

Shopping Centre **News**

OCTOBER-NOVEMBER 2012

DEVELOPING RETAIL IN INDIA

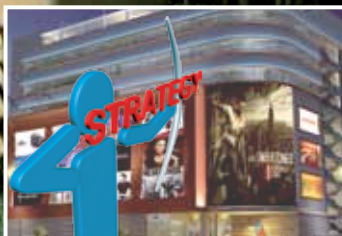
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Mall Parking

First Impression is
the Lasting Impression



DLF Mall of India



Leasing in Tier II & III Cities



Global Retail Real Estate Futures

Shopping Centre News

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Parking Your Fortunes

There are hundreds of shopping malls in India but only a handful can be said to be truly successful. These are the players that have cracked the mall code – right location, right tenant mix, right positioning and right management and marketing initiatives. One very important component of the success formula of a mall is to get the parking lots right. These can act as a major catalyst in the success of a shopping mall and bring the customers back for repeat visits.

In the current economic scenario where almost every middle-class family in the metros owns a car and who consider malls to be the best destinations to hang out with family and friends, hassle-free parking space in shopping centres has become the top priority of visitors. Mall parking is usually the first touch point of consumers inside a shopping centre. It helps create the first impression of a property in their minds, which can make or mar the long-term relationship between the customers and the mall. As the famous adage goes: "First impression is the lasting impression."

That is why in this edition we thought of exploring the importance of a parking lot in a mall, right from the planning stage till the time a property is operational and serving the visitors. In the story, not only the mall developers but also the parking service providers share their thoughts

on how to make the parking lot a welcome zone for the visitors in terms of unique concepts, technology, safety, services and marketing and management.

Another crucial aspect in the success of a mall is leasing. When it comes to tier II and III cities, the task becomes all the more challenging. In this issue, leasing expert Ketan Sanghvi provides the do's and don'ts of leasing in smaller towns and cities, the next sunrise segment in the mall development.

With more or less the same tenant mix prevailing in most of the malls in India, events have become a key differentiating factor. After a long gap, we have again brought to you a story about events and celebrations happening in some of the hottest malls in India and the effect these marketing initiatives had on the footfall and revenue of the properties. We also focus on one of the most eagerly awaited properties in the country – the DLF Mall of India. It is billed to be one of the biggest shopping centres in the country when it opens.

It is that time of the year again when the biggest congregation of retailers in this part of the globe is held at Mumbai. See you all at the India Retail Forum (IRF) on the 10th and 11th of October in Mumbai to benefit from the combined wisdom of India's retail fraternity.



Amitabh Taneja

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MALL PARKING:

FIRST IMPRESSION MAKES LASTING IMPRESSION



The parking space at a mall is the first touchpoint where a visitor begins to form an opinion of the mall. While it may seem relatively unimportant, the parking facility by a mall is by far one of the most important services offered overall. A smooth, hassle-free parking space is the ideal welcome for a customer and plays a crucial role in bringing the customer back for repeat visits.

By Priti Payal

WHY IT'S IMPORTANT...

Generally, the word mall, for the average visitor, stands for a great place to hang out with family or friends, eat, shop and indulge in some entertainment. The choice of the mall also depends on the kind of brands and labels one prefers. But, the trend is changing now. As Wilfred M Menezes, CEO, Omnitec Group, observes, the



Picture courtesy: Gary Paul Lewis @shutterstock.com

current economic scenario has almost every family owning a car. Hence, today, the top priority is hassle-free parking space at the mall. According to Menezes, it's important for a mall to provide a sufficient and convenient parking facility, which would be the first point of contact for a visitor with the mall. "A good facility will definitely increase customer satisfaction, resulting in good footfalls and in turn contributing to the sales growth," he says. According to Mukesh Kumar, Vice President, Infiniti Mall, "One of the main reasons for visitors to prefer malls over the high street is the availability of easy and inexpensive parking. Cars are parked in a secure place, and there is no fear of loss or towing away of the vehicle. Therefore, ample and user-friendly car parking contributes quite a lot towards the success of the mall." Anil Makhija, Vice President, Skidata, quotes the famous adage 'First impression is the last impression' and adds that parking lots are the visitors' first point of contact with the mall where they are welcomed. Varun Agrawal, Manager (Business Development), Secure Parking Solutions, agrees with Makhija, "Since, parking forms the first impression of any mall, it has to be taken care of in detail. Customers should be able to make an entry-exit and find a parking spot in the least possible time. In times to come, malls in India are likely to have only about as many shoppers as the car-park may allow. So, parking is bound to become the single most important success factor for malls in the country, amidst the given horrid urban infrastructure conditions." Abhishek Bansal, Director, Pacific Malls, says, while talking about the success strategy of malls, "These days, there is a lot of emphasis on zoning and product mixes for the mall. This has resulted in most successful malls offering nearly all types of products (maybe different brands), except for a few specialty malls. In such a situation, I feel the parking experience at the centre is vital for a customer to become an 'always' customer since car parks are often the first and last points of contact for these



visitors. On the other hand, the 'sometimes' customer is a result of retail brand pull." Dinaz Madhukar, Vice President & Mall Head, DLF Emporio and DLF Promenade – the former being one of India's first luxury malls – says, "In Delhi, where cars are the dominant mode of transportation, parking lots are an essential requirement. This especially pertains to shopping malls, where services are planned keeping the guests in mind, and parking plays a much more important role in extending ease and convenience. The experience starts from the parking entrance." Surender Pal, Director-Leasing & COO, Phoenix Group, adds, "It is common knowledge that a memorable shopping experience starts with having the safety of your vehicle ensured. Since an average trip to a mall involves several hours, it is imperative to provide a secure and clean location to the patrons' vehicles, thus ensuring that they can shop/eat/or just hang out in peace within the premises."

IT'S ALL IN THE PLAN

In his speech at the India Shopping Centre Forum, 2012, recently held in Mumbai, Sathyanarayan, Managing Director, CPS, pointed out, "We as parking providers don't get into the project early enough, which poses a challenge for the design, ramps and the

number of cars parked. We should be plugged in during the conceptualisation phase itself." Menezes highlights that parking service providing companies in South-East Asian countries are involved in the project right from the initial days of mall planning. However, in India, parking comes into the picture only once the structure of the mall has been built. Makhija too relates to this; moreover, he feels that this relationship must continue throughout the project and may continue post opening as a hand-holding exercise. Naveen Luthra, Vice President-Strategic Alliances, Getit, adds, "Parking essentially should be a part of the inception of the design, and aspects like marking out entries and exits based on the size of the property and catchment should be strictly adhered to." Bansal elaborates, "At the planning stage, one needs to work out the quantum and infrastructure required for parking. These two factors are directly related to the Gross Leasable Area and project cost. Therefore, a realistic balance is drawn in most cases. Secondly, the operating cost of parking management has a direct bearing on the parking charges. The limited availability of trained manpower for managing parking is an additional challenge." He also highlights that managing

New Horizon: Tier II & III Cities

By Priti Payal

Not discounting their political diversity and traditional peculiarities, tier-II and -III cities remain an enigma. Moreso, when one observes that these million-plus cities in India continue to provide sustained growth for the retail sector but still remain largely untapped despite the ever-expanding purchasing power. And, what mall developers in these fast growing cities must realise is that the focal point is value and necessity – not luxury – at least not yet ...

Gone are the days when metropolitan cities were the only focal point for shopping centre development. As the retail industry in India matures and looks for new growth strategies in the wake of the global economic downturn, tier-II and -III cities have come to the forefront. One of the major developments is the

expansion of international retailers into small towns, which has forced national retailers to follow course, resulting in infrastructure development to some extent. In terms of pure numbers, many metros have shown at best a growth of 25-30 percent annually in modern retail stores. At the same time, Indore and few other tier-II cities grew at 30 to 40 percent. Many brands will be guarded and intend to make a progressive, gradual entry into these cities.

According to Arif I Sheikh, CEO, Entertainment World Developers (EWDL), "Against the backdrop

of retail uncertainty, i.e., FDI, high inflationary conditions, fragmented market affordability, high supply chain management (SCM) cost compared to metros and margin pressure with roll out deferments by key brands, the retail real estate in tier-II and -III cities has shown a great degree of resilience with substantially high absorption levels." Sunil Jha, Managing Director, Shristi Housing Development, agrees and adds, "Tier-II and -III cities provide an excellent opportunity for retail real estate, as the cost of development here is lower, and the markets are untapped with

tremendous potential. Despite strong spending power, spending opportunities are few here, and retail provides that opportunity to the people in these towns."

Sanjay Sachdeva, President, Advance India Projects (AIPL), feels that the shift in developers' priorities is quite evident in their attempts to offer citizens from smaller towns the best possible infrastructure. "Many surveys report that tier-II and -III cities are growing immensely, in turn supporting the upcoming growth of real estate. While cities like Mandi, Gobindgarh and Khanna are developing due to a

strong agro-industrial economy and strategic location (on the national highway), places like Chandigarh, Patiala and Ludhiana are growing owing to NRI investments, industrial growth and migration of skilled labour. We are amongst the first few developers with projects in these cities and have received a wonderful buyer response."

Prodipta Sen, Executive Director, Alpha G:Corp, too feels the same. He says, "The new trend for the future will be a need-based shift from metros to tier-II and -III cities and small satellite towns, which will be transformed with the availability of housing loans, upcoming malls, IT and industry parks and planned integrated townships. In the coming five years, Alpha G:Corp is looking at developing property worth ₹5,000 crores across India, the majority of which will be in the smaller cities."

METROS VS TIER-II & -III CITIES

Developers feel that although the number of brands operational in tier-II and -III cities are lower than those in metros -- and the sizes are smaller -- they exist with less or virtually no competition and much less occupancy cost. "In metros, the overall revenues are higher but malls in smaller cities are more profitable. Along with low occupancy cost, they have lower wage bills, less advertising costs, less completion time and better trading density," says Sheikh.

Sen attributes the success of the retail real estate industry in tier-II and -III cities to the success story in metros. He says, "The remarkable growth in metros and tier-I cities has instilled confidence in local and international players to expand into newer markets in smaller cities and thus capture a larger base of consumers. These consumers are open to the modern retail formats in metros, and wider coverage would mean more conversions."

According to Sachdeva, "Developers take full advantage of the cheaper real estate prices in tier-II and -III cities, which in turn leads to pushing up the retail, residential property and infrastructure sectors. Besides, it's not only people

living in metros who are aware of a better lifestyle, products, services, etc; most small towns have an equally evolved consuming audience. Big chain restaurants like McDonalds, KFC, Subway, Pizza Hut, Sagar Ratna, and many more are experiencing an overwhelming response from the people here."

DEVELOPER'S CHOICE

Many developers across India have shown keen interest in tier-II and -III cities with most of their operational and upcoming retail real estate projects targeting the local consumer. Sheikh quips that it's the sheer business sense of these developers that makes them realise that sometimes less is more. "Paying twice the amount of rent in a metro doesn't necessarily give you double the footfall or twice the returns. On the other hand, half the rent does give you twice the space for almost the same number of footfalls and returns per square foot. Metros constitute only 30 percent of the total consumption, while the rest of urban and rural India accounts for 70 percent. We believe that for any sustainable, profitable business, one needs to have the 'est' factor, i.e., the biggest, largest, finest or quickest," he says.

Sen contributes, "Our thrust in large-scale retail and entertainment city centres or mixed-use developments is focused in cities like Ahmedabad and Amritsar where the developments are over the built-up area of 1 million sq.ft., thereby enabling us to make an offering like never before here." He adds that the selection of a specific site is dependent on various factors -- one being the direction of the development of the city/town and the other, the catchment areas and target segments. "We try to provide scalable retail solutions that serve the long-term business aspirations of national and international retailers, while ushering in the real renaissance of retail in non-metro India," he says.

Citing the retail excellence of EWDL beyond India's metros, Sheikh says, "We positioned ourselves as the biggest mall developer of pure lease module malls in tier-II and -III



AlphaOne in Amritsar by Alpha G: Corp



Celebration Mall in Udaipur by AIPL

cities in India, with a first-mover advantage, since we already have faith in the India retail story." He further highlights the most pertinent questions that mall developers should ask before moving to smaller cities, "Do we have the required number of shoppers in the target catchment/cities who can consistently sustain the investment? Can we reach out to these shoppers within financial resources budgeted to inform, engage and bring them to the mall and build loyalty (MARCOM)? Can these cities provide a profitable financial module? Answering these questions makes the decision rather easy."

R&D

Research is the first and the most important process that needs to be conducted by developers to determine the sustainability of projects in tier-II and -III cities. Alpha

G:Corp conducted a comprehensive study not just of the existing and potential retail and related real estate market in Amritsar and Ahmedabad respectively but also of the catchment areas. "The consumers, their demographics and aspirations were the key elements of the research. The findings of the extensive research were incorporated in the planning of our respective City Centre developments in both Amritsar and Ahmedabad, thereby resulting in a strong foundation for our success," explains Sen.

Sheikh also touches upon the EWDL strategy before plunging into the business. He says, "Since we don't believe in 'Build it and they will come', we conduct both primary and secondary research at our end, which includes local econometrics and cycles, retail and residential trends, demographics, lifestyle

Mechanics of Leasing in Tier II & III Cities

The next sunrise segment is the development of malls in tier-II and -III cities. Consumers here have high aspirations boosted by the ever-growing purchasing power and ever-increasing dreams to climb up the social ladder. Hence, the challenges of leasing a mall in these cities are far different from what it would be in metro cities.

By Ketan Sanghvi

When it comes to leasing a mall in tier-II and -III cities, the first step is the most important one – that of selecting the right location, size, design and proposition. The most critical role of a leasing manager in tier-II and -III cities is to develop innovative leasing strategies, along with hands-on knowledge of the city. This becomes imperative since each city operates differently, which needs to be keenly understood. The key things that should be kept in mind during leasing are as follows:

- Know your location and market thoroughly,
- Know the demographics and psychographics well,
- Know your competition,
- Know your centre – the final product envisaged,
- Canvas the retail area for prospective tenants,
- Be thoroughly prepared for negotiations,
- Contact the desired brands and negotiate the deal.

The end result is sure to be a win-win situation for both the retailer and the developer.

ANALYSING THE MARKET

Apart from knowing the city and its dynamics, it is important for a leasing manager to have a thorough understanding of the market area that the tier-II/-III project serves. Complete understanding of market research data is also critical and a

key enabler before beginning the leasing process. Key information about the primary and secondary markets of the total population base includes the following basic demographics:

Average age, distribution for each age group with gender: This includes both numbers and percentage distribution and is critical in deciding the positioning of the mall. It also helps in attracting retailers who sell directly to a particular age category.

Average household income and projected changes by income categories: This is a key indicator of disposable incomes, and most retailers market their products and adjust their merchandise mix to a specific income level.

Often, the price points of retail brands is a concern. Customers are usually very high end or at the other end of the spectrum, indicating a huge disparity in income. Even gender plays a major role as many cities/states are male dominated, and zoning has to be done accordingly.

Occupation/business-wise breakup by percentage in each field of work: This has to be done in comparison to national and regional data. One needs to find out who the major employers are and how that affects the customer's buying habits. Is there dominance by a single industry or company?

Customers in locations with IT/BPO concentration have a very different profile, thus projecting different market needs and preferences.

Regional and cultural differences in the area: This affects shopping habits due to discerning consumer behaviour. Food and clothing habits are very typical, and people savour and prefer a particular cuisine. There is initial resistance to try out new cuisines and products.



Home ownership versus rental housing: Cost of housing is an indicator of relative affluence and availability of disposable income. The number of owners versus tenants is an important consideration for many retailers dealing in houseware, home furnishings, home improvements and the likes.



Psychological profile of the area:

Customers are very typical and stick to their traditional shopping and entertainment habits. Is the population base older, more affluent and more interested in quality than trends? Or, is it largely composed of younger people who are starting out and focussing on their basic needs. Besides, customers are mentally attuned to neighbourhood high-street retail and prefer convenience to destinations as they are not used to travelling long distances to shop.

Town planning: Is there any organised retail planned in the city for malls/high streets. Most tier-II/-III cities are fraught with fragmented or very little organised retail, and whatever is available is mostly of poor quality in terms of infrastructure, experience and access. However, research indicates that there is strong potential in the future due to lack of shopping and entertainment amenities.

Current scenario and future potential:

What is the percentage breakup in terms of residential, commercial, IT, BPO and retail as a primary catchment? This is often the most important determinant of the kind of brands one should attract customers with in the mall.

Competition environment analysis:

Once the leasing professional has a thorough understanding of the market characteristics, he should compare it with the competition in the area. Identifying a project's SWOT, i.e., strengths, weaknesses, opportunities and threats, will greatly enhance the success of all the leasing efforts.

While comparing the centre to the competition, the following points have to be taken into consideration:

- Demographics for the primary and secondary market, such as total population base, catchment analysis of the competition, etc.
- Psychographics of the competition markets. This is calculated in terms of white versus blue collar, young versus retired, higher education and so on.

- Location, location and location. Is the competition so large that it thwarts other developers from planning a mall? Does it have better or less desirable access and visibility? Is it located in the heart of the town or on the outskirts?
- Merchandise and tenant mix. What is the 'character' of the mall? Is the competition lower or mid end, or can the market support only one upper-end centre such as a power centre, community centre, neighbourhood mall or outlet mall? Is it dominated by international, national or regional players?
- Centre site evaluation. What is the traffic pattern for the major roads surrounding the property? How does this affect the ingress and egress to the mall, parking in terms of basement, open or multi-level car parking and parking density per square foot; access to the property and any proposed improvements in the near future?
- Design, layout planning: What is the façade or grand entry like? How is the circulation – horizontal and vertical – of the mall? How is the customer flow and services for retailers planned? What are the heights, sizes and frontages of the stores in this mall? And, what is the ambience like in terms of the look and feel planned for the mall?
- The size and gross leasable area of the competition. What are the USP's of the mall. What is the anchor-to-vanilla ratio planned?

IDENTIFICATION AND CANVASING OF RETAILERS

Once all the required data about the market and competition is obtained, the next task involves identifying the retailers already doing business in the market, keeping track of the information gathered and devising a strategy. One must visit all the retail sites, list out the existing brands and understand the franchisee strength in order to understand the market's depth.



Also, the manager must tour and visit in detail the competition around and understand the footfalls, sales levels, trade densities, merchandise mixes, price points, current locations, category-wise sales per square foot and expansion plans, if possible. Often, research indicates that there is strong potential in the future due to the lack of shopping options.

CASE STUDY

We have worked upon a few scenarios that we've successfully implemented in the malls that we are working on (names and locations are classified and not disclosed).

GREENFIELD PROJECTS

Scenario 1: Tier-II, main high-street location:

The tier-II city is a tourism state, third in line to the state capital with a strong population base comprising mostly NRIs. It has heavy international traveller traffic, a reasonably good civic infrastructure, high site-retail store density with traffic and limited parking, fragmented with just a few high streets, although with regional, local and national brands. The city also has three small shopping plazas of about 75,000 to 1,00,000 sq.ft. with a good brand mix and some entertainment and a limited array of F&B options. A comprehensive

shopping mall is also coming up spanning across 5,00,000 sq.ft. on the outskirts of the city near the airport. And, amongst all of this is a nice plot of land on a bustling street for our mall.

Pre-leasing strategy:

We conceptualised a mixed-use development of 5,50,000 sq.ft. including a four-star hotel, convention centre and a 3,00,000 sq.ft. mall positioned towards the upper-mid segment. It is also to include a large hypermarket, a six-screen multiplex, fashion anchor, category killers and vanilla brands focused on seamless impulse shopping, while a one-stop shop offers an assortment of categories along with ample parking. The mall will have a balance of national, regional and local players. The façade, layout, vertical and horizontal circulation will invite the customer to peruse through the mall and increase dwelling time due to the heavy existing footfalls.

Scenario 2: Tier-III city next to a tier-II one, high-street location:

This is the only organised retail project of 1,50,000 sq.ft. in an agro-based cum industrial town located an hour away from the airport of a tier-II city. The town has a small population base with weak infrastructure and planning,

Redefining Retail Investment

Global Real Estate Futures

The retail real estate sector has a long track record of cross-border investment, dating back as early as the 1970s when investors and developers started to look overseas for new growth opportunities. However, it was not until the 2000s that we witnessed the first substantial wave of cross-border activity, as American, Australian, British, Dutch and German capital moved across the globe in their pursuit of strategic diversification. Over the past decade alone, in excess of one trillion US dollars of retail real estate has been traded, of which more than one-third has involved cross-border capital.

By Jones Lang LaSalle India

THE DRIVERS OF RETAIL INVESTMENT

The inexorable growth of the urban middle classes

Investors, developers and shopping centre operators are seeking to tap into the favourable demographics of 'Growth' and 'Emerging' markets, where a combination of rapid urbanisation and expanding middle classes

provide a compelling growth opportunity.

The internationalisation of retailing

International retailers are expanding aggressively. Many major cross-border retailers have ambitious global expansion plans, with the largest fast-fashion groups such as Inditex and H&M leading the way. Technological advancements are

driving global brand recognition and facilitating expansion.

The improving quality of retail assets

As international developers extend deeper into new geographies and local developers adopt international best practice, the quality of shopping centre stock is steadily improving, providing potential new sources of investment product. The

volume of suitable investment grade stock is increasing as markets transition from more traditional forms of retailing to organised shopping centres.

Improving real estate transparency

Our latest 2012 Global Real Estate Transparency Index² highlights steady progress in transparency across the globe. More transparent

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The Mall Is Now Open



Next to Sathya Sai Super Speciality Hospital, Whitefield.



Come Live an Inorbit Experience

Whitefield



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HOW THE BEST NEW MALL IN THE COUNTRY CAPTURED THE IMAGINATION OF MILLIONS

5.5 million footfalls in 6 months

Situated in the award winning Brigade Gateway integrated campus

For the uninitiated, no other mall offers an experience as holistic as Orion. Here's why:

- 1 **World Class Design:** Orion is designed by one of the world's leading architects - HOK of New York. The mall's consumer friendly features like excellent store visibility, simple navigation, elegant interior design along with ample parking ensures a shopping experience beyond compare.
- 2 **Strategic Positioning:** A sustained, and focused marketing blitzkrieg, firmly established the mall as a lifestyle upgrade. The mall has attracted visitors beyond its catchment and distant suburbs making it the most powerful lifestyle retail destination in Bangalore city.
- 3 **Great Location:** In the heart of the city, Orion takes the pride of place at the award-winning Brigade Gateway integrated campus, alongside coveted brands such as the World Trade Center & the Sheraton hotel adding impetus to its lifestyle signature. The integrated campus also includes 1255 premium residences, Columbia Asia Hospital, Galaxy Club & The Brigade School.
- 4 **Optimal Mix of Brands:** Ranging from flagship stores like Zara and Debenhams to Tommy Hilfiger, Apple, Swarovski and other iconic brands, Orion's well planned brand mix satisfies a diverse set of consumer aspirations.
- 5 **More Entertainment & Dining:** The biggest Blu-O in India houses the largest bowling alley in Bangalore. A PVR multiplex with over 2800 seating capacity along with 8 fine dining restaurants and an elegant food court that offer over 40 F&B options.
- 6 **Lake Promenade:** The pièce de résistance, is a man-made lake located in the heart of the integrated campus. The mall and its signature restaurants overlook the lake, making it an ideal outing for a city that craves open spaces.

