

Intelligent Investment






# Indian Realty Outlook: Demystifying Future Growth Opportunities in the Retail Sector

REPORT

CBRE India Research  
SEPTEMBER 2022





Our Projections in March 2022	vs	Reality
<ul style="list-style-type: none"> <li>+ Retail construction pipeline to improve over 2021 but remain modest in 2022</li> </ul>		<ul style="list-style-type: none"> <li>+ Construction pipeline improves from our original estimate; moves closer to the 2018 peak</li> </ul>
<ul style="list-style-type: none"> <li>+ Expansionary demand to continue; caution to pervade</li> </ul>		<ul style="list-style-type: none"> <li>+ Robust recovery underway due to unleashing of pent-up demand and continued strength of e-commerce; Y-o-Y growth of 166% caused leasing activity to touch 1.54 million sq. ft. in H1 2022</li> </ul>
<ul style="list-style-type: none"> <li>+ Stores to be multi-functional, to move beyond pure 'retail'</li> </ul>		<ul style="list-style-type: none"> <li>+ Stores increasingly blending industrial with retail, and simultaneously satiating customers' need for an outing</li> </ul>
<ul style="list-style-type: none"> <li>+ Consolidation and fragmentation on cards; growing partnerships between digital and traditional brands</li> </ul>		<ul style="list-style-type: none"> <li>+ Newer brands gaining precedence; brands continue to tie up with e-commerce firms</li> </ul>
<ul style="list-style-type: none"> <li>+ Sharper focus on experience</li> </ul>		<ul style="list-style-type: none"> <li>+ 'Experience' is now redefining the physical strategy of several brands</li> </ul>

To read our projections for this sector in March 2022, please download our report -

[India Market Outlook 2022](#)



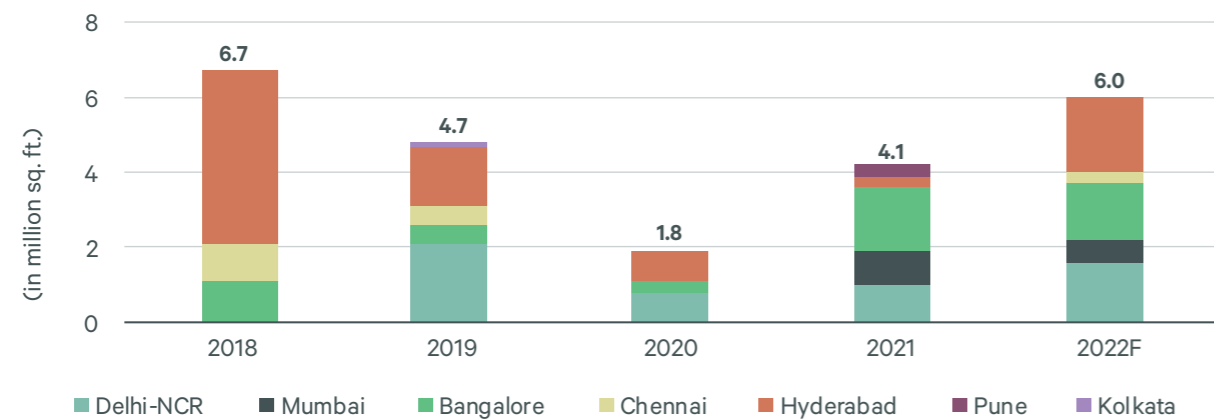


# Where are we headed?

The retail sector’s recovery trajectory has been sharper than estimated previously which can be attributed to pent-up demand among consumers who had been forced into isolation for two years but are now emerging from their homes following a widening vaccination net. This is evident from the Google Mobility Trends reports, according to which visits to places of retail and recreation in India have been in the positive zone from February this year after remaining largely below the baseline since February 2020.

In terms of leasing activity, Q2 2022 saw a sharp spike of more than 100% on a Q-o-Q basis. We expect this momentum to gain further ground in the remaining year. Categories such as fashion & apparel, department stores, supermarkets & hypermarkets, and F&B are expected to be the key drivers of leasing activity this year. In response, we expect developers to shore up their retail offerings, leading to a rise in previously anticipated supply addition. While the peak of 2018 might not be crossed this year, the quantum of supply addition is unlikely to be modest, although space productivity would continue to be a focus area.

**Figure 4.1: Supply trends in retail (2018-2022F)**



Source: CBRE Research, Q3 2022

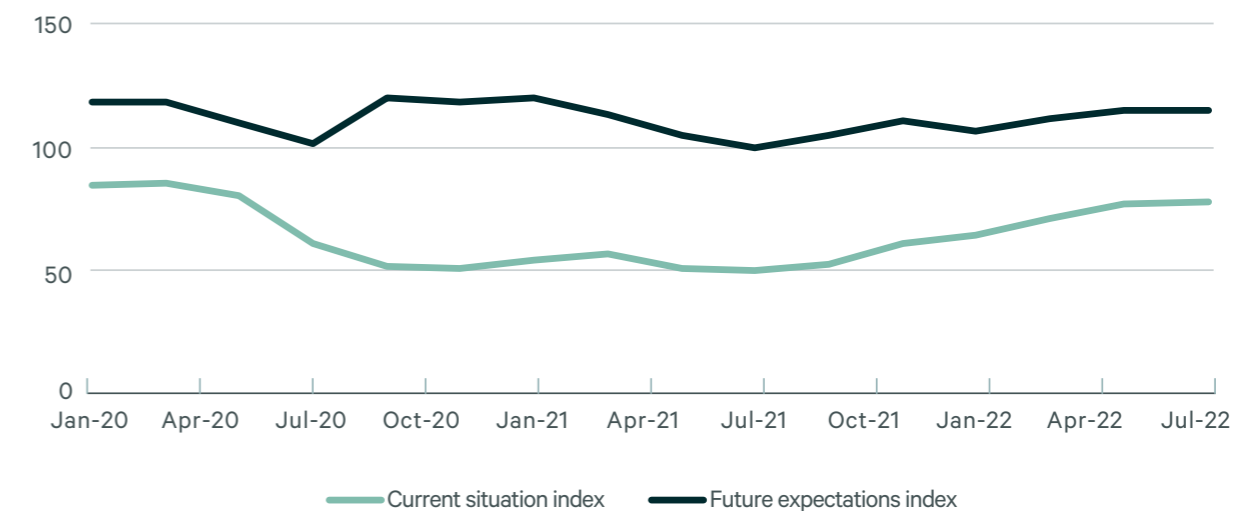
This rapid growth could be attributed to a rising demand among retailers for space to open more stores – according to CBRE’s 2021 Asia-Pacific Retail Flash Survey, 65% of retailers indicated their intent to open more stores in 2022 while 50% stated that they wanted better locations. This could translate into the continued preference for prime malls and high streets among retailers who would try to secure better deals in these locations while others (who were unable to afford them previously) might look for an ‘upgrade’. Going forward, however, these deals might become a little hard to come by as rents in select retail clusters have started to inch up since 2021 – a trend that is likely to widen in 2022.



## Key defining trends for the retail sector for 2022

- + Many home-grown direct-to-consumer (D2C) brands are contributing to demand and taking up space across leading cities to build their physical store network – a trend which is expected to continue this year. Further, India would remain an attractive destination for global brands, especially those with sound local market intelligence and established management teams, considering the sheer size of its market and spending power. According to the RBI Consumer Confidence Survey, released in August 2022, consumers are optimistic about the economic situation as well as their overall spending over the next one year. Therefore, we expect brands to leverage this optimism and announce entry / expansion strategies in the next few months. So far, brands such as Tim Hortons, H&M Home, Pottery Barn and R&B have entered the country this year through offline and online channels, and we expect more such entries this year.

**Figure 4.2: The RBI Consumer Confidence Indices**



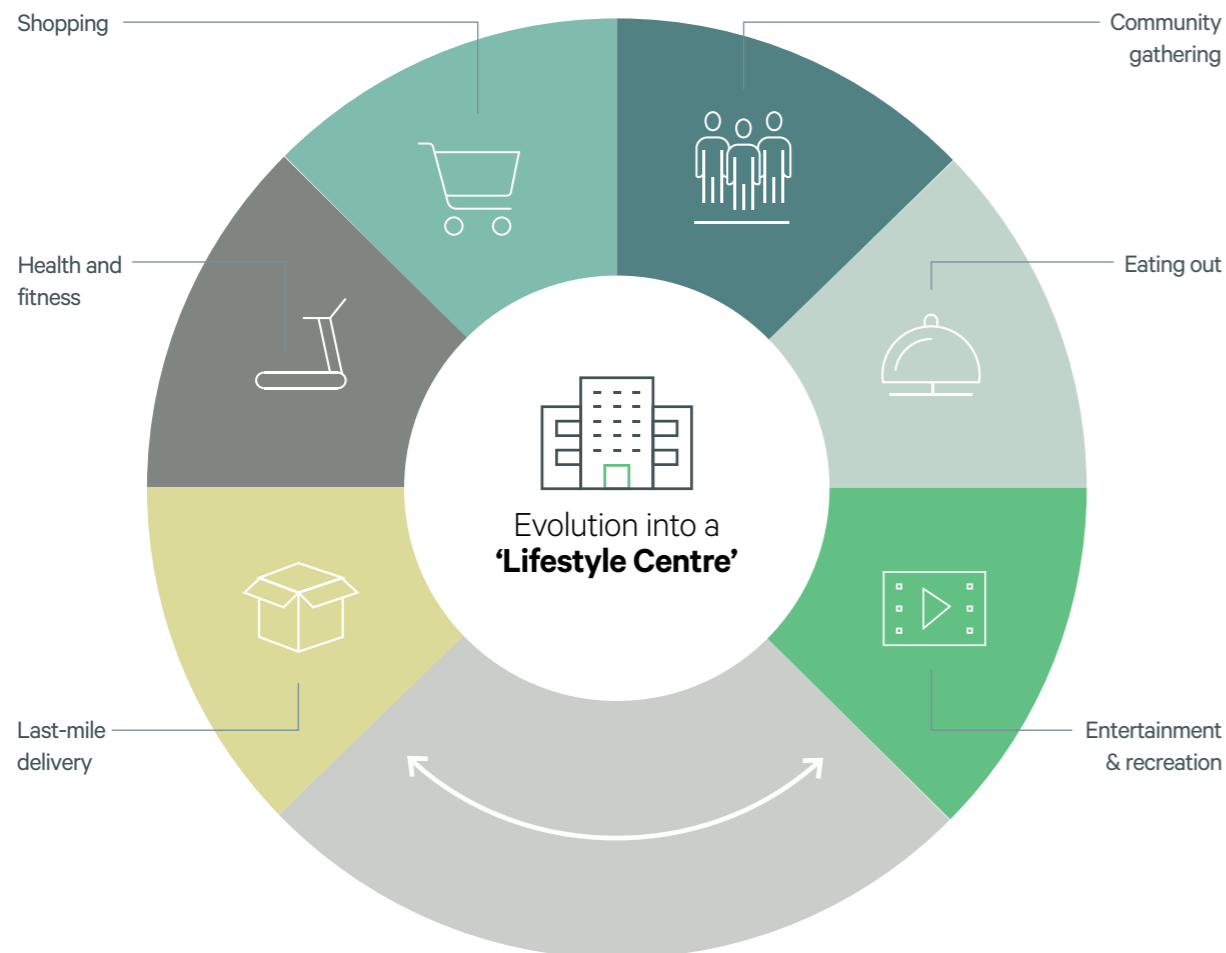
Source: RBI’s Consumer Confidence Survey, August 2022

- + Seamless retail is expected to strengthen further in the coming months as boundaries between offline and online retail blur further, with stores acting as the final leg of product deliveries. According to our aforementioned 2021 flash survey, almost two-third of retailer respondents believed that more online orders would be fulfilled and delivered from existing brick-and-mortar stores.
- + Brands would continue to resize and recalibrate their physical store strategies to diversify their portfolio and expand footprint, with ‘experience’ becoming an important frontier to bridge the retailer-consumer gap. This is becoming evident from the growing experiential store launches in the country across retail categories such as electronics, entertainment and fun zones, F&B, sports goods / athleisure, beauty, and apparel and footwear. Diversification of store formats and functions is also likely as retailers look to enhance the experience quotient, with pop-up outlets, flagship stores and concept stores gaining prominence.
- + Repurposing of space into fulfillment centres and dark stores is likely in secondary / inferior-grade properties. This is especially a real possibility in the grocery segment where grocers with a significant number of online orders might consider converting low-performing stores into dark stores to leverage the heightened need for convenience and quick, hyperlocal deliveries. Further, restaurants are also venturing into dark kitchens and tying up with on-demand delivery applications or even exploring new business models by opening outlets meant exclusively for takeaways / home deliveries through their own apps.







+ Placemaking would gain further ground as developers look to make their offerings less transactional, and more inventive and exclusive. The aim would be to create destinations where people want to go, and not just need to go.

**Figure 4.3: Transition of a shopping centre to a lifestyle destination**



Source: CBRE's 'The Retail Perspective on Experience and its Impact on Real Estate', August 2022

### What more can unfold in the future?

 <p>+ Growing institutional capital in retail spaces as expansion and consolidation gain steam and new brand entities emerge.</p>	 <p>+ Brands expected to increase the number of stores and rightsize their portfolios.</p>	 <p>+ Tier II, III and now even tier IV locations are gaining traction as developers and retailers look to leverage the spending power of these regions.</p>	 <p>+ Greater presence of education- and health-focused centres in retail clusters, leading to diversification of developer portfolio.</p>
--	---	---	---

# Contacts

## RESEARCH

### Abhinav Joshi

Head of Research, India, Middle East and North Africa  
abhinav.joshi@cbre.co.in

### Vidhi Dheri

Head of North and West Research Operations - India  
vidhi.dheri@cbre.co.in

### Uttara Nilawar

Senior General Manager  
uttara.nilawar@cbre.co.in

### Priya Verma

Deputy General Manager  
priya.verma@cbre.com

## BUSINESS LINE

### Ram Chandnani

Managing Director,  
Advisory & Transactions Services, India  
ram.chandnani@cbre.co.in

### Bimal Sharma

Executive Director,  
Head of Retail, India  
bimal.sharma@cbre.co.in

## GLOBAL RESEARCH

### Richard Barkham, Ph.D., MRICS

Global Chief Economist &  
Head of Research  
richard.barkham@cbre.com

### Henry Chin

Global Head of Investor  
Thought Leadership &  
Head of Research, APAC  
henry.chin@cbre.com.hk

### Julie Whelan

Global Head of Occupier Thought  
Leadership  
julie.whelan@cbre.com

## FOLLOW US



CBRE Research

This report was prepared by the CBRE India Research Team, which forms part of CBRE Research—a network of preeminent researchers who collaborate to provide real estate market research and econometric forecasting to real estate. All materials presented in this report, unless specifically indicated otherwise, is under copyright and proprietary to CBRE. Information contained herein, including projections, has been obtained from materials and sources believed to be reliable at the date of publication. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. Readers are responsible for independently assessing the relevance, accuracy, completeness and currency of the information of this publication. This report is presented for information purposes only exclusively for CBRE clients and professionals, and is not to be used or considered as an offer or the solicitation of an offer to sell or buy or subscribe for securities or other financial instruments. All rights to the material are reserved and none of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party without prior express written permission of CBRE. Any unauthorized publication or redistribution of CBRE research reports is prohibited. CBRE will not be liable for any loss, damage, cost or expense incurred or arising by reason of any person using or relying on information in this publication.

To learn more about CBRE Research, or to access additional research reports, please visit the Global Research Gateway at [www.cbre.com/research-and-reports](http://www.cbre.com/research-and-reports)  
CIN - U74140DL1999PTC100244

# CBRE