

Winds of Change

Fuelling the renewed interest in India Retail Real Estate



Rank 92

New Delhi



New Delhi, topped the rank of Indian cities in the JLL Global Cross Border Retailer Attractiveness Index 2016. It stood 92nd followed by Mumbai which ranked 109. The report by JLL titled Destination Retail 2016 ranks 140 global cities based on the presence of 240 global retail brands in those cities. These cities combined, account for 36% of the world's GDP and over US\$15 trillion of consumer spend. London takes the top spot with the highest presence of global brands. It is followed by Hong Kong at second rank and Paris at the third place.

CITY	RANK	CITY	RANK
London	1	Beijing	8
Hongkong	2	Kuwait City	9
Paris	3	Tokyo	10
Dubai	4	Delhi	92
New York	5	Mumbai	109
Shanghai	6	Bangalore	126
Singapore	7		

Source: JLL Destination Retail 2016 report

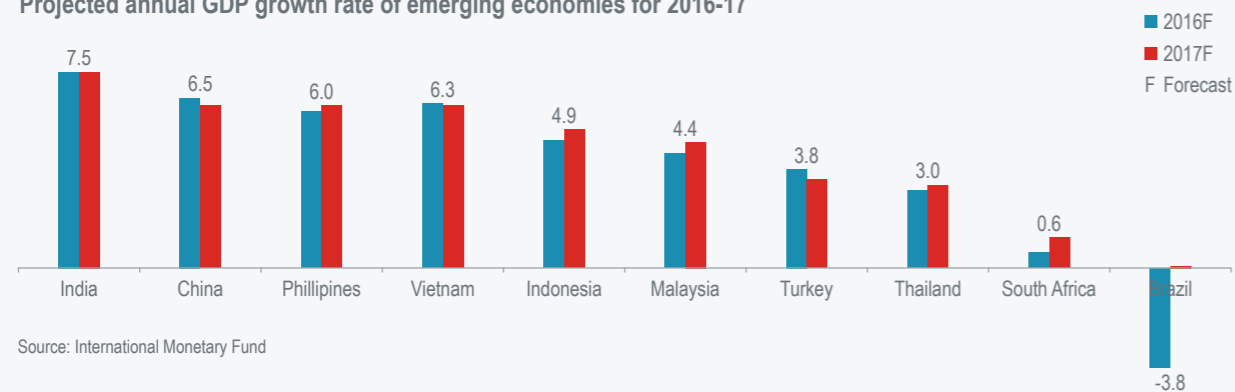


While it comes as no surprise to see cities from developed countries at the top of the list, what is surprising is that cities even from other developing countries such as Indonesia, Thailand, Philippines, and Vietnam rank hugely higher than Indian cities - Bangkok is ranked 13, Jakarta 24, Manila 29, and Ho Chi Minh City 37.

The study comes at a time when India has emerged as the fastest growing major economy in the world - GDP growth rate of 7.6% in 2015-16, consumer confidence is rock solid - The MasterCard Index of Consumer Confidence for the first half of 2016 has placed India in "extremely optimistic" territory, and the central government is pursuing an aggressive reforms driven agenda including big-ticket reforms like the GST bill, which are expected to propel India into a long term higher growth trajectory.

Given the dichotomous situation of an under-penetrated but rapidly improving market, we postulate that the abysmally low presence of global brands in the country is a situation likely to change due to faster economic growth, rising affluence and consumerism, supportive government policies, and enhanced flow of capital to the retail real estate sector.

Projected annual GDP growth rate of emerging economies for 2016-17



The Indian economy is presently the fastest growing major economy in the world and is expected to continue its out-performance over other emerging market countries into 2017 as per projections by the International Monetary Fund. The benchmark Nifty 50 stock market index currently trades near life-time high levels. The buoyancy in financial markets is expected to percolate to the real economy through the remaining term of the incumbent government. Pertinently, the improved prospects of the Indian economy come at a time when rival emerging markets are undergoing moderation in growth rates.

Affluence is on an upward trajectory

The Kotak Wealth Management Report (An arm of Kotak Bank), pegs India's population of ultra-rich individuals - income exceeding INR 250 Million (USD 3.8 Million) at 146,000 as of 2016 - which is a 2.4X increase over the last 5 years (19% CAGR). Luxury car sales have been robust in recent years - Mercedes-Benz registered its best ever sales in India selling 13,502 vehicles in 2015, clocking 32% year-on-year growth. Aggregate sales of luxury cars in India in 2015 were 13.5% higher than the previous year.

Surge in entry of new brands

There has been a surge in the number of global retailers entering the country this year. Aéropostale, The Gap, and The Children's Place entered in partnership with Arvind Lifestyle Brands. Topshop and Topman will retail their products on Jabong.com, an Indian e-commerce Web site. Hennes and Mauritz became the first global retailer to enter India after the government approved 100% FDI in single-brand retail and plans to double the number of its stores in the country from six currently to 12 by year-end.

Incumbent retailers expanding aggressively

Zara which made a profit in its first year of operations in India and crossed USD 100 Million in sales within 5 years, recently signed the largest space taken up in India by an international retailer in a heritage property in upmarket South Mumbai at record high rentals. Adidas which earlier operated in India only through the franchisee route has now decided to open company owned stores in addition to franchisee stores. Furniture giant Ikea, which is constructing its first store in India, has announced plans to open 25 stores over the next 10 years. Danish luxury furniture maker BoConcept has entered the Indian market by opening its first store in Delhi and plans to have eight stores over the next five years. US fast-food chain Burger King, which is present in 13 cities, plans to open 40 new outlets across cities.

Supportive government policies, The GST boost

The government's big ticket reforms agenda is the Goods and services tax (GST) bill which is expected to give a huge boost to the warehousing and logistics sector leading to the creation of backend infrastructure critical for the retail industry.

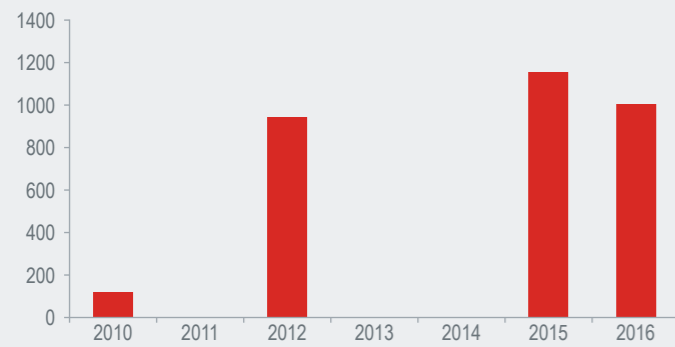
The GST Bill being pursued by the union government has been cleared by both the houses of India's parliament, which brings it one more step closer to implementation. The GST harmonizes 11 state and central taxes, wipes out the distinction between goods and services, eases compliance, and makes it easier to conduct inter-state trade in India. The resulting efficiency benefits are estimated by experts to lead to a 70-100 basis points incremental contribution to India's real GDP growth rate making it a truly game-changing reform for the country.

Liberalized Foreign Direct Investment regime

In 2015, the union government took fresh steps to boost foreign direct investments in real estate - removed restrictions on minimum size of development (20,000 sqm) and minimum capital requirement (USD 5 Million). Several clauses governing entry and exit of foreign investors were relaxed or removed. Several steps have been undertaken by the central government over the last 2-3 years which have helped enhance investment inflow in the country - India now allows 100% FDI in single-brand retail with 30% local sourcing restriction in case of foreign ownership greater than 51%, 100% FDI is allowed in commercial real estate since 2005.

The results have been encouraging for the retail real estate sector, which has witnessed a surge of FDI inflows - Private equity funds invested over INR 2,154 Crores during the last 2 years, which exceeds the amount invested during the previous 7 years.

Major foreign direct investments in retail real estate



Source: JLL REIS

The central government is expected to implement a slew of big-ticket economic reforms over the next 2 years as it bolsters its presence in the upper house of the national parliament. Ease of Doing business, freedom to operate 24 / 7 - The central government is taking numerous steps towards cutting red-tape which has delivered positive results - India's Ease of Doing Business rank improved 12 places to 130 in 2016 from 142 in 2015. Major reforms by the government for improving ease of doing business include:

- Removal of minimum capital requirements, certifications, paperwork required to start a new business in the country
- Several states have also drafted new laws which propose to abolish the notorious "Inspector Raj" that prevails in almost all cities in the country. For example, the state government of Maharashtra has announced the Maharashtra Retail Trade Policy 2016, which seeks to abolish "Inspector Raj", grant single-window clearances, and allow retailers to operate 24x7.
- Registration for payment of value added tax and generating tax identification number can now be done on the internet



Liberalized tourist visa regime to boost tourism

A common theme across the cities that rank high on the JLL Global Cross Border Retailer Attractiveness Index is the highly developed tourism sector of those cities. Starting November 2014, the central government has implemented a comprehensive relaxation of visa rules which is making it easier for tourists and business travellers to visit India. This has significantly reduced paperwork and has facilitated ease of travelling for the India-bound tourist. India now issues electronic tourist visa for the citizens of 150 countries arriving at 16 airports. During January-May, 2016, a total of 4,34,927 tourists arrived on e-Tourist visa as compared to 1,10,657 during the same period last year, registering a growth of 293.0%.

Indian cities clocking fastest retail sales growth

Indian cities such as Bangalore, Hyderabad, Delhi and Pune are amongst the top 10 cities with highest Retail Sales Growth Forecast in JLL Destination Retail 2016. India has emerged at second position in the 2016 Global Retail Development Index by A.T Kearney. There is little doubt that the country is becoming an attractive destination for global retailers with further liberalisation of the FDI policy and creation of business friendly environment. The growing potential of Indian retail market is manifested by the entry of some of the marquee global retailers in last one year. India has become a key market for global retailers and they are focusing on the growing opportunities in the country.

The years 2012-14 were a tumultuous period for the Indian retail real estate industry which grappled with the twin problems of a slow-down in the domestic economy and an aggressive discount-driven onslaught from E-commerce companies. With promotional budgets of E-commerce companies largely exhausted and closer scrutiny by government agencies on predatory pricing, it appears that the Indian retail industry is back on track to a level playing field between E-commerce and traditional retail. A broad consensus is emerging on the combination of physical stores and online (OMNI channel) as being the optimal channel for the retail industry in contrast to the older debate on online versus physical stores.

The rising affluence of the Indian consumer, the improving business sentiment and its percolation into the real economy is further prompting global retailers to shed their "wait and watch" stance to aggressively evaluate opportunities for expansion in one of the world's fastest growing retail markets.

And we hope soon that Indian cities will move up the scale in ranking on the Global Cross Border Retailer Attractiveness Index.



About JLL

JLL (NYSE: JLL) is a professional services and investment management firm offering specialized real estate services to clients seeking increased value by owning, occupying and investing in real estate. A Fortune 500 company with annual fee revenue of \$5.2 billion and gross revenue of \$6.0 billion, JLL has more than 280 corporate offices, operates in more than 80 countries and has a global workforce of more than 60,000. On behalf of its clients, the firm provides management and real estate outsourcing services for a property portfolio of 4.0 billion square feet, or 372 million square meters, and completed \$138 billion in sales, acquisitions and finance transactions in 2015. Its investment management business, LaSalle Investment Management, has \$59.1 billion of real estate assets under management. JLL is the brand name, and a registered trademark, of Jones Lang LaSalle Incorporated. For further information, visit www.jll.com

JLL has over 50 years of experience in Asia Pacific, with 34,000 employees operating in 92 offices in 16 countries across the region. The firm won 15 awards at the International Property Awards Asia Pacific in 2016 and was named number one real estate advisor in Asia at the 2015 Euromoney Real Estate Awards. www.ap.jll.com

About JLL India

JLL is India's premier and largest professional services firm specializing in real estate. With an extensive geographic footprint across 11 cities (Ahmedabad, Delhi, Mumbai, Bangalore, Pune, Chennai, Hyderabad, Kolkata, Kochi, Chandigarh and Coimbatore) and a staff strength of over 8500, the firm provides investors, developers, local corporates and multinational companies with a comprehensive range of services including research, analytics, consultancy, transactions, project and development services, integrated facility management, property and asset management, sustainability, industrial, capital markets, residential, hotels, health care, senior living, education and retail advisory. The firm was awarded the Property Consultant of the Decade at the 10th CNBC-Awaaz Real Estate Awards 2015 and the Best Property Consultancy in India at the International Property Awards Asia Pacific 2016-17.

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