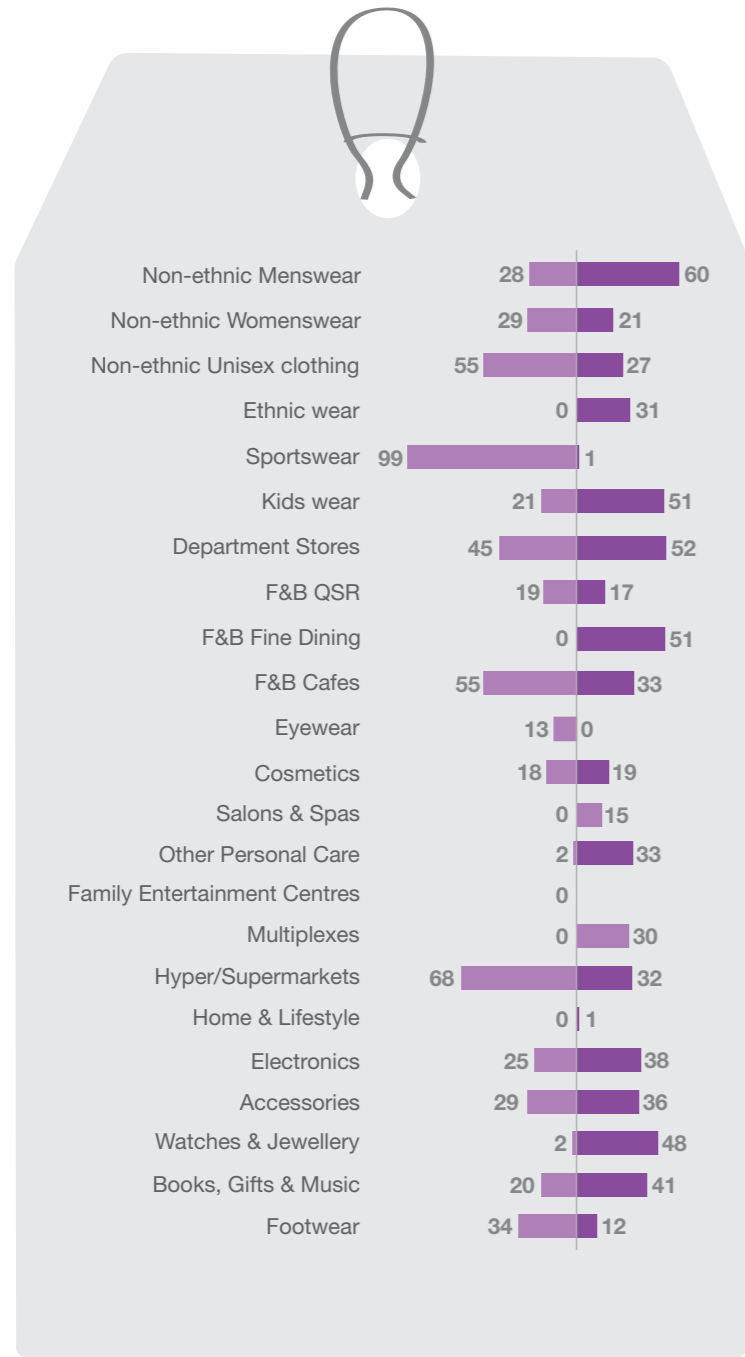
- Department stores in West Delhi's modern retail space are fairly distributed across malls and shopping streets
- The modern retail space distribution of ethnic wear is concentrated more on the shopping streets of Rajouri Garden Market in West Delhi
- Hypermarkets/supermarkets like Auchan, Big Bazaar and More are concentrated in malls like Moments Mall, Pacific Mall and Westgate Mall
- Kirti Nagar, the famous furniture market, contributes significantly to the home and lifestyle category in West Delhi
- Foreign footwear brands are located in the malls in West Delhi, while regional and national brands like Stilettoes, Roush, Delco, Kins and Red Tape occupy the shopping streets

Chart 2

Share of foreign and national brand stores in the overall modern retail space



Share in Percentage



- Around 55 per cent of the non-ethnic unisex clothing space in West Delhi is dominated by foreign labels like United Colors of Benetton, Van Heusen and Levi's
- West Delhi has the highest percentage share of space taken up by foreign brand department stores like Marks & Spencer and Lifestyle, as compared to the other zones of NCR
- An enormous 98 per cent of the modern retail space in the home and lifestyle category is dominated by local brand retailers in West Delhi
- Of the total modern retail space of footwear in West Delhi, 34 per cent is catered to by foreign brands like Bata, Aldo and Clarks

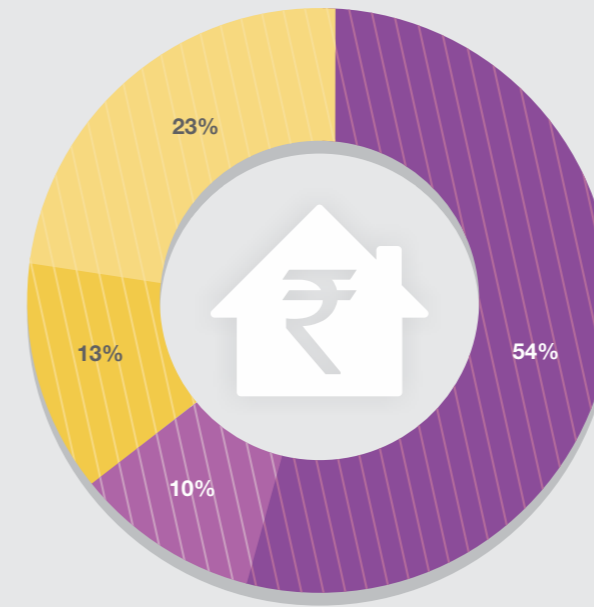
■ Share of foreign brands
■ Share of national brands

Note: Balance percentage in all product categories denotes the share of regional and local brand stores

Source: Knight Frank Research, Indicus Analytics

Chart 3

Household income split in West Delhi



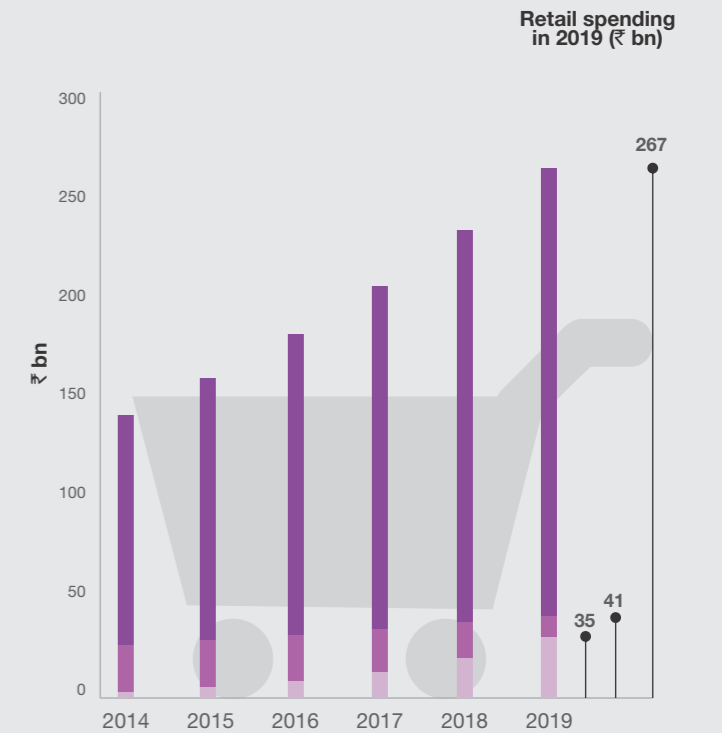
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Source: Knight Frank Research, Indicus Analytics

- 22 per cent of West Delhi retail spending in 2014 is on modern retail, of which the majority is on brick and mortar formats. This pattern is likely to change moderately by 2019, with the share of modern retail spending increasing to 28 per cent
- However, due to the growing popularity of electronic retailing, the share of retail spending in the brick and mortar formats in West Delhi is expected to decline in the next five years

Chart 4

Projected retail spending in West Delhi



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

Future trends in West Delhi



With its proximity to South Delhi, modern retail penetration in West Delhi is seen to increase over the next five years.



Rajouri Garden will continue to dominate the modern retail of West Delhi, with more concentration on the women's ethnic wear and footwear categories.



Any new mall space in West Delhi will get absorbed gradually, as there are good mall options for its catchment in the adjoining South Delhi zone, which means that rental values on the shopping streets of West Delhi will hold steady.

NCR ZONE ANALYSIS

Gurgaon Zone Analysis

Gurgaon map

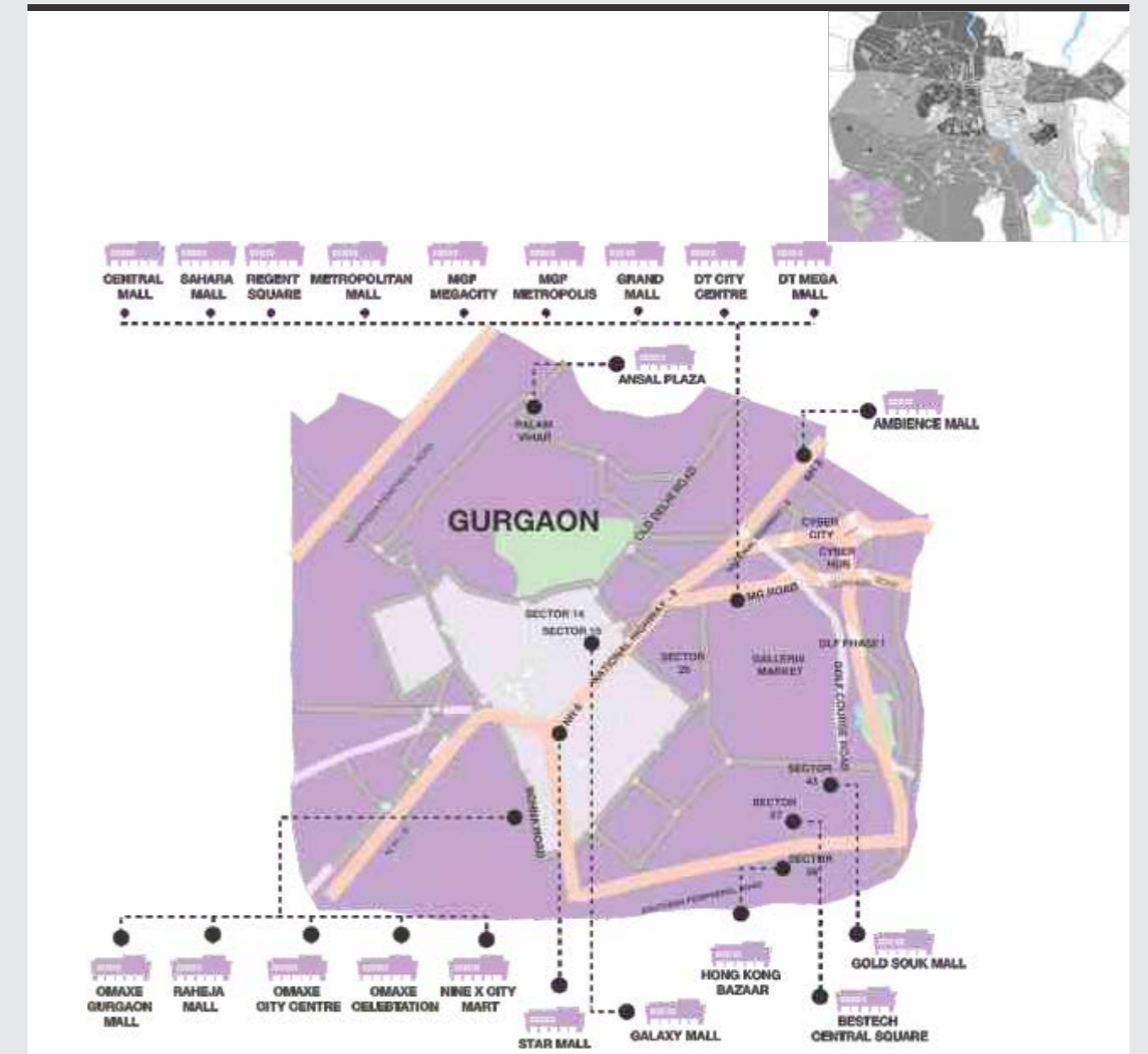
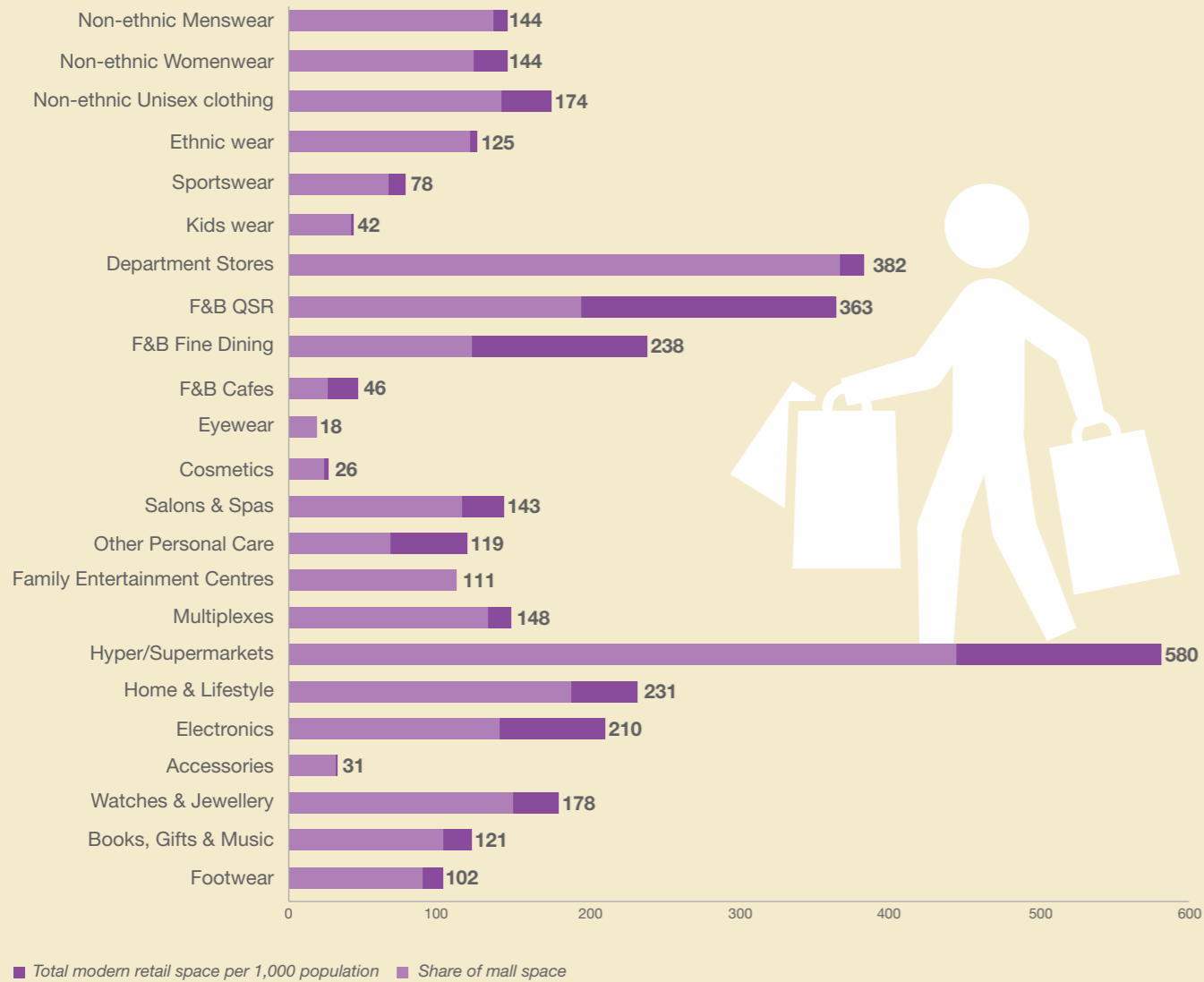


Chart 1

Per capita occupied modern retail space in Gurgaon

Space in sq ft



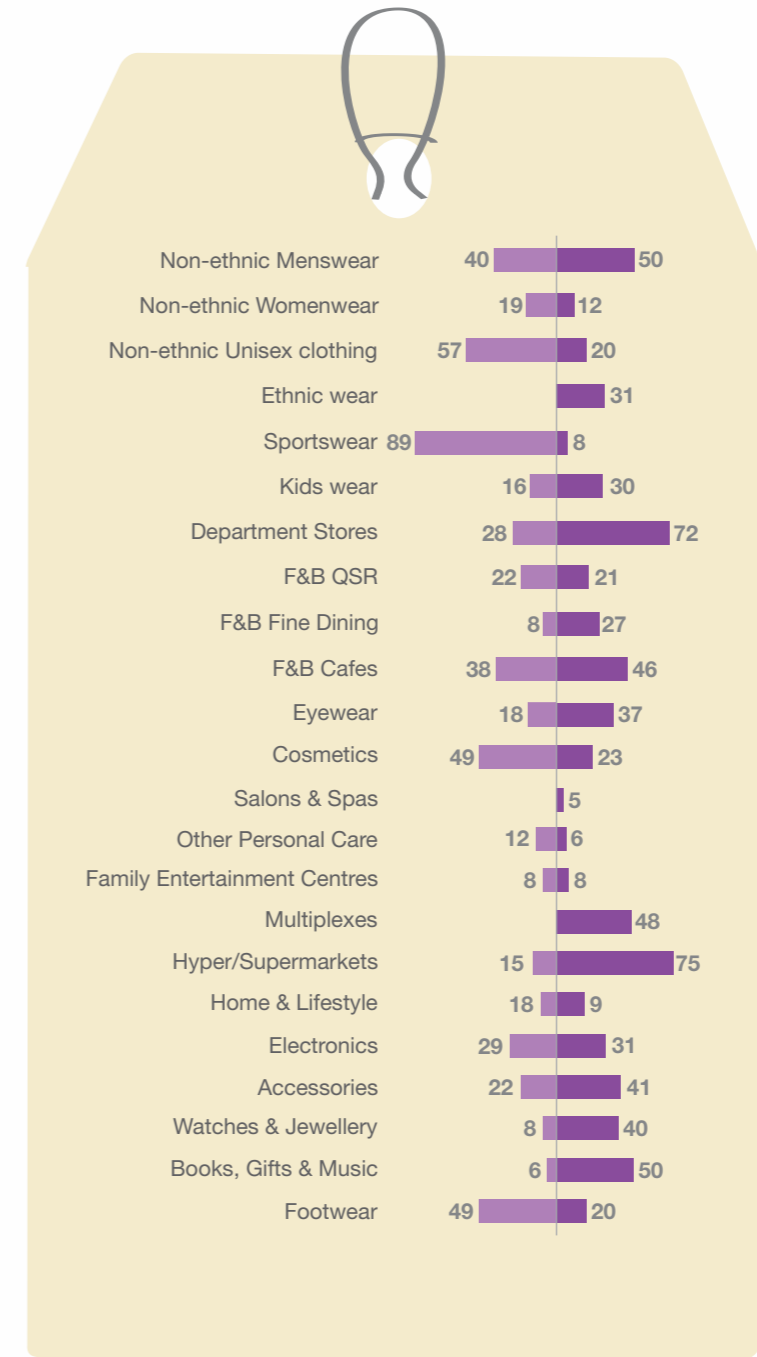
Source: Knight Frank Research

- Gurgaon ranks the highest among all the zones, with 3,775 sq ft of modern retail space per 1,000 population
- With 22 malls and limited shopping street options, this zone is rightly called the 'Mall City of India'
- Gurgaon has the highest per square foot of modern retail space in F&B in NCR, with 646 sq ft per 1,000 population in the form of QSRs, fine dining options and cafes, among others. Cyber Hub and Sector 29 are the prominent F&B hubs in this zone, along with Sohna Road, which has a number of QSR options coming up on it
- Large hypermarkets like More, Spencer's and Auchan account for the 580 sq ft of hypermarket space per 1,000 population in Gurgaon

Chart 2

Share of foreign and national brand stores in the overall modern retail space

Share in Percentage



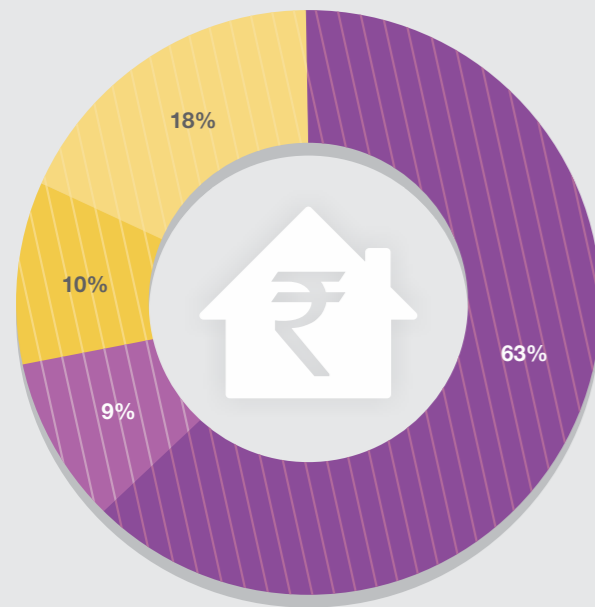
- About 57 per cent of the unisex non-ethnic wear space in Gurgaon is dominated by brands like United Colors of Benetton, Levi's, Van Heusen, Lee, Allen Solly and Wills Lifestyle
- A total of 72 per cent of the modern retail space of the cosmetics category in Gurgaon is represented by foreign and national brands like Bobbi Brown, Mac, Sephora, The Body Shop and Forest Essentials
- Foreign and national brands like Bata, Metro Shoes, Aldo, Geox and Charles & Keith account for 69 per cent of Gurgaon's footwear category, while the remaining 31 per cent is taken up by regional and local retailers

Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

Source: Knight Frank Research

Chart 3

Household income split in Gurgaon

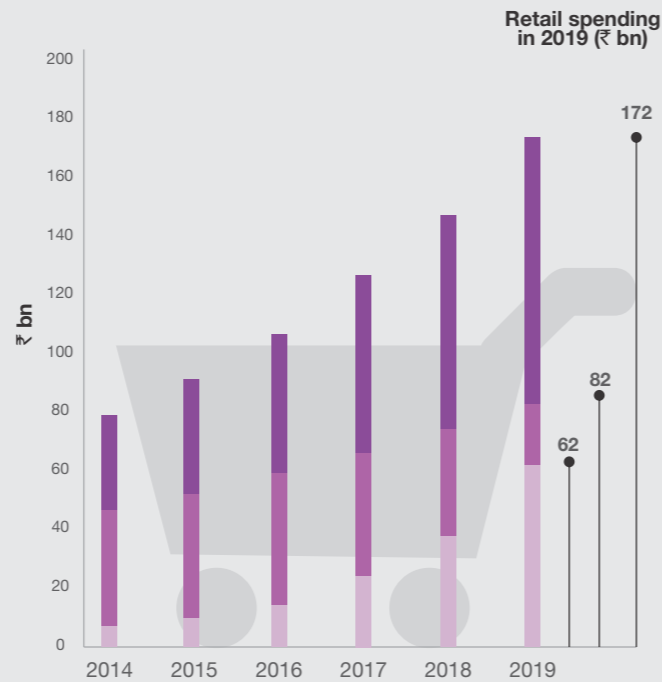


■ <₹300,000 ■ ₹300,001 – ₹500,000
■ ₹500,001 – ₹1,000,000 ■ >₹1,000,001

Source: Knight Frank Research, Indicus Analytics

Chart 4

Projected retail spending in Gurgaon



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

- By the year 2019, 84 per cent of the total retail spending in Gurgaon will be on modern retail, comprising both brick and mortar and E-tail formats - the highest among all the zones
- Brick and mortar retail in Gurgaon is projected to grow by 13 per cent annually, while the format will also see a decline in the overall retail spending pie. Currently, 60 per cent of Gurgaon's retail spending is served by brick and mortar formats, and the share is expected to decrease to 48 per cent by 2019
- The share of retail spending on E-tail in Gurgaon is expected to increase to 36 per cent in 2019 from the current share of 7 per cent

Source: Knight Frank Research, Indicus Analytics

Future trends in Gurgaon



With the highest mall space across all Indian cities, Gurgaon's share in the modern retail space of NCR is projected to increase by 2019.



However, to keep vacancy levels in check, the scale of malls will be toned down to meet the requirements of a particular sector cluster, while shopping street retail will find space in ground floors of upcoming commercial developments.



Space-hungry hypermarkets and department stores will continue to expand and locate on newer residential developments.



With a cosmopolitan, mix-culture feel to the city, product categories like food and beverage, and fine dining in particular, will continue to find patronage in this ever-expanding zone.

NCR ZONE ANALYSIS

Noida Zone Analysis

Noida map

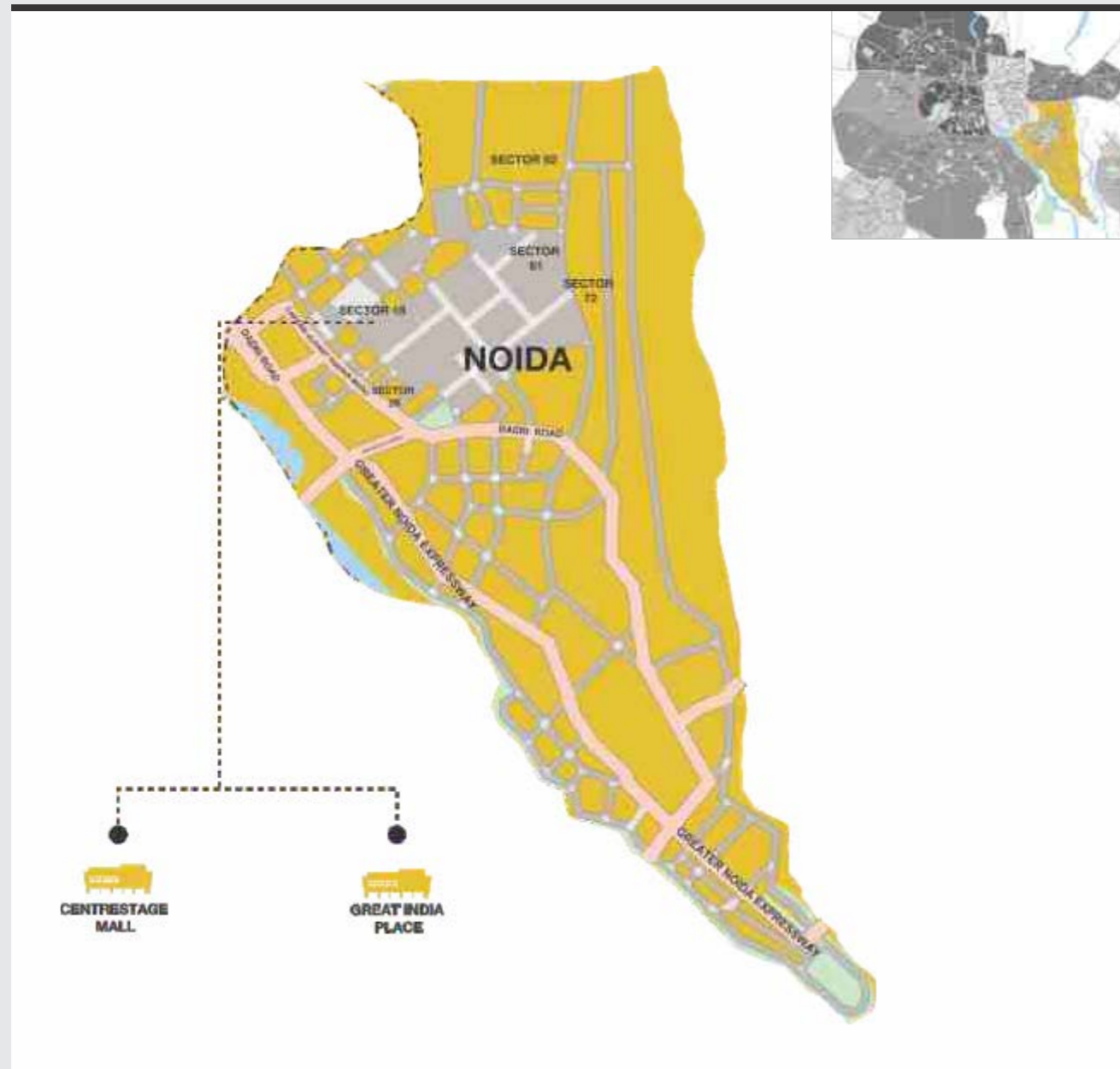
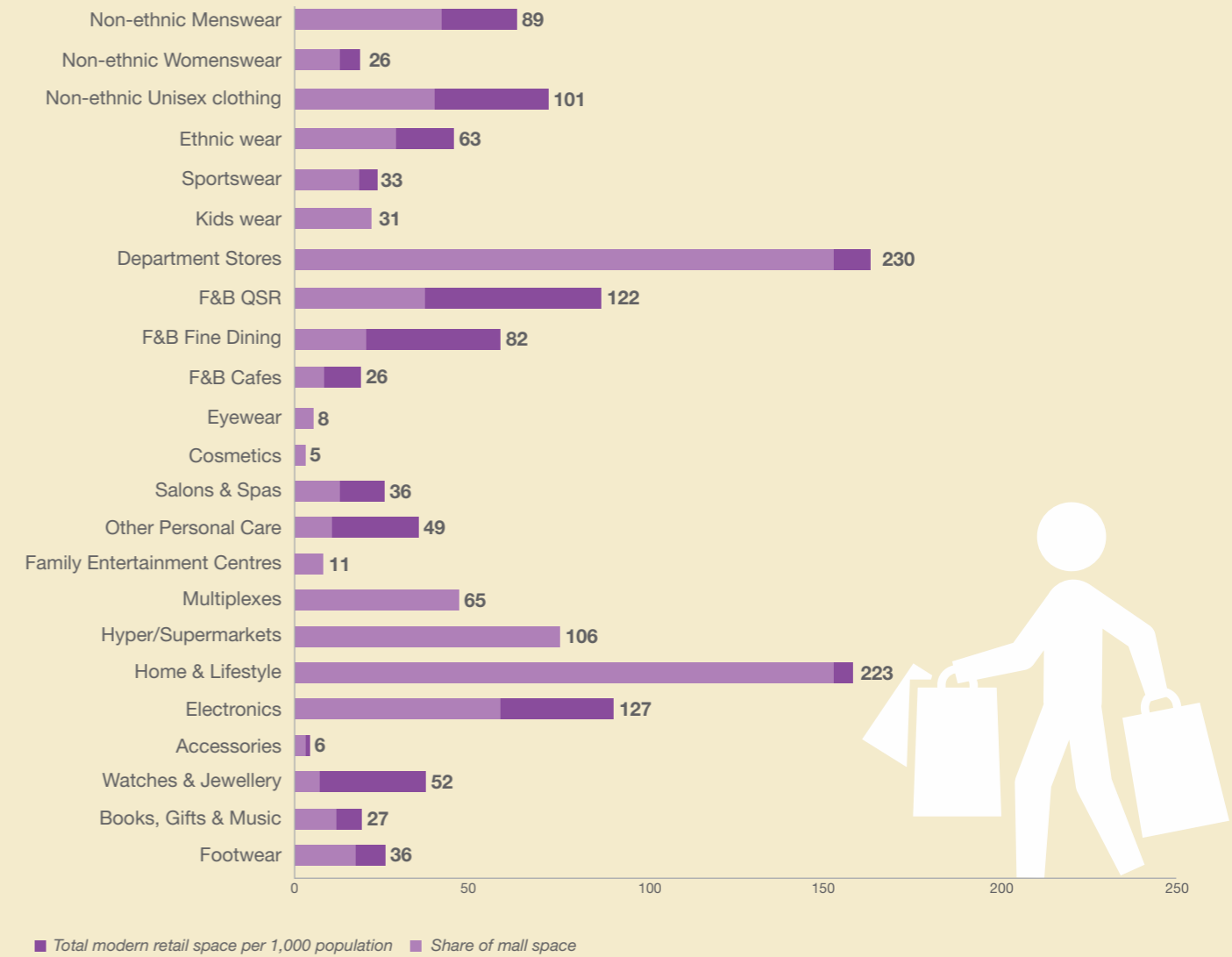


Chart 1

Per capita occupied modern retail space in Noida

Space in sq ft



Source: Knight Frank Research, Indicus Analytics

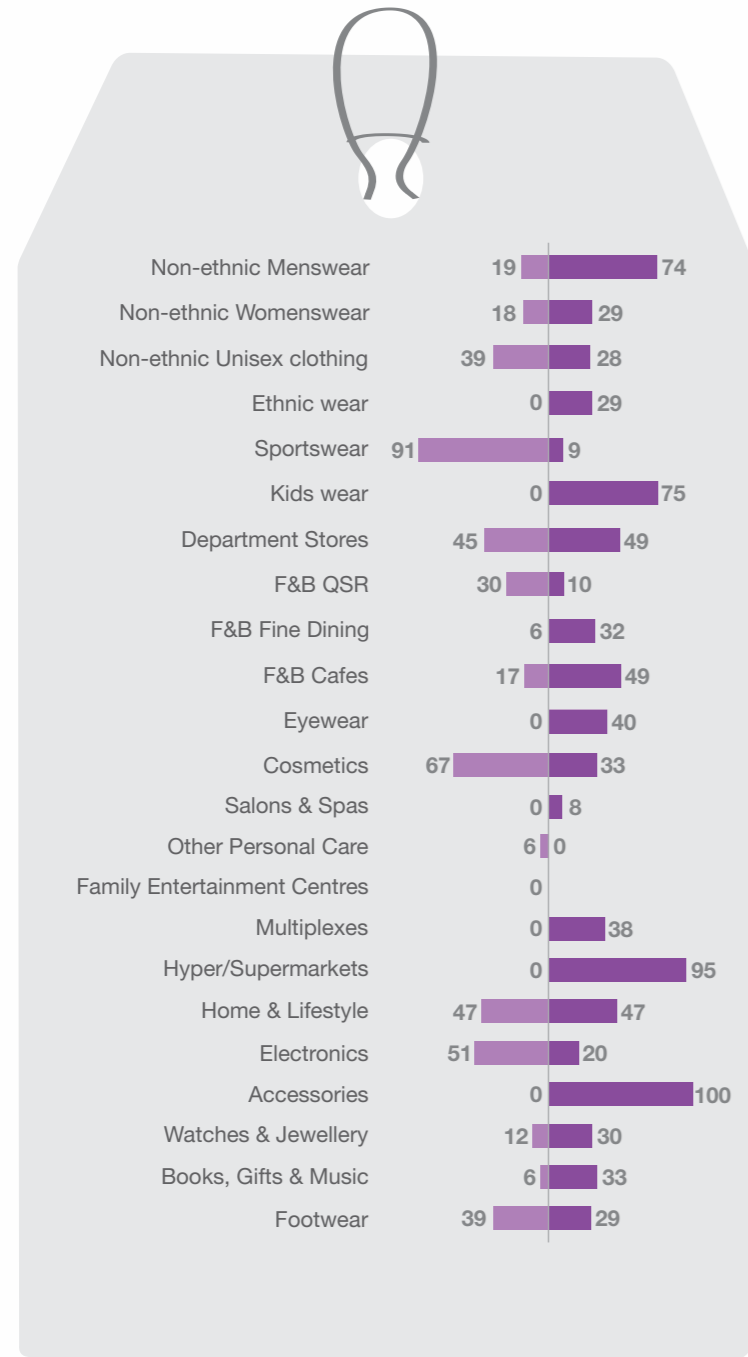
- Ranking third, after Gurgaon and Ghaziabad, Noida has 230 sq ft of department store space per 1,000 population
- A total of 93 per cent of the modern retail space in Noida is concentrated in malls
- Unlike the other zones in NCR, the modern retail space occupied by the men's non-ethnic wear category is the highest in Noida, with 89 sq ft per 1,000 population
- QSRs in Noida offer 122 sq ft of modern retail space per 1,000 population. This makes Noida the third zone, after Gurgaon and Central Delhi, to have such concentration of this category

Chart 2

Share of foreign and national brand stores in the overall modern retail space



Share in Percentage



- National brands like Cantabil, Octave, John Players, Cobb and Colour Plus dominate the men's non-ethnic wear category in Noida
- Kids wear in Noida is driven by national brands, which take up a significant 75 per cent share of the overall kids wear space
- The home and lifestyle category in Noida has equal representation of national and foreign brands
- About 68 per cent of the modern retail space in footwear is dominated by foreign and national brands like Liberty, Bata and Crocs

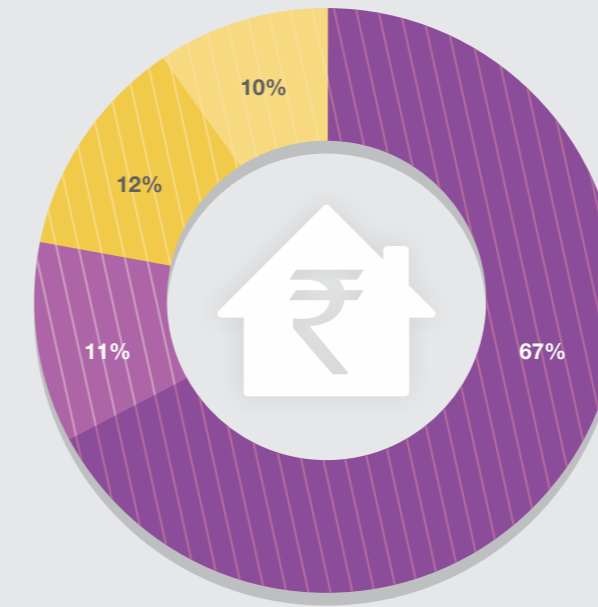
■ Share of foreign brands
■ Share of national brands

Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

Source: Knight Frank Research

Chart 3

Household income split in Noida



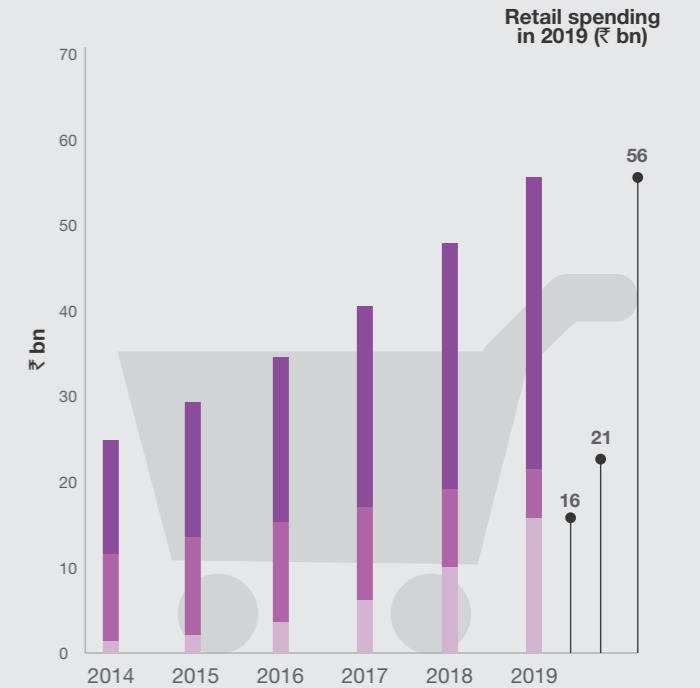
■ < ₹300,000 ■ ₹300,001 – ₹500,000
■ ₹500,001 – ₹1,000,000 ■ > ₹1,000,001

Source: Knight Frank Research, Indicus Analytics

- Growing at 23 per cent, modern retail spending in Noida is projected to increase from ₹13 bn in 2014 to ₹37 bn by 2019
- In 2014, the share of E-tail in the total retail spending of Noida is a mere 6 per cent, which is projected to increase to 29 per cent by 2019
- In line with the current retail scenario, retail spending in the brick and mortar format is seen to decline from 48 per cent in 2014 to 38 per cent in 2019

Chart 4

Projected retail spending in Noida



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

Future trends in Noida



Apart from a central mix-retail core in the form of Sector 18, modern retail penetration in Noida is only limited to the sector market. It is estimated that with the addition of DLF's Mall of India, modern retail penetration in Noida will increase in the next five years.



Located at a considerable distance from the Central and South Delhi zones, any additional modern retail supply is expected to be taken up by brands eyeing expansion in Noida.

NCR ZONE ANALYSIS

Ghaziabad Zone Analysis

Ghaziabad map

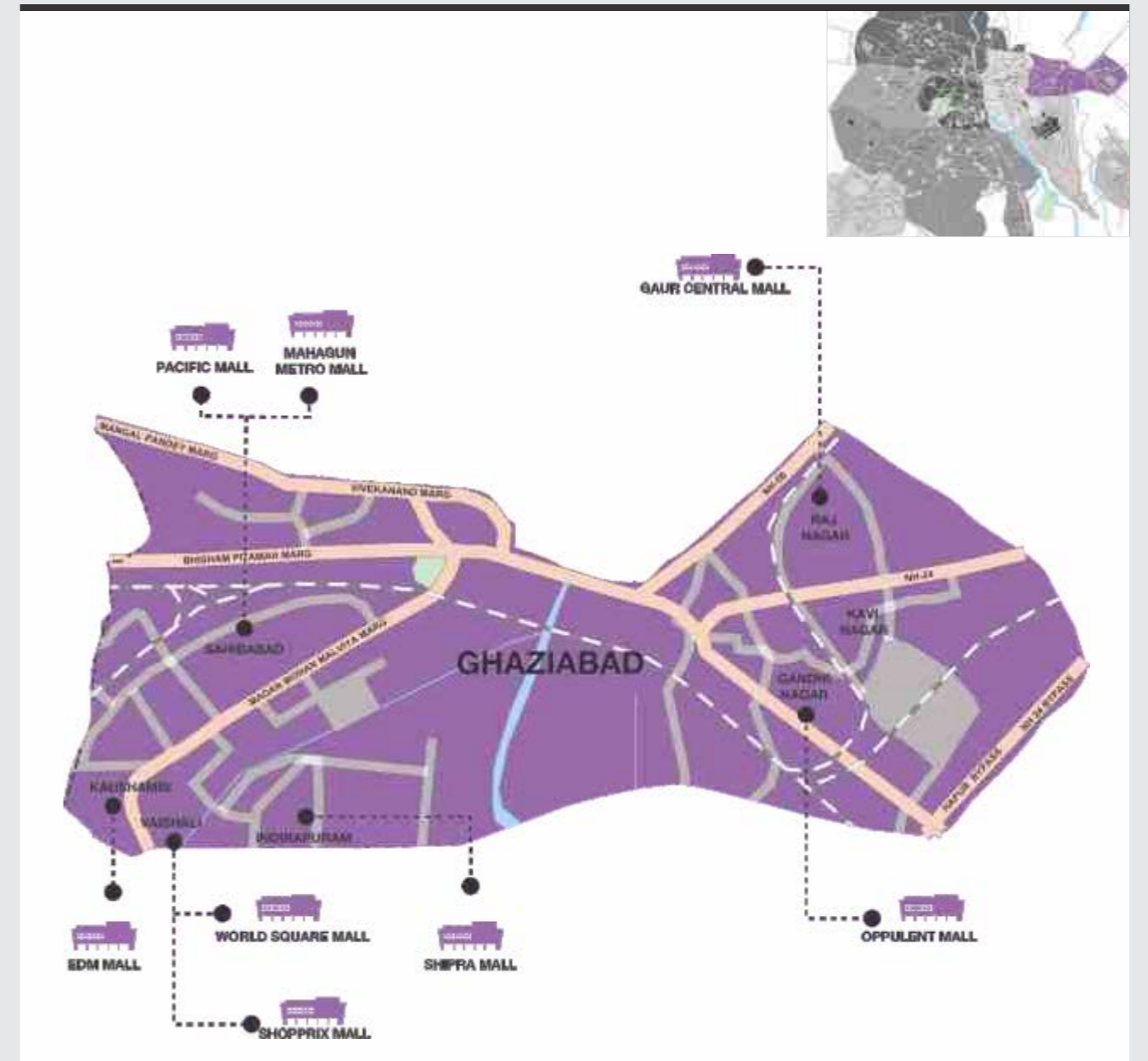
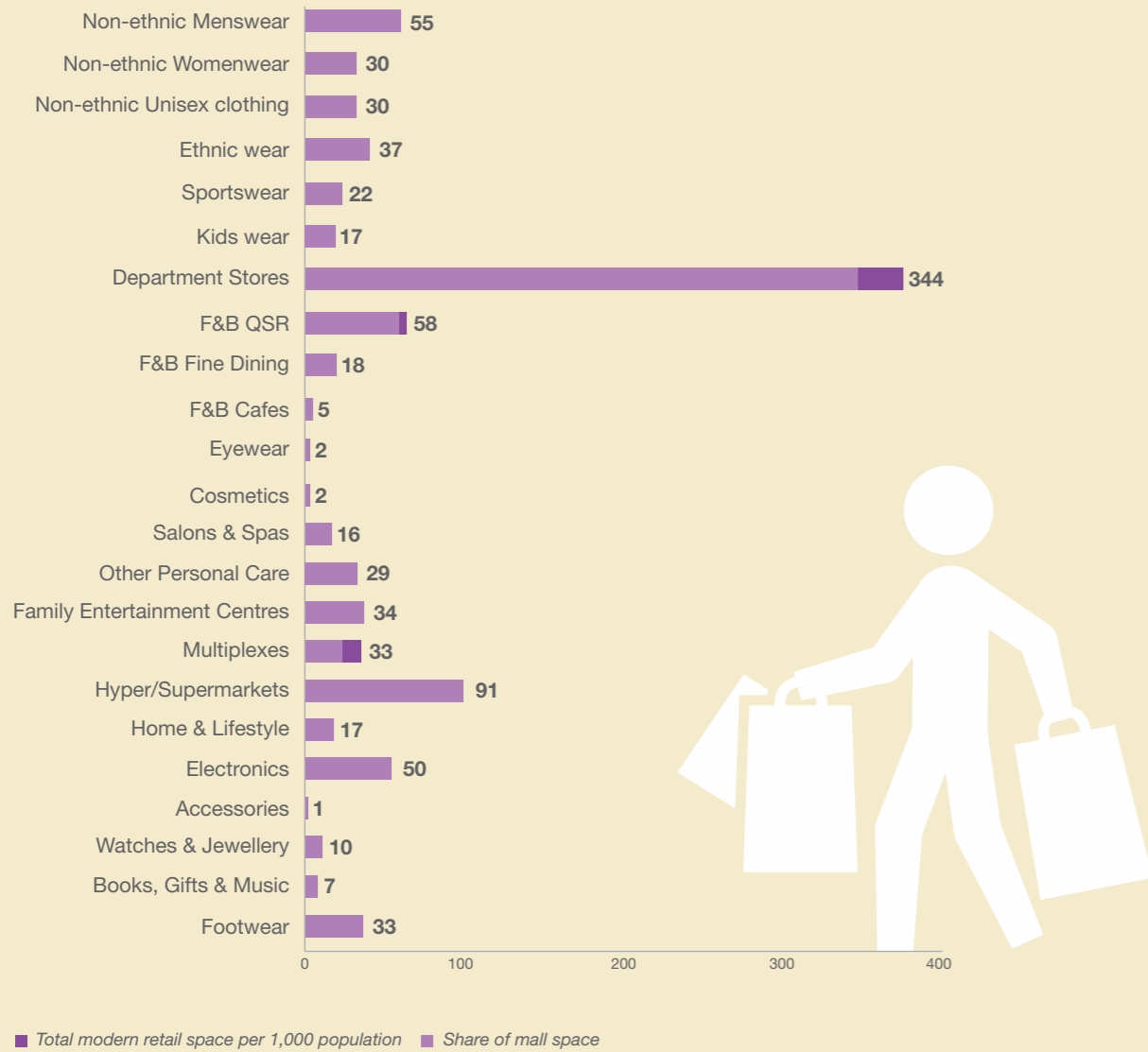


Chart 1

Per capita occupied modern retail space in Ghaziabad

Space in sq ft



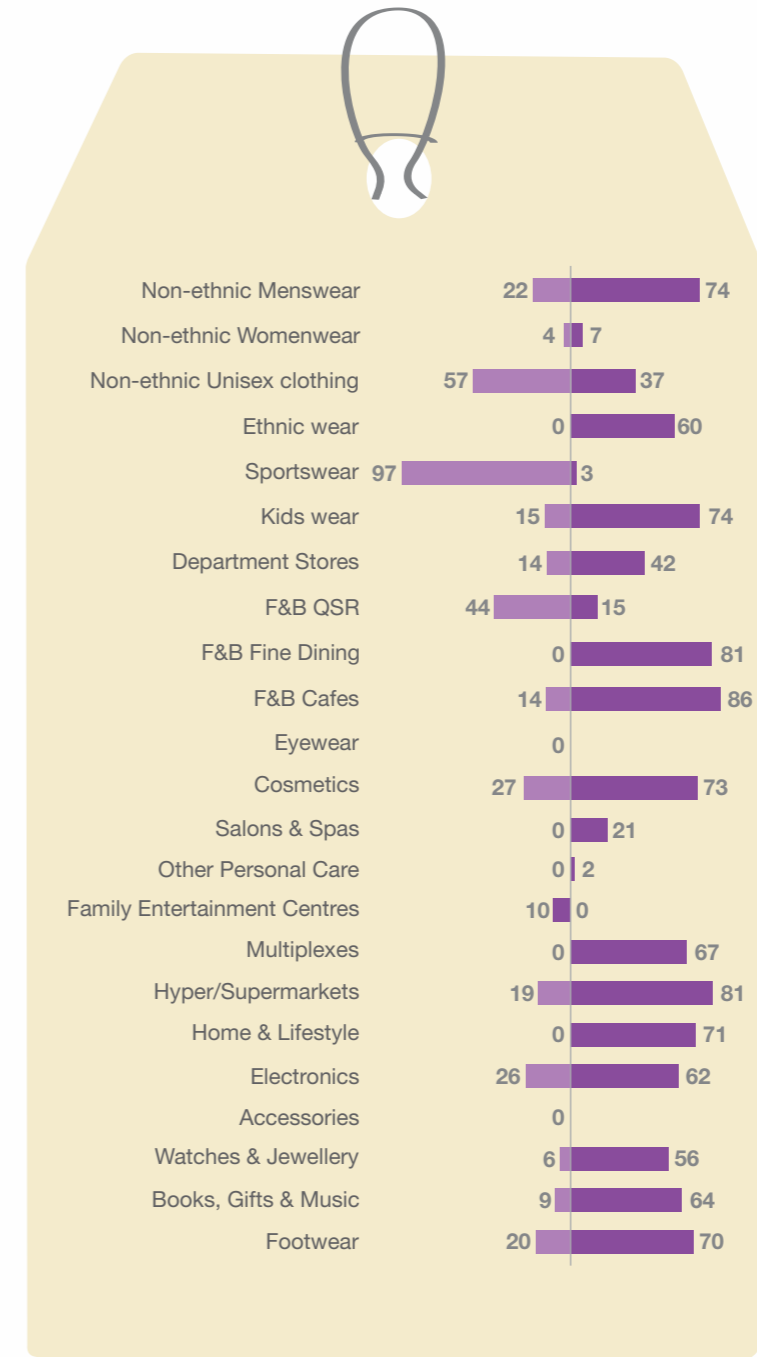
Source: Knight Frank Research

- Ghaziabad has a negligible distribution of modern retail space on its shopping streets. Most of its retail is concentrated in its malls
- Ghaziabad ranks second, after Gurgaon, with 344 sq ft of modern retail space per 1,000 population in the department store category
- Ghaziabad's modern retail footprint across all the product categories is more than East Delhi. This is attributed to the distribution of retail space in Ghaziabad – where Ghaziabad has nine malls, East Delhi has only three

Chart 2

Share of foreign and national brand stores in the overall modern retail space

Share in Percentage



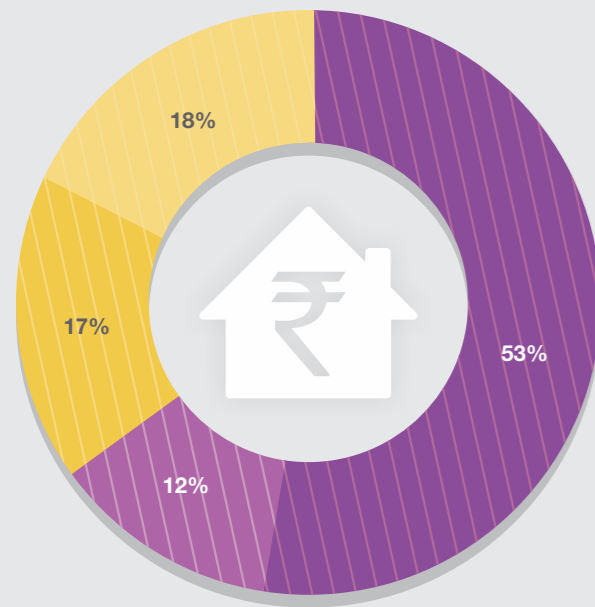
- Local retailers cater to 85 per cent of the women's non-ethnic wear modern retail space in Ghaziabad, while only 4 per cent of the space is taken up by foreign labels
- National brands like Globus, Fashion @ Big Bazaar, Pantaloons, Shoppers Stop and Reliance Trends dominate 42 per cent of the department store space in Ghaziabad
- National brands like Red Tape, Reliance Footprint and Metro Shoes contribute to 70 per cent of the footwear space in Ghaziabad

Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

Source: Knight Frank Research

Chart 3

Household income split in Ghaziabad

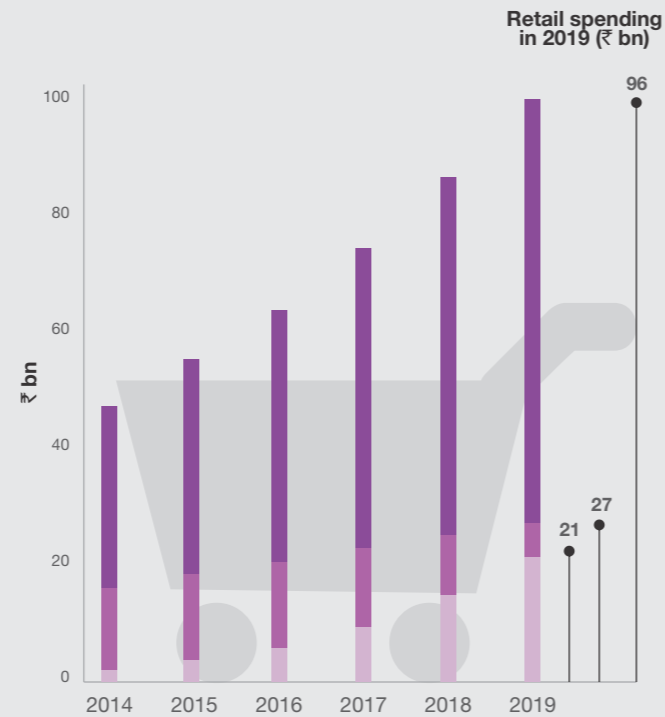


<₹300,000 ₹300,001 – ₹500,000
₹500,001 – ₹1,000,000 >₹1,000,001

Source: Knight Frank Research, Indicus Analytics

Chart 4

Projected retail spending in Ghaziabad



Total retail spend Brick and mortar modern retail E-tail

Source: Knight Frank Research

- The total retail spending in Ghaziabad is projected to increase from ₹43 bn in 2014 to ₹96 bn in 2019, resulting in an annual growth rate of 18 per cent
- While the share of E-tail in total retail spending in Ghaziabad is estimated to increase from 4 per cent in 2014 to 22 per cent in 2019, the share of brick and mortar modern retail is estimated to fall from 36 per cent to 28 per cent during the same period
- However, the share of modern retail is expected to increase from 41 per cent in 2014 to 50 per cent in 2019. It is to be noted that though the share of modern retail registers a growth, the non-modern retail will take up 50 per cent of the total retail spending in this zone

Source: Knight Frank Research, Indicus Analytics

Future trends in Ghaziabad



Ghaziabad will continue to be dominated by non-modern retail in the coming five years. Hence, the scope for brick and mortar modern retail is still very high in this zone.



Currently, department stores dominate the modern retail space of Ghaziabad, with limited scope for single-brand stores, and this trend is expected to be maintained in the next five years as well.



The negligible presence of product categories such as accessories, cosmetics, watches and jewellery in this zone offers an opportunity for retailers to exploit these categories in the coming years.

NCR ZONE ANALYSIS

Faridabad Zone Analysis

Faridabad map

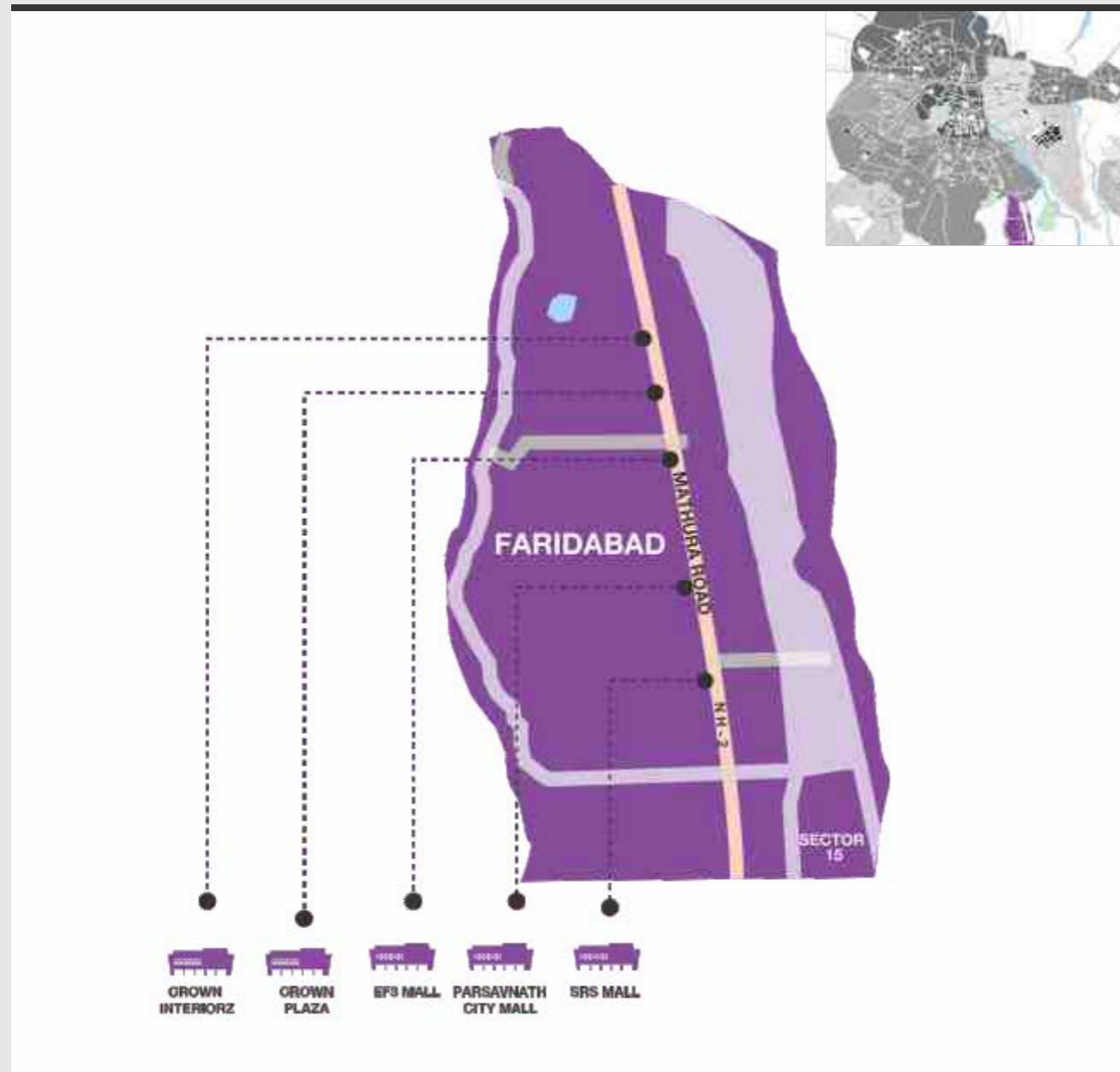
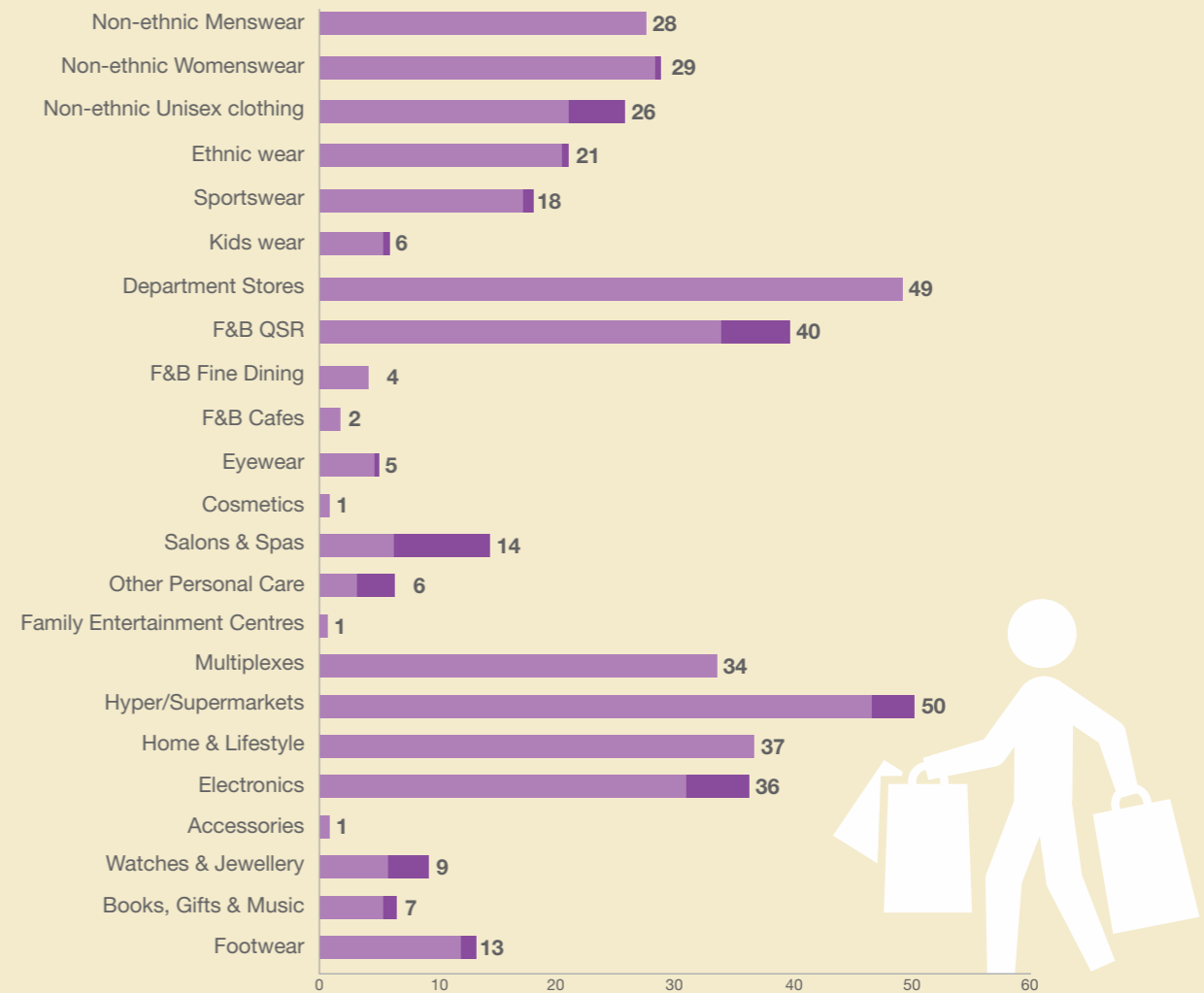


Chart 1

Per capita occupied modern retail space in Faridabad

Space in sq ft



■ Total modern retail space per 1,000 population ■ Share of mall space

Source: Knight Frank Research, Indicus Analytics

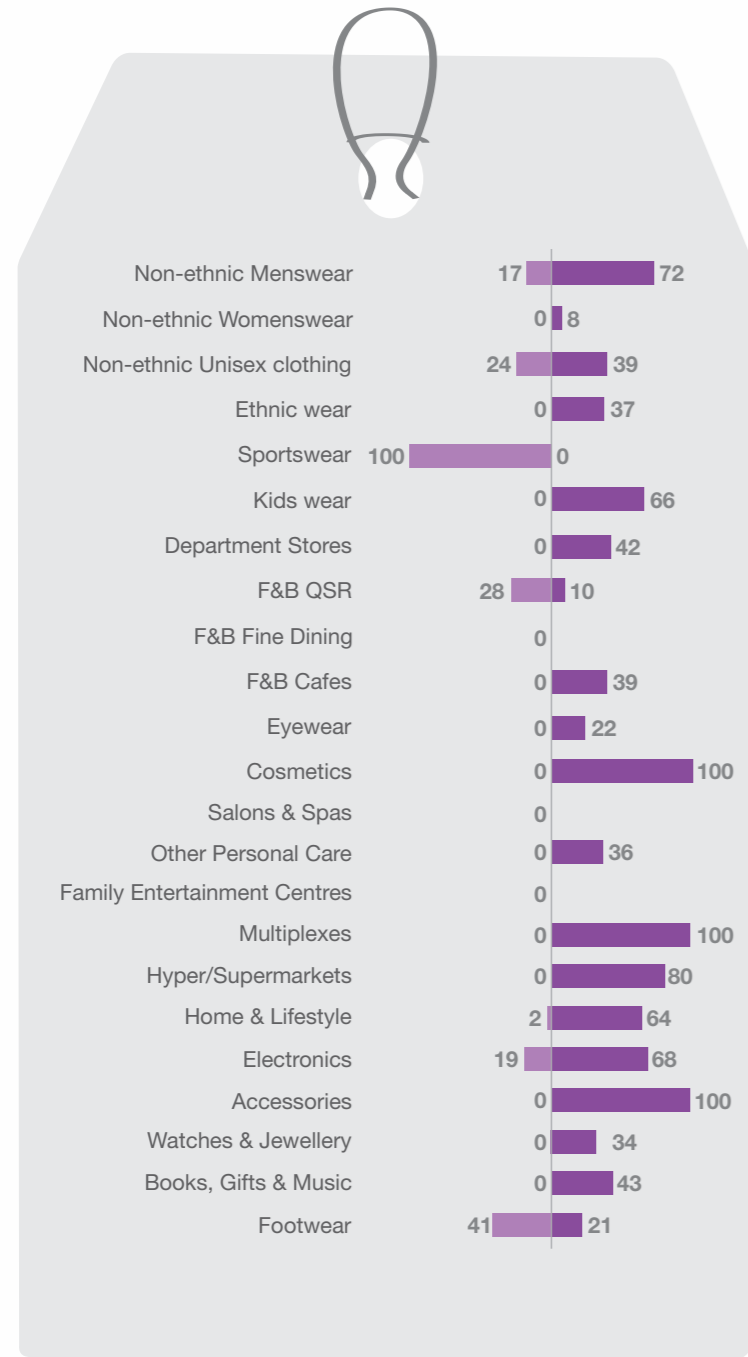
- Faridabad is seen as an industrial hub, with many small scale industries and auto showrooms. Owing to this character, this zone does not have defined or continuous stretches of shopping streets, and most of its modern retail is concentrated in malls
- The modern retail space in Faridabad across categories like F&B, footwear and apparel is the lowest in NCR

Chart 2

Share of foreign and national brand stores in the overall modern retail space



Share in Percentage



- Faridabad has a negligible presence of foreign brands in the women's non-ethnic wear category, while 8 per cent of this category's space is taken up by national brands like Peter England, John Players, Mufti and Cantabil
- Foreign retail stores take up 28 per cent of the F&B QSR category, with the presence of brands like Pizza Hut, KFC and McDonald's
- Faridabad has a negligible presence of fine dining options, with most of its F&B outlets opting for the QSR or cafe formats

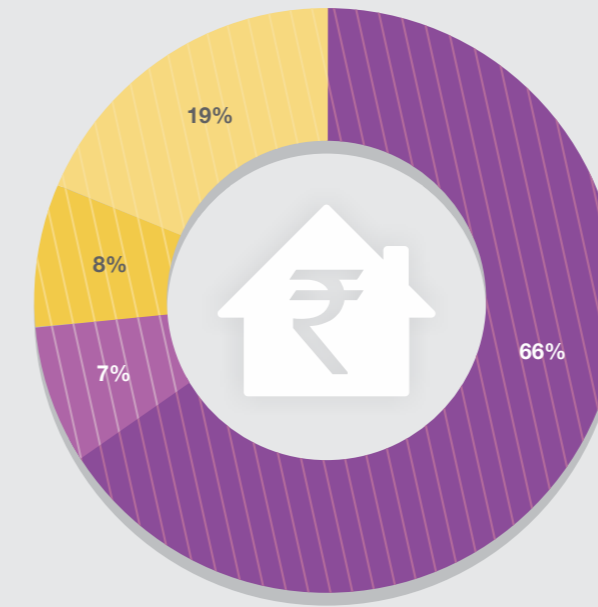
■ Share of foreign brands
■ Share of national brands

Note: Balance percentage in all the product categories denotes the share of regional and local brand stores

Source: Knight Frank Research

Chart 3

Household income split in Faridabad



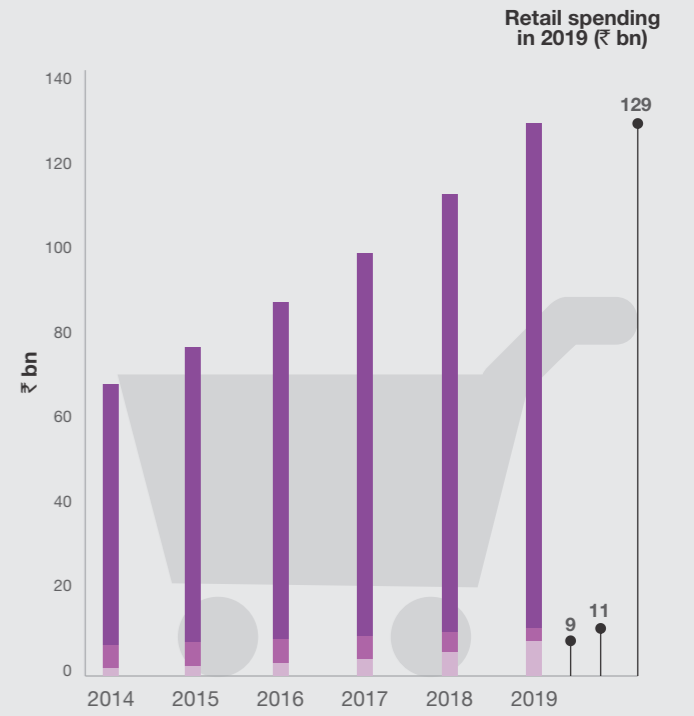
■ < ₹300,000 ■ ₹300,001 – ₹500,000
■ ₹500,001 – ₹1,000,000 ■ > ₹1,000,001

Source: Knight Frank Research, Indicus Analytics

- The total retail spending in Faridabad is projected to increase from ₹61 bn in 2014 to ₹129 bn in 2019
- Unlike other zones in NCR, the share of modern retail in Faridabad will increase to just 15 per cent by the end of 2019, and non-modern retail will continue to dominate the retail market in this zone over the next five years
- The share of brick and mortar in Faridabad will be impinged on by E-tail, whose share will increase from 1 per cent in 2014 to 7 per cent by 2019

Chart 4

Projected retail spending in Faridabad



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

Future trends in Faridabad



Retail spending in non-modern retail will continue to dominate Faridabad in the next five years.



Currently, all the malls in this zone are located along Mathura Road, and due to the lack of infrastructure and the on-going construction, vacancy levels in Faridabad have been increasing.



Modern retail in Ghaziabad is dominated by regional and local players, and the completion of the metro is expected to infuse fresh national and international leasing in the current retail supply.

NCR ZONE ANALYSIS

Greater Noida Zone Analysis

Greater Noida map

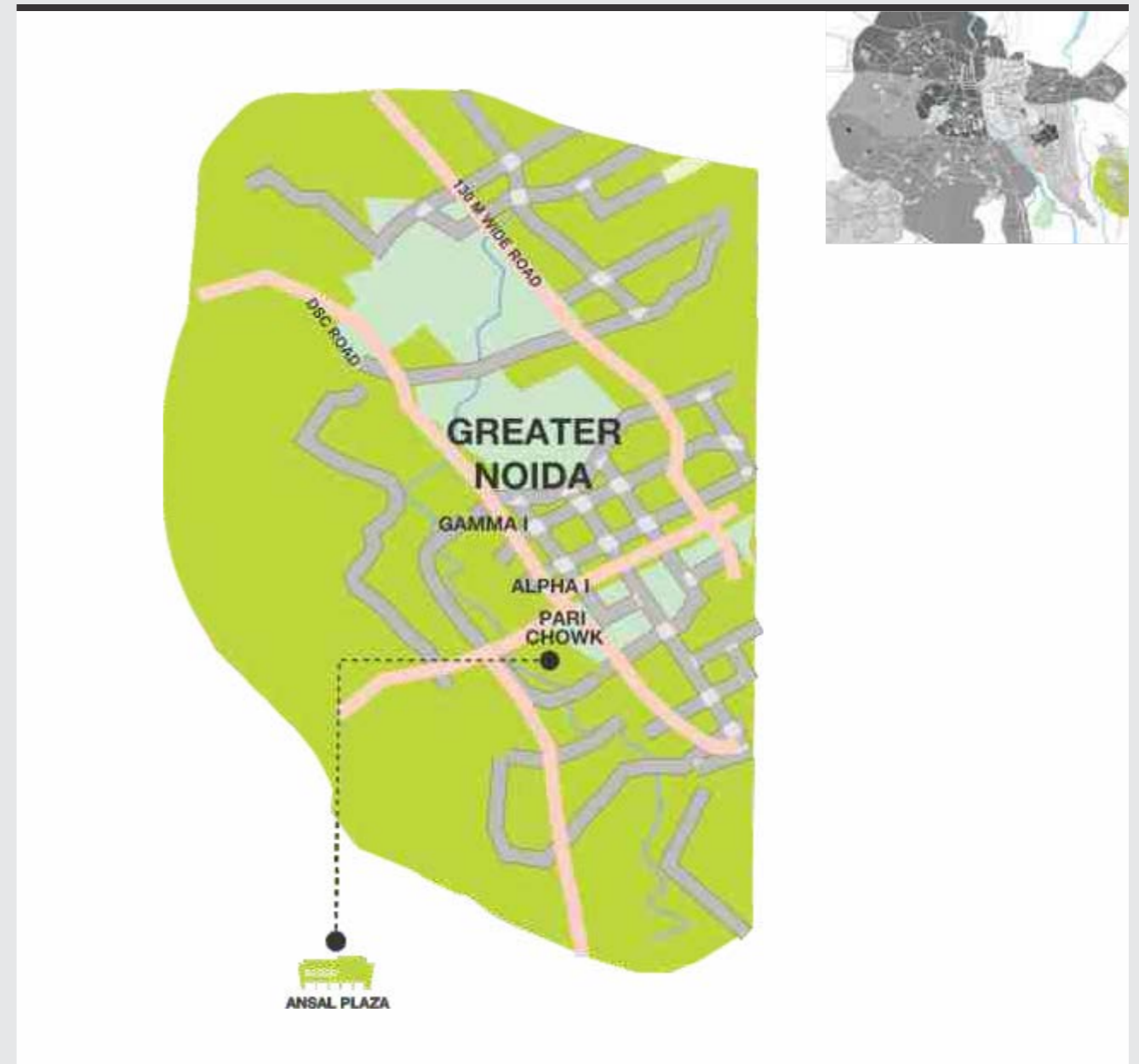
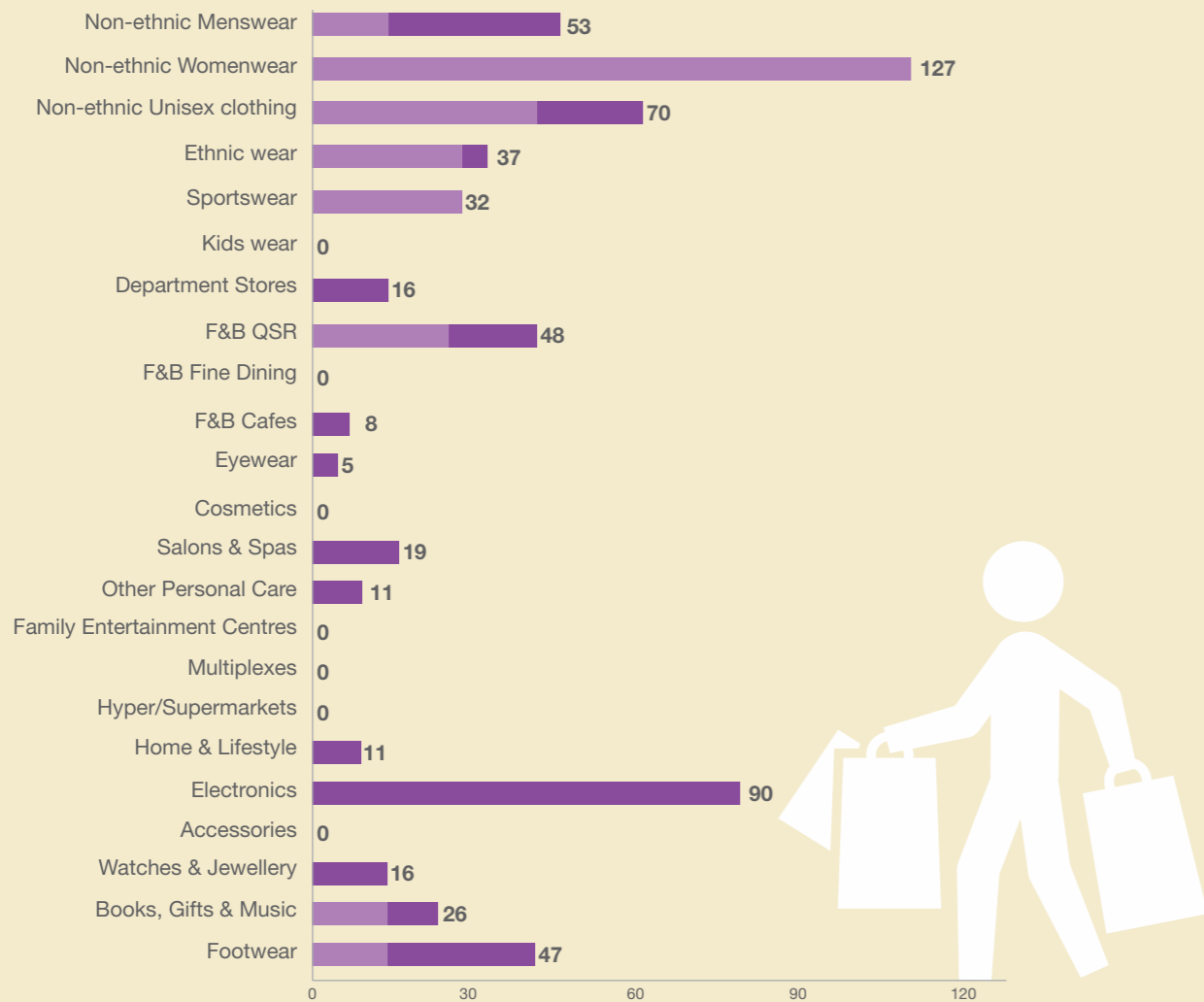


Chart 1

Per capita occupied modern retail space in Greater Noida

Space in sq ft



■ Total modern retail space per 1,000 population ■ Share of mall space

Note: Kids wear, F&B fine dining, cosmetics, family entertainment centres, multiplexes, hyper/supermarkets and accessories have a negligible presence in this zone

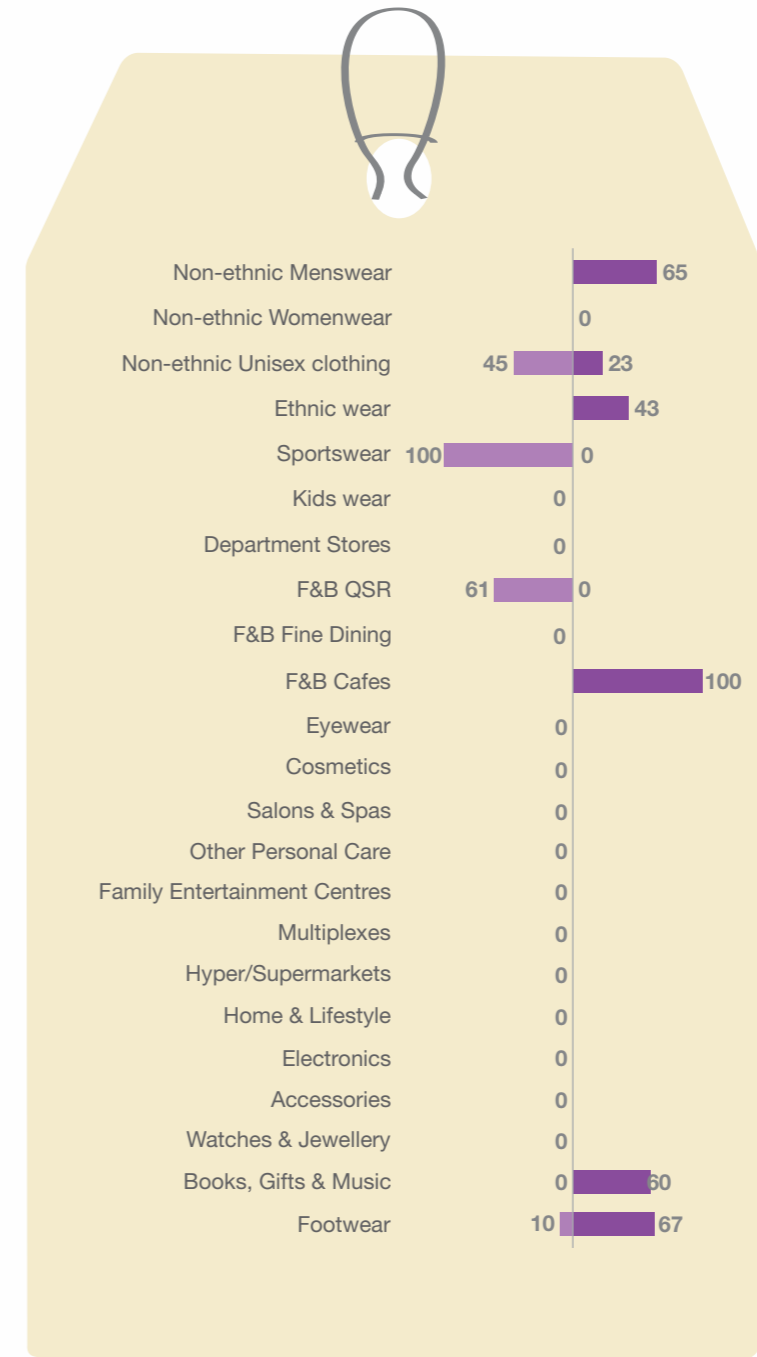
Source: Knight Frank Research

- The men's non-ethnic wear category is distributed across shopping streets and malls, while women's non-ethnic wear is concentrated only in malls in Greater Noida
- The available square feet for department stores is the lowest in Greater Noida, at only 16 sq ft per 1,000 population
- Categories like fine dining, kids wear, accessories, hypermarkets/supermarkets and entertainment have a negligible presence in Greater Noida

Chart 2

Share of foreign and national brand stores in the overall modern retail space

Share in Percentage



- Greater Noida is dominated by local brand stores across the product categories
- National brand stores with men's non-ethnic wear take up 65 per cent of the market space, while local brand stores occupy the remaining 35 per cent
- Women's non-ethnic wear stores are concentrated in malls and showcase only regional and local brands
- The modern retail footwear space is dominated by national brands in Greater Noida
- The sportswear category is dominated entirely by foreign brands in this zone

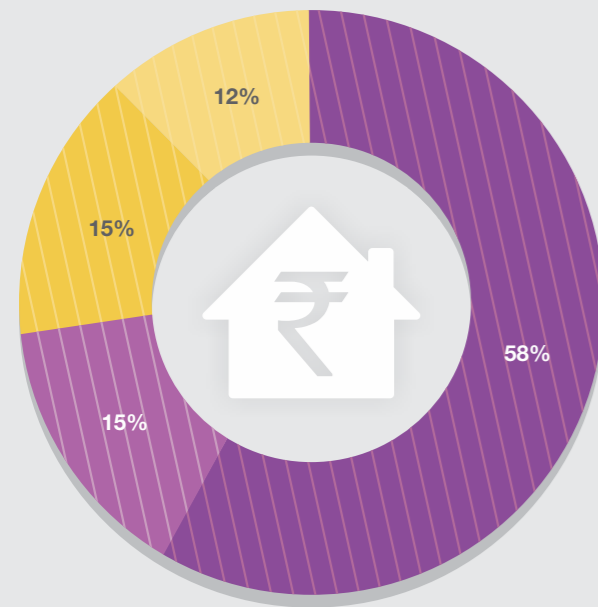
Note1: Balance percentage in all the product categories denotes the share of regional and local brand stores

Note2: Kids wear, F&B fine dining, cosmetics, family entertainment centres, multiplexes, hyper/supermarkets and accessories have a negligible presence in this zone

■ Share of foreign brands ■ Share of national brands

Source: Knight Frank Research

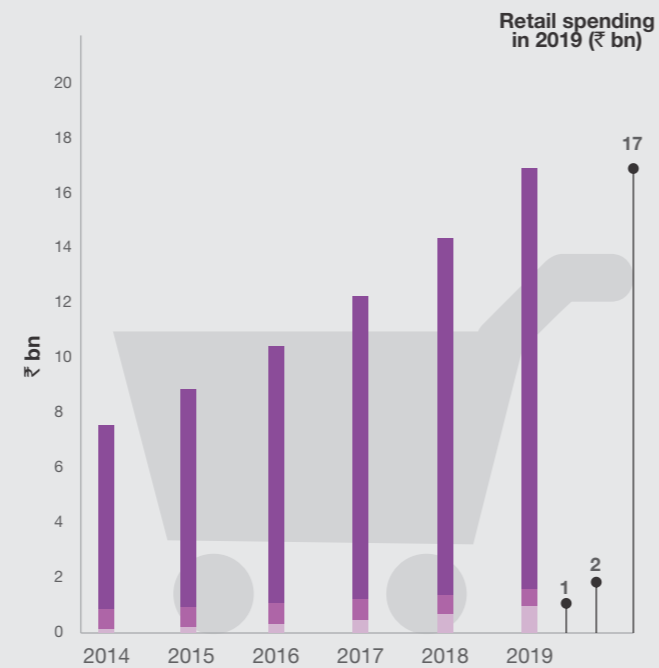
Chart 3
Household income split in Greater Noida



■ < ₹300,000 ■ ₹300,001 – ₹500,000
■ ₹500,001 – ₹1,000,000 ■ > ₹1,000,001

Source: Knight Frank Research, Indicus Analytics

Chart 4
Projected retail spending in Greater Noida



■ Total retail spend ■ Brick and mortar modern retail ■ E-tail

Source: Knight Frank Research

- Growing annually at a healthy 20 per cent, the total retail spending in Greater Noida is projected to increase from ₹7 bn in 2014 to ₹17 bn in 2019
- Currently, Greater Noida has negligible retail spending on E-tail. It is projected that by 2019, the online platform will take a 6 per cent share from the total retail spending of the zone, which is at the cost of brick and mortar formats, whose share is expected to come down from 12 per cent in 2014 to 9 per cent in 2019

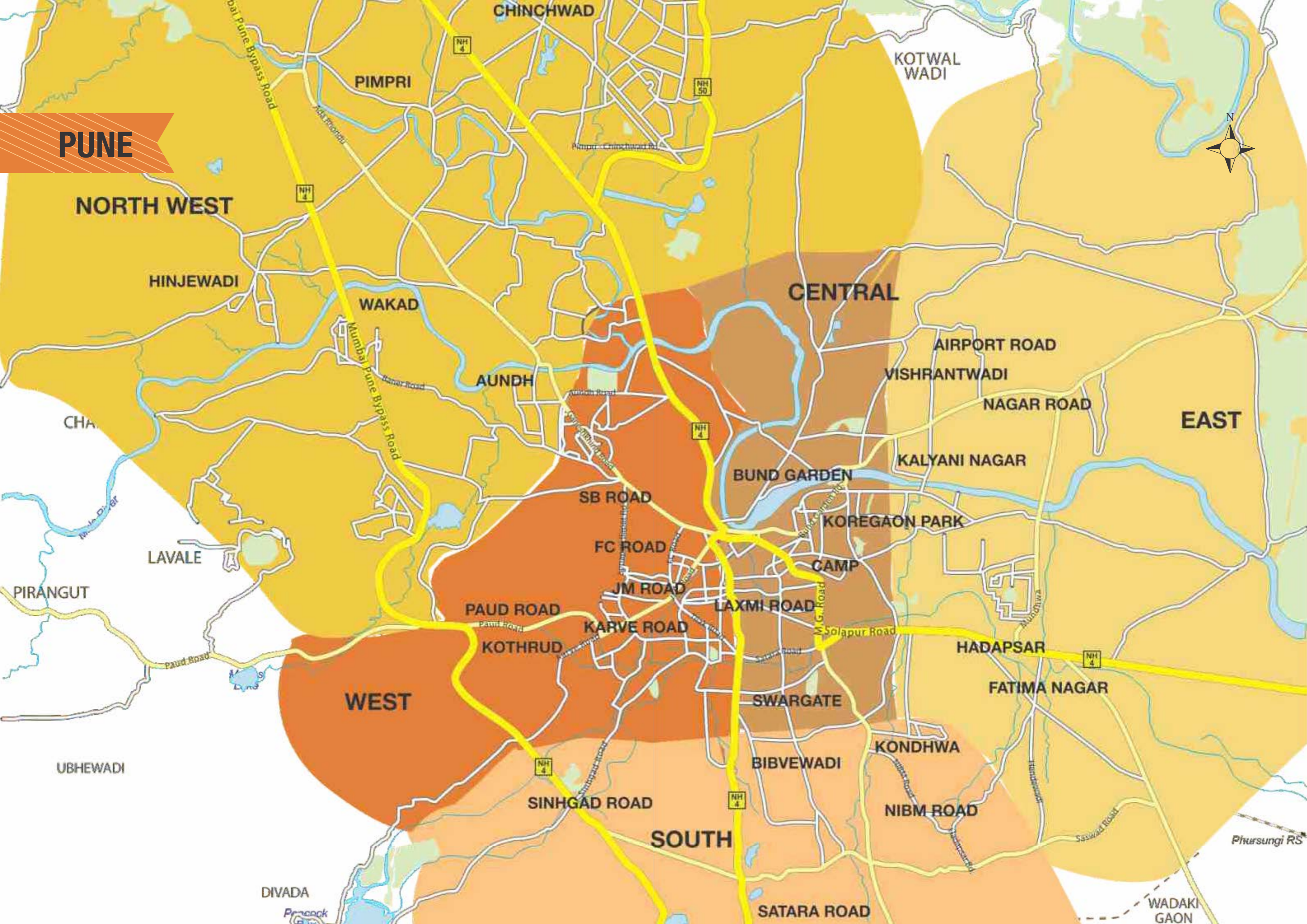
Source: Knight Frank Research, Indicus Analytics

Future trends in Greater Noida



Greater Noida is still in the development stage, with many under-construction and undelivered residential projects. While the zones' basic retail needs are met by the local sector retail, most of its residential catchment is dependent on the Noida market for variety and options across product categories. With only a few upcoming retail projects, the next five years will not bring any significant change in the modern retail landscape of this zone.

PUNE



PUNE CITY ANALYSIS

Retail Landscape

Pune city map

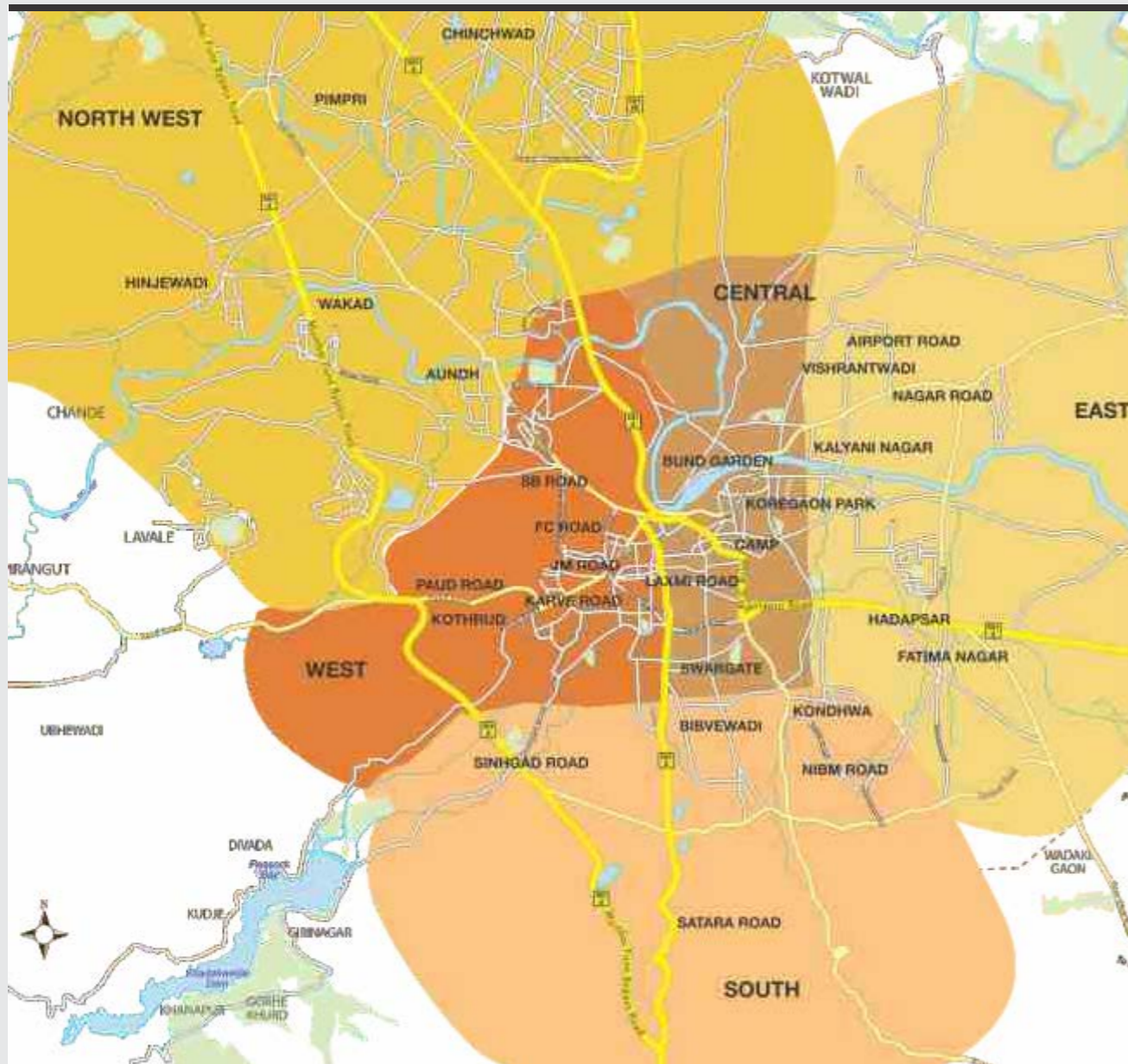
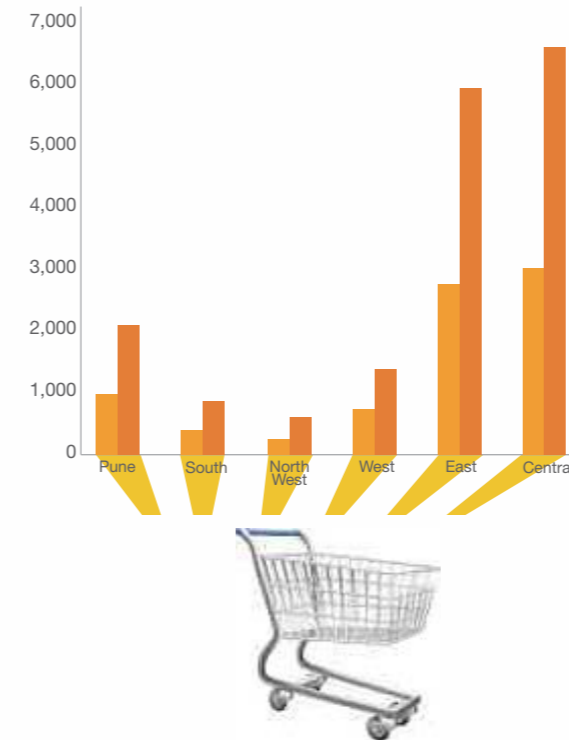


Chart 1

Per capita occupied modern retail space

Space in sq ft



■ Modern retail space per 1,000 population
 ■ Modern retail space per 1,000 population for households earning > ₹300,000

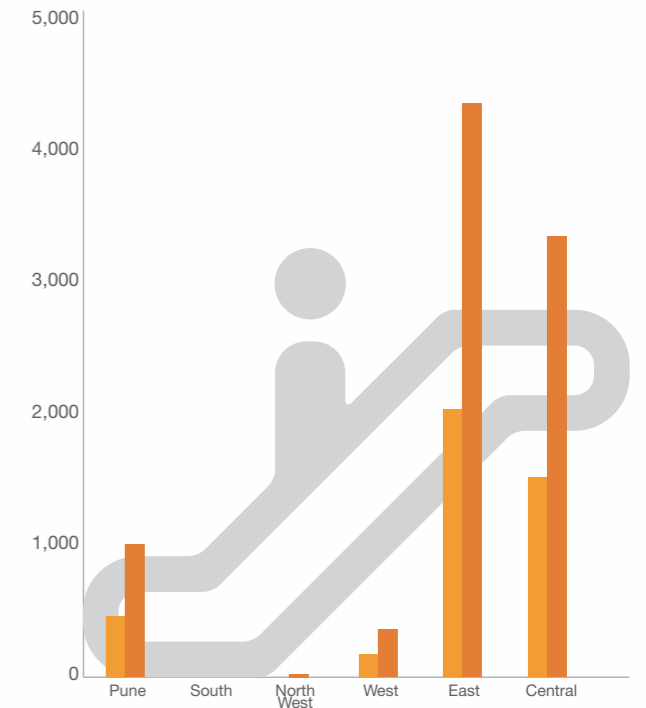
Source: Knight Frank Research, Indicus Analytics

- The modern retail landscape of Pune is highly skewed towards the central and eastern part of the city, with the population of the western region highly underserved
- Central and East Pune have the second and third highest modern retail space per 1,000 population respectively among the top seven cities in India. This is true even for modern retail space for households earning more than ₹300,000
- North West Pune is the most underpenetrated modern retail market in the city, with just 433 sq ft of space per 1,000 population. This, despite the fact that this zone accounts for more than 40 per cent of Pune's total population

Chart 2

Per capita occupied mall space

Space in sq ft



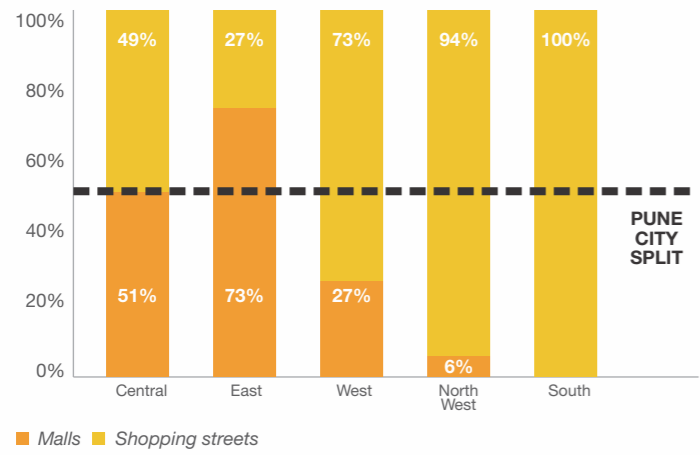
■ Mall space per 1,000 population
 ■ Mall space per 1,000 population for households earning > ₹300,000

Source: Knight Frank Research, Indicus Analytics

- Similar to modern retail space, mall space is also highly skewed towards the central and eastern zones of the city. Moreover, the western region accounts for a miniscule amount of mall space per 1,000 population
- North West Pune has two major malls while South Pune zone has none
- East Pune has the highest number of malls in the city-nine-thus, the mall space per 1,000 population is the highest in this zone compared to the other zones of the city. Even among the top seven cities of India, East Pune ranks second, after Gurgaon, which ranks first

Chart 3

Split of occupied modern retail space into malls and shopping streets



Source: Knight Frank Research

- The modern retail market of Pune city is divided evenly between malls and shopping streets. However, there is a huge variation at the zone level, with the South and North West zones highly skewed towards shopping streets
- The majority of the modern retail space in East Pune is represented by malls, with less than one-third of the space occupied by shopping streets, while it is the opposite with West Pune, which has some of the major shopping streets of the city like JM Road, FC Road and Karve Road
- Central Pune's modern retail space is distributed uniformly across malls and shopping streets

Chart 4

Product category split of occupied modern retail space in Central Pune



Source: Knight Frank Research

- Department stores and apparel are the two biggest product categories in Central Pune, accounting for more than 40 per cent of the total modern retail space in this zone. Shopping streets such as MG Road and Laxmi Road, which are occupied predominately by apparel retailers, contribute towards this in a significant way
- While product categories like footwear, sportswear and books, gifts & music account for a miniscule 2 per cent share each, the share of accessories is below 1 per cent in this zone
- The rest of the product categories are represented fairly in the zone, signifying a balanced mix of product categories in Central Pune

Chart 5

Product category split of occupied modern retail space in East Pune

- The presence of a large number of malls in East Pune has ensured that the zone has a healthy mix of product categories, as each mall strives to maintain this in order to attract maximum footfall
- At 17 per cent, the share of the entertainment category is the highest compared to the other zones of the city. The presence of many malls in this zone seems to have attracted a large number of multiplexes and family entertainment centres here
- The watches & jewellery category accounts for less than 2 per cent of the total share in this zone, which is relatively low compared to the other zones of the city. The absence of any major shopping street could have contributed to this scenario in East Pune

Source: Knight Frank Research

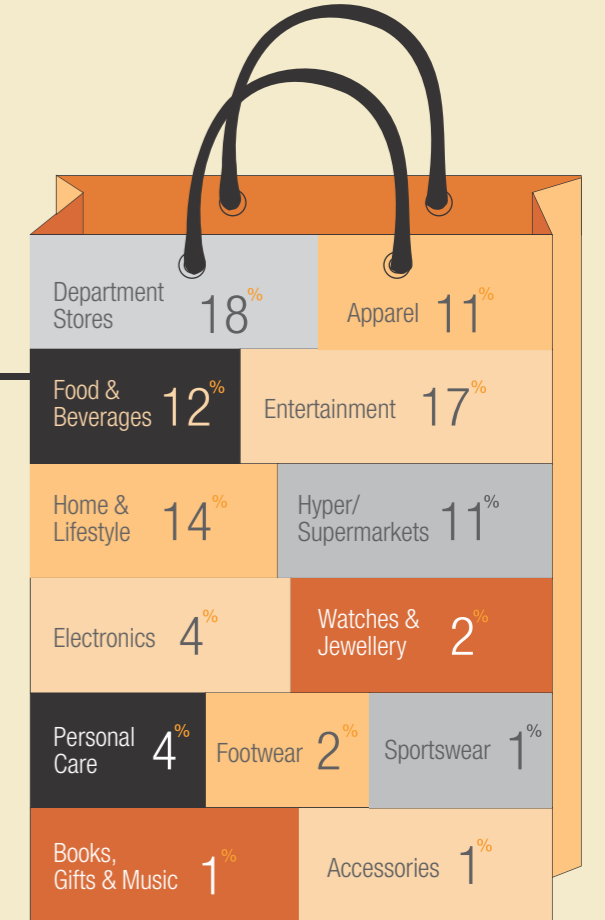


Chart 6

Product category split of occupied modern retail space in West Pune

- West Pune is heavily skewed towards apparel and food & beverages, as some of the largest shopping streets of the city, such as JM Road, FC Road and Karve Road, are located in this zone
- Apart from accessories, the product categories are distributed fairly within the zone
- The watches & jewellery category has a massive share of more than 12 per cent of the total modern retail space in West Pune. The large number of jewellery stores on Karve Road skews this number towards this product category

Source: Knight Frank Research



Chart 7

Product category split of occupied modern retail space in North West Pune



Source: Knight Frank Research

- The food & beverages category dominates among all the product categories in North West Pune, with a share of 21 per cent. This is followed by apparel and home & lifestyle product categories
- The absence of major malls in this zone could have resulted in the minimal share of product categories like department stores and entertainment. Since these categories require large, contiguous space to become viable, the lack of such space could have contributed towards their low presence in this zone

Chart 8

Product category split of occupied modern retail space in South Pune

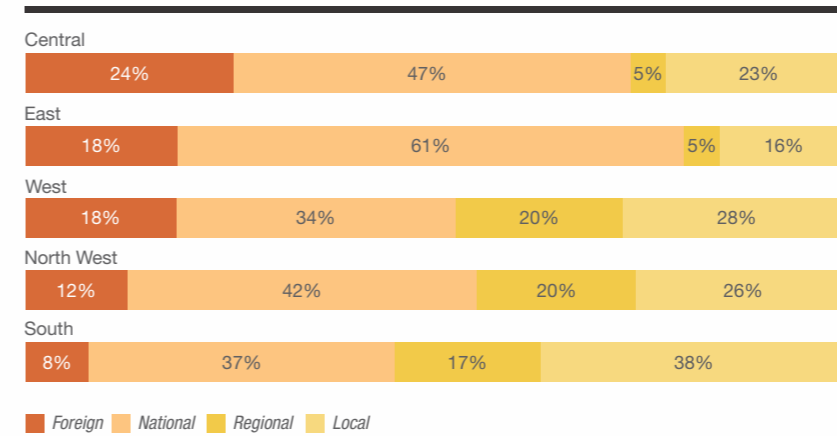


Source: Knight Frank Research

- The absence of major malls in South Pune has resulted in its modern retail space being distributed haphazardly across the product categories in this zone
- While the hyper/supermarkets category accounts for a lion's share of 24 per cent, it is barely 1 per cent for the department stores category. The presence of large-format stores like Big Bazaar and D-Mart has skewed this number towards the hyper/supermarkets category
- A large number of home furnishing stores on Satara Road and Sinhgad Road has resulted in a relatively higher share of 16 per cent for the home & lifestyle product category within this zone

Chart 9

Brand-wise split of occupied modern retail store space

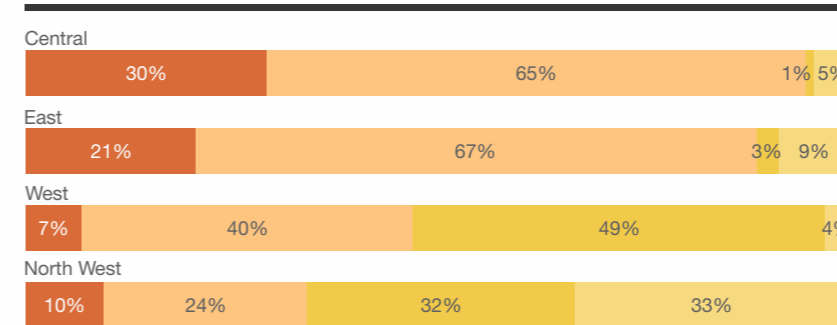


- While Central Pune has the maximum share of foreign brand stores compared to other zones of the city, South Pune has the highest share of local brand stores
- West Pune has a relatively better representation of foreign, national, regional and local brand stores compared to the other zones of the city. However, this is highly lopsided towards national brand stores for East Pune

Source: Knight Frank Research

Chart 10

Brand-wise split of modern retail store space in malls



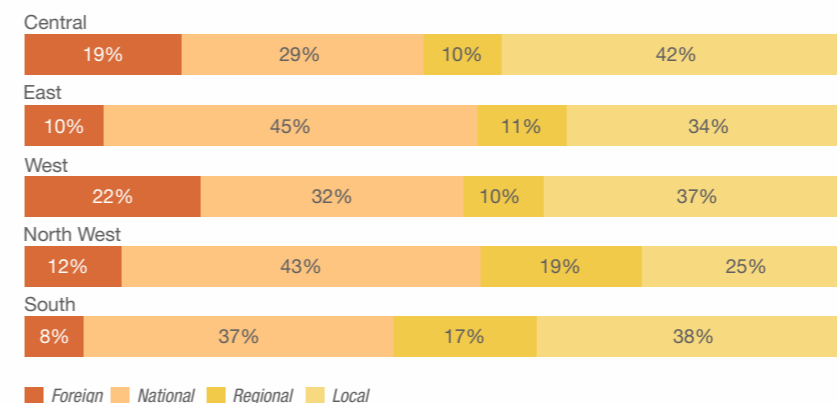
- While malls in Central and East Pune have a greater presence of national brand stores, they are dominated by regional brand stores in West Pune
- Malls in North West Pune have a relatively better representation of all the brand categories, such as foreign, national, regional and local

Note: South Pune is not represented in the chart above as there are no major malls within this zone

Source: Knight Frank Research

Chart 11

Brand-wise split of occupied modern retail store space in shopping streets



- The share of local brand stores in Pune's shopping streets across all the zones is relatively higher compared to their share in the malls of the respective zones. This indicates that local brand stores are still restricted largely to shopping streets in Pune
- The share of local brand stores is the highest in Central Pune. This is in contrast to the share of such stores in the malls of Central Pune

Source: Knight Frank Research

Chart 12

Top foreign, national and regional brands

| FOREIGN BRANDS | CATEGORIES | NATIONAL/REGIONAL BRANDS |
|---------------------------------------|---|--|
| Accessorize |  | Hidesign Esbeda Fastrack Ayesha |
| Vero Moda United Colors of Benetton |  | Jai Hind Vama Ethnicity |
| Hallmark |  | Crossword Hobby Ideas Landmark Archies |
| Lifestyle Max |  | Central Shoppers Stop Pantaloons |
| LG |  | Croma Reliance Digital Vijay Sales E Zone |
| Cinepolis |  | City pride multiplex INOX PVR Cinemas Cinemax |
| McDonald's KFC Dominos |  | Café Coffee Day Mainland China |
| Bata |  | Reliance Footprint Shoe World Shoe Express Inc 5 |
| Home Centre |  | Home Town @ Home Tangent Rawat |
| Auchan |  | Big Bazaar Star Bazaar HyperCITY Reliance Mart |
| Gold's Gym |  | Solaris Vision Express Jawed Habib Titan Eye + |
| Woodland Nike Puma Adidas |  | Planet Sports |
| |  | Time Out Kalyan Jewellers Tanishq Ranka Jewellers P N Gadgil |

Source: Knight Frank Research

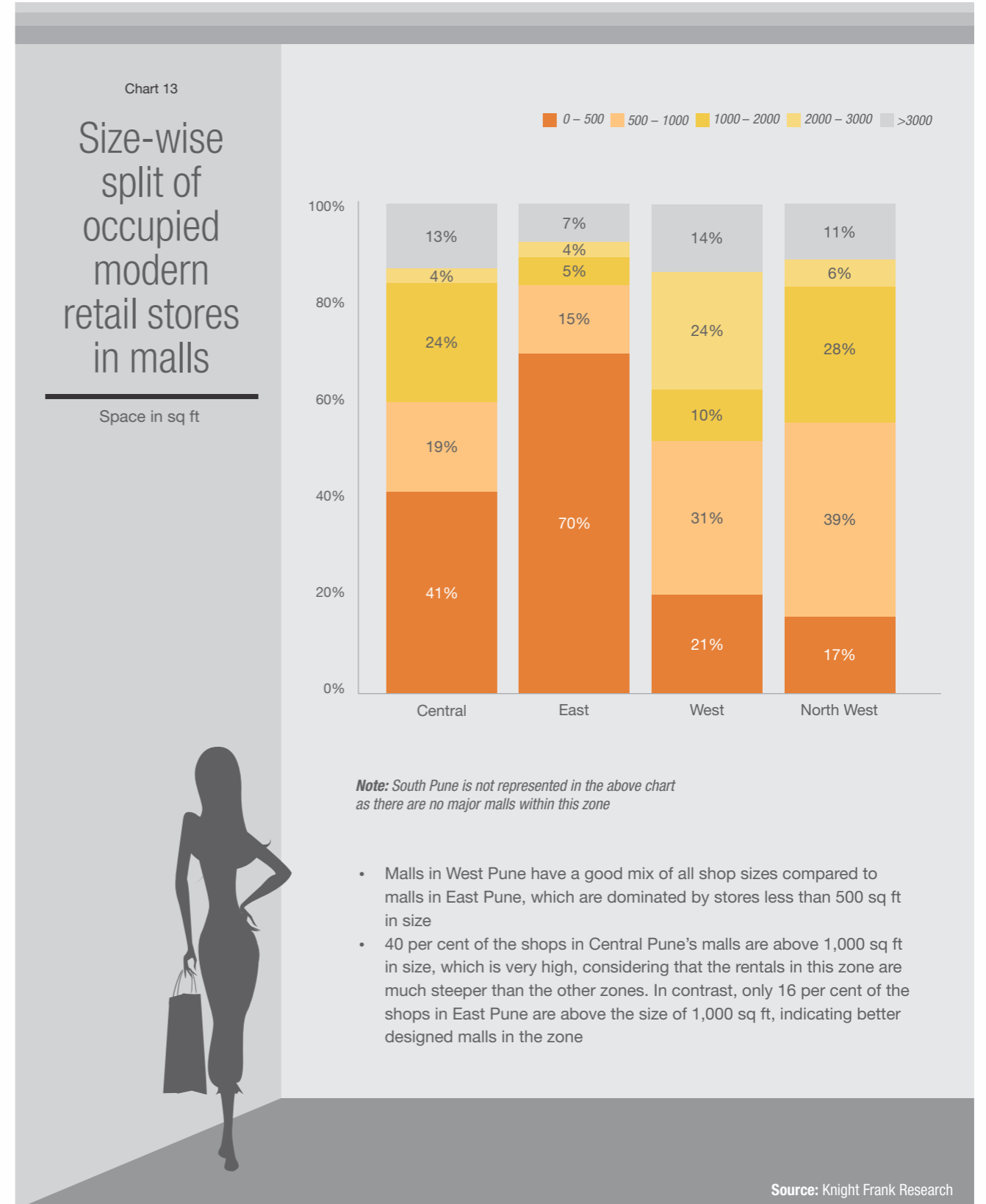
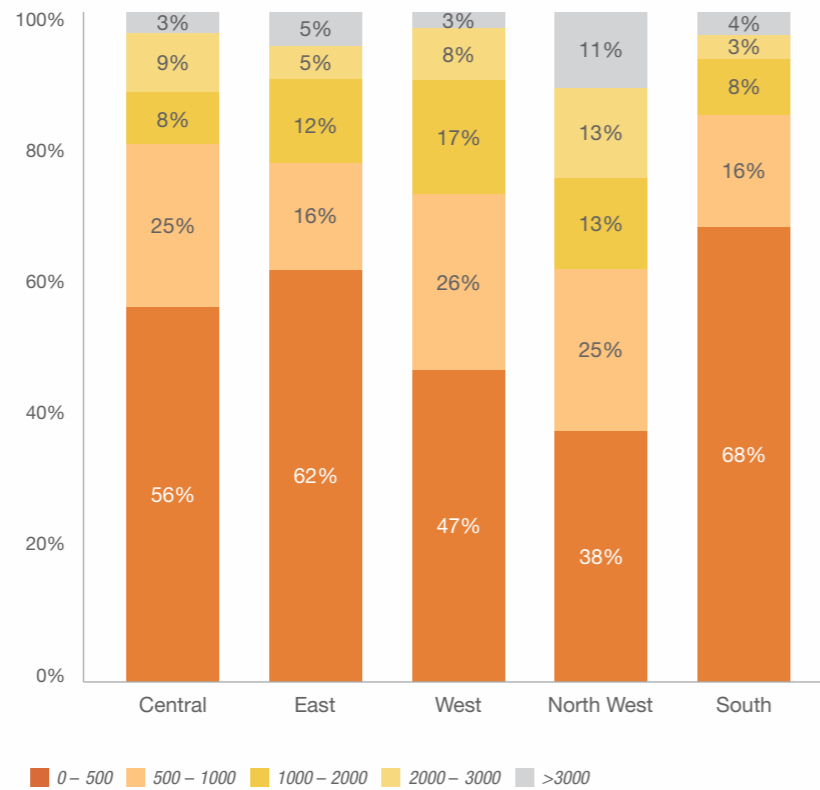


Chart 14
Size-wise split of occupied modern retail stores in shopping streets

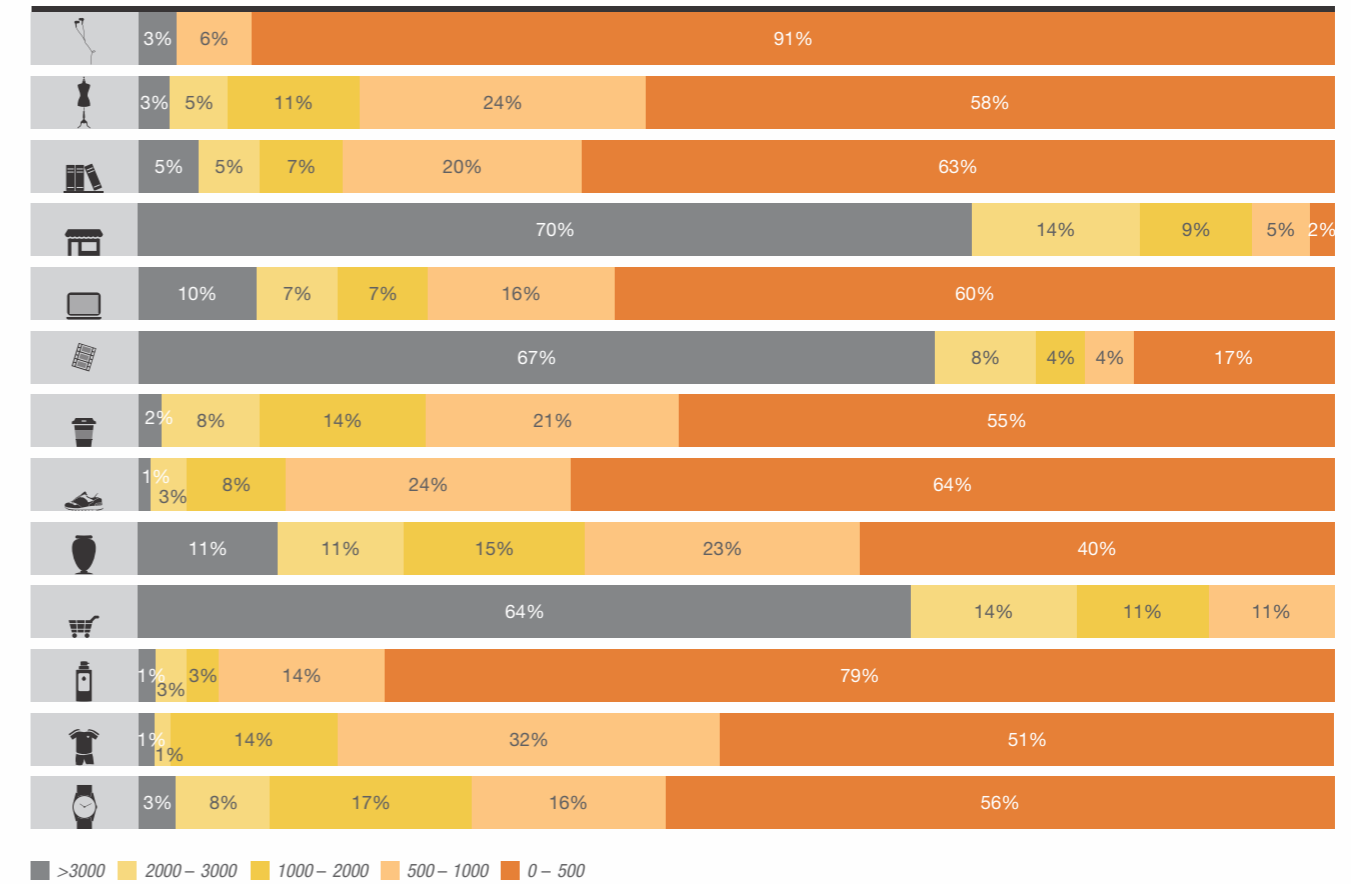


- A substantial 38 per cent of the stores in North West Pune's shopping streets are above 1,000 sq ft and 11 per cent of them are above 3,000 sq ft in size. Relatively lower rentals and the ample availability of space on this zone's shopping streets seem to have induced retailers to occupy larger spaces here
- In contrast to North West Pune, the majority of the retailers in the shopping streets of Central, East and South Pune have preferred to occupy shops below 500 sq ft in size

Source: Knight Frank Research

Chart 15

Size-wise split of modern retail stores across product categories

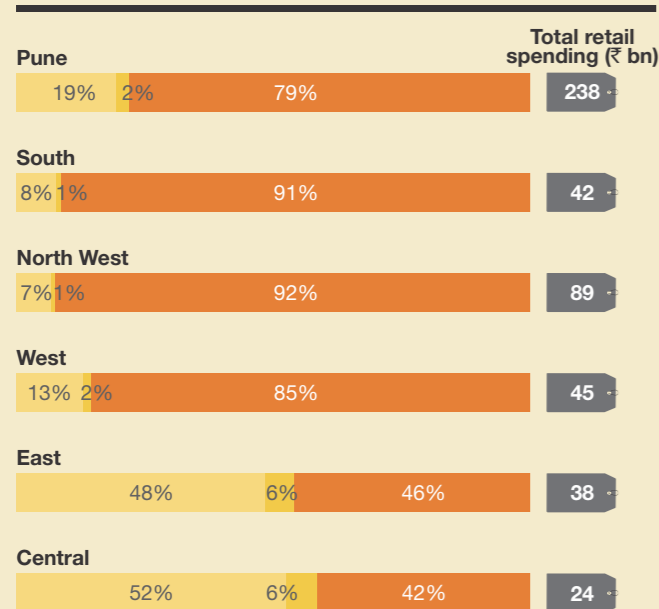


Source: Knight Frank Research

- A massive 97 per cent of the total number of shops in the accessories category is below 1,000 sq ft in size. In the personal care category, this figure stands at 93 per cent
- Only 3 per cent of the total number of stores in the apparel and watches & jewellery categories are above 3,000 sq ft in size compared to 5 per cent in the books, gifts & music category
- While 70 per cent of the department stores are above 3,000 sq ft in size, only 64 per cent of the hyper/supermarkets are larger than that

Chart 16

Total retail spending and penetration of modern retail in 2014



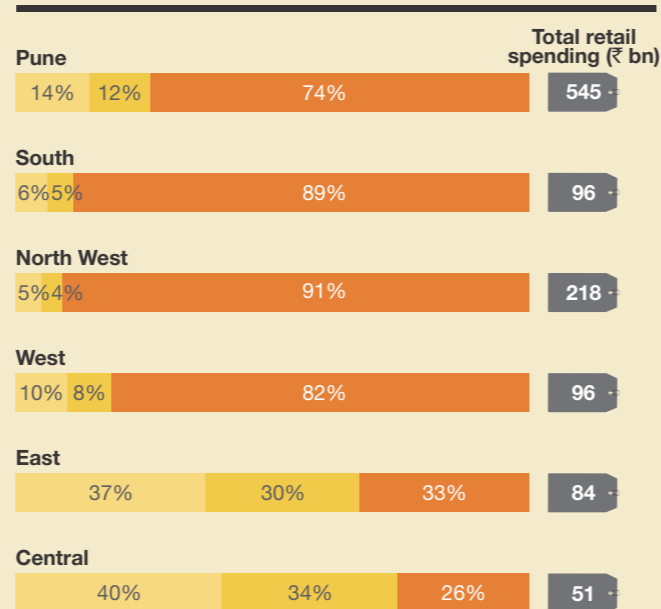
Legend: Brick and mortar modern retail (yellow), E-tail (orange), Non-modern retail (dark orange).
 Note: Brick and mortar modern retail + E-tail = Modern retail

Source: Knight Frank Research

- Currently, the total retail spending in Pune amounts to ₹238 bn, with North West Pune accounting for the lion's share at 38 per cent. This is in line with the population of this zone, which stands at 42 per cent
- The share of modern retail in Pune stood at 21 per cent in 2014, of which brick and mortar is at 19 per cent and E-tail, at 2 per cent
- Central Pune has the highest share of modern retail, followed by East Pune. The presence of a large number of malls seems to have tilted the balance towards modern retail in these two zones
- While West Pune accounts for only 17 per cent of the city's population, its share in total retail spending is higher, at 19 per cent
- More than 90 per cent of the retail market in South and North West Pune is serviced by non-modern retail, compared to less than 50 per cent in East and Central Pune

Chart 17

Projected total retail spending and penetration of modern retail in 2019



Legend: Brick and mortar modern retail (yellow), E-tail (orange), Non-modern retail (dark orange).
 Note: Brick and mortar modern retail + E-tail = Modern retail

Source: Knight Frank Research

- The total retail spending in Pune is projected to increase from ₹238 bn in 2014 to ₹545 bn in 2019. The share of modern retail is estimated to increase from 22 per cent to 26 per cent during that period
- While the share of E-tail is expected to jump six times, from 2 per cent in 2014 to 12 per cent in 2019, the share of brick and mortar modern retail is expected to fall from 19 per cent to 14 per cent during the same period
- Central Pune is expected to witness the maximum gain in terms of modern retail share during the next five years. On the other hand, North West Pune will continue to be dominated by non-modern retail over the next five years

PUNE ZONE ANALYSIS

Central Pune Zone Analysis

Central Pune map

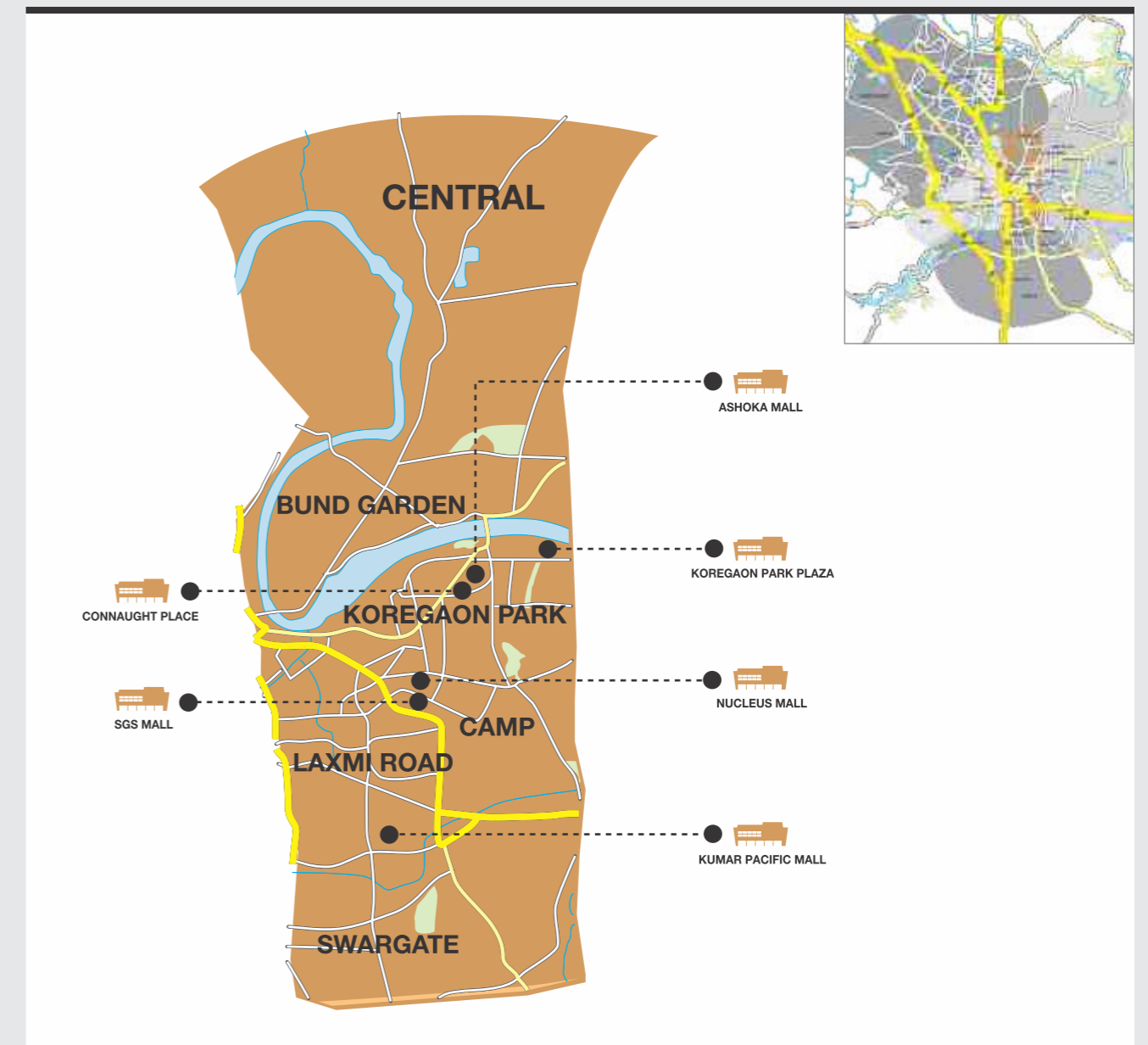
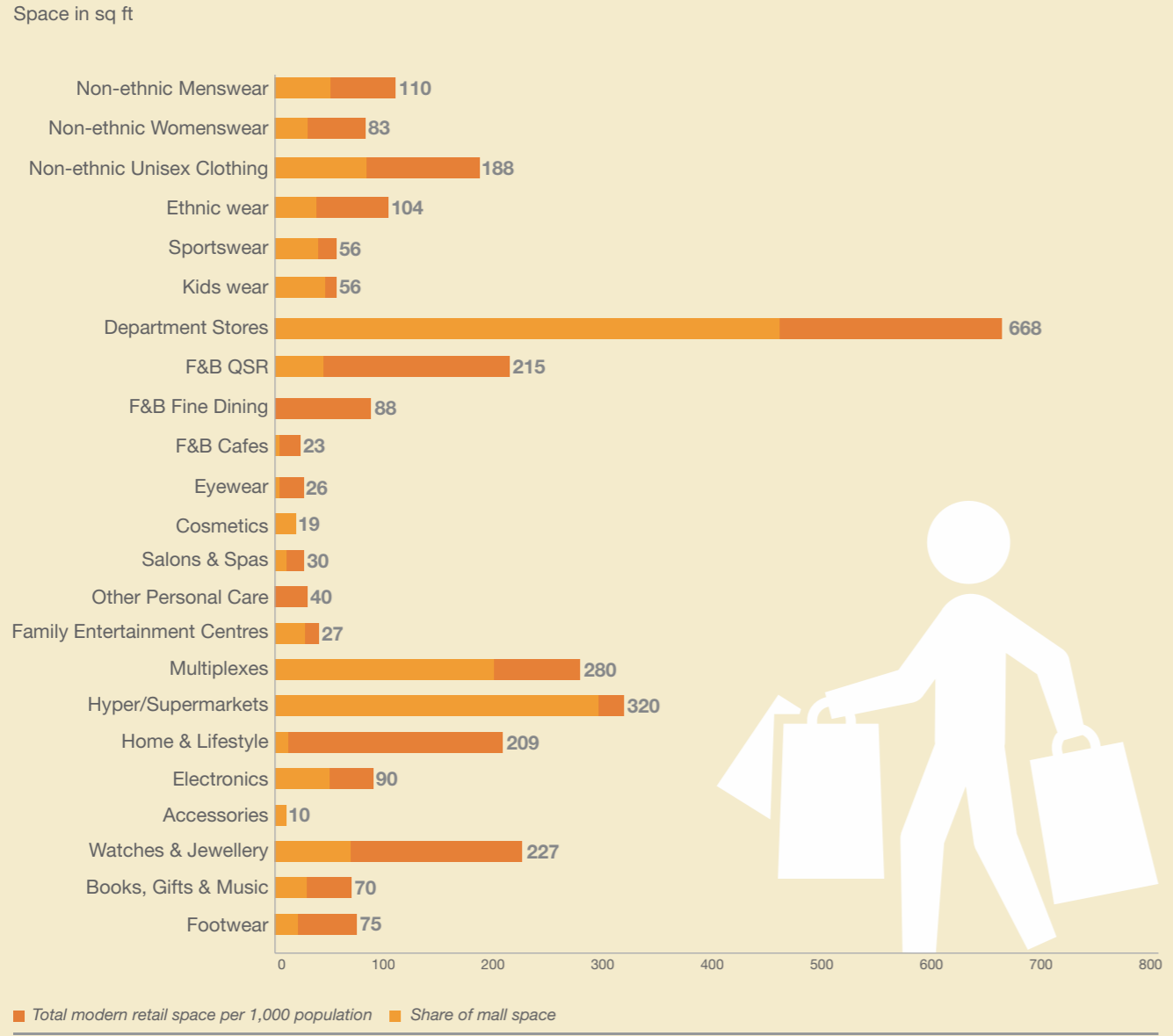


Chart 1

Per capita occupied modern retail space in Central Pune

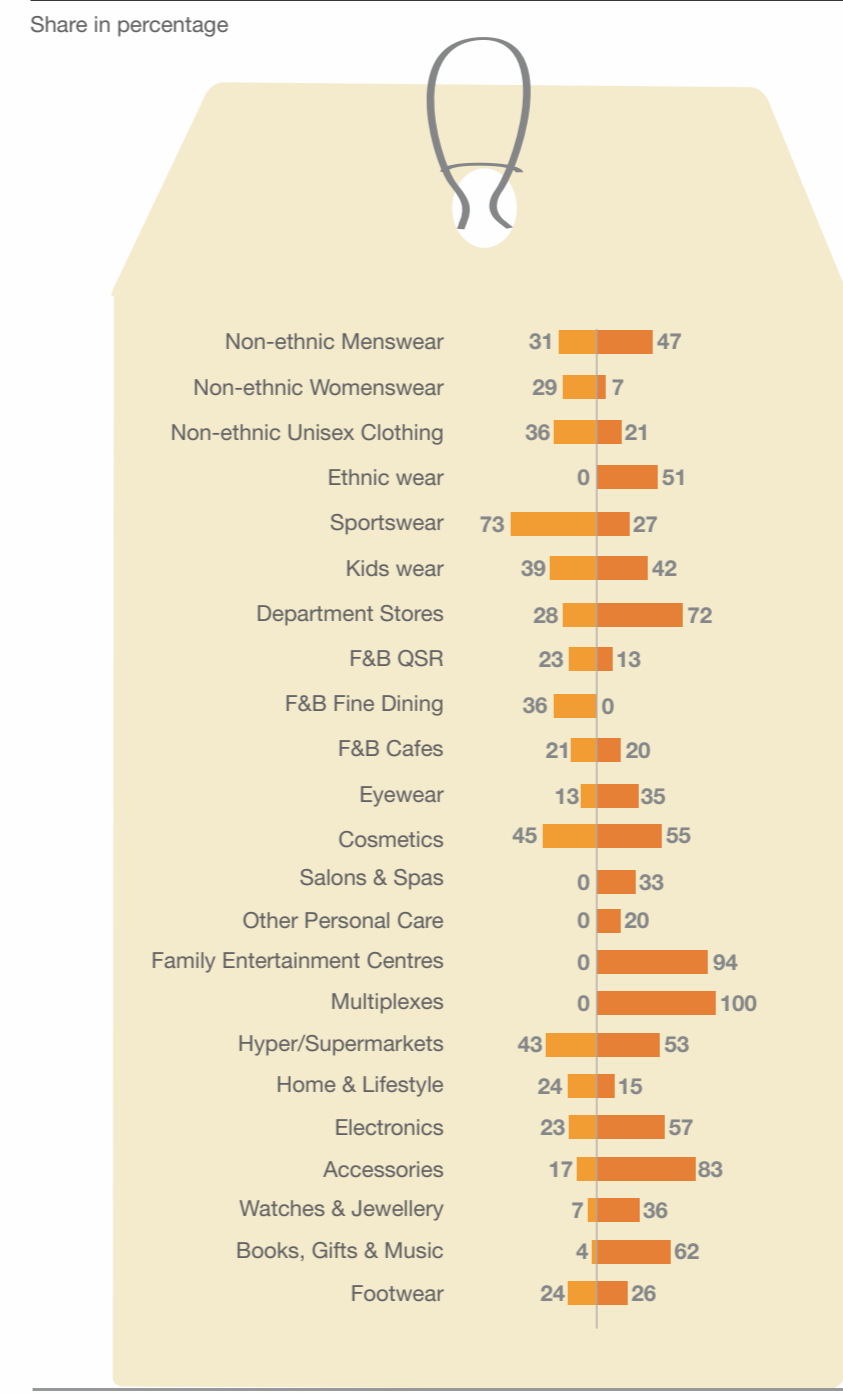


Source: Knight Frank Research, Indicus Analytics

- Central Pune has a good mix of mall and shopping streets across most of the product categories, with hyper/supermarkets, accessories and kids wear highly skewed towards malls
- All the F&B fine dining outlets are located on shopping streets like Koregaon Park Road, Bund Garden Road and East Street. These roads have historically been prime retail destinations in Pune, and they continue to attract shoppers, thereby providing higher footfall and enhanced visibility to the outlets located in this zone
- The penetration of product categories like accessories, cosmetics and F&B cafes is extremely low in this zone despite it being located in the centre of the city

Chart 2

Share of foreign and national brand stores in the overall modern retail space



- While product categories like accessories, cosmetics and sportswear are dominated primarily by foreign and national retailers, it is the opposite for the non-ethnic womenswear and F&B fine dining categories in Central Pune. These two categories are highly skewed towards regional and local retailers
- Kids wear and cosmetics stores in Central Pune are represented uniformly by both foreign and national retailers
- While the multiplexes and accessories categories are highly skewed towards national retailers, sportswear and electronics are skewed towards foreign retailers

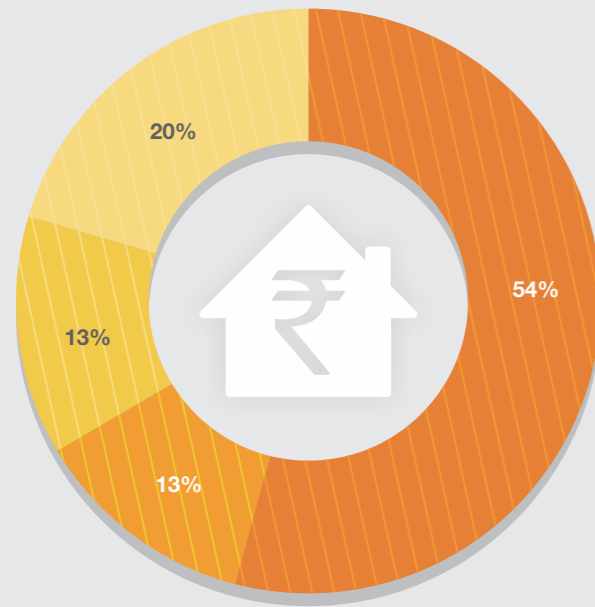
Note: Balance per centage in all the product categories denotes the share of regional and local brand stores

■ Share of foreign brands ■ Share of national brands

Source: Knight Frank Research

Chart 3

Household income split in Central Pune

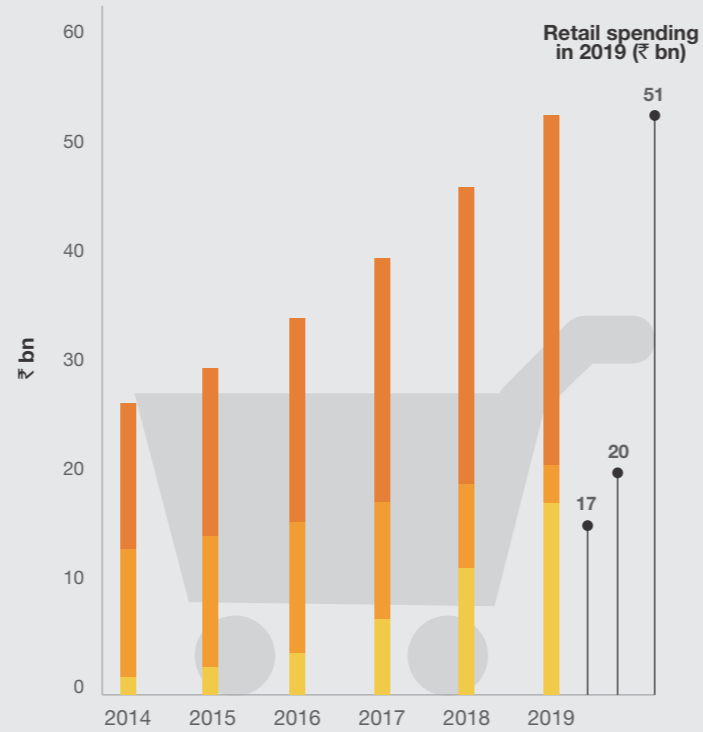


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Source: Knight Frank Research, Indicus Analytics

Chart 4

Projected retail spending in Central Pune



■ Total retail spend
 ■ Brick and mortar modern retail
 ■ E-tail

Source: Knight Frank Research

- The total retail spending in Central Pune is projected to increase from ₹24 bn in 2014 to ₹51 bn in 2019 resulting in an annual growth rate of 16 per cent
- While the share of E-tail in total retail is estimated to increase from 6 per cent in 2014 to 34 per cent in 2019, the share of brick and mortar modern retail is estimated to fall from 52 per cent to 40 per cent during the same period
- However, the share of modern retail, which includes both E-tail and brick and mortar, is expected to rise from 59 per cent in 2014 to 74 per cent in 2019. In other words, around three-fourths of the total retail spending in Central Pune will be towards modern retail by 2019

Future trends in Central Pune



The E-tail segment is expected to infringe significantly on the brick and mortar modern retail segment over the next five years. This will result in a lower requirement for incremental space in this zone.



Any new mall space supply could result in an oversupply situation, as the need for space is likely to reduce in the near future. The impact of this would be felt on the rental values of the brick and mortar space, which are expected to come under immense pressure.



The penetration of product categories like accessories, cosmetics and F&B cafes is still low in this zone, and we foresee tremendous potential for them over the next five years.

PUNE ZONE ANALYSIS

East Pune Zone Analysis

East Pune map

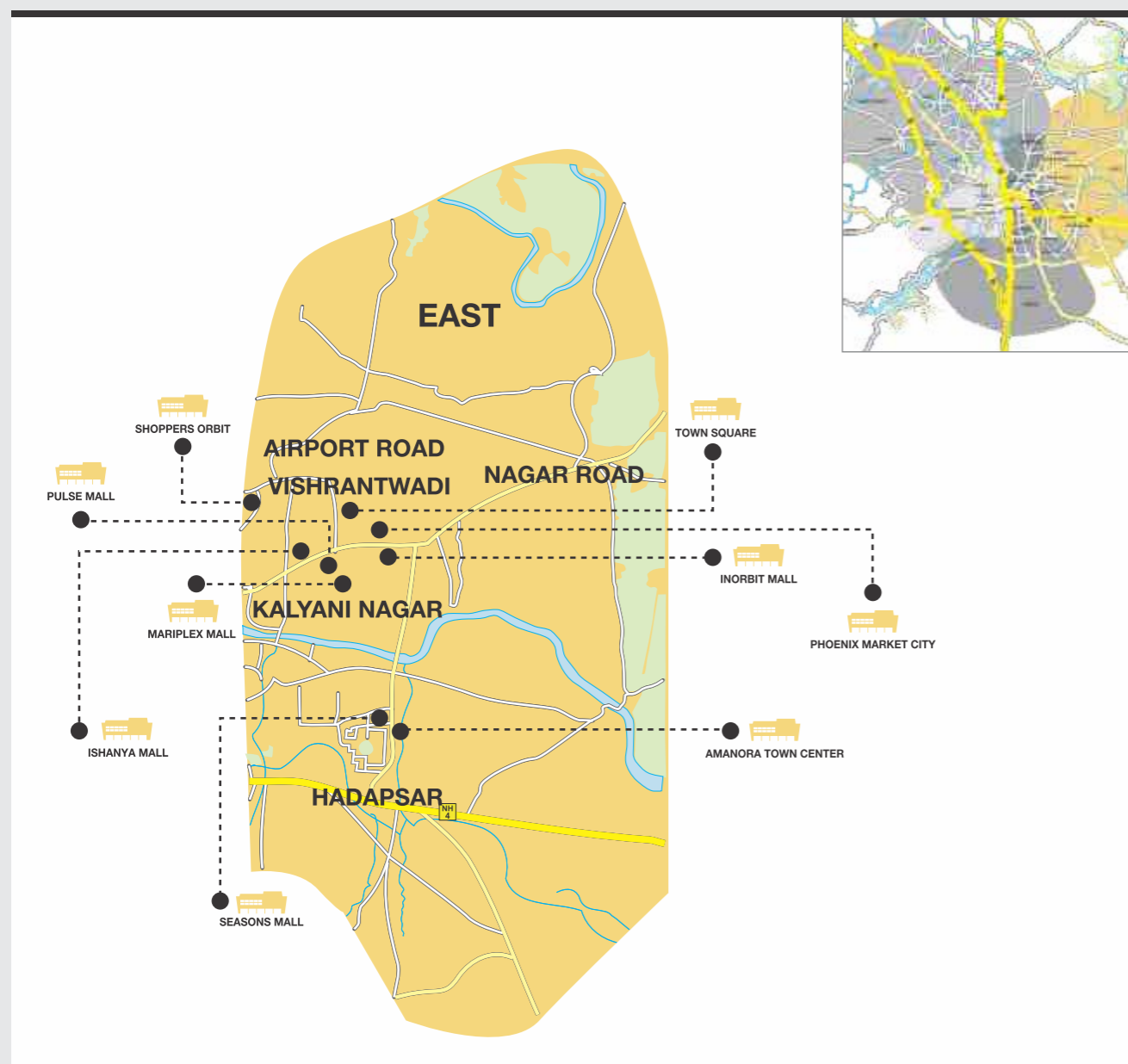
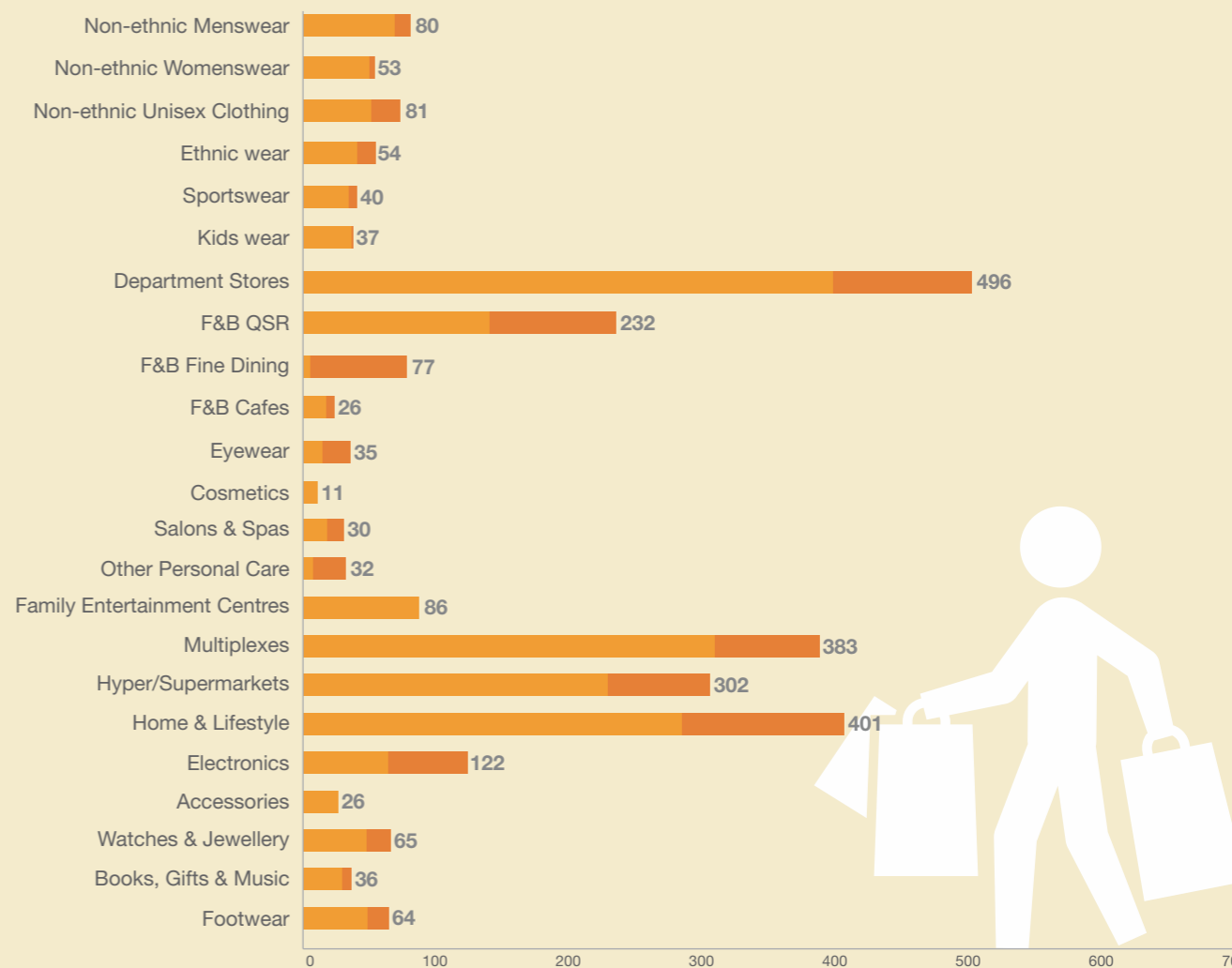


Chart 1

Per capita occupied modern retail space in East Pune

Space in sq ft



■ Total modern retail space per 1,000 population ■ Share of mall space

Source: Knight Frank Research, Indicus Analytics

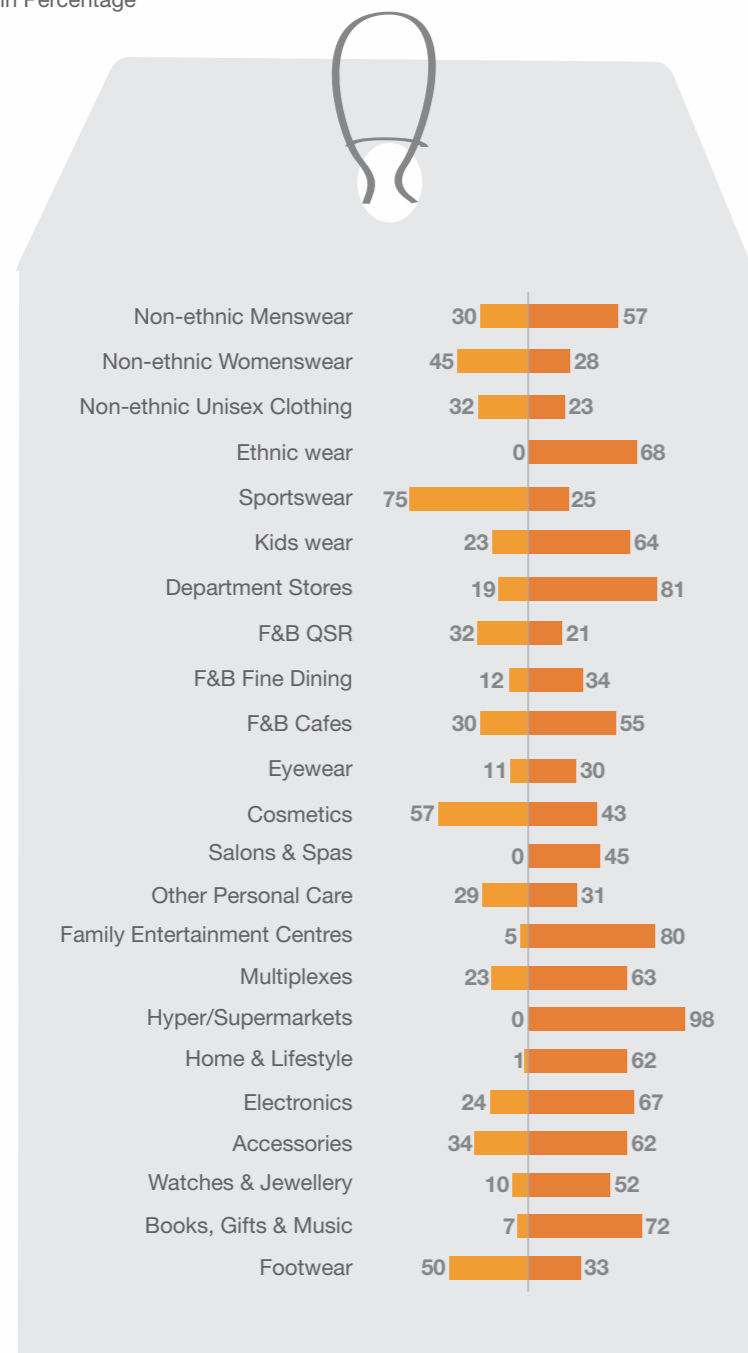
- The per capita penetration of product categories that require large-format stores, such as department stores, multiplexes, hyper/supermarkets and home & lifestyle, is very high in East Pune. This zone has nine malls, and the strong preference for a mall location among these product categories is reflected here with a high per capita penetration
- While categories like accessories, family entertainment centres and cosmetics are present only in malls, eyewear and other personal care categories are highly skewed towards shopping streets
- The cosmetics category has a very low presence in this zone, as only 11 sq ft per 1,000 population is available for this product category

Chart 2

Share of foreign and national brand stores in the overall modern retail space



Share in Percentage



- The combined share of national and foreign retailers is very high across most of the product categories, indicating the preference for branded stores among shoppers in East Pune
- The home & lifestyle category is dominated primarily by regional and local retailers, as the share of national and foreign retailers is less than 35 per cent
- The presence of Big Bazaar, Reliance Mart and Star Bazaar has skewed the hyper/supermarkets category towards national retailers, with a minuscule presence of regional and local retailers

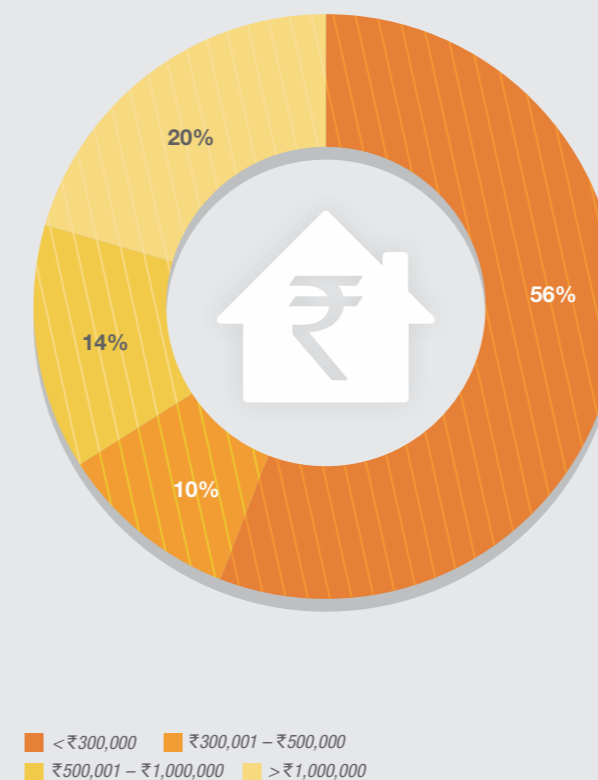
Note: Balance per centage in all the product categories denotes the share of regional and local brand stores

■ Share of foreign brands
■ Share of national brands

Source: Knight Frank Research

Chart 3

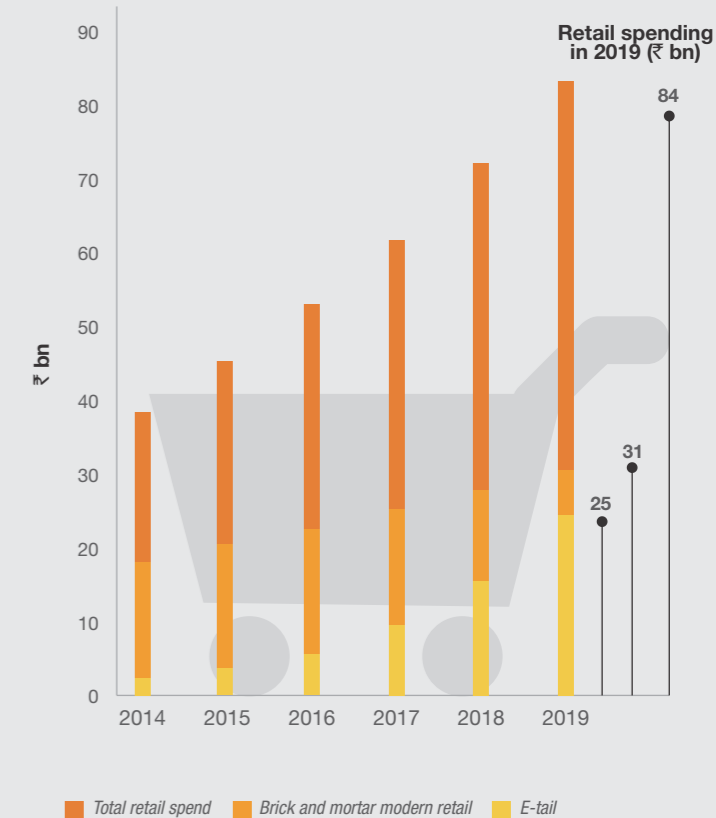
Household income split in East Pune



Source: Knight Frank Research, Indicus Analytics

Chart 4

Projected retail spending in East Pune



Source: Knight Frank Research

- The total retail spending in East Pune is expected to grow at a marginally higher rate of 17 per cent per annum as compared to Central Pune's 16 per cent per annum growth. East Pune's total retail spending will rise from ₹38 bn in 2014 to ₹84 bn in 2019
- While the share of E-tail is estimated to jump by five times, from 6 per cent in 2014 to 30 per cent in 2019, the share of brick and mortar modern retail is expected to fall from 48 per cent to 37 per cent during the same period
- However, the share of modern retail is expected to rise from 54 per cent in 2014 to 67 per cent in 2019 on the back of higher growth in the E-tail segment. This will result in the E-tail segment eating into brick and mortar's share over the next five years

Future trends in East Pune



East Pune will, to a great extent, mirror the trend observed in Central Pune, as the characteristics of the retail market in both zones are similar.



Brick and mortar modern retail space is already in ample supply, and any new supply could hamper the vacancy levels of the mall space here. The primary reason for such a trend is the growing emergence of E-tail in this zone and its adverse impact on brick and mortar modern retail.



Rental values in the brick and mortar space could come under immense pressure in the coming years due to the dynamics mentioned above.



The potential for additional space in product categories like watches & jewellery and cosmetics is high, since these categories are still under-supplied in this zone.

PUNE ZONE ANALYSIS

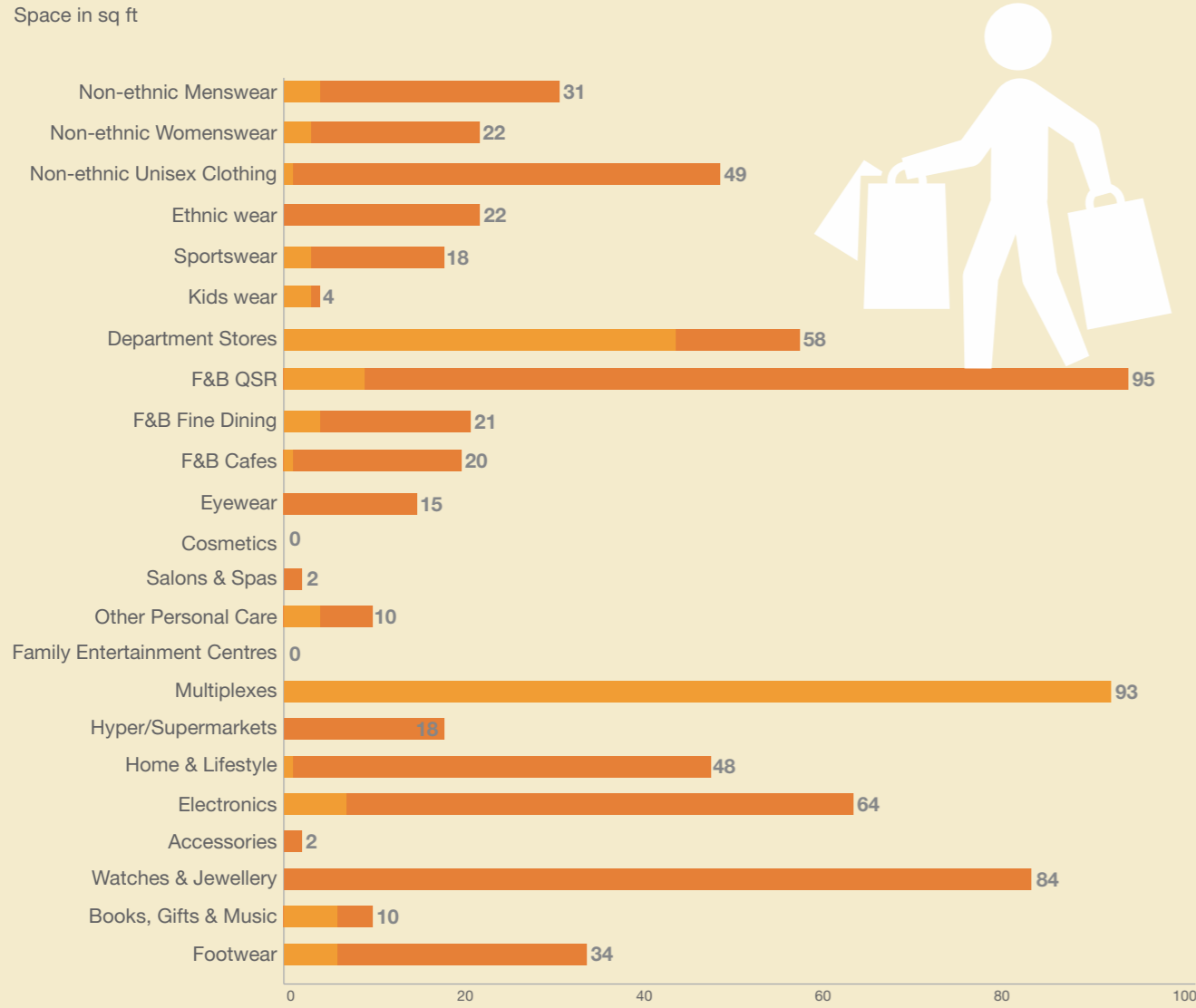
West Pune Zone Analysis

West Pune map



Chart 1

Per capita occupied modern retail space in West Pune



■ Total modern retail space per 1,000 population ■ Share of mall space

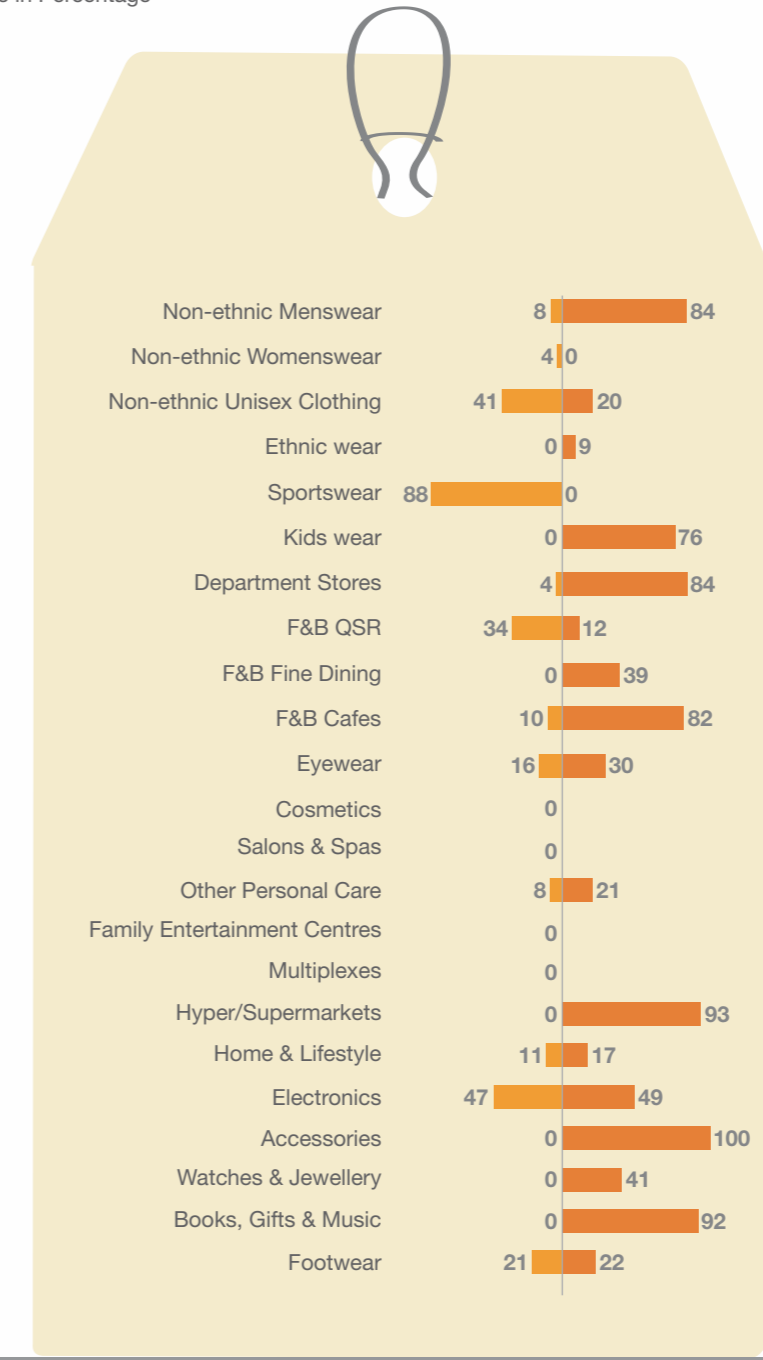
Note: Family entertainment centres and cosmetics have a negligible presence in this zone **Source:** Knight Frank Research, Indicus Analytics

- Product categories like family entertainment centres and cosmetics have a negligible presence in West Pune, as mall presence in this zone is marginal
- The per capita penetration of accessories, salons & spas and kids wear is also significantly low in this zone
- The presence of a large number of jewellery stores on Karve Road and Paud Road has resulted in a relatively higher per capita penetration of the watches & jewellery category here
- Multiplexes and F&B QSR are the other categories with a relatively higher per capita presence in West Pune

Chart 2

Share of foreign and national brand stores in the overall modern retail space

Share in Percentage



- The non-ethnic menswear, accessories and books, gifts & music categories are dominated primarily by national retailers in West Pune
- Foreign and national retailers have a negligible presence in the salons & spas and multiplexes categories, as only regional or local retailers are present here in this case
- Sportswear has the highest number of foreign retailers, followed by electronics and non-ethnic unisex clothing

Note 1: Balance per centage in all the product categories denotes the share of regional and local brand stores

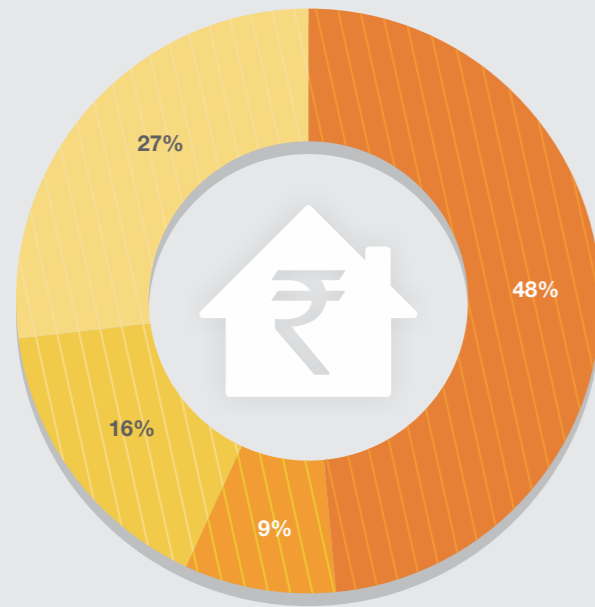
Note 2: Family entertainment centres and cosmetics have a negligible presence in this zone

■ Share of foreign brands ■ Share of national brands

Source: Knight Frank Research

Chart 3

Household income split in West Pune

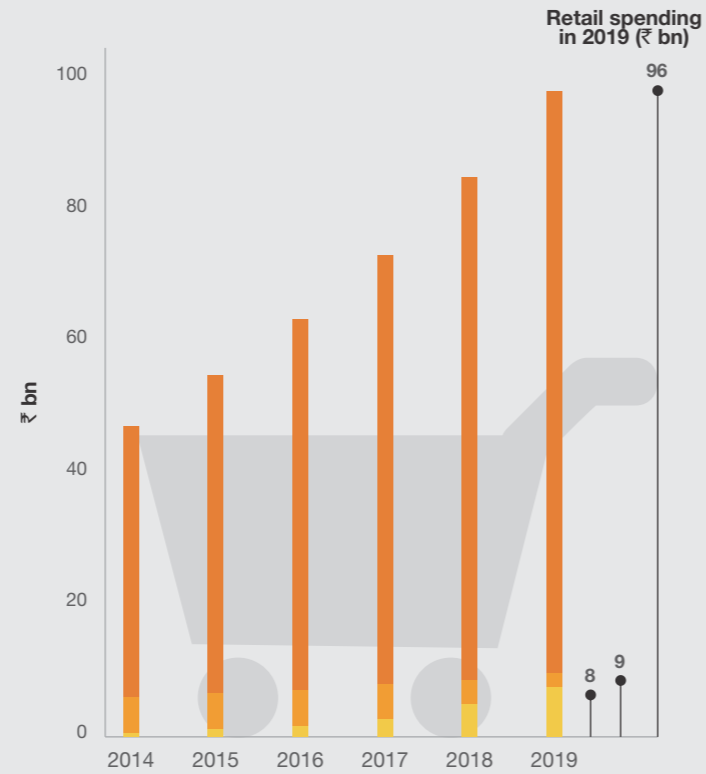


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■ ₹500,001 – ₹1,000,000
 ■ > ₹1,000,000

Source: Knight Frank Research, Indicus Analytics

Chart 4

Projected retail spending in West Pune



■ Total retail spend
 ■ Brick and mortar modern retail
 ● E-tail

Source: Knight Frank Research

- The total retail spending in West Pune is projected to increase from ₹45 bn in 2014 to ₹96 bn in 2019, resulting in an annual growth rate of 16 per cent
- Unlike Central and East Pune, the share of modern retail in West Pune will increase to just 18 per cent by the end of 2019. Non-modern retail will continue to dominate the retail market in this zone over the next five years
- Although share of the E-tail segment will witness a phenomenal rise, from 2 per cent in 2014 to more than 8 per cent by 2019, it will be largely at the cost of brick and mortar modern retail, which is estimated to fall from 13 per cent in 2014 to less than 10 per cent by 2019

Future trends in West Pune



West Pune will continue to be dominated by non-modern retail in the coming years. Hence the scope for brick and mortar modern retail is still very high in this zone, and any new supply of mall space will be absorbed easily.



Currently, product categories like non-ethnic womenswear and salons & spas are dominated by regional and local brand stores in this zone. Thus, the potential for foreign and national retailers is very high in these product categories in West Pune.



The negligible presence of product categories such as accessories, family entertainment centres and cosmetics in this zone offers an opportunity for retailers to exploit these categories in the coming years.

PUNE ZONE ANALYSIS

North West Pune Zone Analysis

North West Pune map

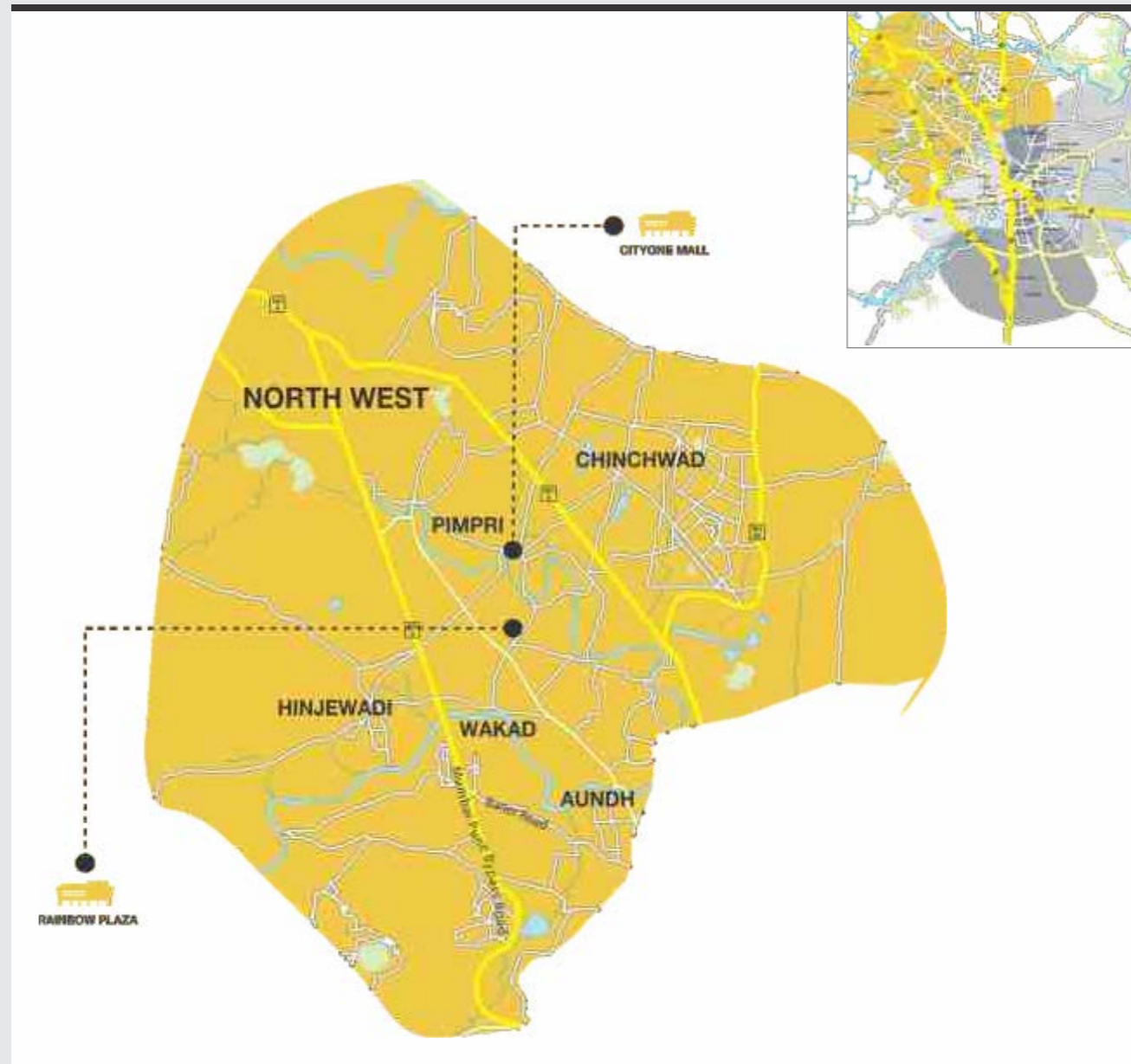
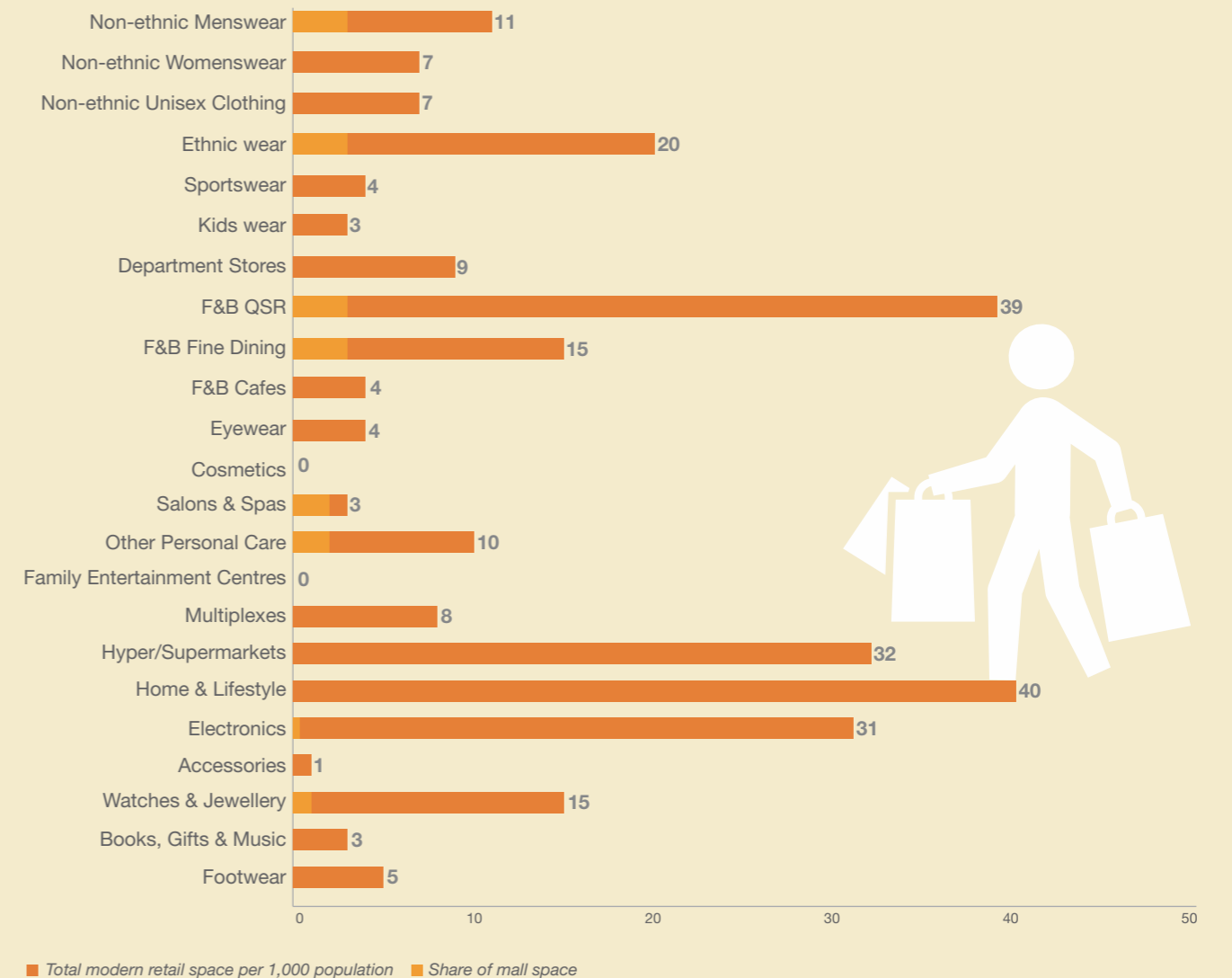


Chart 1

Per capita occupied modern retail space in North West Pune

Space in sq ft



Note: Family entertainment centres and cosmetics have a negligible presence in this zone

Source: Knight Frank Research, Indicus Analytics

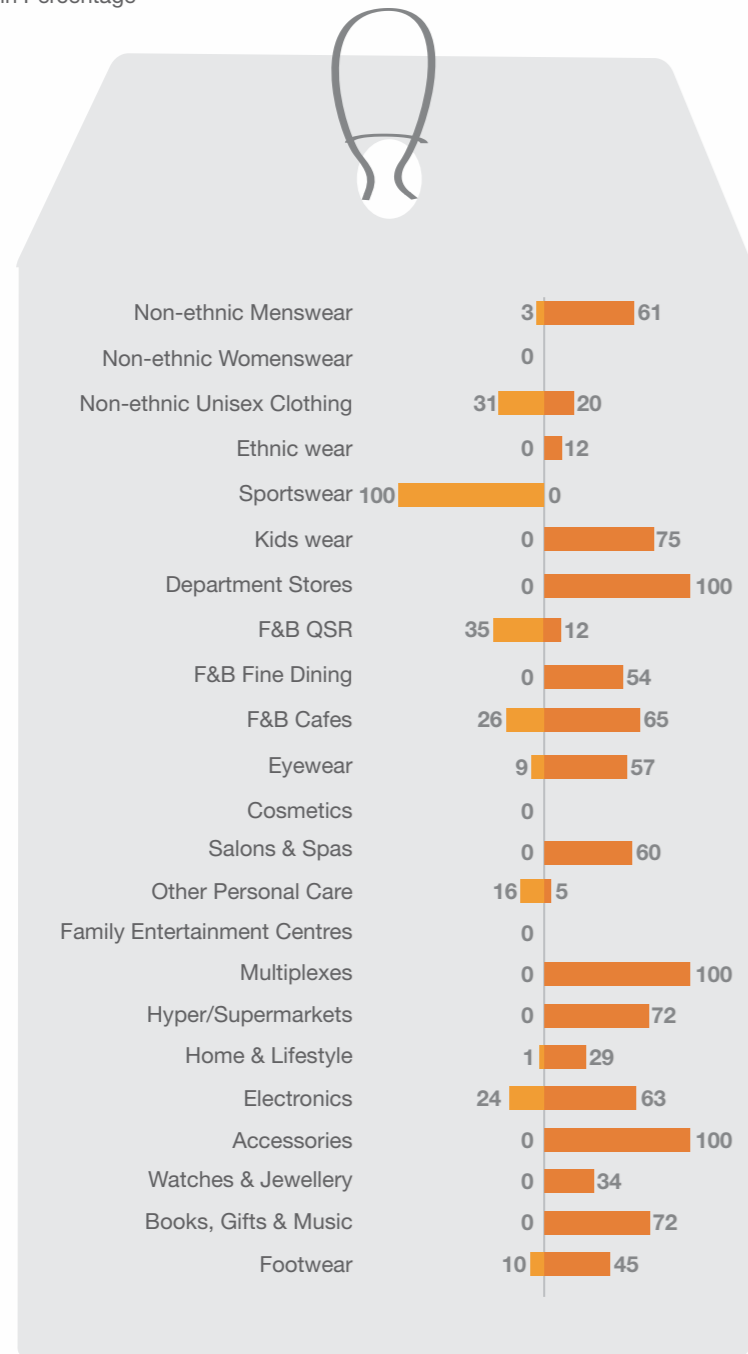
- The penetration of ethnic wear is the highest in North West Pune compared to the other apparel sub-categories. A large number of traditional wear stores on the Old Mumbai Pune Highway in Pimpri-Chinchwad has resulted in such a skewed number for this category
- Cosmetics and family entertainment centres have a negligible presence in this zone. This is similar to the West Pune zone, where both these categories have a negligible presence. Moreover, this has deprived the entire western part of the city of these product categories
- Since there are only two major malls in the North West zone, the share of malls in most of the categories is negligible. The home & lifestyle and F&B QSR categories have a relatively higher penetration as compared to other product categories in North West Pune

Chart 2

Share of foreign and national brand stores in the overall modern retail space



Share in Percentage



- Apart from electronics, sportswear, F&B QSR and non-ethnic unisex, all the categories have a miniscule presence of foreign retailers in north west Pune
- While 31% and 7% of the retailers in non-ethnic unisex and non-ethnic menswear categories respectively are foreign, it is negligible for non-ethnic womenswear category. Moreover, the non-ethnic womenswear category is highly lopsided towards regional and local brands in this zone
- While accessories, multiplexes and department stores categories are represented entirely by national retailers, sportswear is represented completely by foreign retailers

Note 1: Balance percentage in all the product categories denotes the share of regional and local brand stores

Note 2: Family entertainment centres and cosmetics have a negligible presence in this zone

■ Share of foreign brands
■ Share of national brands

Source: Knight Frank Research

Chart 3

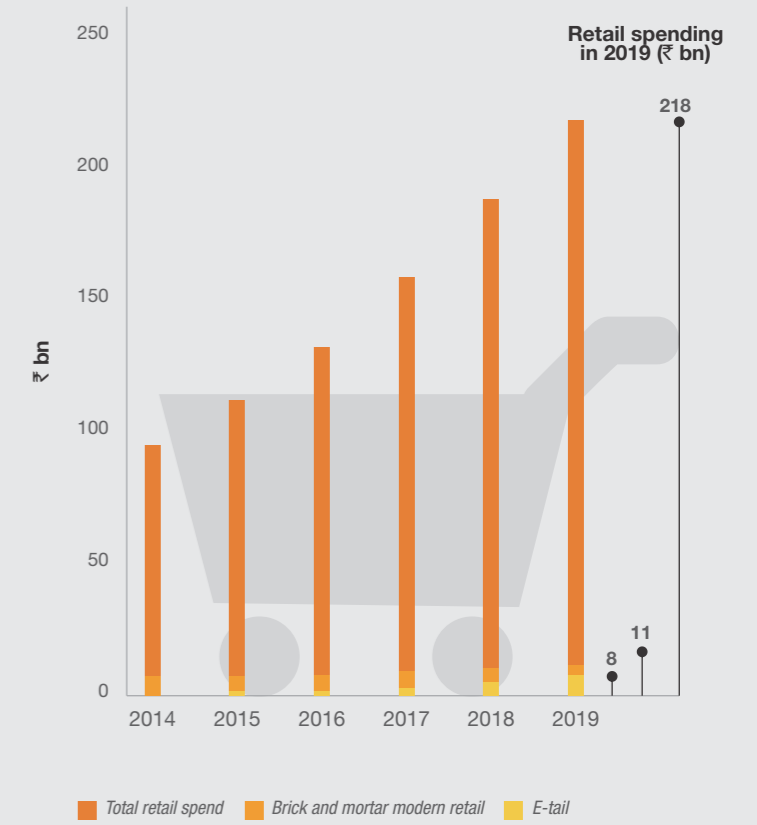
Household income split in North West Pune



Source: Knight Frank Research, Indicus Analytics

Chart 4

Projected retail spending in North West Pune



Source: Knight Frank Research

- North West Pune is expected to continue having a dominant share in the total retail spending in Pune, moving to ₹218 bn in 2019 from ₹89 bn in 2014. Additionally, the retail spending in this zone is projected to witness the fastest annual growth rate in Pune, at 20 per cent from 2014 to 2019
- Non-modern retail will continue to lead in terms of retail spending within North West Pune over the next five years, with its share remaining above 90 per cent by 2019
- While the share of E-tail is estimated to increase from 1 per cent in 2014 to 4 per cent by 2019, the share of brick and mortar modern retail will drop marginally, from 7 per cent to 5 per cent during the same period

Future trends in North West Pune



The potential for brick and mortar modern retail is tremendous in this zone, as the impact of E-tail will not be as harsh as is expected in the Central and East Pune zones.



The new supply of mall space could help shift consumers from non-modern retail towards modern retail, as more than 90 per cent of the existing retail demand is still catered to by non-modern retail space.



Similar to West Pune, this zone has a negligible presence of product categories like accessories, family entertainment centres and cosmetics in brick and mortar modern retail. Hence, the potential for retailers to expand in these categories is expected to be lucrative in the coming years.

PUNE ZONE ANALYSIS

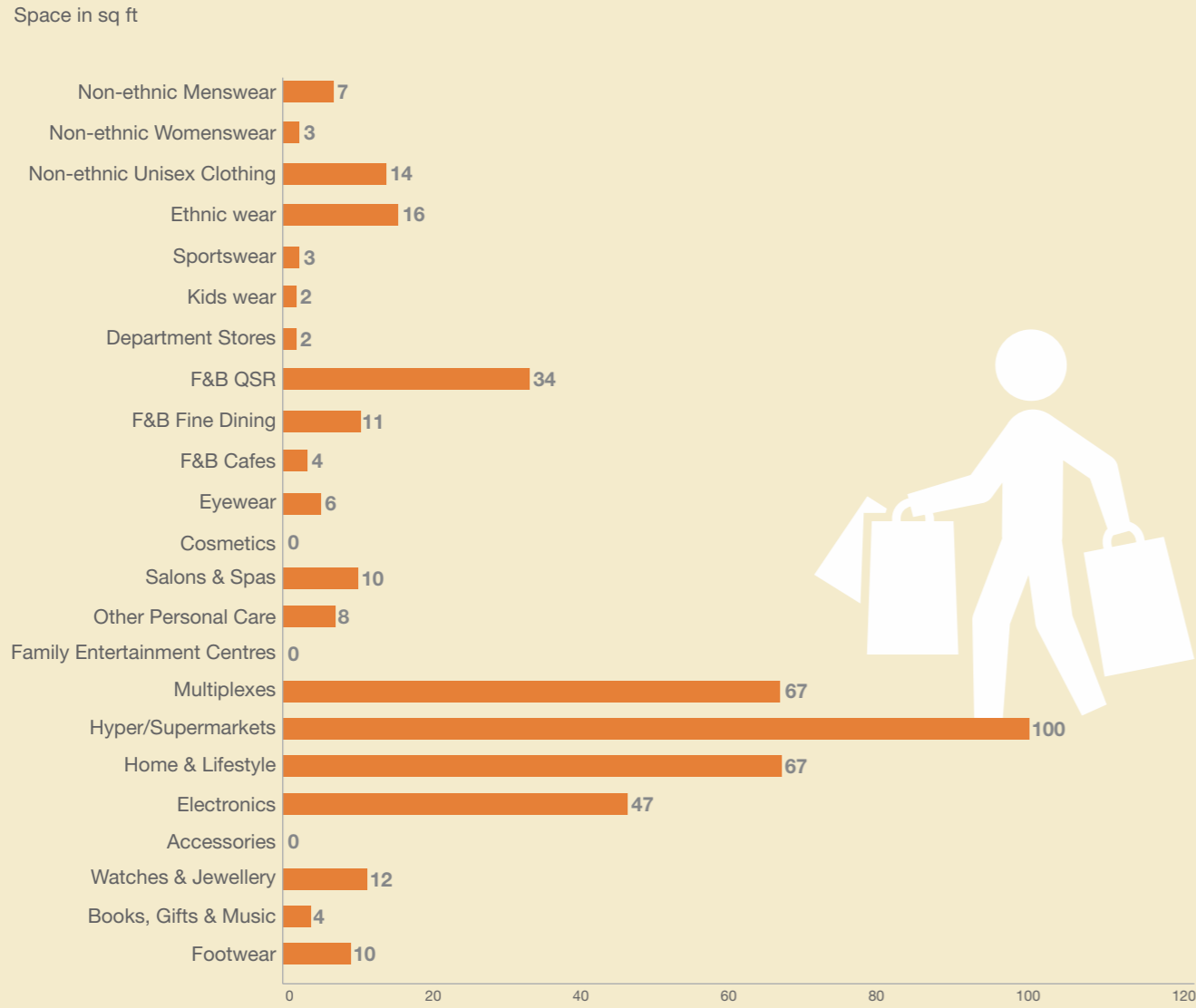
South Pune Zone Analysis

South Pune map



Chart 1

Per capita occupied modern retail space in South Pune



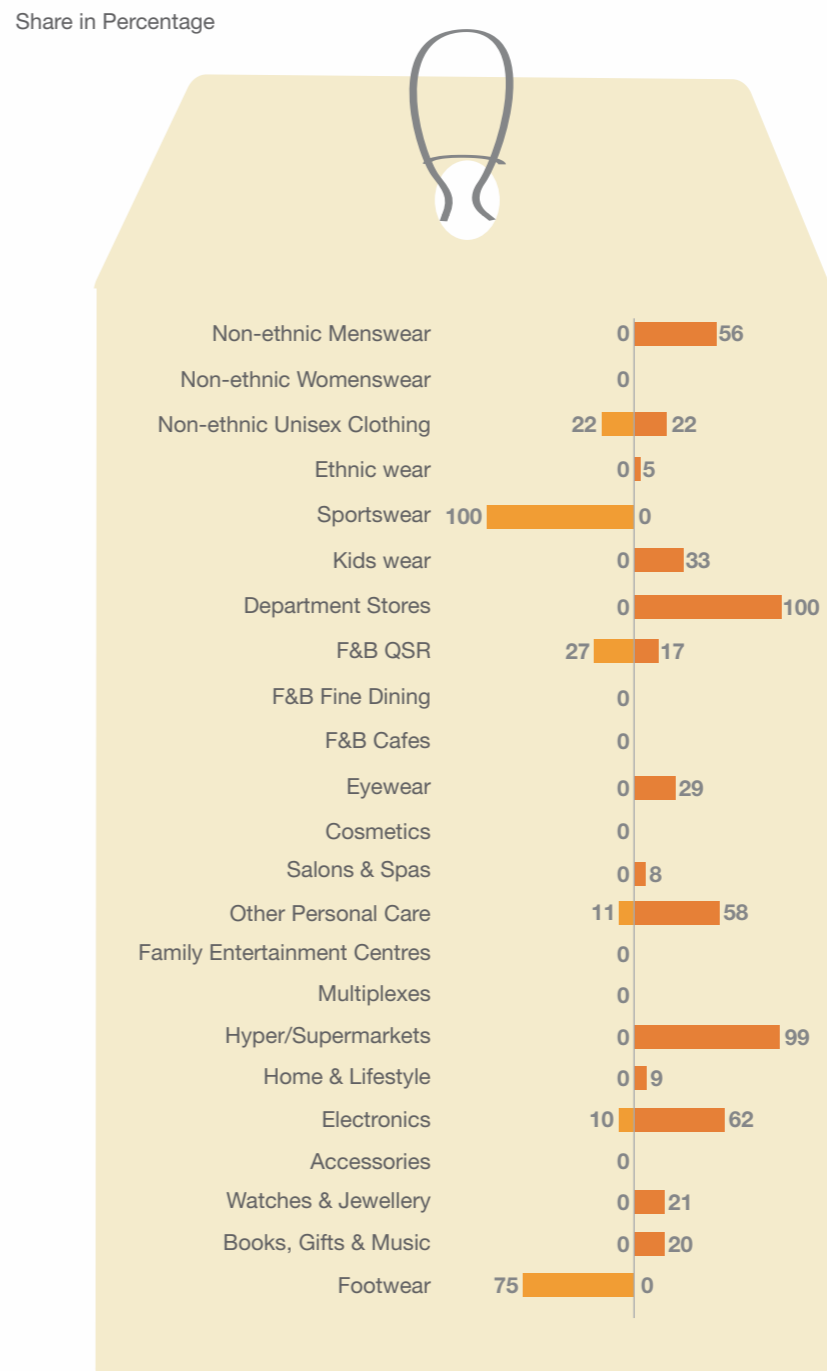
■ Total modern retail space per 1,000 population ■ Share of mall space

Note: Accessories, family entertainment centres and cosmetics have a negligible presence in this zone **Source:** Knight Frank Research, Indicus Analytics

- The absence of any major malls has resulted in the majority of modern retail space of South Pune being located on shopping streets
- Most of the product categories have a poor penetration in this zone, with certain categories like accessories, family entertainment centres and cosmetics non-existent here
- The presence of Big Bazaar and D-Mart on Satara Road has helped this zone report a higher space per capita in the hyper/supermarkets category
- In apparel, ethnic wear has the highest penetration. This is similar to North West Pune, as the demographics of these two zones are very similar

Chart 2

Share of foreign and national brand stores in the overall modern retail space



- While foreign retailers are missing from most of the product categories in South Pune, categories like non-ethnic womenswear, F&B fine dining, F&B cafes and multiplexes do not have national retailers either
- The footwear category is dominated mainly by foreign retailers, with a share of 75 per cent
- The majority of the retailers in the salons & spas and ethnic wear categories are either local or regional, with a miniscule presence of national retailers

Note 1: Balance per centage in all the product categories denotes the share of regional and local brand stores

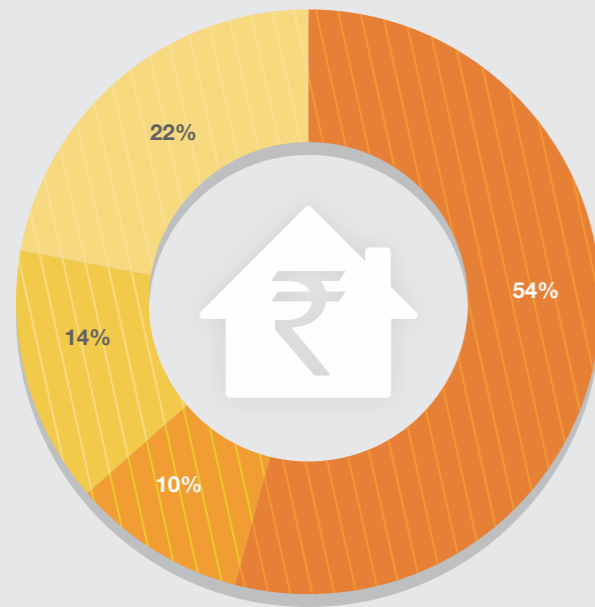
Note 2: Accessories, family entertainment centres and cosmetics have a negligible presence in this zone

■ Share of foreign brands ■ Share of national brands

Source: Knight Frank Research

Chart 3

Household income split in South Pune

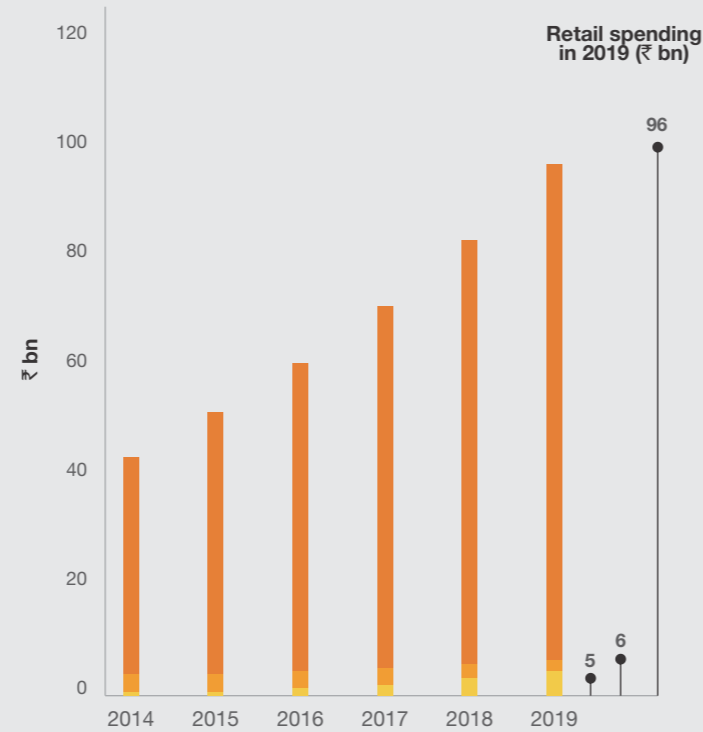


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Source: Knight Frank Research, Indicus Analytics

Chart 4

Projected retail spending in South Pune



■ Total retail spend
 ■ Brick and mortar modern retail
 ■ E-tail

Source: Knight Frank Research

- The total retail spending in South Pune is projected to increase from ₹42 bn in 2014 to ₹96 bn in 2019, resulting in an annual growth rate of 18 per cent
- While the share of E-tail in total retail is estimated to increase from 1 per cent in 2014 to 5 per cent in 2019, the share of brick and mortar modern retail is estimated to fall from 8 per cent to 6 per cent during the same period
- However, the share of modern retail, which includes both E-tail and brick and mortar, is expected to rise from 9 per cent in 2014 to 11 per cent in 2019. Therefore, despite the phenomenal growth in the share of E-tail within South Pune, non-modern retail will continue to be the dominating segment of the total retail spending in this zone

Future trends in South Pune



Similar to North West Pune, non-modern retail will continue to dominate the retail landscape of South Pune. This provides ample opportunities for mall space development, as there is severe shortage of modern retail space in this zone.



Foreign brand stores are missing from most of the product categories, providing ample opportunities for foreign retailers to increase their presence in this zone.



Most of the product categories are grossly under supplied in the brick and mortar modern retail space, which could be exploited by modern retailers in the coming years.

Crystal-Gazing India's Retail Potential

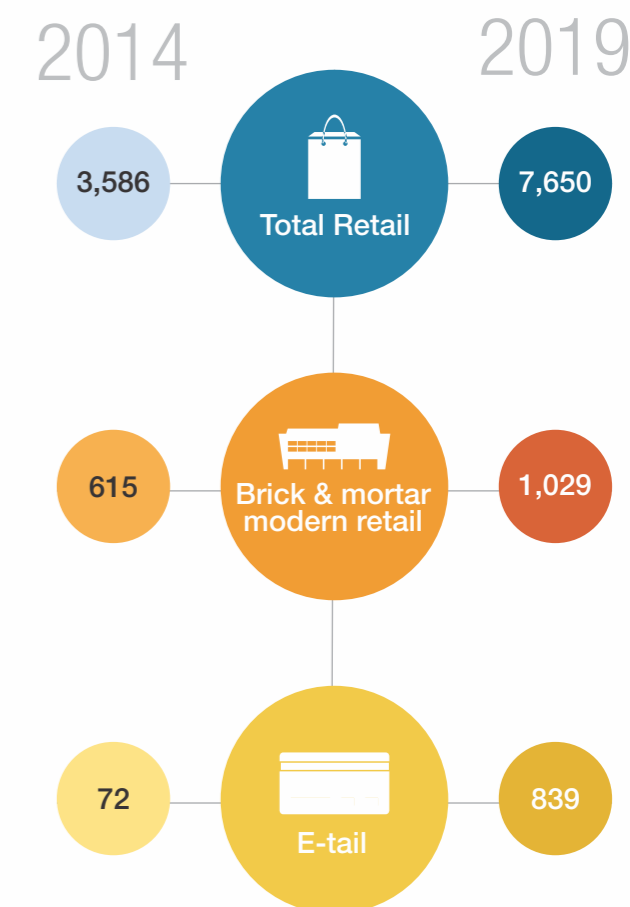
Our research, based on a mammoth survey of more than 30,000 modern retail stores across the top seven cities in India, presents interesting insights. The dynamics of the 23 retail product categories and their nuances across 42 distinct retail catchments offers food for thought. Certainly, with the emergence of new models to reach out to the consumer, the Indian retail market is poised for a tectonic shift. We project the retail market across the top seven cities to clock a compounded annual growth rate (CAGR) of 16 per cent over the next five years (2014-2019), catapulting from ₹3,568 bn to ₹7,650 bn. On the back of a 22 per cent CAGR, the modern retail segment is estimated to increase its share in total retail from the present 19 per cent to 24 per cent by 2019.



Chart 1

Retail landscape: Top 7 cities

In ₹ bn



Source: Knight Frank Research

A phenomenon that is emerging as a strong contender in the retail market and will gain further momentum is **E-tail**. Encapsulating the sale of retail products through online channels like the Internet, mobile phones and television, E-tail differs from e-commerce



E-commerce, a wider term, also takes into account the online sale of services like travel, matrimonial services and classifieds, by players like irctc.co.in, makemytrip.com, olacabs.com, bharatmatrimony.com and olx.com.

For the 23 product categories studied in the report, e-tailing across the top seven cities amounts to ₹72 bn, with a modest share of 2 per cent in total retail spending. Growing at a CAGR of 64 per cent, this will increase to ₹839 bn in the next five years, taking the share of E-tail to 11 per cent by 2019. This ascent in the fortunes of this retail constituent

will happen on account of multiple factors. While the learnings of the dot-com bubble 15 years ago served as a caution, the current phase is different.

There are several catalysts playing concomitantly in favour of E-tail, the most significant being the strengthening ecosystem that makes buying online better every day. Information technology (IT) infrastructure has improved significantly over the last decade.

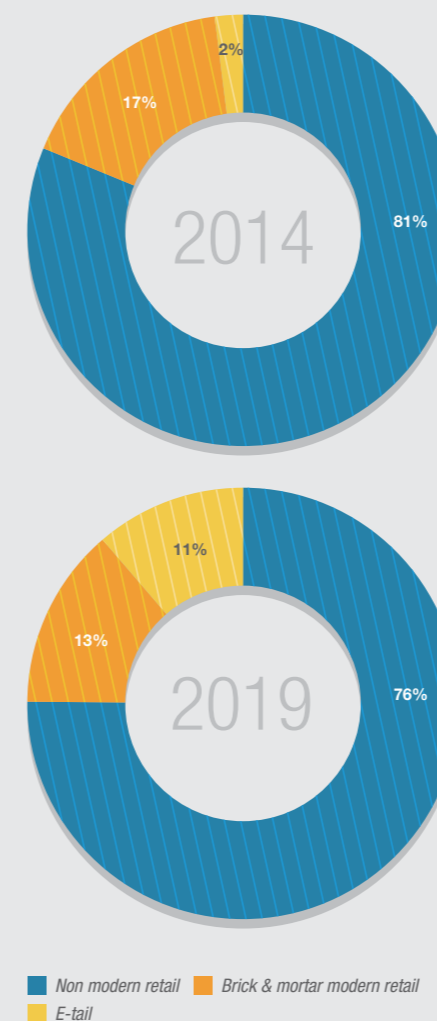
High-speed Internet connections through broadband networks have not only become better but also more affordable. While the

introduction of 3G networks improved connectivity on handheld devices significantly, the commercial rollout of 4G networks this year will make on-the-move online shopping even more convenient.

While private capital is leading the cause, the government is stepping in wherever necessary. In fact, through its ambitious National Optical Fibre Network programme, the Government of India intends to connect 250,000 villages at a cost of ₹200 bn. In the state of Gujarat, the last assignment of Prime Minister Narendra Modi, all the 18,000 villages are equipped with

Chart 2

Share of the Top 7 cities' retail market



Source: Knight Frank Research

broadband connectivity. What we are now talking about are Wi-Fi enabled airports, hotels, schools, railway stations and cities.

Hardware devices, the interface for connecting to virtual stores, have also become more technologically advanced and affordable. So, desktop computers, laptops, television sets, tablets and mobile phones used by online shoppers have improved on count, efficiency and cost. In fact, subsidised or free tablet/laptop schemes by the central/state governments have become successful, and the trend is expected to grow stronger.

The other catalyst strengthening the e-tailing segment is the country's favorable demography. While 1.25 billion people always meant a big consumption market, being one of the youngest nations in the world bodes well for the e-tailing phenomenon. 65 per cent of the country's population is below the age of 35 years. The acceptance of e-tailing is expected to be higher among the younger generation which is more tech-savvy and open to experimentation.

Smartphone adoption is faster even in the large section of the population that is not computer literate, thus addressing the problem of computer illiteracy.

Additionally, on the operational side, the e-tailers have taken landmark measures to enhance customer experience. Payments through online banking, credit and debit cards were the initial methods used for online transactions.

Newer modes of payment have now been introduced to make online purchases easier for prospective consumers that are uncomfortable with online payments or not covered by formal banking channels. As a result, cash on delivery (COD), a method wherein the customer pays in cash or via a card at the time of delivery of the product at his doorstep, has worked wonders for e-tailers.

A significant number of transactions now happen through COD. Third-party wallet, a mechanism wherein money is stored in a prepaid wallet, has also emerged as a seamless instrument of payment. Customer experience has also become enhanced due to customer-friendly policies regarding the exchange of goods, quick delivery and others.

Events like the Great Online Shopping Festival (GOSF) by the biggest search engine, Google, and flash sales by individual firms have seen customers rushing to grab the best online deals. The GOSF, now in its fourth year, has become bigger and stronger with each edition.

The growth of E-tail has expanded the retail market by increasing the impulse to purchase and reaching out even to the most remote rural customer, who would otherwise not have had access to such products. However, it also had a gatecrashing impact on brick and mortar modern retailers. Between the two sets of retailers, the scales seem to be tilting towards e-tailers on account of several factors, the foremost being the expanse of the retail catchment for e-tailing, which has no boundaries compared to brick and mortar retailers, who have a comparatively much smaller catchment. This provides e-tailers with an unprecedented scalability, which creates economies of scale, translating into cost benefits, a large portion of which is being passed on to consumers. In contrast, brick and mortar stores serve a much smaller catchment and do not have such cost leadership.

Another advantage that e-tailers enjoy over brick and mortar stores pertains to the cost of real estate. Retail properties in the top cities are quite expensive and setting up shop in these markets is essential for retailers. By contrast, e-tailers do not need to set up stores to serve consumers. They operate from virtual stores over the Internet and require a very limited amount of warehousing space to store goods. Warehouse rents, even in the top cities, are a fraction of retail rents, and thus translate into savings of 2 to 10 per cent of the sales, which most retailers spend on retail rents. Incidentally, the ascent of E-tail will translate into

foregone retail space to the extent of market diversion from brick and mortar modern retail to E-tail. While established malls and shopping streets are likely to weather the E-tail storm, the growth of new retail properties will be stunted, though the impact will vary across markets.

The changing urban landscape has also worked in favour of E-tail. Top cities grapple with traffic issues, and E-tail provides the convenience of shopping from home or the office, thereby bypassing the need to confront heavy traffic and the entailed cost to buy a product. Further, checking

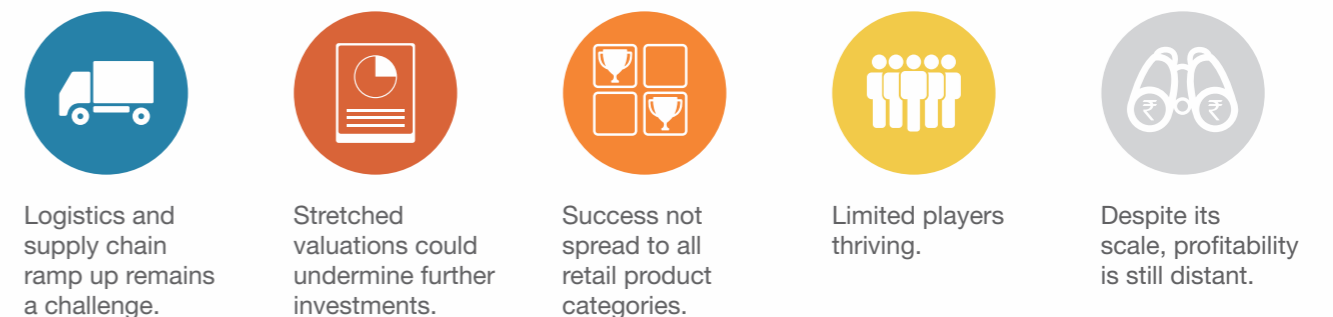
store timings in advance is never a consideration for online shopping. While brick and mortar stores serve during fixed hours, e-tailers serve round the clock throughout the year, without any holidays or renovation shutdowns.

Many e-tailers have initiated certain measures to attract the section of customers that remains cynical about the quality of products sold online. While brick and mortar stores offer a 'no questions asked exchange policy', some e-tailers went a step ahead, offering a 'no questions asked money back policy' in a bid to instill trust in online purchasing.



Chart 4

Risk factors that could create a bumpy ride for E-tail



Source: Knight Frank Research

E-tailers are also expected to combat the risks encountered in the complex Indian retail landscape. Weak logistics and warehouse infrastructure in the country pose risks of delays and cost overruns. Unified taxation regimes on the movement of goods, such as the Goods and Services Tax (GST), could eliminate the need for multiple warehouses in different states. A delay in the implementation of GST would imply a sub-optimal supply chain strategy for e-tailers, thereby increasing costs. The breakthrough

for e-tailers has been achieved in limited product categories, such as electronics and books, which have the element of standardisation. Going forward, e-tailers would need to rethink their strategies for greater success in categories such as apparel and footwear, where product heterogeneity creates the need for 'touch and feel' and puts online vendors in a relatively weaker position in contrast to their offline counterparts.

Clearly, several catalysts have created a competitive advantage for e-tailers over their brick and

mortar counterparts, and our projections indicate that they (e-tailers) are indeed on a strong footing. From the retail industry's perspective, such a changed retail landscape would prompt more brick and mortar retailers to either start selling in the online marketplace or start E-tail ventures to remain relevant for the changing consumer tastes. Eventually, it would become an omni-channel strategy, where brands would deploy offline and online stores to service the king - the consumer - in the way he demands.

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