

AN IMAGES GROUP PRESENTATION

6th Edition

2013 – 16

MALLS OF INDIA

- Evolved & Emerging Markets
- Operational & Upcoming Malls
- Profiles, Trends & Analysis
- Vision & Views



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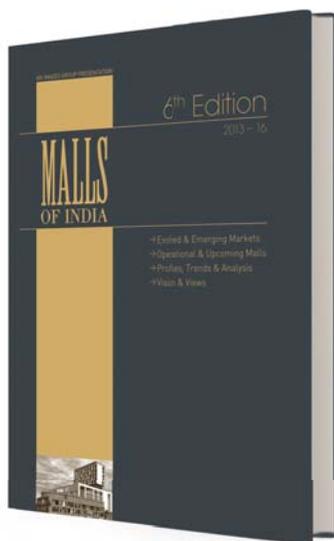
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The word Mall is now a part of virtually every Indian language. Malls in India have completely redefined the shopping experience over the past decade. Malls are today emerging as the new hubs for social communities across most major cities and towns in India.

Images Research had pioneered the development of credible information, study, and knowledge in the retail and shopping centre industries in India.

Images Research brought out the first ever Malls of India in the year 2004. Subsequent editions had firmly established the report as by far the most referred and comprehensive guide on the malls and shopping centres in India.

In its **6th Edition**, the **Malls of India** documents the current status of the the shopping centre industry, studies it & presents the most detailed analysis so far. From tracing the parallel growth of shopping centres and modern Indian retail Industry, profiling the strongest regions and markets, forecasting the emerging regions, comprehensively reports on the operational and upcoming developments, besides researching the tenancy mix across malls. Special features explore the shape of things to come in the future.

Images Retail Research team tables a report indispensable to all interest groups in the shopping centre, town planning, retail, and research industries, packaged as a classy collector's edition.

The Malls of India 6th edition is the outcome of extensive primary and secondary research, interviews, and overwhelming inputs received from retail leaders, consultants and from almost all major mall developers, signalling a strong recognition for this product and the cause it supports.

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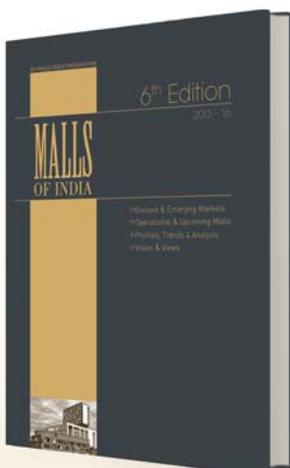
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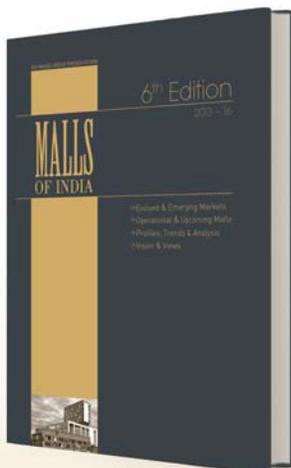
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As we move forward to the next stage of urban development, the Sustainable Regeneration of India's Urban Spaces would be one of our core areas of action. We are hardly left with any space in the cities for social engagement of common people. Planned infrastructure development for leisure shopping and entertainment would be vital for any city's long term sustainability but unfortunately our development has been more on an ad hoc basis and it is high time that the government, town planners and developers join hands in making things comfortable for city dwellers and visitors.

Our cities are our great resources. The health of our cities is central to the health of the whole nation. Cities are living symbols of the enterprise, endeavour, culture, and diversity upon which our prosperity depends.

Many of our regeneration policies might have been too centralised or too unresponsive to the needs of local communities and failing to understand the vital importance of enterprise to urban regeneration. The time has come for these to change in this era of the overall opening up of the economy.

The ongoing drive to clean cities from all encroachments and illegal use of land and property will certainly make life more liveable and ultimately help retailers plan more structured formats. Well-planned retail spaces will reduce the number and stress of the journeys people have to undergo to shop.

Real estate developers play an absolutely central role in the redevelopment of our city centres. High quality shopping and entertainment opportunities can transform city centres from brick, glass, and steel deserts into destinations which people want to visit. Shoppers attract further investment from other players such as cafes and restaurants and suddenly a drab city centre is transformed into somewhere people want to visit, invest, and live. The government on its part will be keen on encouraging the transformative effects of retail development in sustainable urban regeneration.

There has been a flurry of activity in the recent past. I am happy to find that the new townships are much better planned, and I am sure that with every city expanding and increasing its limits, our developers will be encouraged to go green and build large shopping centres where our societies will converge not only to shop but also to celebrate life.

I take this opportunity to commend the pioneering efforts of the Images Group in catalysing the growth of the retail and shopping centre industry. I am sure this edition of 'Malls of India' will reveal many interesting facts and provide meaningful pointers to the road that lies ahead of us. This extremely pertinent exercise of compiling and pooling together relevant information on shopping centre development in India, will I am sure helps investors and all other key stakeholders get a better understanding of the unfolding scenario.

Wishing you all happy retailing in happy Indian cities!

KAMAL NATH

Minister of Urban Development & Parliamentary Affairs, India



सत्यमेव जयते

Real estate plays a crucial role in the Indian economy. The Indian real estate market is expected to grow 30% over the next decade and touch a size of \$180 billion by 2020. It is also the second largest employer after agriculture. The positive effects of real estate growth spread far and wide with a unit increase in construction expenditure generating five times the income, and having a multiplier effect across the backward and forward linkages to over 250 ancillary industries. Housing, retail, hospitality, and commercial real estate are all growing significantly, providing the much-needed infrastructure for India's growing needs.

Established in 1999, the Confederation of Real Estate Developers' Associations of India (CREDAI) is the apex body for private real estate developers in India, representing over 9,000 developers through 20 states and 136 city level member associations across the country. Some significant CREDAI initiatives and efforts have already seen the development of real estate mutual funds, the repeal of the levy of service tax on renting of immovable property for business or commerce, the bringing down of stamp duty by several states, the abolishment of urban land ceiling, and the structuring of the Jawaharlal Nehru National Urban Renewal Mission which will encourage reforms and fast track planned development of identified cities. CREDAI is on the board of prestigious government committees on reforms like the 'Steering Committee for Urban Developing' along with various other committees of the Planning Commission, Urban Planning, and other Ministries.

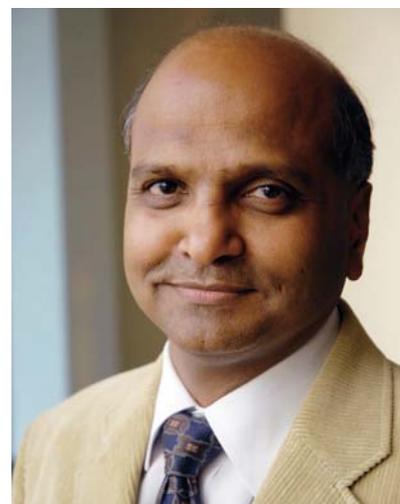
Retail Real Estate is the youngest of the sectors in real estate and holds immense potential for growth and innovation. Many CREDAI members have substantial stake in the progress of the sector. I personally view the art and science of developing Retail Real Estate as the honourable task of creating Community Spaces. Creating these spaces hold the greatest challenge for us developers as the implications go much beyond living and working within them. I also believe that visualising and delivering a mall in totality, to ensure the comfort and convenience of the huge numbers of citizens, is a task of immense responsibility.

I wholeheartedly support this initiative by the Images Group and commend the effort that they have taken to do a detailed research and present a comprehensive report on the "Malls of India," and I must also mention that I am extremely proud of the efforts of my colleagues at CREDAI who have today ensured that several Indian malls are at par or perhaps even better than their global counterparts in terms of adding value to the lives of our fellow countrymen.

I am sure that the "Malls of India" report would be of tremendous use to us developers and all other stakeholders in Retail Real Estate in imparting a better understanding of the subject, and it also comes at a very opportune time when our nation led by a robust young Indian consumer market is poised to breach new heights of prosperity and economic growth.



LALIT KUMAR JAIN
Chairman - CREDAI



Until the global economic slowdown pulled the brakes, the retail real estate industry, the world over and especially, in India, was in the race for '100 to 1000' mall count in less than five years. The game has changed since our earlier edition of the 'Malls of India' released in those typically euphoric times. The shopping centre industry has gone through an accelerated learning curve – the basic qualifying criteria now being 'quality over quantity'. The retailers and developers alike seem to have changed tracks to stay in the race for sustainable success that will stand firm through business cycles and evolving consumer trends.

It is in this vital sector, more than any other, that the need for reliable data cannot be over-emphasized in taking sound business decisions. This edition of the 'Malls of India' seeks to provide a realistic picture of the existing and expected retail infrastructure in the country, to not only help retailers in their expansion plans, but also to guide developers in making the right moves in terms of choosing the potential locations to build. I am not quoting any numbers here, because that's what this report is all about even as we acknowledge that numbers, after all, are the focal point of a majority of businesses in any case.

As you turn these pages, you will see that an attempt has been made at moving away from verbosity and in presenting simple facts, figures and projections for an easy and quick reference. And then going to the next level, this edition serves as a single resource of exclusive in-depth information be it Operational or Upcoming Shopping Centres, Rentals and Revenue Share Trends, or Analysis of Space Utilisation in Indian malls. The chapter on tenancy analysis gives useful insights into the distribution and depth of various retail categories across malls in India. This, I have no hesitation in saying, would not have been possible without the willing support of the industry at large. It's not been easy but it's definitely worth the effort to consolidate first-hand data to create this much-needed pool of information addressing the most critical need of the industry. I take this opportunity to thank the shopping centre industry in India in helping us serve you as the trusted anchors in retail knowledge platform leadership.

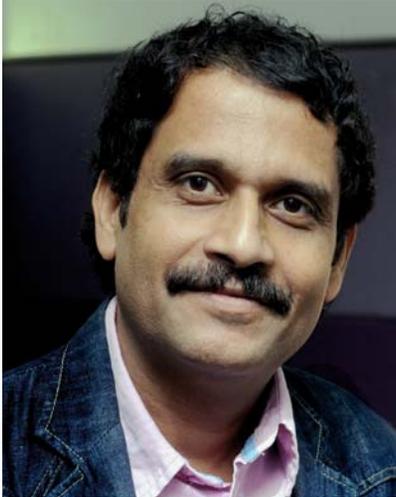
Last but not the least, the team behind the issue, led by our veterans, deserves my deep sense of appreciation for burning the proverbial mid-night oil in putting things together. I look forward to our esteemed friends in the industry for their word – either way, always.



AMITABH TANEJA

Chief Convenor, India Retail Forum
Founding Director, Shopping Centre Association of India
CMD & Editor-in-Chief, Images Group





Infrastructure and real estate development have been the key drivers of retail expansion which in turn has resulted in increased consumption, thereby giving the much-needed push to the multi faceted growth of our economy. The journey of shopping centre development in India has not been easy, but overall rapid urbanisation and increasing household income have led to the growth in the retail real-estate sector. The shopping centre stocks have improved in the past one year and this growth can further escalate if our FDI initiatives find some brave early adopters from amongst the international retailer community.

On the flip side of this growth story, haphazard development has disturbed city life and, today, the issue of 'Sustainable Regeneration of India's Urban Spaces' always comes to the forefront while discussing any future development. Town planning and building laws need to become stringent and operating commercial enterprises from residential units should not be allowed. Bank loans and funding to such enterprises are expected to become tougher and the latter will have no choice but to resort to organised commercial properties. Things over the next decade look promising. I am glad that our hon'ble urban development minister Mr. Kamal Nath has addressed the subject in his Foreword.

Nothing can be achieved without a strong bond between the industry and the Government. The industry needs to have a consistent dialogue with the Government to expedite the reform process. Ultimately, the onus of sustaining and stimulating growth in the retail real-estate sector would fall on the Government and financial institutions, which can act as catalysts to this growth. With FDI, the retail realty activity would be on the upsurge and services are expected to become more streamlined, resulting in enhanced demand for professionals and specialists.

There is a need to create a more investor-friendly environment for both developers and retailers. The retail component in integrated townships is also expected to assume a more important role. Developers have now lined up huge investments to set up malls in the country. With the demand in developed countries reaching maturity, the lure of FDI in retail will attract most of the global players to India. In the next few years, we will see the convergence of many best practices and innovations, which have evolved in different parts of the world, taking shape in India too. Malls in India will soon have all the right combinations adhering to the best international benchmarks.

However, with increasing land and construction costs, malls and retail tenants who are persistently stressed in reaching their own sustainable margins, the industry is looking forward to the Government for awarding Special Zoning Regulations as centres for shopping, leisure, entertainment, as well as recreation. Retail infrastructure should be considered a public development and a necessity for consumers and not just as another purely profit generating business ventures of developers.

The most crucial issue facing mall developers is getting land at reasonable prices. High land costs drive up rentals, which in turn discourage retailers from moving into malls. Many government rules and regulations are primitive – for example, mandating that the height of malls cannot exceed 30 metres. Land is scarce in India

OVERVIEW OF MALLS IN INDIA

BY IMAGES RESEARCH

The growth of modern retail has been parallel to the development of shopping malls in India and it is a recent phenomenon. The journey that began with just 2 malls in 1999 has been rapid and eventful. By 2005, India had around 50 malls, which rose to around 250 by 2010. As per the findings of Images Research, India has seen the opening of some 570 malls, of which about 100 have either closed down or have stopped operating due to some reason or the other. It is estimated that as of 2013, India has 470 operational malls, which together hold a Gross Leasable Area (GLA) of more than 128 million sq. ft. Within the last two years (post recovery from economic slowdown), the malls count has grown by 28 per cent per annum matching the growth rate of modern retail. There also are 250 upcoming malls at various stages of development, which will add another 77 million sq. ft of GLA thus taking the total GLA in the country to 206 million sq. ft by 2016. The Executive Summary section of Malls of India gives an understanding of how IMAGES Research arrived at this estimate.

Year	No. of Malls	GLA (million sq.ft.)
2,012	367	106
2,013-Est.	470	129
2,014-Est.	542	150
2,015-Est.	624	176
2,016-Est.	720	206

© IMAGES RESEARCH

With the emergence of several strong anchors and mini-anchors to occupy much larger spaces than before, developers are now finally in a position to plan million-plus square feet malls. The emergence of strong non-metro markets also opens up possibilities for million-plus square feet town centre malls. A growing market for, and acceptability of, entertainment destinations will further support mall development.

The government's recent decision to permit FDI in multi-brand retail is expected to boost mall development in the country, and it will certainly not be restricted to just top 60 cities with million plus populations, but its impact will be seen across hundreds of smaller cities that will emerge as strong consumption pockets over the next few years.

INDUSTRY INTROSPECTION

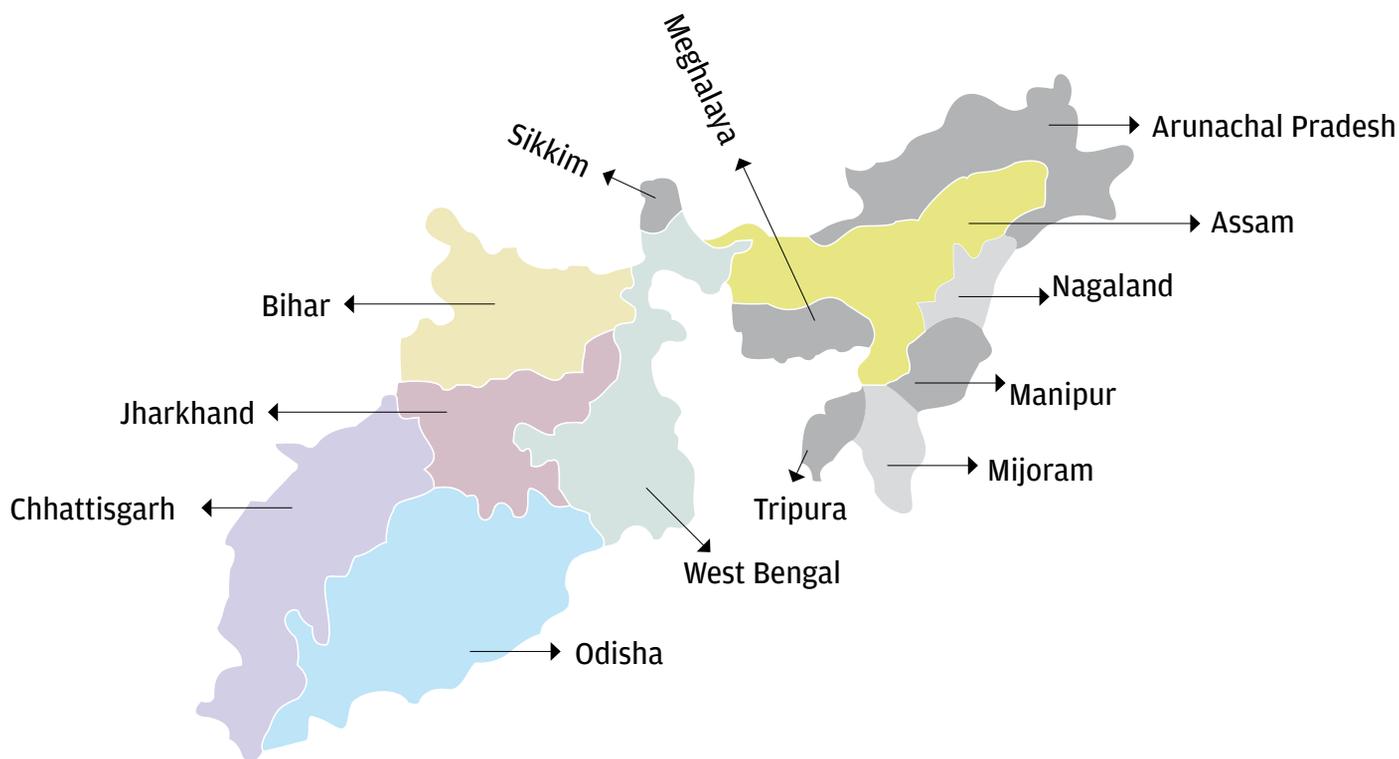
Today, many malls can be seen in the cities and towns of India, while many more are slated to come up in near future. What is driving this mall mania? What is helping this growth? And what is going to help it sustain the growth in the future? Asking these questions at this time seems to be apt since given the current status of India's economic growth, the key international onlookers are also seeking the same answers. Is the success story of India's mall industry facing a challenge or is it just the customary pause before the moment, which beckons a dramatic turn within every industry.

There can be many assessments and observations on the current status of mall industry. The best way, however, is to assess the present situation by answering the following two important questions:

1. What has been and will be the role and impact of India's mall industry to the overall economy, modern retailing and consumerism in the country?
2. How has the Indian mall industry evolved until now and what are the key lessons from this evolution?

While answering the first question, one could focus on how shopping malls in the whole world have been an influencing factor in the much larger economic environment of a nation. Economies of the world are evaluated traditionally by the performance of their agriculture, manufacturing or service sectors, or by how other vital economic components, such as level of imports, exports, foreign reserves, balance of payments, inflations, et cetera, are performing.

Firstly, the answer would be that shopping malls are an important part of infrastructure development, which helps consumption growth. The growth in infrastructure in a country is taken as a productive measure in mapping the improvement in living standard. Secondly, shopping malls serve Indian modern retail, which is a part of Indian retail. Retail is the second biggest occupation after agriculture. Since modern retail is on a growth trajectory, it is understood that consumption is growing too. So, the more mall development grows the better it is for India's consumption growth story. Last but not the least is the evolution of mall industry as part



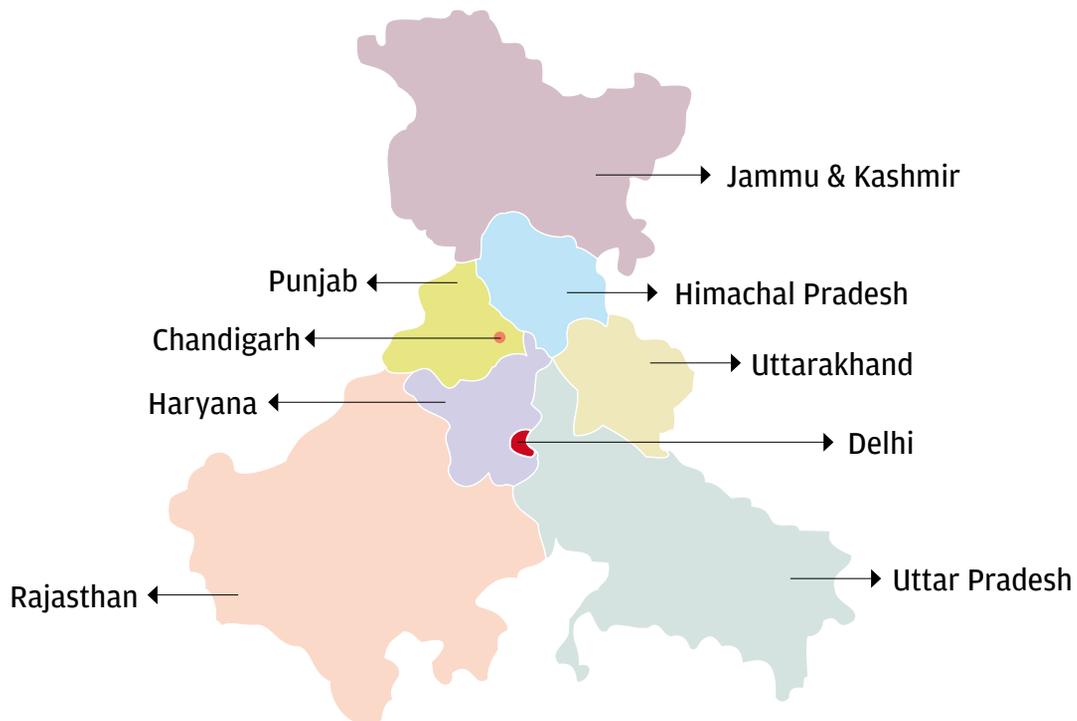
EAST ZONE ANALYSIS

BY ASIPAC

East Zone consists of the states of Chhattisgarh, Jharkhand, Bihar, Odisha, West Bengal and Assam. The other six north-eastern states are not considered for this study as there has not been any notable development in those states.

The eastern region is clearly the least developed, with only three cities amongst the top 30 developed markets for from a total of 12 states. These 3 cities contribute to a meager 41 out of 355 million sq.ft. of potential retail space in the top 130 retail destinations – a 11.5 percent contribution, in spite of having roughly 27 percent of the entire country's population. There are 18 other cities from the East Zone in the next 100 upcoming retail destinations of India.

Among the states, Bihar has the highest potential with as many as 6 cities in the top 130 retail destinations, though apart from Patna, every other city is at the bottom of the table.



NORTH ZONE ANALYSIS

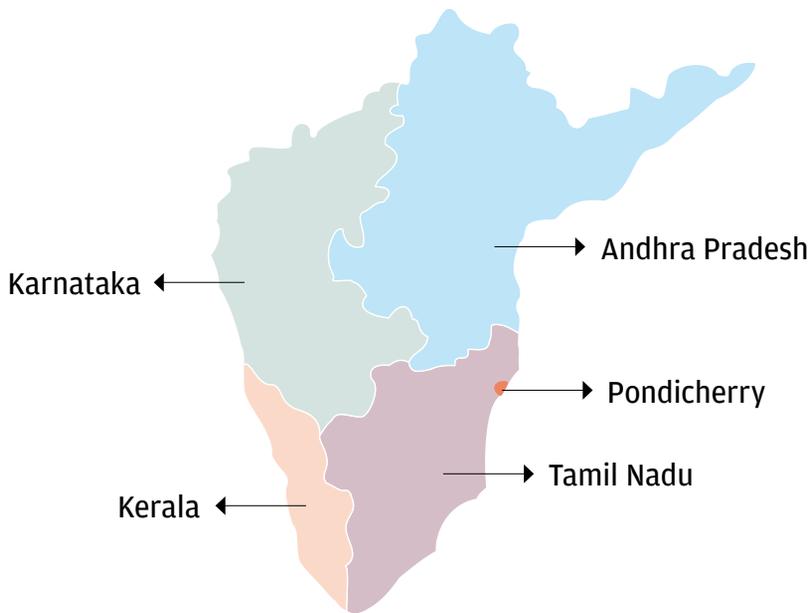
BY ASIPAC

The appeal of North Zone to organised sector retailers is set to increase, with 30 of the next 100 upcoming retail destinations coming up here. Out of the top 30 developed markets, 10 are already in the North Zone. For the purpose of this report, the North Zone will comprise cities in the states and union territories of NCT of Delhi, Haryana, Himachal, Jammu & Kashmir, Rajasthan, Uttarakhand, Uttar Pradesh, Punjab and Chandigarh.

Surprisingly, Uttar Pradesh emerges as the star in the North Zone, with the most number of cities showing retail promise. With 15 cities wooing retailers with their demographics, the retail scene of Uttar Pradesh is on the verge of changing drastically.

Rajasthan is not far behind with seven cities showing capacity for serious retail developments. The mature tourism industry in Rajasthan, which consistently gets large volumes of both domestic and international visitors every year, is a boon for retail, which cannot be ignored.

Next on the list is Haryana with three upcoming retail destinations. Both Punjab and Jammu & Kashmir have two cities each with future retail potential. In Punjab, the retail scenario is already good, with 3 cities in the top 30 developed markets. Dehradun in Uttarakhand also makes the list at number 56.



SOUTH ZONE ANALYSIS

BY ASIPAC

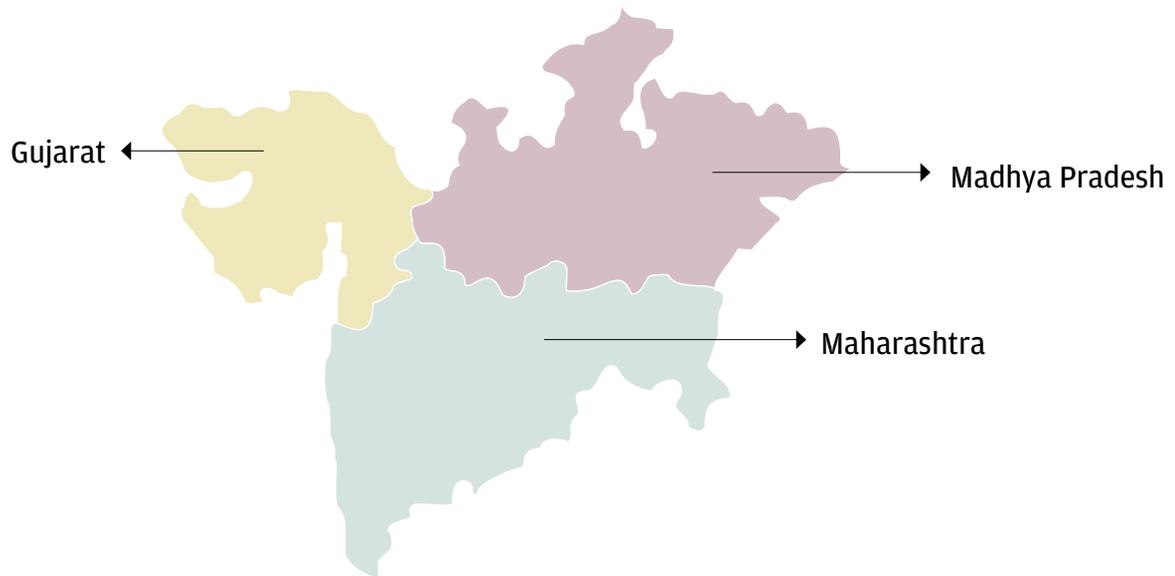
The South Zone comprises Karnataka, Kerala, Tamil Nadu, Pondicherry and Lakshadweep, as well as the soon-to-be split state of Andhra Pradesh.

South India offers the highest future retail potential, with 33 of the next 100 upcoming retail destinations, added to the 6 developed retail markets, making it a total of 30 percent of the top 130 markets.

Currently, the undivided Andhra Pradesh has the most number of developed markets with three cities: Hyderabad, Vishakhapatnam and Vijayawada. In this large Southern state, 10 more cities have the potential to become the next retail hotspots, which will give Andhra Pradesh 13 of the top 130 retail destinations. After the split of the state, only four of these markets will be within the new state of Telengana, whereas nine will remain in Seemandhra.

Even though Karnataka has only one developed market, Bengaluru, the total retail space demand (TRSD) of India's third largest city alone exceeds the combined TRSD of the three developed markets of Andhra Pradesh. With 12 upcoming retail destinations, Karnataka will equal Andhra, with 10 percent of the top 130 retail destinations.

Tamil Nadu and Kerala have five upcoming destinations each and are clearly lagging behind Andhra Pradesh and Karnataka in terms of total cities amongst the top 130.



WEST & CENTRAL ZONE ANALYSIS

BY ASIPAC

The West Zone consists of the states namely Maharashtra, Madhya Pradesh and Gujarat. This zone can be expected to be very productive for malls and modern retail in the near future as there are many indicators pointing towards positive development in the zone.

Western India is currently the most-developed region, with 11 of the top 30 developed markets from this zone. The West Zone also exhibits good future potential, with 19 cities in the next 100 upcoming retail destinations, making it a total share of 23.1 percent of the top 130 retail destinations. What is even more interesting is the fact this zone leads the country in total retail space demand (TRSD), with a potential 119 million sq.ft. out of 355 million sq.ft. of modern retail space, representing a 33.5 percent share of the demand in the top 130 retail destinations.

Maharashtra has the most number of developed markets, with 5 cities – Mumbai, Pune, Nagpur, Nashik and Aurangabad – in the top 30 developed markets. Thirteen more cities in Maharashtra have a place in the next 100 upcoming retail destinations, which will give the state 18 of the top 130 retail destinations, second only to Uttar Pradesh, which has 19 cities. Retail demand in the Greater Mumbai market is so large that it is greater than the entire demand of the East Zone.

Gujarat has been growing at hectic pace in the recent years and has 4 cities in the top 30 developed markets – Ahmedabad-Gandhinagar, Surat, Vadodara and Rajkot. However, the state does not hold much promise for future developments in retail, with just two cities in the next 100 upcoming retail destinations – Jamnagar and Bhavnagar. This is perhaps an example of the much talked about (in the media) top-heavy growth model of Gujarat.

Madhya Pradesh, with 2 cities in the top 30 developed markets – Indore-Dewas and Bhopal, and 4 cities in the next 100 upcoming retail destinations, is definitely going through a welcome change from its backward BIMARU days.



SCALING UP OF MALLS IN INDIA

BY ZAINAB MORBIWALA

By land mass, India remains to be the world's seventh largest country, and population wise we are the second largest. Good enough numbers to motivate the players in retail real estate to come forward and build if not the largest but at least one of the largest malls in the world. But the unfortunate part is that, till date, none of the malls from India even merit a place in top five. We have mega cities with mega populations in the country but what about mega malls? By international standards, the mega malls of India perhaps do not fit the bill but then considering modern retail in India is just a decade old phenomena, the mall culture in the country will take its time to set in

RENTAL TRENDS IN MALLS

BY AMIT BAGARIA, FOUNDER CHAIRMAN, ASIPAC GROUP

Rentals in malls have been on the upswing over the last couple of years. The reasons for this sharp rise have been many, and not just restricted to a rise in costs. Let's take a peek into the current trends in the mall rental space and analyse the factors leading to the rise in rent costs

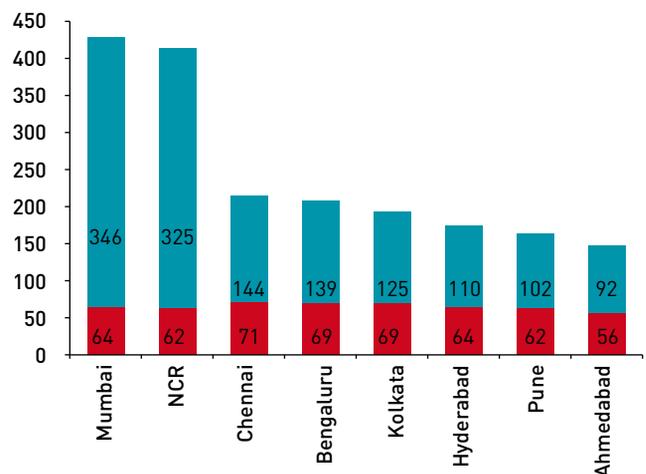
The development cost, which includes the cost of construction, consultant costs, approval costs, and interest during the construction period, of a new mall in India, with decent level of premium finishes, has more than doubled in the last five years. From about Rs. 2,000 per sq.ft. of built-up area (excluding basements, and referred to as GFA in most countries) or Rs. 2,940 on carpet area (referred to as GLA in most countries), it has jumped to more than Rs. 4,250 per sq.ft. of built-up area and Rs. 6,250 on carpet area, respectively.

With the addition of floor area ratio (FAR) or floor space index (FSI) cost, which refers to the ratio of square footage allowed to be built above ground on every square foot of land, a new mall today, assuming it will open in the 2014 calendar year, will require a total investment of Rs. 5,500–12,000 per sq.ft. of built-up area (Rs. 8,085–17,640 on carpet area). However, this does not include most of the island city of Mumbai, where the FAR or FSI costs are much higher.

Considering these figures, what are the income levels and the return on investment that a developer or investor can expect? Have the rentals also kept pace with the rise in costs? Here, we will take a close look at rental trends across the malls in India.

For the purpose of this article, "luxury" retail centres, such as DLF Emporio (Delhi), Grand Hyatt Plaza (Mumbai), and UB City (Bengaluru), have been excluded. **All rentals are based on carpet area for easier comparison with international norms, as Indian leasable areas (often referred to as super built-up areas) include a "loading" factor to apportion common areas.**

AVERAGES MALL RENTALS IN JULY 2013
(in per sq.ft. of carpet area per month; Low & High)



As the chart below suggests, the current average rentals in India's eight largest malls in metropolitan regions – Greater Mumbai, National Capital Region (NCR), Bengaluru, Kolkata, Greater Hyderabad, Chennai, Ahmedabad, and Pune – range from Rs. 56 sq.ft. (Rs. 7,233 sq.m. per annum) to Rs. 346 per sq.ft. per month (Rs. 44,692 sq.m. per annum). These are the average rentals for entire malls, and not just for vanilla stores or for any particular floor. Therefore, the low of Rs. 56 psfpm at Ahmedabad reflects the average rent for the "cheapest" mall in that city and the high of Rs. 92 psfpm reflects the average rent for the "most expensive" mall there.

If we remove NCR and Mumbai from this list, the high falls by more than half, to just Rs. 144 sq.ft. per month (Rs. 18,600 sq.m. per annum).

The gap between the lows in all the eight metropolises (Rs. 56 to 71 psfpm) is just 27 percent, while the gap between the highs (Rs. 92 to 346 psfpm) is a whopping 276 percent. Later, we will look at whether such high disparity is justified or not, from the retailers' point of view.

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