

India Retail, H1 2017

Supply of 1.5 million sq. ft.; Fast Fashion and F&B drive retail space demand

 Rents Up
8 Markets

 Rents Stable
18 Markets

 Rents Down
4 Markets

 Consumer
Confidence

 Supply (Y-O-Y)
21%

*Arrows indicate change over H2 2016 rentals in high streets.

INFLATION AT A FIVE YEAR LOW, INDIA TOPS THE 2017 GLOBAL RETAIL DEVELOPMENT INDEX

GDP growth during the quarter ending March 2017 witnessed a dip, touching 6.1%, as compared to 7% in the previous quarter. The latest advance growth estimates by the government have forecasted a GDP growth of 7.1% for 2016-17, as compared to 8% in the previous year, largely due to the demonetization drive undertaken in November last year. Despite lower growth expectations in 2016-17, demonetization is likely to have negligible long-term impact owing to India's strong economic fundamentals, demographic potential, coupled with a dynamic policy regime. The International Monetary Fund (IMF) has forecasted a rebound in FY17/18 GDP growth to 7.2%, as the short-term disruptions caused by the cash shortage will gradually dissipate. Further, the IMF has also stated that the implementation of the GST will help improve India's medium term growth to above 8%, as it will assist in production and movement of goods across the states.

Additionally, retail inflation (measured by consumer price inflation) reached a five year low, with India's Consumer Price Index (CPI) inflation rate in June 2017 touching a low of 1.54%, well within the Reserve Bank of India's target of 4% for June 2017. Building upon the positive sentiment of 2016, were the recently announced rankings of the Global Retail Development Index 2017.

India topped the rankings, amongst developing nations across the world, overtaking China with India's market attractiveness gauged at 63.4%, and retail sales of about USD 1.0 trillion.

ADDITIONAL 1.5 MILLION SQ. FT. OF FRESH SUPPLY, MUMBAI LEADS SUPPLY

The Indian retail real estate market witnessed continuous foray of international brands, launch of retail developments and robust demand for space in H1 2017. The first half of 2017 saw an addition of about 1.5 million sq. ft. of fresh supply across the seven key cities; majority of which was concentrated in Mumbai, Bangalore and Delhi National Capital Region (NCR). The review period witnessed the launch of Seawoods Grand Central (1 million sq. ft.) in Mumbai, GT Mall (0.3 million sq. ft.) in Bangalore, and Baani City Center (0.2 million sq. ft.) in Delhi NCR. There was a slight dip in the pan India supply, which was at 1.5 million sq. ft., as against 1.9 million sq. ft. observed in H2 2016.

GLOBAL RETAILERS BULLISH, DOMESTIC DEPARTMENTAL STORES ALSO IN AN EXPANSIONARY MODE

The demand for retail space remained strong as international brands including Kate Spade, Scotch & Soda, Pandora and Selected Homme opened their first outlets in the country; while others such as Muji, H&M, Aeropostale, Jack & Jones, US Polo, Taco Bell and Forever 21 continued to expand operations.

Hypermarkets were also in an expansionary mode as Big Bazaar opened stores in Mumbai, Bangalore and Chennai. Others hypermarket chains such as D Mart and Market 99 also grew their presence by opening stores in Chennai. Clothing retailers such as Max and Pantaloons were also quite active with new outlets opened in Mumbai, Bangalore, Hyderabad and Chennai.

DOMESTIC F&B EXPANDS; CAUTION TRENDS AROUND THE SUPREME COURT ORDER ON LIQUOR BAN AROUND HIGHWAYS

Established players such as Café Coffee Day, Starbucks, Theos, Burger King, expanded their portfolio with new store openings during the first half of the year. In addition, Indian F&B operators such as Irish House, Soda Bottle Openerwala, Fatty Bao, and Yum Yum Cha opened multiple outlets across major cities.

F&B operators have been reeling under ambiguity, in light of the enforcement of the highway liquor ban by the Supreme Court, which bans restaurants within 500 meters of a national and state highway from serving liquor. Many restaurants within the city limits across India have been impacted by the enforcement; this was passed in December last year and later modified in March 2017. As there is still opacity on the enforcement, most F&B operators are in a wait and watch mode. On a positive note, the Delhi Government having lifted the ban on issuing new liquor licenses, has paved the way for many new restaurants and bars to start their operations, after a hiatus of almost a year.

SELECT PRIME AREAS WITNESS RENTAL APPRECIATION

Rental trends varied across key high-streets in major cities during H1 2017. High-street markets such as Connaught Place, Khan Market and South Extension (New Delhi), Park Street and Elgin Road (Kolkata), observed an appreciation

in rentals, while they were observed to be stable in most of the other high-streets in the country. On the other hand, high-streets such as Linking Road (Mumbai), MG Road (Pune) witnessed a marginal dip in rentals.

GST AND RETAIL – IMPLICATIONS

As the GST comes into force, tax rates for all goods and services in the economy are in for an overhaul. The retail segment is obviously not unaffected by this, as all key categories from FMCG, apparel, footwear, dining, electronics, and entertainment are subject to the new tax regime from 1st July, 2017.

Going forward, the service tax applicable on rentals payable by retail tenants has been replaced with a higher and standard GST of 18%, but now the retailers would be able to set off the taxes on services (rent) against taxes on goods, therefore reducing their overall burden of occupancy costs. Most essential items (cereals, flours, fruits and vegetables) have been either exempt from tax or have been set in lower-tax categories, conveying the government's intent to keep such inelastic goods in the least inflationary zone. However, goods such as luxury cars, amusement park tickets, hotel tariffs over INR 7,500, movie tickets priced over a certain threshold have been taxed at the highest rate of 28%, indicating the intent to tax luxury or frill goods at a steeper gradient. However, despite these high rates; items such as luxury cars, SUV's, are likely to get cheaper, as the current taxes were in excess of 45%.

The government has been very responsive to the demand of the industry by continuously reviewing rates (rates for 69 goods were revised in June) post the first announcement of rates in May 2017.

Source: CBRE Research, H1 2017.

**Rents mentioned in the report are indicative rentals based on super / built-up area in both high street locations and mall developments.

For instance, reducing the tax rates on five-star restaurants from 28% to 18%, increasing the hotel tariff threshold over which the luxury rate of 28% will apply from INR 5,000 to INR 7,500, increasing the turnover for inclusion in the composition scheme from INR 50 lakhs to INR 75 lakhs, to name a few. Further, the government has displayed an intent of protecting the interests of smaller traders by offering various relaxations. The lower-end of apparel and footwear, along with restaurants in the sub 50 lakhs turnover category have been put in the lowest category of 5% GST, reiterating the government’s intent to protect such traders and spur demand for their products. Also, as most essential FMCG products become cheaper, we can expect a transition of the purchase of these goods from the unorganized segment to the organized channel.

Likewise, the availability of the input tax credit would play a critical role in deciding the actual impact of the new GST rates.

With the advent of the GST, retailers in India would need to rethink their product pricing based on market expectations, align their supply chain and procurement strategy, rework their distribution channels, and ensure greater compliance to laws to be more cost-effective. However, retailers who manage to judiciously structure their margins based on output tax liability and increase of input tax credit would be able to stay competitive and relevant for the consumers.

Figure 1: High Street and Malls -Annual and Six Monthly Average Rental Movement (%) Across Major Cities



MARKET SUMMARY

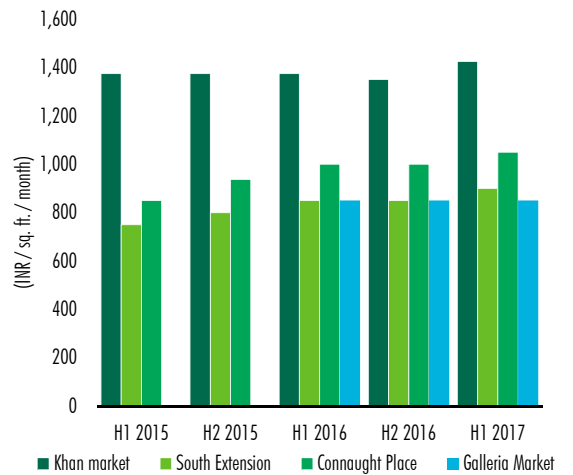
Leasing activity in Delhi NCR in H1 2017 was a healthy mix of space take up by domestic and international players, with most of the activity being driven by players in the fashion and accessories segment followed by F&B operators. The first half of 2017 witnessed numerous brand entries with Kate Spade, Cover Story, Scotch & Soda, Coach, Muji being the key global brands that opened their first stores in the city/country. In terms of supply, the city witnessed the addition of almost 0.2 million sq. ft. of fresh supply with the completion of Baani City Center on Golf Course Extension Road.

Fashion and apparel continued to dominate leasing activity with brands such as Cover story launching its first store in Select Citywalk and further expanding to DLF Promenade, Vasant Kunj. Kate Spade also opened two stores in quick succession; one at the DLF Emporio and another one at Select Citywalk, Saket. US based accessories brand Coach marked its entry into the city with a store at DLF Emporio. Noida was particularly vibrant with the Mall of India witnessing store openings by Nike Jordan, Scotch & Soda along with restaurants such as Theos, Big chill, The Irish House etc. Logix City Centre, Noida witnessed store openings by domestic players such as Globus Fashion and Louis Phillipe. Pacific Mall, Subhash Nagar also witnessed sustained retailer interest with brands such as Decathlon, Baggit, Café Delhi Heights and Twelve by AM: PM opening stores in the mall during the review period. Michael Kors opened up at Ambience Mall in Gurgaon.

RENTAL TRENDS

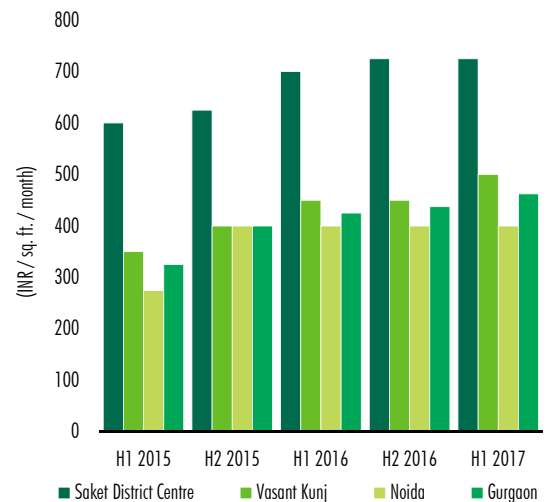
Limited vacancy levels and strong occupier interest resulted in an appreciation in rentals by 10-12% on a half yearly basis for prime retail developments in Vasant Kunj. Select properties in Gurgaon also witnessed an increase in rentals in the range of 5-7% on a half yearly basis, largely driven by low vacancy levels.

Figure 2: High Street Rental Value Movement



Source: CBRE Research, H1 2017.

Figure 3: Shopping Centre Value Movement



Source: CBRE Research, H1 2017.

Table 1: Key Brands Launched

Brand	Category	Presence
Scotch & Soda	Fashion	DLF Mall of India
Kate Spade	Accessories	DLF Emporio, Select Citywalk
Muji	Lifestyle	Select Citywalk

Source: CBRE Research, H1 2017.

All the key high-street markets in Delhi observed an increment in rentals on a half-yearly basis. Limited space availability and high demand from F&B players resulted in a rise of 5-7% in Connaught Place and Khan Market in H1 2017.

Further, the rental values for South Extension also appreciated by 5-7% on a half-yearly basis, largely on the back of increased retailer interest, due to the near completion of the metro rail, which is likely to boost the connectivity of the market.

Table 2: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
DLF Promenade	New Delhi	800	Cover Story
Pacific Mall	New Delhi	725	Twelve by AM:PM
Logix City Centre	Noida	1,500	Louis Phillipe

Source: CBRE Research, H1 2017.

Table 3: Key Retail Project Completions

Property	Developer	District	Size (Sq.Ft)
City Center	Baani	Gurgaon	150,000

Source: CBRE Research, H1 2017.

Table 4: Sub-market Key Stats

High Streets	Average Rent in H1 2017 (INR/sq. ft. / month)	Average Rent in H2 2016 (INR/sq. ft. / month)	Half Yearly Change (%)	Y-o-Y Change (%)
Khan Market	1,300-1,550	1,250-1,450	5.6	3.6
South Extension	800 - 1000	800-900	5.9	5.9
Connaught Place	1000 - 1,100	950 – 1,050	5.0	5.0
Galleria Market, Gurgaon	825-875	825-875	0.0	0.0
Mall Clusters	Average Rent in H1 2017 (INR/sq. ft. / month)	Average Rent in H2 2016 (INR/sq. ft. / month)	Half Yearly Change (%)	Y-o-Y Change (%)
Saket District Centre	675 - 775	675 - 775	0.0	3.6
Vasant Kunj	450 - 550	400-500	11.1	11.1
Noida	350 - 450	350-450	0.0	0.0
Gurgaon	450 - 475	400 - 475	5.7	8.8

Source: CBRE Research, H1 2017.

MARKET SUMMARY

Strong demand for retail space was observed across high-streets as well as prominent mall developments in the city. Leasing activity was driven by domestic F&B operators and foreign retailers from various segments. Seawoods Grand Central Mall, spread over 1 million sq. ft. became operational during H1 2017. The development saw store opening by brands such as Big Bazaar, Lifestyle, Pantaloons, Westside, Home Center, Adidas, Jack & Jones, Puma, Nike, Metro Shoes, amongst others.

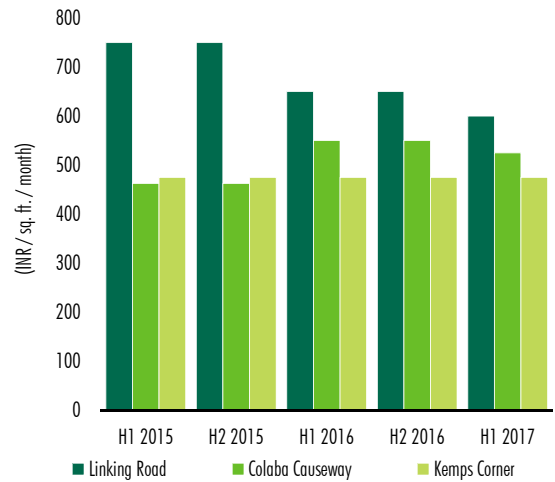
Other retail developments across the city also witnessed steady leasing activity. Sephora and Forever 21 opened stores at the Phoenix Market City, Kurla. Phoenix Market City also served as the entry point for online F&B operator Hola Chef, which opened its first outlet in Mumbai in the mall. Brands such as Hunkemoller, Coverstory and Project Eve opened stores at Inorbit Mall, Malad; Swarovski at the Oberoi Mall in Goregaon and Viviana Mall in Thane. Selected Homme by the Bestseller Group entered the country with its first store at Palladium Mall. Kamala Mills Compound in Lower Parel, which has evolved as a hub for F&B operators in the city, continued to witness strong demand during H1 2017. However, established high-street locations such as Linking Road in Bandra (W) and Kemps Corner in South Mumbai witnessed limited leasing activity during the review period.

With respect to other high-streets, Boteco, a Pune based restaurant chain opened its restaurant in Bandra Kurla, while Coney Island opened up in Breach Candy. Other restaurant openings on high streets included, Soda Bottle Openerwala and Fatty Bao in Powai. Zara opened their largest and their first high-street store in India at Fort.

RENTAL TRENDS

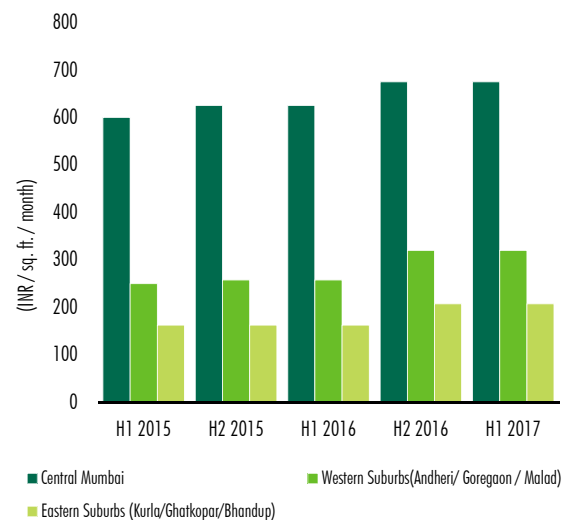
Other than a minor correction for the high street of Linking Road, rental values remained largely stable during H1 2017 across both high streets and organized retail developments.

Figure 4: High Street Rental Value Movement



Source: CBRE Research, H1 2017.

Figure 5: Shopping Centre Value Movement



Source: CBRE Research, H1 2017.

Table 5: Key Brands Launched

Brand	Category	Presence
Selected Homme	Mens Fashion	Palladium Mall
Tamasha	F&B	Palladium Mall

Source: CBRE Research, H1 2017.

Table 6: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
Sarvodaya Mall	Kalyan	20,000	Brand Factory
Inorbit Mall	Malad	10,000	Project Eve
Independent building	Borivali (W)	8,000	Croma
Pinnacle house	Khar	5,000	Arth

Source: CBRE Research, H1 2017.

Table 7: Key Retail Project Completions

Property	Developer	District	Size (Sq.Ft)
Seawoods Grand Central	L&T Realty	Navi Mumbai	1,000,000

Source: CBRE Research, H1 2017.

Table 8: Sub-market Key Stats

High Streets	Average Rent inH1 2017 (INR/sq. ft. / month)	Average Rent in H2 2016 (INR/sq. ft. / month)	Half Yearly Change (%)	Y-o-Y Change (%)
Linking Road	500-700	550 – 750	-7.7	-7.7
Colaba Causeway	450-600	450 – 600	0	-4.5
Kemps Corner	450-500	450 – 500	0	0
Mall Clusters	Average Rent inH1 2017 (INR/sq. ft. / month)	Average Rent in H2 2016 (INR/sq. ft. / month)	Half Yearly Change (%)	Y-o-Y Change (%)
Central Mumbai	600-750	600 – 750	0	8
Western Suburbs (Andheri, Goregaon, Malad)	250-390	250 – 390	0	24
Eastern Suburbs (Kurla, Ghatkopar, Bhandup)	125-290	125 – 290	0	0

Source: CBRE Research, H1 2017.

MARKET SUMMARY

Bangalore observed steady leasing activity across both high streets and shopping centers, with significant traction by brands recorded across shopping centers such as the Virtuous VR Mall, Garuda Mall, Phoenix Marketcity, Mantri Square & Vega City and the newly operational GT Mall. GT Mall on Magadi Road was completed during H1 2017, leading to the addition of approximately 0.3 million sq. ft. of fresh retail supply in the city.

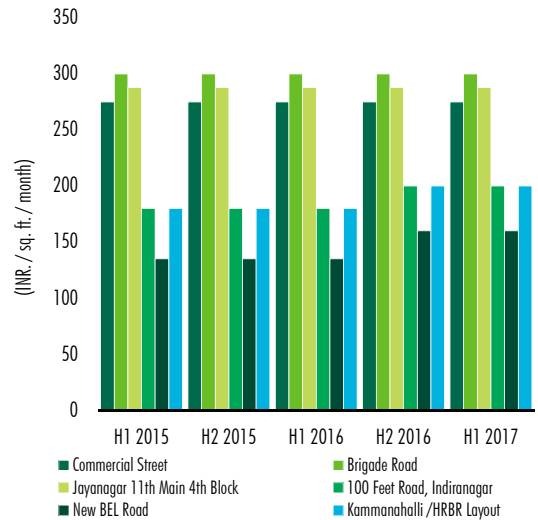
Prominent apparel retailers such as Pantaloons, Reliance Trends, Max, FBB etc. opened stores in the GT Mall. Sathyam Cinemas opened its first six screen multiplex in the mall; while Big Bazaar, Ezone, Bata, Woodland and Burger King also commenced operations from the mall. Orion Mall, Rajaji Nagar saw Cold Stone creamery, a US based F&B player opening its second outlet in the city. VR Mall in Whitefield witnessed store openings by Centraland Food Hall.

Robust activity was observed on Lavelle Road during H1 2017, as domestic clothing retailer KAAPUS opened a new store on the high street. In addition, automobile players such as MV Agusta Motorcycles, BMW Motorcycles and LEXUS entered Bangalore by opening new outlets there. F&B operators such as Taco Bell, Drunken Monkey, Pasta Street, Boot Legger and Smoor, and apparel retailers such as Taniera and Baboosh started operations in Indiranagar. Retailers such as Soch, Cult Fitness, and Broaster Chicken commenced operations on the high streets of 80 feet and 100 feet road, Koramangala. Other store openings included Hush puppies, Zivame and Woodland on New BEL Road.

RENTAL TRENDS

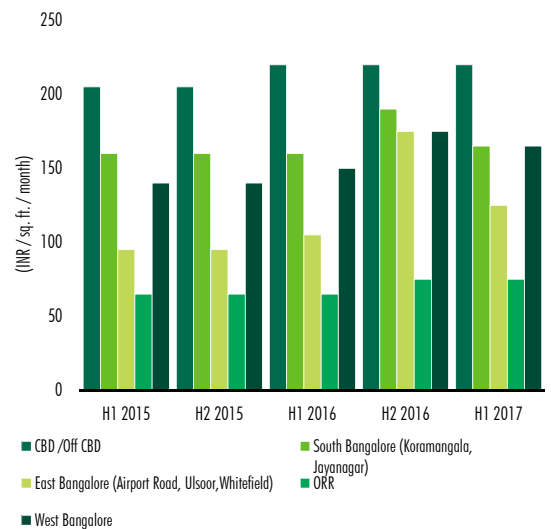
On a half yearly basis, rental values across all high streets and shopping centers remained stable. However, owing to sustained traction of both global and domestic retailers, organized developments in the Central, Eastern and Western locations of the city are likely to witness an upward movement in rentals in the coming quarters.

Figure 6: High Street Rental Value Movement



Source: CBRE Research, H1 2017.

Figure 7: Shopping Centre Value Movement



Source: CBRE Research, H1 2017.

Table 9: Key Brands Launched

Brand	Category	Presence
LEXUS	Automobile Retailer	Lavelle Road
Sathyam Cinemas	Multiplex Cinemas	GT World Mall
BMW Motorcycles	Automobile Retailer	Lavelle Road

Source: CBRE Research, H1 2017.

Table 10: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
VR Mall	East Bangalore	42,000	Central
1 MG	CBD	20,000	H&M
VR Mall	East Bangalore	4,500	Croma
Orion Mall	West Bangalore	1,000	Cold Stone Creamery

Source: CBRE Research, H1 2017.

Table 11: Key Retail Project Completions

Property	Developer	District	Size (Sq.Ft)
GT Mall	GT Developers	Magadi Road	300,000

Source: CBRE Research, H1 2017.

Table 12: Sub-market Key Stats

High Streets	Average Rent in H1 2017 (INR/sq. ft. / month)	Average Rent in H2 2016 (INR/sq. ft. / month)	Half Yearly Change (%)	Y-o-Y Change (%)
Commercial Street	250-300	250-300	0.0	0.0
Brigade Road	250-350	250-350	0.0	0.0
Jayanagar 11th Main 4th Block	275-300	275-300	0.0	0.0
100 Feet Road, Indiranagar	175-225	175-225	0.0	11.1
New BEL Road	150-170	150-170	0.0	18.5
Kammanahalli/HRBR Layout	180-220	180-220	0.0	11.1
Mall Clusters	Average Rent in H1 2017 (INR/sq. ft. / month)	Average Rent in H2 2016 (INR/sq. ft. / month)	Half Yearly Change (%)	Y-o-Y Change (%)
CBD /Off CBD	180-260	180-260	0.0	0.0
South Bangalore (Koramangala, Jayanagar)	150-180	150-180	0.0	3.1
East Bangalore (Airport Road, Ulsoor, Whitefield)	120-130	120-130	0.0	19.0
ORR	70-80	70-80	0.0	15.4
West Bangalore	150-180	150-180	0.0	10.0

Source: CBRE Research, H1 2017.

MARKET SUMMARY

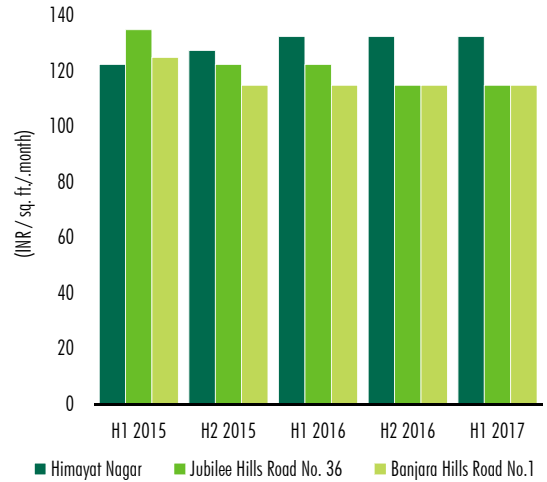
Retail leasing activity in Hyderabad witnessed an upward momentum during the first half of 2017, largely driven by the apparel, entertainment, electronics and F&B sectors. The city did not witness any addition of fresh supply during the review period; however, the second half of the year is expected to witness the completion of more than one million sq. ft. of organized retail space. These developments are located in the Western and Central parts of the city and have been developed as a part of a transit-oriented development.

The city witnessed the entry of new brands such as H&M, while Armani Exchange and Buffalo Wild Wings secured spaces and are currently under fit-outs, these brands are expected to become operational by Q3 2017. High-street locations also witnessed expansion by Central, Pantaloons and Unlimited, Cromia also secured two high-street locations during H1 2017. Brands such as Vero Moda, Soch and Satyapaul expanded their presence in organized retail developments. In the food & beverage segment, the city witnessed the entry of by operators such as Vapour and Barcelos as they secured space in high-street and a shopping mall. Further, local retailers like Ratnadeep and Bajaj Electricals continued to increase their footprint in the city.

RENTAL TRENDS

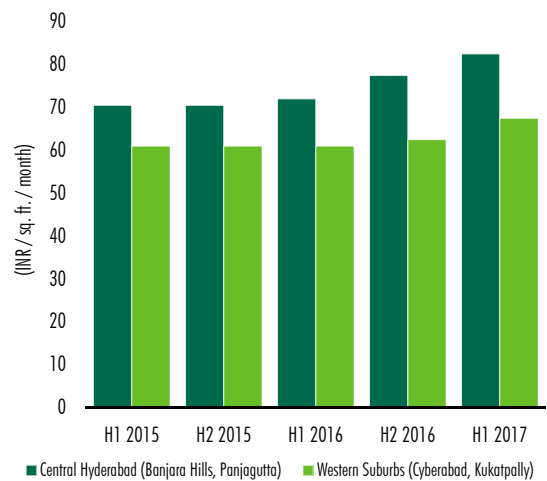
During the review period, rentals across the high streets of Himayat Nagar, Banjara hills and Jubilee Hills Road No 36 remained largely stable. On the other hand, increased interest of retailers for space in organized developments led to a 6-7% increase in rentals in Central Hyderabad and about 8 – 9% in Western Hyderabad, on a half-yearly basis.

Figure 8: High Street Rental Value Movement



Source: CBRE Research, H1 2017.

Figure 9: Shopping Centre Value Movement



Source: CBRE Research, H1 2017.

Table 13: Key Brands Launched

Brand	Category	Presence
Vapour	Food and Beverage	Jubilee Hills
H&M	Fashion Anchor	Inorbit Mall

Source: CBRE Research, H1 2017.

Table 14: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
Standalone Building (High Street)	Ramanthapur	16,000	Bajaj Electronics
Standalone Building (High Street)	Gachibowli	12,000	Unlimited
Standalone Building (High Street)	Jubilee Hills Road No.36	15,000	Buffalo Wild Wings
Standalone Building (High Street)	Himayath Nagar	11,500	Pantaloons

Source: CBRE Research, H1 2017.

Table 15 Sub-market Key Stats

High Streets	Average Rent in H1 2017 (INR/sq. ft. / month)	Average Rent in H2 2016 (INR/sq. ft. / month)	Half Yearly Change (%)	Y-o-Y Change (%)
Himayat Nagar	130-135	130-135	0.0	0.0
Jubilee Hills Road No. 36	110-120	110-120	0.0	-6.0
Banjara Hills Road No.1	100-110	100-110	0.0	0.0
Mall Clusters	Average Rent in H1 2017 (INR/sq. ft. / month)	Average Rent in H2 2016 (INR/sq. ft. / month)	Half Yearly Change (%)	Y-o-Y Change (%)
Central Hyderabad (Banjara Hills, Panjagutta)	80-85	75-80	6.5	6.5
Western Suburbs (Cyberabad, Kukatpally)	65-70	60-65	8.0	10.7

Source: CBRE Research, H1 2017.

MARKET SUMMARY

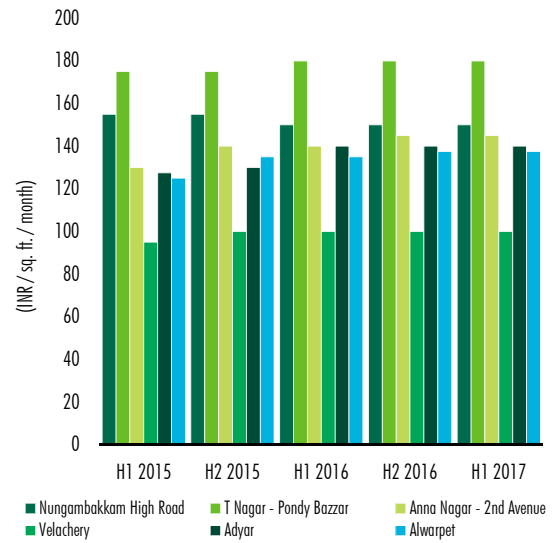
During the first half of 2017, Chennai witnessed robust retail activity across both high streets and shopping centers, with significant traction witnessed across the high street locations of Nungambakkam, Velachery, OMR Road, etc. Leasing activity was mainly driven by the food & beverage, apparel, super-market and jewelry segments. During the review period, US based Forever 21 opened its first store in Chennai in Express Avenue mall. The other new entrants to the city were supermarket players such as D-Mart, Market 99 and domestic food & beverage operators such as Nasi & Mee and Boats.

The organized retail segment witnessed store openings by cosmetics brand Sephora in Express Avenue mall; Market 99 and Reliance Project Eve in Phoenix Market city; Reliance Footprints, Reliance Trends and Big Bazaar in Vivera Mall. F&B operators were fairly active across high streets, with new restaurants opened by Mother Clucker’s Café, Samco, Buhari, Paradise Biryani, Burgerman, Café 23, Madras Baking House, etc. Apparel brands also built their presence, with brands such as Max, Jeyachandran textiles, Pantaloons, Brand Factory, Indian Terrain, etc. expanding their operations in the city.

RENTAL TRENDS

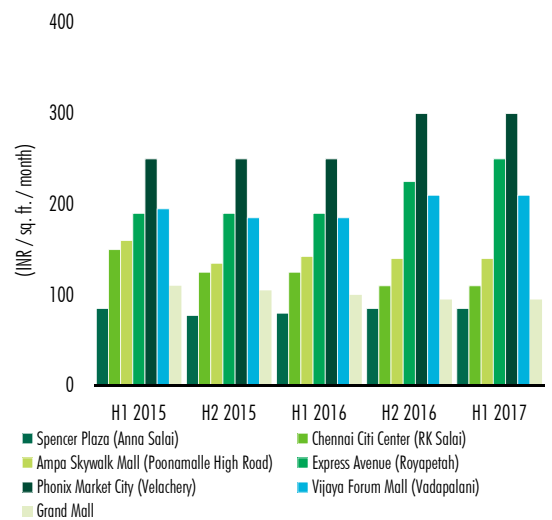
Rental values across key high streets and shopping centers remained largely stable during the review period. The only exception was the Express Avenue Mall in Central Chennai, which witnessed a rental appreciation of about 10 -12% on a half yearly basis owing to limited space availability and sustained retailer interest.

Figure 10: High Street Rental Value Movement



Source: CBRE Research, H1 2017.

Figure 11: Shopping Centre Value Movement



Source: CBRE Research, H1 2017.

Table 16: Key Brands Launched

Brand	Category	Presence
Forever 21	Apparel	Express Avenue
Nasi & Mee	F&B	Khader Nawaz Khan Road

Source: CBRE Research, H1 2017.

Table 17: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
Express Avenue	Chennai	36,000	H&M
Standalone (High Street)	Chennai	11,000	Reliance Trends
Grand Mall	Chennai	13,000	Nalli Silks

Source: CBRE Research, H1 2017.

Table 18: Sub-market Key Stats

High Streets	Average Rent in H1 2017 (INR/sq. ft. / month)	Average Rent in H2 2016 (INR/sq. ft. / month)	Half Yearly Change (%)	Y-o-Y Change (%)
Nungambakkam High Road	140-160	140-160	0.0	0.0
T Nagar - Pondy Bazaar	170-190	170-190	0.0	0.0
Anna Nagar - 2nd Avenue	140-150	140-150	0.0	3.6
Velachery	80-120	80-120	0.0	0.0
Adyar	130-150	130-150	0.0	0.0
Alwarpet	125-150	125-150	0.0	1.9
OMR	90-110	90-110	0.0	0.0
Mall Clusters	Average Rent in H1 2017 (INR/sq. ft. / month)	Average Rent in H2 2016 (INR/sq. ft. / month)	Half Yearly Change (%)	Y-o-Y Change (%)
Spencer Plaza (Anna Salai)	80 – 90	80-90	0.0	6.3
Chennai Citi Center (RK Salai)	100 - 120	100-120	0.0	-12.0
Ampa Skywalk Mall (Poonamallee High Road)	130 - 150	130-150	0.0	-1.8
Express Avenue (Royapettah)	225-275	200-250	11.1	31.6
Phoenix Market City (Velachery)	275 – 325	275 - 325	0.0	20.0
Vijaya Forum Mall (Vadapalani)	190-230	190-230	0.0	13.5
Grand Mall (Velachery)	90 - 100	90-100	0.0	-5.0

Source: CBRE Research, H1 2017.

MARKET SUMMARY

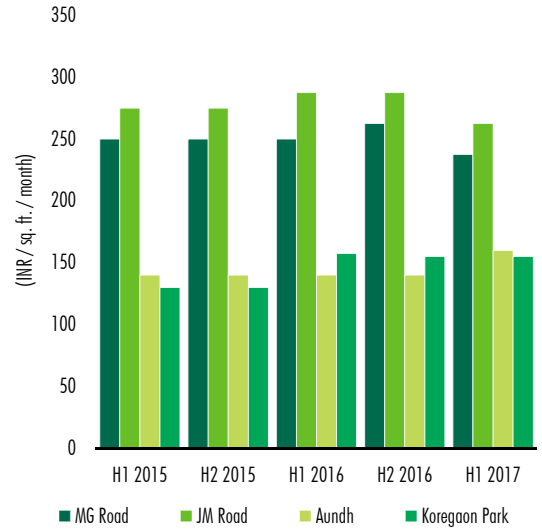
The leasing activity in Pune during H1 2017 was slightly subdued as the Government’s ban on the sale of liquor around state and national highways has been a key factor impacting the leasing sentiment of F&B players. Leasing was concentrated across the emerging high-street locations in the city, with limited activity observed across organized developments. Automobile players such as Jeep and BMW Mottorrad opened their first showrooms in the city along with Volvo, which re-entered the Pune market almost after a year.

Due to the paucity of quality organized space in the city, bulk of the leasing activity during H1 2017 was concentrated across high streets. Baner remained particularly vibrant with new store openings by Adidas, Reebok, Classic Rock Café Cantabil, Volvo, Nexa, Gong, etc. Decathlon expanded its presence in Pune by opening another store in Amanora mall. World Trade Center in Kharadi witnessed the entry of players such as Coal Shed and Fly High and expansions by operators such as Subway, Oh So Stoned and Krusty’s. Further, brands/operators such as Brand Factory, Burger King, Kwality and Apple expanded their operations across other high streets in the city.

RENTAL TRENDS

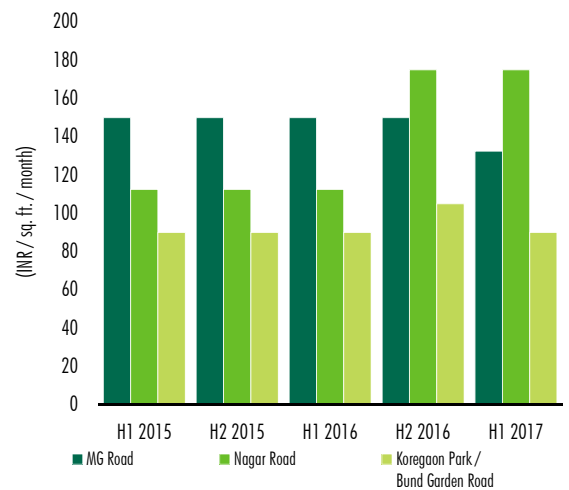
Subdued retailer activity has resulted in rentals witnessing a slight dip across most high streets and malls during H1 2017. Rental values across high streets such as Koregaon Park and Aundh were in the range of INR 150-170/ sq. ft. / month, while they were in the range of INR 230 – 270 / sq. ft. across the more established locations of JM Road and MG Road.

Figure 12: High Street Rental Value Movement



Source: CBRE Research, H1 2017.

Figure 13: Shopping Centre Value Movement



Source: CBRE Research, H1 2017.

Table 19: Key Brands Launched

Brand	Category	Presence
Jeep	Automobile	SB Road
BMW Motorrad	Automobile	Suyog Platina
The Coal Shed	F&B	WTC

Source: CBRE Research, H1 2017.

Table 20: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
Amanora Mall	SBD	20,000	Decathlon
Amanora Mall	SBD	23,000	H&M
ABP	PBD	17,000	Westside

Source: CBRE Research, H1 2017.

Table 21: Sub-market Key Stats

High Streets	Average Rent in H1 2017 (INR/sq. ft. / month)	Average Rent in H2 2016 (INR/sq. ft. / month)	Half Yearly Change (%)	Y-o-Y Change (%)
MG Road	225 – 250	250 – 275	-9.5	-8.5
JM Road	250 – 275	275 – 300	-8.6	-8.6
Aundh	150-170	120 – 160	14.3	14.3
Koregaon Park	150-160	150 – 160	0.0	0.0
Mall Clusters	Average Rent in H1 2017 (INR/sq. ft. / month)	Average Rent in H2 2016 (INR/sq. ft. / month)	Half Yearly Change (%)	Y-o-Y Change (%)
MG Road	125 -140	125 -175	-11.6	-11.6
Nagar Road	150 – 200	150 – 200	0.0	0.0
Koregaon Park/ Bund Garden Road	80 – 100	90 – 120	-14.2	-14.2

Source: CBRE Research, H1 2017.

MARKET SUMMARY

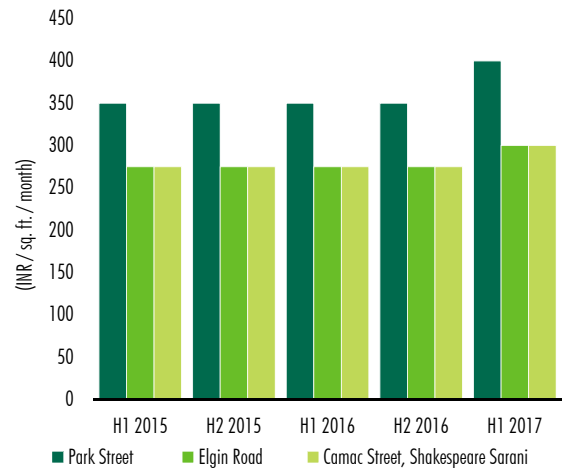
During H1 2017, Kolkata witnessed buoyant retail leasing activity with majority of the leasing being dominated by organized developments. Demand from the fashion segment dominated the transaction activity during the review period. Leading fashion retailers such as Jack & Jones, U.S. Polo, Central etc. expanded their operations in prominent organized developments. In terms of high-streets, brands such as Jeep, FBB, Kareem’s etc. grew their presence by opening new stores across the city.

During the review period, Kolkata witnessed brand entry by American fashion retailer Aeropostale in Quest Mall and Italian automobile player Ducati on AJC Bose Road. The city is also expected to witness fresh supply addition in the coming year which is anticipated to spur retail activity. Also, South City mall, which is under major renovation and expansion, would reopen with an improved tenant mix.

RENTAL TRENDS

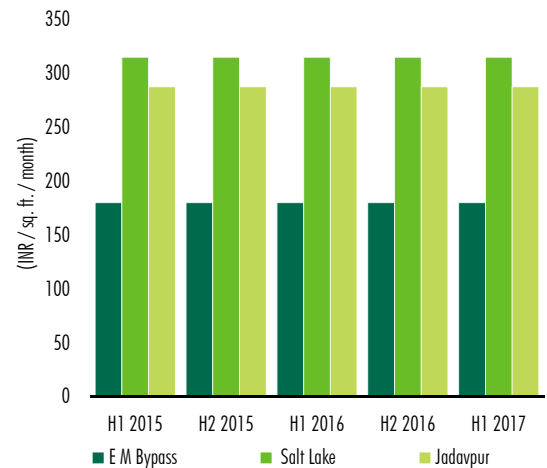
Rental values across all micro-markets remained stable for organized retail space; a trend which is likely to continue in the short to medium term. However, sustained retailer interest resulted in rental increments in the range of 9-14% across the key high streets.

Figure 14: High Street Rental Value Movement



Source: CBRE Research, H1 2017.

Figure 15: Shopping Centre Value Movement



Source: CBRE Research, H1 2017.

Table 22: Key Brands Launched

Brand	Category	Presence
Aeropostale	Apparel	The Quest Mall
Ducati	Automobile	Park Street

Source: CBRE Research, H1 2017.

Table 23: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
Block by Block	Rajarhat	100,000	Central
The Quest	Syed Amir Ali Avenue	2,000	Aeropostale
City Centre I	Salt Lake	1,500	Jack & Jones

Source: CBRE Research, H1 2017.

Table 24: Sub-market Key Stats

High Streets	Average Rent in H1 2017 (INR/sq. ft. / month)	Average Rent in H2 2016 (INR/sq. ft. / month)	Half Yearly Change (%)	Y-o-Y Change (%)
Park Street	350 – 450	300 – 400	14.3	14.3
Elgin Road	275 – 325	250 – 300	9.1	9.1
Camac Street, Shakespeare Sarani	275 – 325	200 - 350	9.1	9.1
Mall Clusters	Average Rent in H2 2016 (INR/sq. ft. / month)	Average Rent in H1 2016 (INR/sq. ft. / month)	Half Yearly Change (%)	Y-o-Y Change (%)
EM Bypass	160 – 200	160 – 200	0.0	0.0
Salt Lake	300 – 330	300 – 330	0.0	0.0
Jadavpur	275 - 300	275 – 300	0.0	0.0

Source: CBRE Research, H1 2017.

OUTLOOK

The second half of 2017 is likely to be positive for retail, witnessing an increased quality supply, to be led by the Southern cities of Hyderabad and Bangalore. Even though we see a strong supply pipeline, the demand for organized retail space will continue to exceed the supply in most leading markets. With fresh supply on the radar expected in cities such as Hyderabad, Bangalore, Chennai etc., we are likely to see global and national brands execute their entry and expansion strategy in these cities, leading to a more uniform development of retail space across India.

The demand for retail space is likely to remain strong, as occupiers from retail categories such as Fast Fashion, Departmental Stores, Sports & Leisure, and Food & Beverages will continue to absorb space in H2 2017. While international retailers such as H&M, Zara, etc. are expected to dominate the Fashion segment, the F&B segment is likely to emerge as a healthy mix of domestic as well as global operators across the QSR, café, brewery and casual dining formats. Besides these key shopping categories, family entertainment centers and multiplex operators are also going to be active in leasing space at existing and upcoming malls in the remaining months of 2017.

Rental values are expected to witness a divergent trend during H2 2017. While leading high streets such as Galleria Market in Gurgaon, Connaught Place in Delhi appear promising, high street locations battling with shortage of right-sized space, parking woes, infrastructural constraints etc. are likely to witness limited demand. The completion of infrastructure initiatives is going to play a pivotal role in deciding the rental trajectory of markets; for instance, the metro linkage to South Extension is expected to result in a revival of the high-street in the coming months, leading to a surge in its rentals. However, rental growth in most high streets across key cities is expected to be limited, as they have already reached their peak.

In terms of rental trends for organized supply (malls), the quality retail developments are better placed to leverage their position and command increased rentals. Most prominent developments are likely to witness a steady rental growth in 2017, however, the rate of growth is not expected to be uniform; with some malls having better bargaining power than the others due to their brand mix, footfalls and catchment areas. Also, certain developments are likely to see a decline in rentals, due to factors such as the age of development and a sub-optimum tenant mix.

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