

Celebrating **25 years** in India

India Retail: Evolving to a new dawn



Research

India

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Foreword

India's retail sector is manifesting winds of change as it looks to reinvent and reimagine itself. It no longer remains only a real estate game, but now more than ever needs a service-oriented or an experiential approach. That said, robust consumption demand recovery and rising footfalls in brick-and-mortar retail clearly signal that the market is set for the next stage of evolution.

The confidence in India's physical retail markets is also manifested by the successful listing of India's first retail-led REIT and has been further strengthened by prominent developers, institutional investors and global brands announcing a host of new retail developments in the country. All quality-grade retail developments continue to function at high occupancy levels and reporting higher foot traffic and sales compared to even pre-pandemic levels, further supporting the narrative.

Retailers have evolved as well to cater to new buyer sensibilities where brand and in-store experience, product lines echoing global trends and refreshed store formats are all being used to bring in more footfalls. In fact, mall owners are driving this trend by pushing brands to realign to match the footfalls the mall is trying to attract. The bigger retail chains are already seeing higher revenues and in fact are investing heavily into expanding their product lines by bringing in pret as well as select couture collections from leading designers while also increasing their store count in growth markets, including tier 2 and 3 consumption centres. Omni-channel retail is ramping up with online only stores and brands having opened up their physical stores and seeing a visible increment in their sales volumes. While mostly physical retail brands are creating online channels to serve as feeders to new upcoming products as well as serve a more tech-savvy generation.

Global brands are making a beeline to Indian shores given the strong physical market performance and the large consumer base with high aspirations.

The future of the retail sector in India is not a straight line, but one consisting of new growth shoots. Indian retail has all the right triggers as it begins to assimilate global shopping trends. Premium outlet centres and highway retailing are new formats that are expected to be the next in line as the physical, organised retail market continues its growth journey. All these new formats are driven by evolving consumption trends which see the middle and aspirational class asking more from retail brands and brands responding positively, proving the adage that 'customer is king'. We are in for an exciting ride, so come along and partner with us on your brand journey!



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01

India Retail: Coming of age



A. Introduction

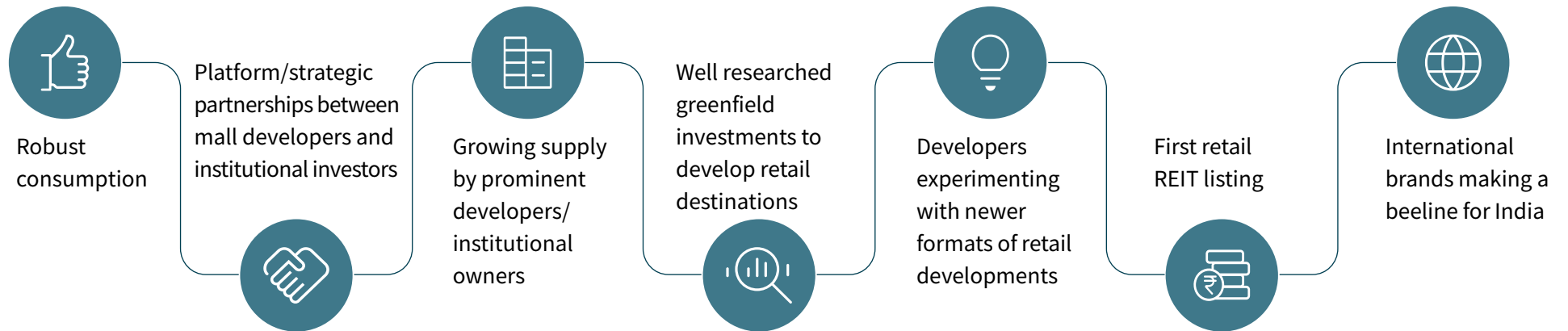
India's retail sector manifested a strong comeback in 2022, and the growth momentum continued in 2023. The brick-and-mortar, organised retail sector demonstrated a remarkable performance bolstered by a buoyant consumer sentiment translating into increased footfalls and sales conversion. Stable economic conditions have fuelled the growth in consumption parameters and propelled the strong leasing momentum and new store launches by regional, national and global retailers.

Consumer preferences have also evolved to the point where retail developments

are not only seen as shopping avenues but also as social meeting places.

Accordingly, mall owners/developers are undertaking placemaking techniques while introducing newer retail categories and increasing F&B offerings alongside various entertainment options to attract footfalls. Customer centricity as part of core strategy has become even more important for mall developers and retailers. They are leveraging social media to increase their reach to a wider population group. Collaborations with content creators, fashion bloggers and influencers are becoming commonplace to enhance product awareness and connect with customers.

The Transformation of Retail



In a big boost to physical retail, prominent developers, global conglomerates, and institutional investors have been at the forefront of announcing and **launching quality retail developments**. India's **first retail assets-led REIT**, Nexus Select Trust, backed by Blackstone, reaffirms the increasing maturity of the sector in the country. The response to the IPO, which was oversubscribed 5.5 times, indicates the sustained investor confidence in the India demand story and has set the tone for

attracting more investment capital in physical retail. Interestingly, the expansion by developers is not only limited to metro cities but spreading across key Tier 2 and 3 cities. This remarkable growth in quality supply supported by rising consumer demand has enabled both retailers' expansion and an overall spurt in leasing activity.

The upcoming mall supply is creating entry opportunities for newer brands into cities while providing a platform for national/local retailers to showcase their offerings.

B. Retail developments record growth in consumption and revenue

Supported by strong macroeconomic tailwinds, the footfall growth and rising consumer spending positively impacted the revenue performance of quality retail developments as their occupancy levels steadily improved over the last year.

As an example, Nexus Select Trust, in its latest quarterly report, stated that it leased 0.4 mn sq ft during the quarter, causing its overall occupancy to rise to 97% (300 bps higher than June 2022). Similarly, established developers, such as DLF Limited, Phoenix Mills Limited, Brigade Enterprises Limited, and Oberoi Realty, reported revenue growth in operational retail assets.

Given the **strong performance of physical retail, high occupancies in quality developments and demand polarisation** are driving the need for new mall space. Consequently, developers have been actively looking for land acquisition in strategic locations and growth corridors. Some leading mall developers have announced new retail developments that will lead to accretive growth in their portfolios.



Shopping malls recorded sustained demand growth



Increase in Revenue

- **DLF Cyber City Developers Limited (DCCDL):** Retail revenue increased by 12% y-o-y driven by sustained leasing momentum in Q1 FY24. It increased from **INR 167 crore in Q1 FY23 to INR 187 crore in Q1 FY24.**
- **Brigade Enterprises Limited:** Retail Revenue increased by 77% in FY23 as compared to FY22
- **Oberoi Mall:** Operating Revenue increased by 1% y-o-y from INR 3760 Lakh in Q1 FY23 to INR 3783 Lakh in Q1 FY24



Increase in Consumption

- **The Phoenix Mills Limited:**
 - Total consumption in Q1 FY24 stood at **INR 2,574 crore, demonstrating a y-o-y growth of 18% over Q1 FY23.**
 - Witnessed the highest-ever annual consumption of **INR 9,248 crores in FY23** demonstrating a growth of **33% over FY20.**
- **Nexus Select Trust**
 - **Consumption growth of 18% y-o-y in Q1 FY24.**
 - Increased occupancy from **94% in June 2022 to 97% in June 2023 (an increase of 300 bps)**



Increase in Footfalls

- **Brigade Enterprises Limited:** Footfalls increased by 106% in FY23 over FY22

Remarkable recovery and sustained growth in consumption parameters and retail revenue across the mall portfolios of established developers

Source: Company Quarterly reports and annual reports



C. Sales and revenue moving northwards for leading retailers

In FY 2023, reported revenues of leading domestic retailers increased y-o-y, and the momentum remained growth-oriented in Q1 FY 24. Strong sales across product categories in existing stores, as well as strategic expansion in newer markets, supported their revenue growth. Most brands also reported spiking sales in Tier 2 and 3 cities with increasing demand across these markets.

While the sales and revenue numbers of leading retail chains have shown remarkable growth, there was a general trend of declining net profits across some national retail chains due to increased investments in building specific businesses and marketing. Consumption demand is expected to have a greater momentum in the second half of the year, with higher discretionary spending due to the onset of the festive season.

Revenues up in FY 23 y-o-y for leading retail chains

Revenue (INR Cr)	Q1 FY 24			FY 23		
	Q1 FY 24	Q1 FY23	Growth (Q1 FY24 Vs Q1 FY23)	FY 23	FY 22	Growth (FY23 Vs FY22)
Aditya Birla Fashion & Retail Limited (Consolidated)	3,196	2,875	11%	12,418	8,136	53%
Arvind Fashions	957	920	4%	4,421	3,056	45%
Reliance Retail (Gross Revenue)	69,948	58,554	19%	2,60,364	1,99,704	30%
Shoppers Stop (Non GAAP)	1,241	1,190	4%	5,066	3,111	63%
Trent Limited (Consolidated)*	2,629	1,803	46%	8,242	4,498	83%

*Revenue from Operations

Source: Company quarterly presentations, annual reports and news articles

Reliance Retail delivered a revenue of INR 69,948 crore in Q1 FY24, up by 19.5% y-o-y, led by growth in grocery, CDIT and Fashion & Lifestyle.

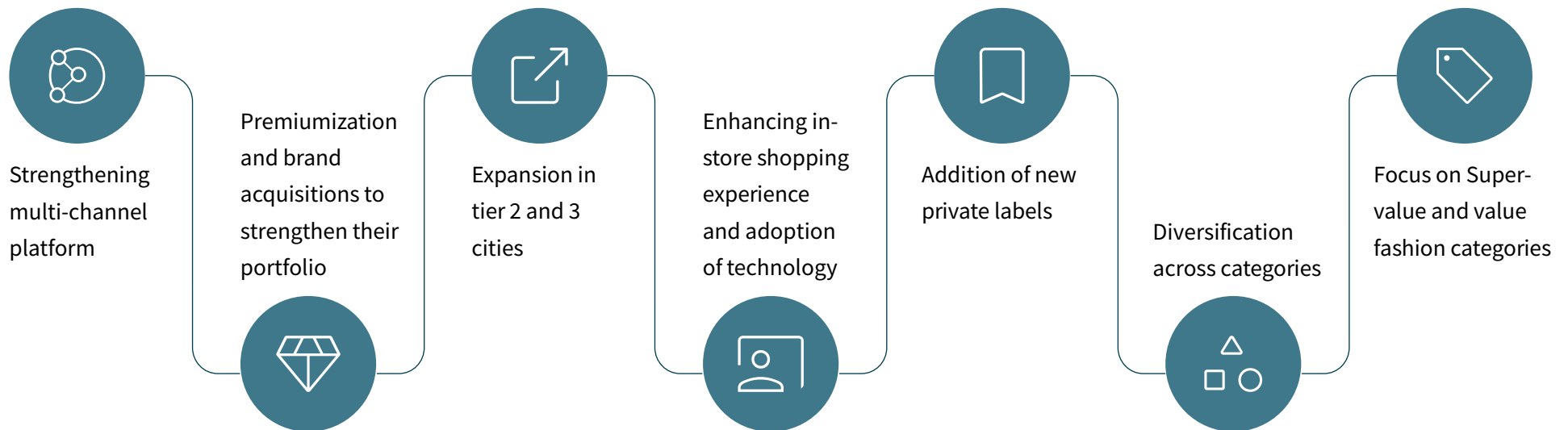
Shoppers Stop revenue for Q1 FY24 has grown by 4% compared with Q1 FY23. In FY 23, it recorded a revenue of INR 5,066 crore, an increase of 63% y-o-y.

Trent's consolidated revenue from operations in Q1 FY24 was INR 2,629 crore against INR 1,803 crore in the year-ago period

For most of the leading retail chains, apart from Exclusive Brand Outlets (EBOs), sales were also led by department store and other multi-brand outlets (MBOs). The common thread running across the revenue growth story visible across the leading retail chains is characterised by premiumisation, growth in the e-commerce business, and an increase in the target consumer base, with a significant shift seen in people's choice to shift towards branded products. For big retail chains and department stores, the addition of more private labels has also contributed immensely to the growth numbers. Some leading brands are expanding into newer categories and adding separate product lines to cater to specific consumer groups/demographics.



Key themes to sustain the growth trajectory of retail chains



D. Strategy spotlight: Retailers innovating, entering newer segments and formats

Retailers are innovating by creating newer formats and concepts while revamping older stores to improve the overall brand perception. New stores are replacing those with sub-optimal performance in more growth-driven clusters. As part of a refreshed brand experience, retailers are investing in technology and improved user interfaces to appeal to a more tech-savvy millennial generation.

- **Shoppers Stop** launched a new brand '**Intune**' to cater to young families. The stores were recently opened in Hyderabad and Mumbai. **Reliance Retail** launched a new **value format** called **Yousta** targeting young consumers.
- **SS Beauty Brands** Limited signed an **exclusive partnership with NARS**, which is a part of the Shiseido group of Japan.
- In 2023, **Trent** strengthened its portfolio by the launch of a new **occasion wear brand Samoh**; It opened its first store in Lucknow.
- **Arrow** rolled out a **super-premium line '1851'** that is seeing a healthy response from the customers.
- **U.S. Polo Assn.** recently launched an **athleisure line 'USPA Sports'**.



E. Strategic partnerships of leading retail groups with recognised boutique brands

To strengthen their portfolio and introduce new product categories, leading retail groups, primarily **Aditya Birla Fashion and Retail Limited (ABFRL)** and **Reliance Brands Limited**, are acquiring national brands. These acquisitions have mostly been observed in the designer wear and ethnic wear categories. The retail chains are able to expand their portfolio by diversifying across categories. Additionally, the brands benefit from the partnership as the retail groups help them to scale efficiently in terms of sales volumes, growth, and profitability.



Strategic partnerships of leading retail groups

Year	Brand Acquired	Retail Chain	Category	Stake acquired
2021	Indifusion	Bestseller	Ethnic Wear	100%
2021	Tarun Tahiliani	Aditya Birla Fashion and Retail Limited	Designer Wear	33.5%
2021	Manish Malhotra	Reliance Brands Limited	Designer Wear	40%
2022	Masaba	Aditya Birla Fashion and Retail Limited	Designer Wear	51%
2022	Abu Jani Sandeep Khosla	Reliance Brands Limited	Designer Wear	51%
2022	Clovia	Reliance Retail	Lingerie	89%
2023	KA Hospitality (Hakkasan, Yauatcha, Nara, Cincin)	Aditya Birla New Age Hospitality	Food & Beverage	100%
2023	TCNS (W, Aurelia, Wishful, Folksong, Elleven)	Aditya Birla Fashion and Retail Limited	Ethnic Wear	51%
2023	Ed-a-Mamma	Reliance Brands Limited	Kids Wear	51%

Source: Company announcements, news articles

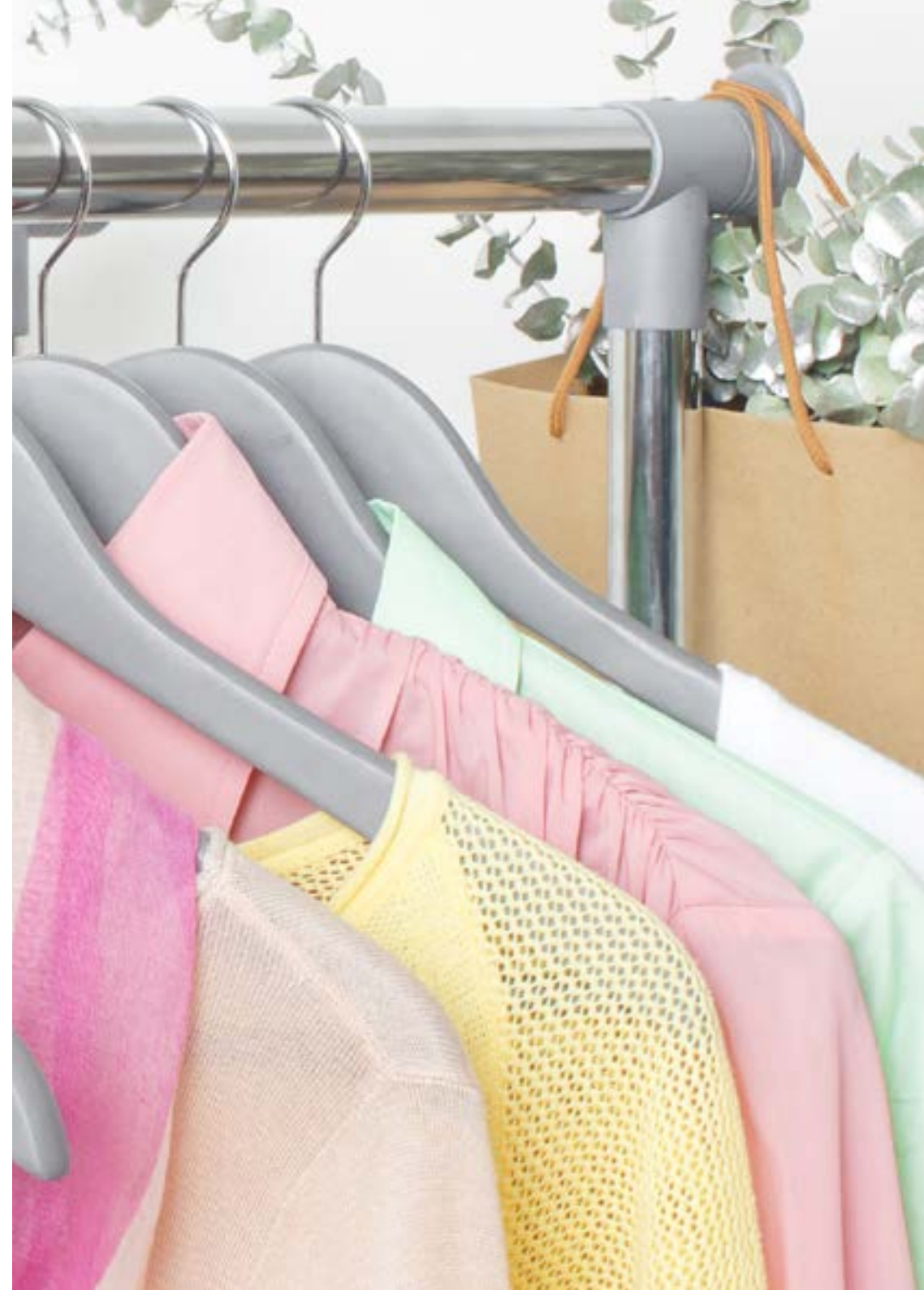
F. Creating the bridge from online-only to multi-channel retail formats

A host of online Indian brands are opening their brick-and-mortar stores to cater to wider audience, thus providing them with an omnichannel platform. The top categories of online brands opening physical stores include jewellery, women's ethnic wear, footwear, and beauty & cosmetics. With the Indian startup landscape growing a lot more homegrown retail brands are expected to come up and eventually open offline stores.

Examples of a few Indian online brands opening stores

Brand	Category	Founded in	Year of first store opening
HRX	Athleisure	2013	2023
Palette by Tata Cliq	Beauty & Wellness	2022	2023
Aachho	Women Ethnic wear	2018	2022
Giva	Jewellery	2019	2022
Mamaearth	Beauty & Wellness	2016	2021
Melorra	Jewellery	2016	2020
Nykaa Fashion	Apparel	2018	2020
Mulmul	Women Ethnic wear	2018	2019
Chique	Women Apparel	2015	2016

Source: Company announcements, news articles



G. New International retailers entering India

A total of 24 new international brands have entered India since 2021. Most of these retailers made a beeline for superior-quality mall developments in the gateway cities like Delhi NCR, Mumbai, and Bengaluru. Nearly a quarter of these new entrants were in the F&B category. Key names like **Laduree, Popeyes, Tim Hortons, and Pret A Manger** are opening their stores in prominent retail developments and F&B destinations. Apple also opened its first two physical stores in Mumbai, and Delhi respectively. Global brands such as West Elm, Pottery Barn, and H&M Home have entered India in the home furnishing segment.

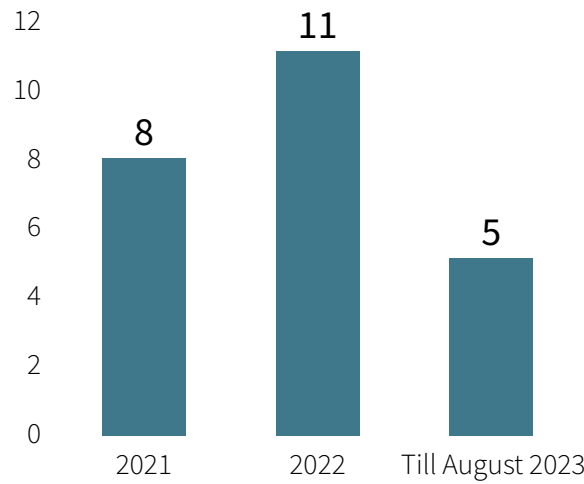
Retail chains such as Reliance Retail and Aditya Birla Fashion and Retail Limited (ABFRL) are creating partnerships with global brands to ease their entry into India. Recently, ABFRL partnered with Galeries Lafayette to open luxury departmental stores in the country. US-headquartered retailers account for the majority of new entrants through this route, followed by UK, Canada, and Switzerland.



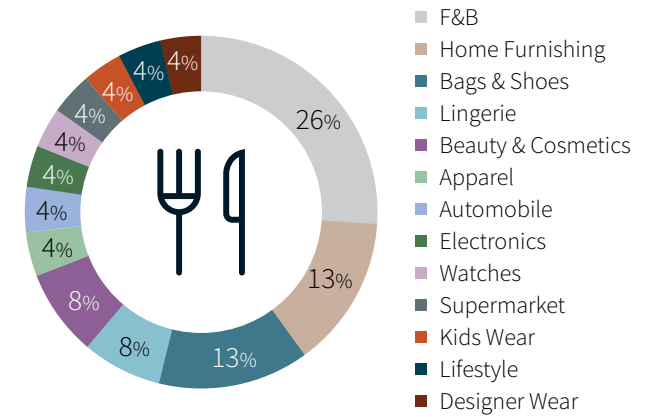
India remains on the radar of international brands' expansion plans



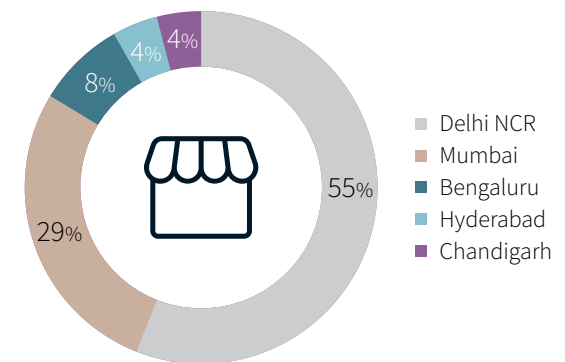
24 global brands have entered India since 2021



Steady inflow of international brands primarily in F&B, Home Furnishings and Accessories categories (2021-August 2023)



Delhi NCR and Mumbai witnessed majority of first store openings by global brands (2021-August 2023)



Source: JLL Research

02

Renewed
institutional
interest in retail
real estate



A. Launch of India's first retail REIT

After the success of three office led REITs, India's public markets saw the launch of the first retail-led REIT - Nexus Select Trust, backed by Blackstone, in 2023. Healthy occupancy, a stable income-generating retail portfolio comprising superior-quality retail developments and improving sentiments supporting growth projections propelled launch of first REIT in the retail segment.

Nexus Select Trust's retail portfolio as of Q1 FY24 has a leased occupancy of 97%, with a tenant base of 1,000 domestic and international brands and 2,900 stores.

This was the first opportunity for investors to own a stake in the retail asset class. Small investors can now own a pie of rent-yielding retail real estate through this REIT, which also broadens the investor base while adding variety to the REIT offerings. Listing of real estate assets through REITs has infused greater transparency in transaction and management structures. **The existing retail stock across the top seven cities of India offers a potential ~43-44 mn sq ft of retail assets that are REIT-worthy, of which more than half are in Mumbai and NCR-Delhi region.** In addition to the progress witnessed in these seven cities, their Tier 2 and 3 counterparts are also rapidly emerging as growth corridors for the retail sector.

As most global institutional funds have created mall platforms with key developers, the retail segment is set to get new listings. With quality supply in the pipeline and new malls announced by established developers, the Indian retail sector is expected to attract more institutional investment.



Maiden listing of India's first retail-led REIT

Nexus Select Trust portfolio	
Retail portfolio	17 urban consumption centres with a gross leasable area of 9.9 mn sq ft spread across 14 cities
Backed by	Blackstone
Date of listing	19th May 2023
Subscription	5.5 times
Location of assets	Delhi, Chandigarh, Hyderabad, Mumbai, Ahmedabad, Chennai, Bengaluru, Bhubaneswar, Pune, Amritsar, Udaipur, Mangalore, Mysore, and Indore

Source: Nexus Select Trust quarterly report and news articles

Note: *REIT-worthy retail stock includes organised malls classified as Superior and Good, with a leasable area of at least 100,000 sq ft and current vacancy levels of less than 20% as of June 2023. Malls are classified as 'Superior', 'Good Malls' and 'Average Malls' on the basis of tenant mix, quality of mall management, amenities, vacancy and ownership pattern (strata vs. leased).

Key Takeways

1 Institutional investors

- A steady **asset upgrade** in amenities and tenant mix needed to keep the retail project relevant and retain its high footfalls and revenues.
- With physical retail in high spirits, there is **opportunity for investors to exit** through REITs.
- Creating platforms to undertake brownfield investments focused on **under-served growth corridors** would help create a quality retail portfolio.
- REIT-worthy retail assets offer a potential of ~43-44 mn sq ft to include in the REIT portfolio, thereby increasing the market size.
- As most global funds have created platforms with key developers, the retail segment is ripe for **new listings**

2 Retail developers

- A larger section of developers will now aim to develop investment-grade assets, focusing on parameters such as zoning, tenant mix, mall management, amenities, and single ownership structure.
- A greater number of developers will now start appreciating that **retail is a specialised asset class**, that constantly requires upgradation of tenant mix and the asset.
- REITs provide an opportunity for the developers to unlock the value of their retail assets or as a vehicle to exit.
- Developers will focus more on **asset management** and deploy professional mall management agencies.



B. Increasing institutional acquisitions

Recent investments in retail real estate (2022-August 2023)

Lakeshore India Advisory backed by Abu Dhabi Investment Authority (ADIA) bought Viviana Mall located at Thane in Mumbai



Brookfield Properties bought a 51% stake in Worldmark Aerocity (Delhi), Worldmark 65 (Gurugram) and Pavilion Mall (Ludhiana)

GIC invested INR 400 crore in Phoenix Mills taking its total investment to INR 1,511 crore (Second tranche of investment)

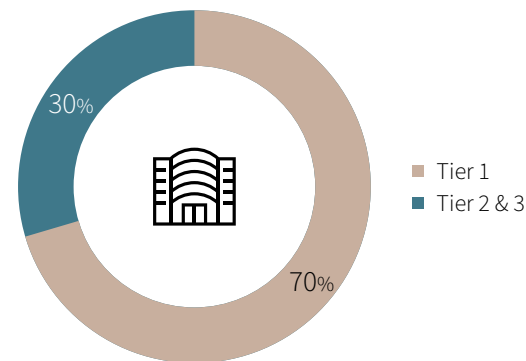


Many global investors are investing in the retail sector by buying a stake in existing assets or via greenfield/brownfield development platforms.

While the Tier 1 cities attract the maximum investor interest given the quantum of quality retail real estate available here, the Tier 2 and 3 cities are not too far behind. It is pertinent to note that 30% of the institutionally held assets are located in Tier 2 and 3 cities, which include Amritsar, Chandigarh,

Ludhiana, Lucknow and Mohali in the North, Mysuru, Kochi and Mangaluru in the South, Surat in West, Bhubaneswar in East, Indore, and Nagpur in Central India. With institutional players acquiring assets or partnering for new developments in such upcoming urban consumption centres, retailers are also venturing with increased confidence stemming from the availability of quality and premium-grade malls in such locations.

Share of cities in institutionally-backed retail stock (27.92 mn sq ft)



Source: JLL Research



City-wise share in institutionally-backed retail stock (27.92 mn sq ft)



* Mumbai Metropolitan Region

Source: JLL Research

Key upcoming retail developments backed by institutional players

Fund	Mall	City
GIC	DLF Mall of India, Gurugram	Delhi NCR
	VR Delhi	Delhi NCR
Virtuous Retail	VR Mumbai	MMR
	VR South Bengaluru	Bengaluru
Lakeshore Advisory (ADIA)	Reach Airia Phase 2	Delhi NCR
	The Kopa Mall	Pune
	TBC	Ahmedabad
Canada Pension Plan Investment Board (CPPIB)	The Lakeshore Mall	Hyderabad
	Phoenix Mall of Asia	Bengaluru
	Phoenix Marketcity	Kolkata

Source: JLL Research



03

Retail market overview



A. Stock and supply dynamics of shopping malls

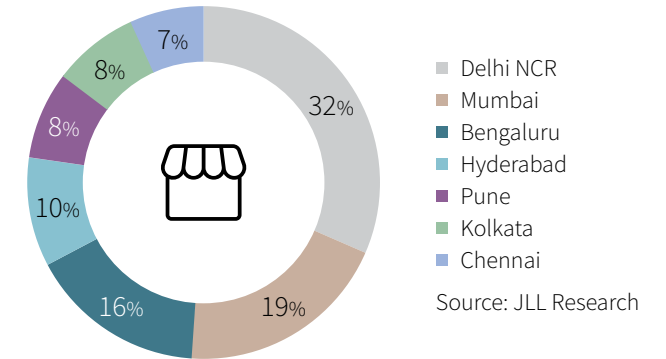
Organised retail (shopping malls), reflecting the pulse of urban consumption trends and economic growth translating to aspirational living, continues to grow fast across the country.

The organised retail stock in the top seven cities of India (Delhi, Mumbai, Pune, Bengaluru, Kolkata, Chennai, and Hyderabad) as of H1 2023 stands at 89 mn sq ft. With omnichannel retailing increasingly becoming important as e-commerce increases its wallet share, physical

stores still play a vital role in providing a vibe comprising experiential shopping and social connect.

More than 50% of the current operational mall stock lies in Delhi NCR (28 mn sq ft) and Mumbai (17 mn sq ft). Mall completions of around 1.1 mn sq ft were recorded in H1 2023, with additions in Hyderabad and Delhi NCR. A few non-performing and poorly managed malls in Delhi NCR and Mumbai have been shut down, either undergoing a revamp or being converted for other purposes.

Shopping mall stock as of H1 2023: 89 mn sq ft

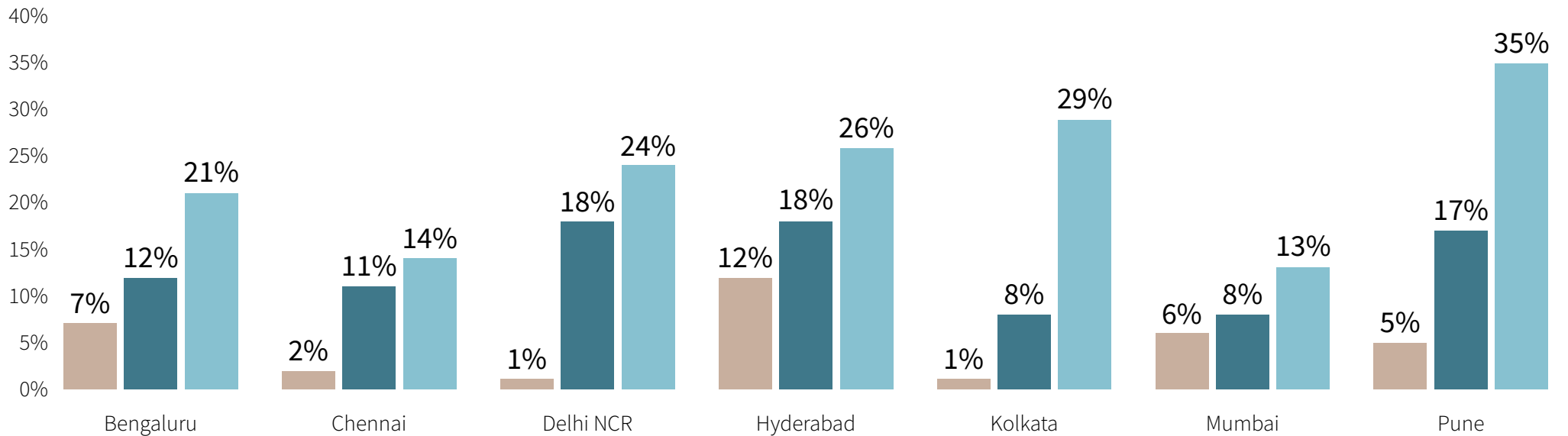


B. Vacancy polarisation in superior vs. average malls

Superior malls record higher footfalls and thus demonstrate strong operational performance compared to average malls. Parameters such as better-built infrastructure, amenities, value-added services, professional management, and a good tenant mix of well-known domestic and international retailers set such superior-grade malls apart. Consequently, they enjoy much higher occupancies than those classified as ‘Good’ and ‘Average’ malls.

Such superior malls also command higher rents as retailers jostle for space in such malls. On the other hand, the mall management regularly undertakes tenant churn and brand refresh by incorporating newer retailers and product categories to keep the mall relevant. The varying vacancy trends among these different mall grades reiterate that superior-quality malls continue to gain traction while poor-quality assets struggle.

Grade-wise mall vacancy (in %)



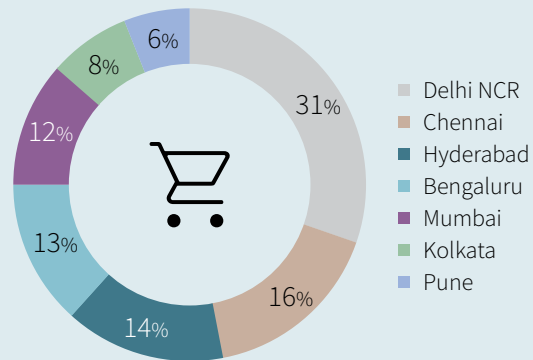
Source: JLL Research

Superior Good Average

C. Robust supply of retail developments

The physical retail market has an expected **supply pipeline of over 38.04 mn sq ft** of retail developments between **H2 2023 and 2027**, among just the top seven cities. **Delhi NCR** which has the **largest stock of shopping malls** also leads in the contribution to the upcoming mall supply with a 31% share, followed by **Chennai (16%) and Hyderabad (14%)**.

Shopping mall supply (H2 2023-2027): 38.04 mn sq ft



Source: JLL Research, REIS

18%

Share of mall supply by institutional investors (H2 2023-27)

68%

Mall supply as part of mixed-use developments (H2 2023-27)

38.04

mn sq ft
Mall Supply (H2 2023-27)

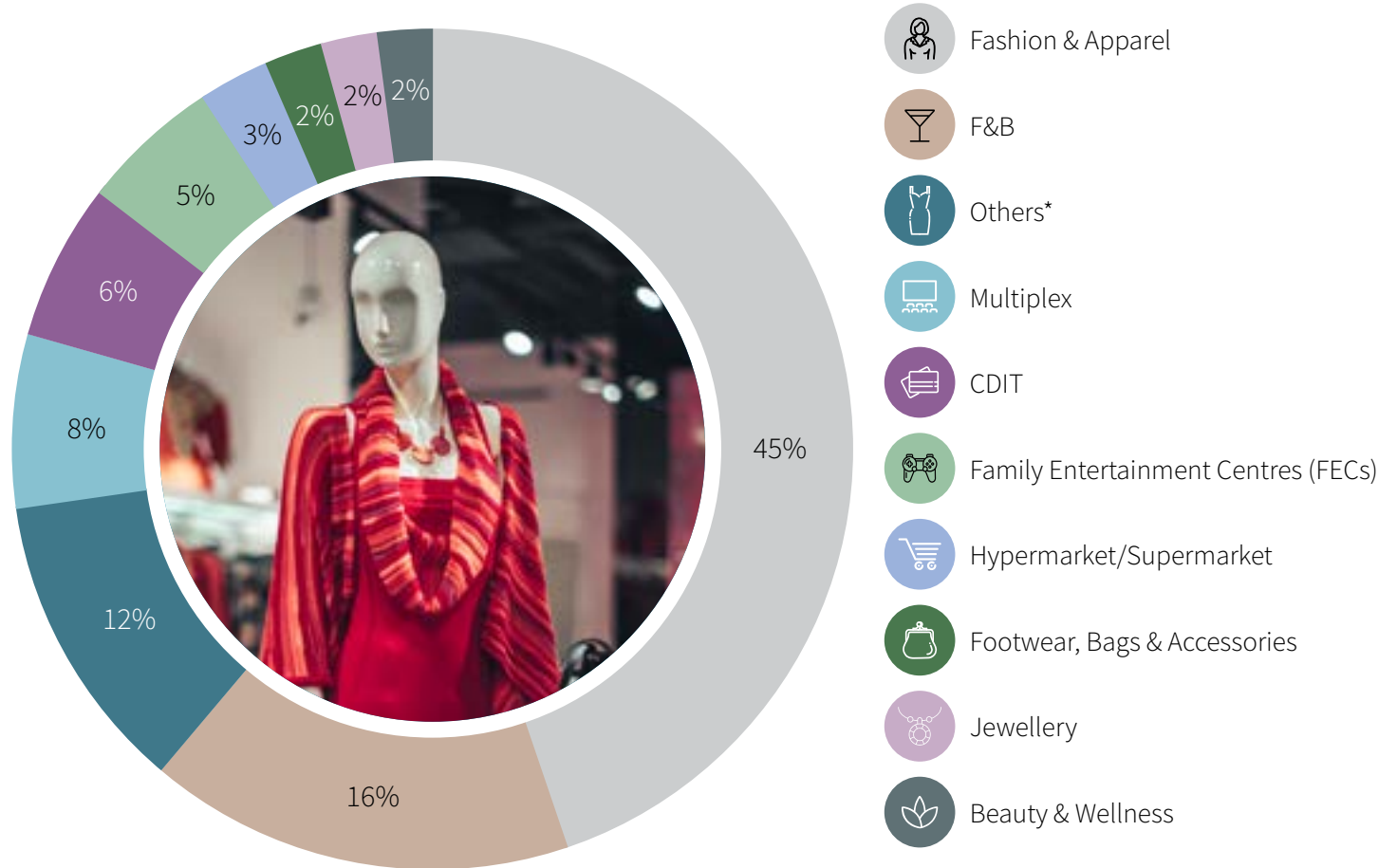


D. High in-store sales and footfalls in shopping malls support retailer confidence to expand

Gross leasing across the top seven cities (in shopping malls and leading high streets) was recorded at **3.16 mn sq ft in H1 2023**, signalling strong retailer activity across shopping malls. This indicates that consumer confidence is getting translated into expansion by retailers to increase their store network and sales. **Bengaluru led the leasing activity with a 34% share, followed by Delhi NCR (23%) and Hyderabad (19%).** Fashion & Apparel and F&B brands have dominated the H1 leasing activity.

While sales for mid-segment retail brands have been on an upswing, the consumption resurgence is also driven by the bridge-to-luxury and premium global brands, supporting the increase in store count for these brands.

Gross leasing in H1 2023 led by Fashion & Apparel and F&B (3.16 mn sq ft)



Source: JLL Research, REIS and Retail

*include Lifestyle Stores, Home Furnishing, Books & Stationary, Automobile and Convenience Stores

04

Key differentiating themes defining the future of retail in India



A. Premium outlet centres

India is fast becoming an attractive market for premium global brands with rising awareness of high-end labels, their varied formats and top-rated global luxury retail locations. From luxury cars to high-end designer labels to premium lifestyle brands, all are paving their way into the lifestyle of Indian consumers. Along the way, digital marketing initiatives by retailers and mall developers on social media platforms, such as Instagram, YouTube and Facebook, are also supporting the Gen Z consumers' aspirations for high-end labels.

A more recent trend, the introduction of **premium outlet centres**, is cashing on the changing lifestyle of young and aspiring Indians. Such retail centres cater to the requirements of discerning customers by providing a mix of high-end brands with a

differentiated experience and support amenities. Outlet centres traditionally offer previous season collections and surplus stock of high-end brands in a discounted model compared to full-price premium stores.

Such a concept of Premium Outlet Centres is quite popular across the **US, Europe, the Middle East, and some parts of Asia**. In fact, these retail centres are often at the top of the travel itinerary for Indians during overseas travels, as they get access to premium products at better prices than buying in the domestic market.

In India, this concept was present in the form of standalone factory outlets of brands, largely located in clusters near residential hubs, highways or city fringes. The first organised shopping centre based on this

concept opened recently in Delhi. All premium brands present in this mall have outlet stores that offer products at discounted prices. The concept is still in its nascent stage but could gain popularity in other parts of the country if more premium brands start looking at such outlets as part of their business strategy while looking to create separate product lines only for such outlet stores – something that is prevalent in global markets.

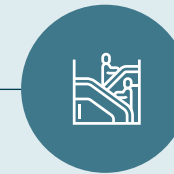
Globally, the merchandise now available at outlet centres is no longer limited to surplus products, with many brands introducing **separate product lines for their outlet stores**.

Evolution of outlet stores in India from being present as an agglomeration of brands in a city or along a highway to a specialised shopping mall



Initially prevalent as factory outlets as standalone stores in clusters mainly of apparel and athleisure brands

Transformation from factory outlets to premium outlet centres of high-aspirational brands in clusters within the cities or in highway retail complexes/plazas



Premium outlet centre as a full-fledged shopping mall within city limits and closer to key residential catchments

Examples of successful outlet centres worldwide

Country	Mall name	Developer/ Operator	Description
Across Europe and China	The Bicester Collection	Value Retail	11 luxury outlet centres in Europe and China
Austria, Italy, France, Germany, Canada, Netherlands, Spain, United Kingdom	Outlet Villages	McArthur Glen	25 vibrant designer outlet centres in 8 countries
USA	Woodbury Common Premium Outlets	Simon Property Group	Country's largest collection of designer outlets
Japan	Gotemba Premium Outlets	Chelsea	Largest outlet mall in Japan with over 200 stores
UAE	The Outlet Village Mall, Dubai	Meraas	Home to high-end fashion, lifestyle brands and dining destinations

Source: JLL Research





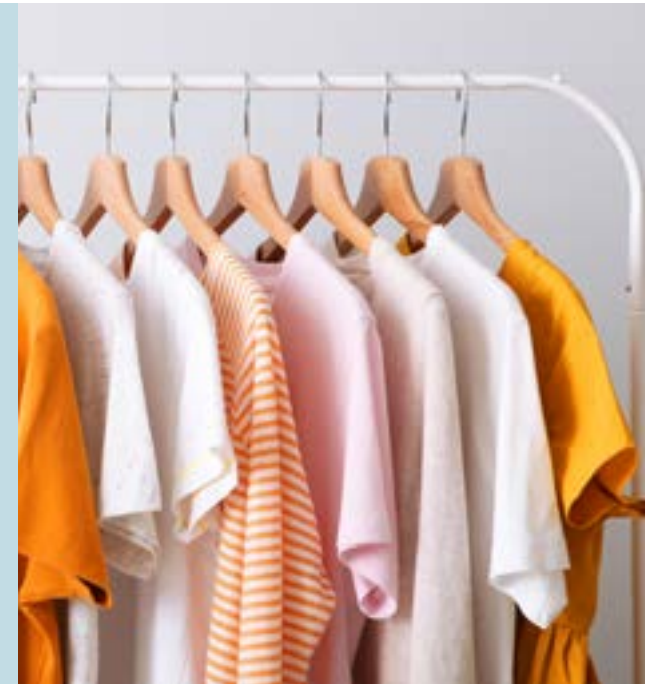
The concept of outlet centres is evolving globally. Apart from out-of-town outlet centres, recent developments are coming closer to the population in urban centres. Besides, more F&B and leisure options are being included to create critical customer mass for sustained business while appealing to a wider group of shoppers. Similarly, in India, apart from those on the major highways near key city stopovers, the outlet centres should be developed inside the city. These in-city

centres will be easily accessible, closer to residential catchments and well connected through public transport. In fact, these outlet centres can act as a complimentary offer along with other conventional shopping malls present in the neighbourhood, serving the diverse needs of shoppers.

As the concept is still nascent in India, there are some challenges in the journey of premium outlet centres to become mainstream.

CHALLENGES

- Less product stock/variety to offer at outlet stores
- Currently, not enough premium brands in the country are opening outlet stores
- Competitive advantage (i.e., pricing power) of outlet centres diminishes during the end-of-season sale (EOSS) since full-price stores also offer discounts, limiting the value of premium outlets
- Revenue sharing percentages between retailers and mall owners are lower in outlet centres than conventional values for full-priced stores.



Key takeaways

- 1** The premium outlet centre concept is still at a nascent stage.
- 2** A dedicated outlet centres strategy is required by a larger number of premium retailers.
- 3** More premium brands need to create separate lines for such outlet centres to provide variety to shoppers and generate more sales.
- 4** Premium outlets could be a good alternative for landowners/developers looking to create a differentiated product; however, optimal brand mix and mall size remain the most crucial parameters.
- 5** The premium outlet centres could also be developed as boutique retail projects inside cities so they are easily accessible. They can act as neighbourhood shopping centres, providing a wholesome shopping experience, including entertainment and leisure activities.
- 6** A considerable part of the population wants to indulge in premium brands that are high on their aspirational ladder. At the same time, they want to enjoy discounted prices on branded products. Premium outlet centres attract this new set of shoppers apart from their regular clientele.

Premium outlets: An avenue for luxury retailers to dip their toes into newer markets

Such outlets can act as an expansion strategy for luxury and bridge-to-luxury brands to test the waters in smaller yet important consumption centres where they are not currently present. They could explore limited products, more affordable lines, and older collection formats for customers in these markets who aspire for such brands. Outlet stores can act as a dipstick measure to gauge the market potential and curate offerings as per consumer tastes and preferences in unexplored locations. The parameters for entering newer markets include **increased purchasing power, growing office stock, entry of MNCs and sales data of online retail sales.**

Important consumption centres; Tier 2 cities;
Outskirts of metro cities

Premium outlets = Discount stores ≠ discounted shopping experience

An outlet centre does not necessarily equate to a discounted experience. Rather, such centres provide wholesome shopping experience at par with any premium retail development. These centres have the best of amenities, entertainment avenues and a host of restaurants, cafes, and F&B options.



Case study

Pacific Premium Outlets, Jasola: India's first premium outlet mall

- 1** First organised and prominent developer to launch a mall dedicated to premium outlets
- 2** A complete shopping experience at play: Fashion Apparel, Jewellery, Footwear and Athleisure, Bridge-to-Luxury, Cafes, Food Court, Restaurants, Hypermarket, Family Entertainment and Multiplex
- 3** Few retailers have opened their first discounted stores in the mall.
- 4** The mall complements and helps bridge the market gap and doesn't compete with other established malls in South Delhi

Year of operation	2023
Location	Located in South Delhi, adjacent to the Jasola Apollo metro station
Total leasable area	0.3 mn sq ft
Average footfalls	Weekdays: 7,500 Weekends: 25,000
Key retailers	The Collective, The Tank, Asics, Adidas, Birkenstock, Calvin Klein, Lacoste, New Balance, Superdry, Skechers, Tommy Hilfiger, Pizza Express, Costa Coffee, INOX

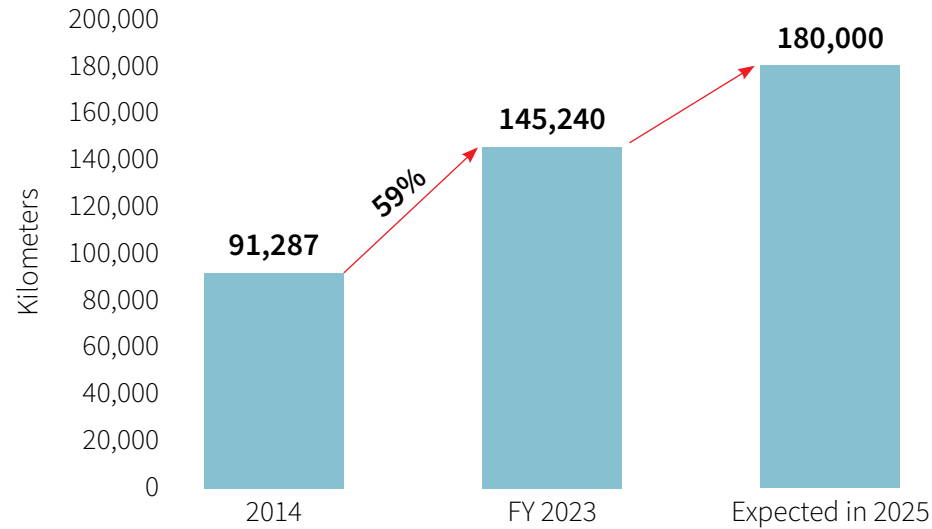


B. Highway retailing: On the go

Highways in India: On an expansion spree

India has the second-longest highway network in the world. The total length of National Highways was 91,287 km in 2013-14, which has increased by more than 59% to 145,240 km in 2022-23. Along with the construction of new highways, the government is also modernising the existing highways.

Length of national highways



Source: News articles, Bank of America Securities India report

Revenues from tolls, up by 766%, from INR 4,770 crore in 2013-14 to INR 41,342 crore in 2022-23, reflecting growth in number of road travellers.

Source: NHAI

Sport-utility vehicles (SUVs) made up more than half of India's record four million passenger vehicle sales in 2022-23, indicating that people prefer travelling by road.

Source: Reuters



- Improving Road Infrastructure
- Increasing frequency of road travel
- Accuracy of navigation apps with easy to use interface
- Easy financing of vehicles



Major upcoming highways in India

Highways	Length (In kms)	No. of lanes	Expected completion
Delhi-Mumbai Expressway	1386	8	2024
Mumbai-Nagpur Expressway	701	6	2023
Delhi-Amritsar-Katra Expressway	650	4	2024
Ganga Expressway	594	6	2024
Bengaluru-Chennai Expressway	260	4	TBA
Raipur-Visakhapatnam Expressway	464	6	2025
Ahmedabad Dholera Expressway	109	4	2023
Narmada Expressway	1300	8	TBA

Recent government initiatives:

Approx 13,800 kms of highway construction targeted in 2023-24

Approx 2,250 km already constructed till June 2023

600 locations identified for wayside amenity development along NHs.

Helipad and drone landing facilities also planned.

Government schemes:

PM Gati Shakti - aimed at improving multi-modal connectivity and last mile connectivity across the country

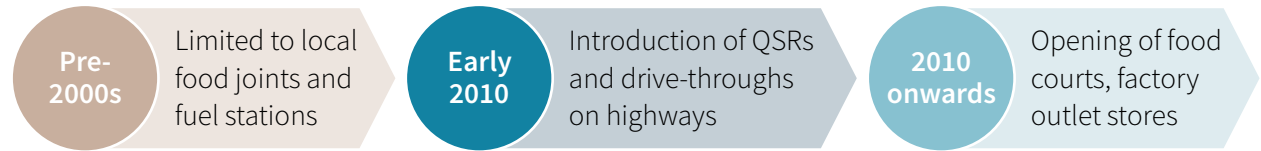
Bharatmala Pariyojna: is a new umbrella programme for the highways sector that focuses on optimising efficiency of freight and passenger movement across the country

Highway retailing: Evolving with times

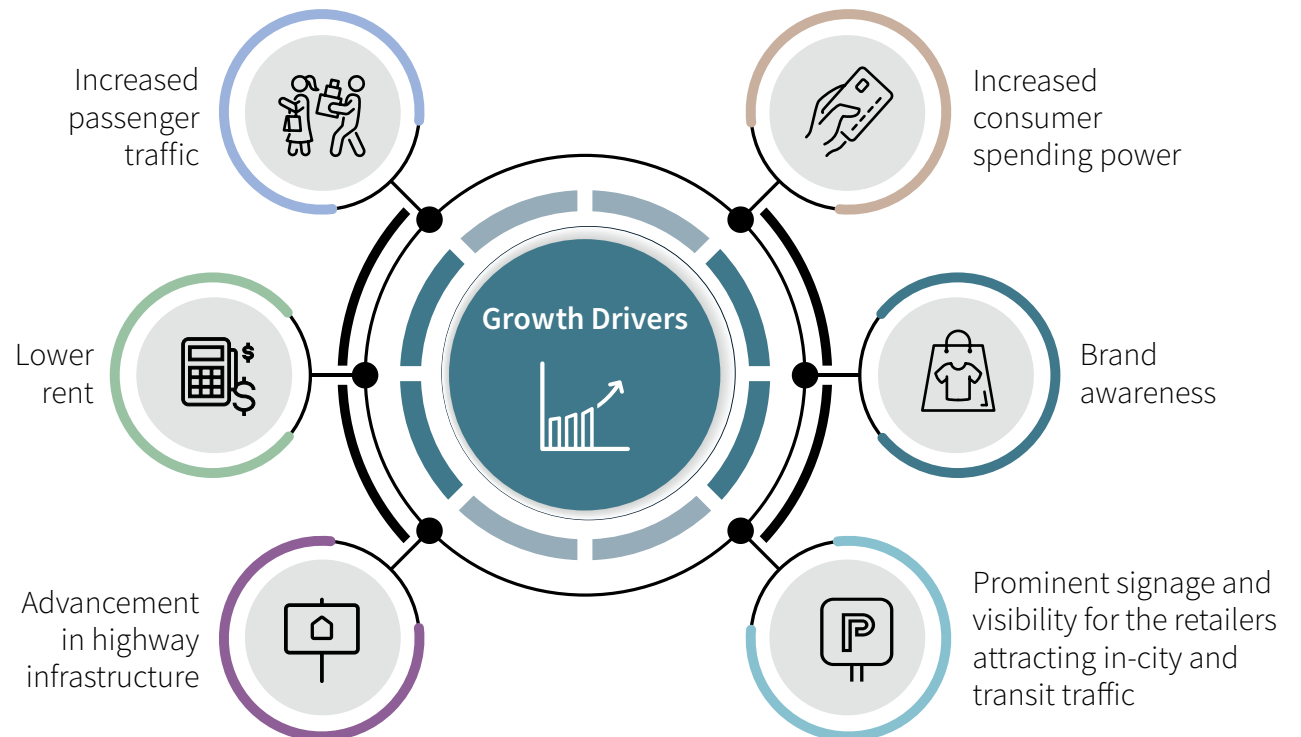
While travelling by road, people seek pit stops for relaxation and refreshments. Unorganised retail options were always available on highways, but more organised formats have come on stream over time. The offerings on highways are not just limited to small food joints and fuel stations anymore. With the increase in traffic movement on highways, organised retail complexes, often termed as highway plazas, have started to come up.

While initially local, regional developers/players started developing these shopping/leisure plazas, more established players are now planning to venture along highways. Initially, regional food outlets came up along highways and became popular hubs amongst highway travellers. This encouraged many domestic and international retailers to open their outlets near such hubs. These developments started as pit stops for highway travellers but have now evolved as part of weekend leisure activities or short getaways for families living in cities close to such developments.

Evolution of highway retail



Highway retailing spreading across India



Following the North, retail developments picked up pace on highways in the western part of the country as well. However, such developments started coming up along highways that connected major economic centres or main cities, connecting to holiday destinations or tourist spots and thus had high vehicle traffic volume, such as the Mumbai-Pune highway. This trend is also gaining momentum down south, with QSRs and outlet stores visible on major highways.

By virtue of such hubs being along highways and outside main city limits, land costs were quite affordable, enabling landlords to get the land use changed for minimal fees. Many also utilised their vacant land along highways and put them to such use. F&B outlets of QSR brands were the most preferred among highway outlets.

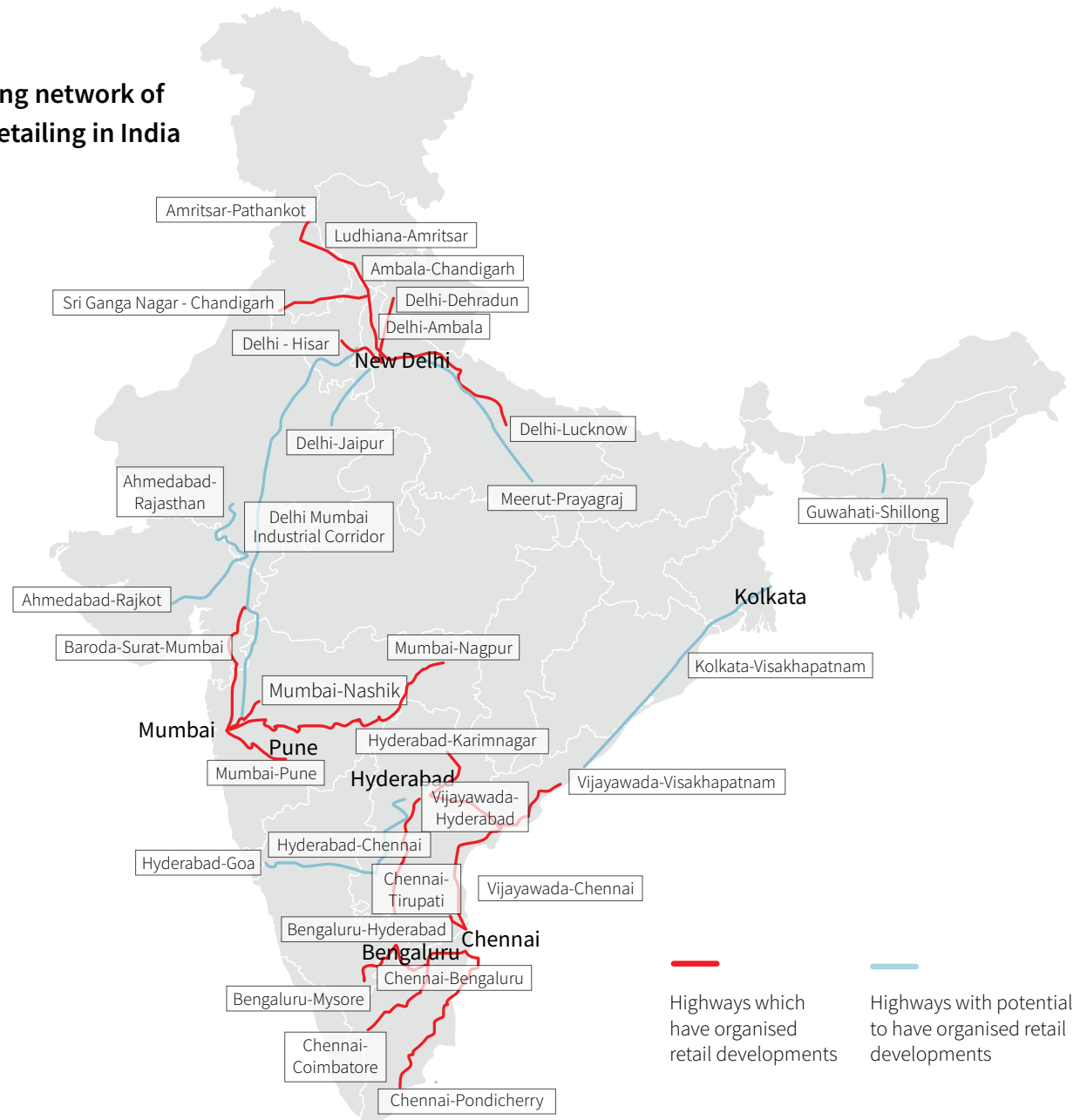
As people look to explore offbeat destinations, and many leisure destinations are easily accessible by road, retailers are able to tap into a wider consumer base by adopting a highway store location strategy



Key factors in deciding the location for developers to set up highway retail:

-  Accessibility and traffic
-  Target catchment
-  Proximity to entry & exit points
-  Presence of competition/ cluster of outlets
-  Distance from nearest town/city
-  Visibility (good frontage)
-  Drive time from the origin city

The growing network of highway retailing in India



Highways where retail developments are present

Region	Stretch	Highway	Nearby Towns	Brands Present	Key Plaza Name/ Location
North	Delhi-Ambala	NH44	Sonipat, Murthal, Panipat, Karnal	McDonald's, Haldiram's, Bikanervala, KFC, Pizza Hut, Hamleys, Miniso, Burger King, Subway, Mother care, Tommy Hilfiger, Calvin Klein, Being Human, Puma	Savoy Greens, NH1 Factory Outlets, Amrik Sukhdev, Karnal Haveli, Daana Paani
North	Amritsar-Pathankot	NH44	Gurdaspur, Batala	Barbeque Nation, Burger King, Nik Bakers, KFC, Pizza Hut, Haldiram's, Meena Bazaar	Pathankot Downtown 44
North	Ambala-Chandigarh	NH152	Zirakpur, Mohali, Panchkula, Mohali	Decathlon, Uniqlo, Hamleys, INOX	Ranjit Square Village, Dhillon Plaza, Namaste Chandigarh, Jaggi City Centre
North	Delhi - Hisar	NH10	Hansi, Rohtak, Bhadurgargh	Burger King, Barista, Blackberrys, Jockey, Duke, Red Chief	NH 10 Factory outlet, Green Valley, Havelli Rohtak
North	Sri Ganganagar-Bhatinda-Chandigarh	NH7	Abohar, Barnala, Sangrur	Starbucks, McDonald's, Smaaash, Burger King, Octave, Puma, Nik Baker's, Skechers, Levi's, Forever 21, Under Armour, Numero Uno, Woodland, Roadster	HG Eaton Plaza, Bhucho Mandi, Mayfair Village, Green City
North	Ludhiana-Amritsar	NH44	Jalandhar, Phagwara, Beas	Starbucks, Burger King, McDonald's, Haldiram's	Eastwood Village, Viva Collage Mall, Hayden Park
North	Delhi - Lucknow	NH24	Agra, Mathura, Kanpur	Costa Coffee, KFC, Starbucks	Wayside Amenities
North	Delhi - Dehradun	NH709B	Meerut, Saharanpur	Starbucks, Costa Coffee, Haldiram's, Burger King	Namaste Midway, Devrana
West	Mumbai-Pune	NH48	Lonavala, Khalarpur, Talegaon	McDonald's, Starbucks, Domino's, Café Coffee Day, Naturals	Kolar Highway Star, NH8 Manor, Food Mall, Eat Sure Food court
West	Mumbai-Nagpur	Samruddhi Mahamarg	Aurangabad	McDonald's, Barista, Starbucks	Foodmax Restaurant, Food Xpress, Food Point, Diamond Foodway, Food Hub, Foodway NX, Midway Food Plaza, Food Express, Dogra Food Mall
West	Mumbai-Nashik	NH160	Thane	Subway, Burger King, Barista, McDonald's	Viviana Mall, Foodway, Foodmax Restaurant, Food Xpress, Diamond Foodway, Food Hub Restaurant, FOODWAY NX, Dogra Food Mall
West	Baroda- Surat-Mumbai	NH48	Bharuch, Navsari, Village Veshma	Haldiram's, Sugar & Spice, Subway, Domino's	Honest Food Court
South	Vijayawada-Vishakhapatnam	NH216A	Rajahmundry,	Haldiram's, KFC	One Food Court, Amlodbhavi, Garuda food court,
South	Vijayawada-Chennai	NH16	Nellore to Suryapet	McDonald's, Café Coffee Day	Kinnera 45, Skyview Resto Lounge
South	Hyderabad-Vijayawada	NH45	Suryapet	Starbucks, KFC, Cream stone, Domino's, Feast House	7 Food court, Refresh
South	Chennai-Tirupati	NH716A	Avadi	KFC, Domino's	PS4, Motel highway, Sangeetha
South	Chennai-Madurai	NH38	Melmarvatod, Tiruchirappalli	McDonald's, Starbucks, KFC, Pizza Hut	Small food outlets in Tiruchirappalli and Madurai
South	Chennai-Pondicherry	332A	Kanchipuram	Starbucks, KFC, McDonald's	A2B
South	Chennai - Bengaluru	NH48	Kanchipuram-Vellore-Ambur-Housr	Starbucks, KFC	Motel highway, Sangeetha, Ambur Star Biryani
South	Bengaluru - Hyderabad	NH44	Anantapur, Kurnool	Van Heusen, Puma, Louis Phillipe	Dash Square, Cube Stop
South	Bengaluru - Mysore	NH275	Mandya, Maddur	Café Coffee Day, KFC, McDonald's, Pizza Hut	Right O, Empire restaurants

Highways with good traffic movement where highway retailing can be introduced

Stretch	Highway	Nearby Towns
Gurugram - Jaipur	NH48	Alwar, Dausa
Delhi - Mumbai	DMIC	Jaipur, Ahmedabad, Surat
Ahmedabad - Rajkot	NH47	Bavla, Limbdi, Chotila
Ahmedabad - Rajasthan	NH62	Palanpur, Mount Abu, Pali
Chennai - Hyderabad	NH16, Kanigiri - Tirupathi road	Pamuru, Kanigiri
Hyderabad - Goa	NH67	Hosapete, Raichur
Guwahati - Shillong	NH6	Nongkhrach, Umsning
Kolkata - Visakhapatnam	NH16	Kokpara, Sardiha
Lucknow - Ghazipur	Purvanchal Expressway	Azamgarh, Faizabad

New retailer categories emerging in highway retailing

Highway retail is not just an F&B-led story anymore. A more varied category mix is now emerging in highway retail hubs. Apparel, sportswear, and footwear brands have been actively expanding their presence in such clusters. These are mostly discount outlet stores, primarily providing a value buying experience for travellers, subtly encouraging them to shop. The entertainment category is also actively considering a bigger footprint in highway retailing, with a greater quantum of potential cinemas and gaming zones

expected to come up along the highways. There have also been advancements in the F&B category, with QSRs & drive-thru concepts now co-existing with fine dining options.

Even fuel retailers like Adani Total, Indian Oil, and Bharat Petroleum are diversifying into non-fuel retail businesses like setting up EV charging stations, convenience stores, cafes, pharmacies, & gaming zones, mostly along highways and close to key stopover cities.



Apparel, sportswear & footwear



Discounted outlet stores



Fine dining restaurant



Cinemas & gaming zones

Government initiatives to create wayside amenities

The government plans to set up wayside amenities in 600+ sites across 22 states, spread over 3,000+ hectares. Out of these, 94 sites would be located along the Delhi-Mumbai expressway. These wayside amenities will be developed every 50 km along the highway.

The wayside amenities will include fuel stations, food courts, retail arcades and restaurants, convenience stores and ATMs, hotels and convention centres, EV charging stations, trucker zones, medical clinics, and minor service areas.

Challenges for retailers in expanding through the highway outlets' route

Poorly managed facilities: Most of these retail developments are not very well managed, mostly due to the developer's lack of expertise, unlike in-city retail developments, which are more professionally managed.

Absence of national developers and quality developments: Landowners and real estate builders dominate the highway retail locations, while no major established retail developers are present in this segment yet. Many International brands look for Grade A developments with modern amenities, which these retail developments lack.

Long gestation period: In some cases, standalone stores on highways could have a longer gestation period, extending the payback period for many such outlets.

Key takeaways

- With infrastructure augmentation and an uptick in leisure travel, highway retail is expected to be a big growth driver for the retail sector.
- Given that the government is promoting electric vehicles, many EV charging stations along highways are slated to be set up as part of the overall EV charging infrastructure in the country. Consequently, support retail comprising quick-serving restaurants (QSRs) and convenience stores is expected to come up at these EV stations.
- Entertainment is a fast-moving category in highway retail as people usually travel with family or groups and look for entertainment options. With kids in tow, family entertainment centre (FEC) options like trampoline parks, go-karting, gaming zones, and theme-based parks are expected to come up. These centres attract not just travellers but also serve as destinations for residents from neighbouring towns.
- Many international FEC operators are looking to enter the country. With their need for large spaces, existing or upcoming retail hubs along highways are a natural choice similar to global examples.
- Highway retail is dependent on traffic movement towards tourist locations. Emerging tourist locations along key highways could also potentially open up highway retail opportunities.
- Increasing appetite for global brands will attract such brands to venture in highway retailing.
- With the beverage industry evolving and people taking regular breaks on long trips, a lot of international cafes and other retail formats that have recently entered the country, are also expected to set up their footprint along highways.

Examples with key tenants

Dhillon Plaza, Zirakpur

Uniqlo, Decathlon,
Hamleys, The Tank, Inox,
KFC, Burger King



Downtown 44, Pathankot

Barbeque Nation, Pizza
Hut, Burger King



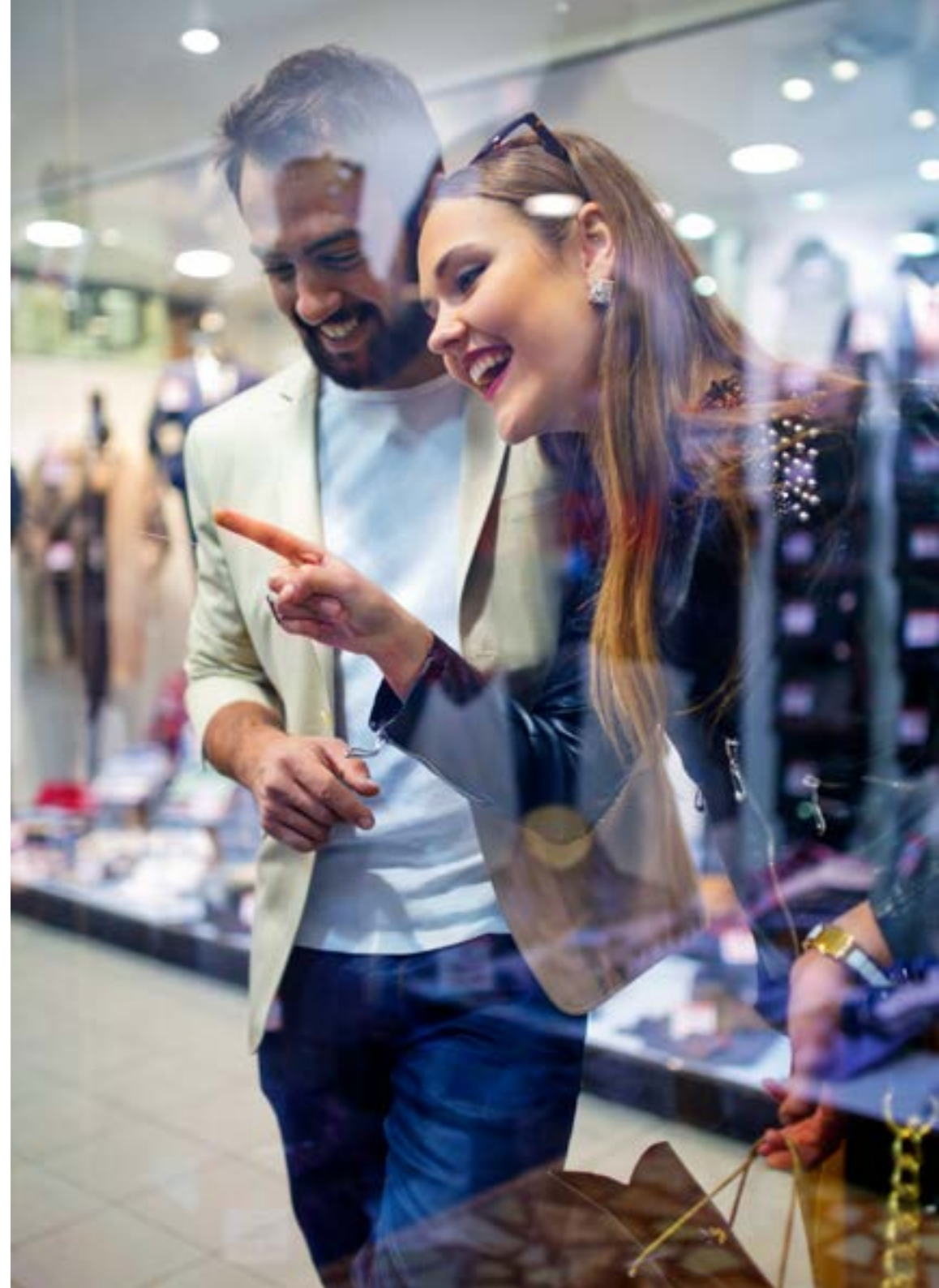
Conclusion

The retail sector is leaping forward by growing sales and revenue. It is also witnessing unprecedented transformation through the introduction of newer formats, increasing institutional investment, and entry of new global brands. The shopping mall stock, which stands at 89 mn sq ft, is expected to increase by around 43% to reach 127 mn sq ft by the end of 2027. It is interesting to note that a substantial proportion of the upcoming supply is by institutional players and established developers such as DLF, Phoenix Mills Ltd, Prestige Group, and Brigade Group, among others.

With India's first retail REIT launched recently, the developers will focus on upgrading their retail assets by churning tenant mix, incorporating entertainment, leisure and F&B avenues. There is a constant need for innovation and adaptation to meet the requirements of super-informed consumers and stay relevant.

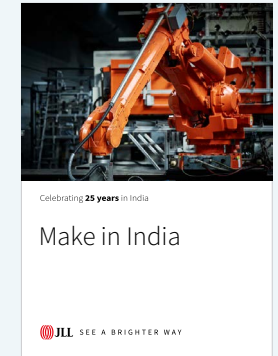
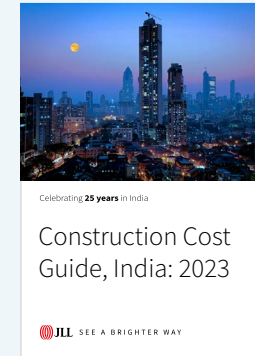
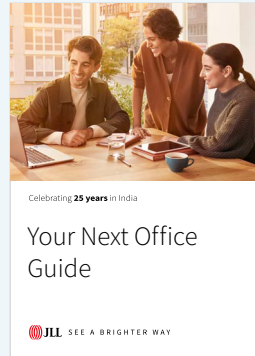
Undoubtedly, there is an increasing importance of omni-channel retailing, where a seamless platform is provided to consumers. However, the relevance of brick-and-mortar stores stays for human connect, and touchpoints can only be provided in a physical environment. Retailers are focussing on launching innovative formats and cutting-edge technology to provide an immersive experience to the shoppers.

India's retail sector is on an elevated growth curve where the focus is on creating an innovative built environment, greater connections with the consumers and curating physical storefronts in untapped regions of the country, including Tier 2 and 3 cities.

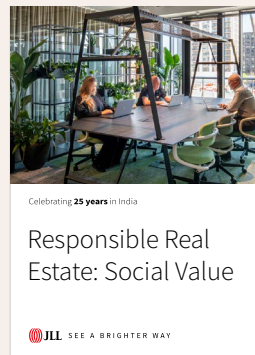
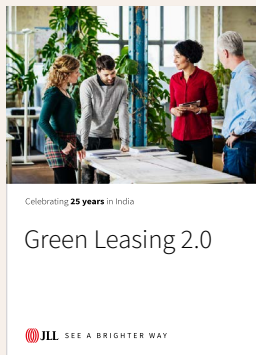


JLL Thought Leadership Compendium

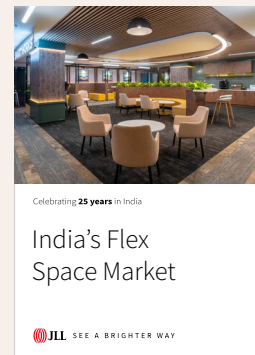
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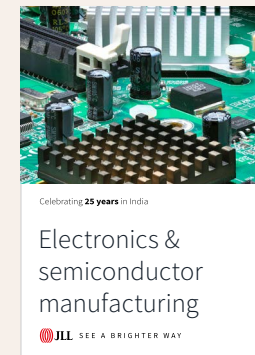
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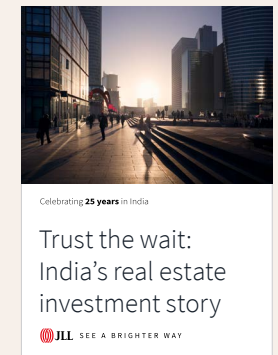
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