



**CAPITAL LOSS:** IT IS THE LOSS INCURRED WHEN A CAPITAL ASSET (INVESTMENT OR REAL ESTATE) DECREASES IN VALUE.



ILLUSTRATIONS: SACHIN VARADKAR

|Shehzin.Shaikh@timesgroup.com

**W**ith the Union Budget 2016 setting the tone for the year ahead, the realty sector is optimistic that the reforms and announcements introduced will bear positive results and the sector will finally trudge along in the fourth gear. The biggest takeaway from the previous year was the performance of the commercial sector, which brought cheer for the real estate market. Hence, experts are hoping that the golden period of the commercial sector will continue this year as well.

The commercial real estate market comprises of office, retail and industrial segments. As we know, the IT/ITeS sector is a major occupier of office space in India and the government is taking significant measures to promote growth of the manufacturing sector as well. But the retail industry is not lagging far behind and can contribute towards this endeavour. Evolving consumer spending patterns and increasing disposable income levels, are redefining the country's retail landscape. The market has become very dynamic in nature, with the industry stalwarts not only exploring new micro-markets but also reinventing themselves to keep up with the pace of growth in the sector.



**MAPPING THE GROWTH TALE:**

According to Sunil Shroff, CEO, Viviana Mall, three key factors that have defined the growth story of the retail sector in the last five years are - the growing young population; a significant rise in the working population and an increase in the income and purchasing power. "The retail industry has also benefited due to liberalisation in the FDI policy, which in turn, has attracted international and global premium brands, thereby boosting the retail sector," Shroff adds.

Experts are optimistic and feel India's retail market is expected to grow manifold in the next five years and with the right support from the government, modern retail will move up the growth curve. The modern retail market size in the MMR is also expected to grow at a CAGR of 23 per cent, according to a report, 'Think India. Think Retail 2016', launched by Knight Frank India in association with Retailers Association of India (RAI).

"With the simultaneous growth in quality real estate and infrastructure, the Indian retail sector can prove to be a game-changer if developed in a planned manner, thus making it more competitive and organised," says Rubi Arya, executive vice-chairman, Milestone Capital Advisors Limited.

**3 KEY FACTORS THAT HAVE DEFINED THE GROWTH STORY OF THE RETAIL SECTOR IN THE LAST FIVE YEARS:**



**TRIAL AND ERROR:**

However, all has not been hunky-dory for the retail sector. Another significant highlight of the report was - as of December 2015, the MMR had 33 operational malls and almost an equal number of malls have also shut down over the last two years. "The growth rate today however has stabilised and the malls, which have been doing consistently well for the last few years, continue to attract more footfalls with new brands tapping into the market," points out Nirzar Jain, vice-president, Oberoi Mall. However, has this trend impacted the realty market adjoining the malls? Experts feel that property prices depend on numerous parameters like basic infrastructure, connectivity to the local transport spots, other social requirements, etc. The presence of malls and other retail zones is an added advantage to the buyer but there is no direct impact on property prices, except maybe rentals from such units, which will be higher.

The Indian retail sector has been undergoing structural changes for the last two decades and one of its significant achievements has been the robust growth in the e-tail sector. When the e-tail wave hit our country, the brick-and-mortar sector had taken a backseat. "Traditional retailers have repositioned

themselves today. The price differentiator was the major point of contention between the online retailers and conventional retailers and over the years, we have tried to bring it down. Besides, the focus today is on customer satisfaction and creating an experiential market. The instant gratification of leaving a store with a purchase in-hand is unmatched and hence, the attempt is in order to achieve just that," says Anand Sundaram, CEO, Pioneer Property Zone.

Experts feel that it is imperative to note that in an economy consisting of over 400 million internet users, four out of five consumers have never shopped online; hence, the availability of traditional outlets is a must.

"However, the e-tailing business has a direct impact on the commercial real estate space, due to large commercial offices and warehouses being leased rapidly across tier-I and II towns. Mumbai is looking towards a commercial leasing boom as more and more e-tailing businesses (products, payment gateways and logistics), are forming the bulk of such demand," points out Arya.

The Indian retail sector has been undergoing structural changes for the last two decades and one of its significant achievements has been the robust growth in the e-tail sector

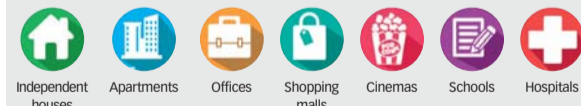


**LOOKING AHEAD:**

A strong public infrastructure is the backbone of the retail industry. Hence, it is imperative that the retail sector is developed in line with the infrastructural development, in order to ensure equilibrium, especially in the urban areas. "I personally feel that the government should promote integrated townships in a big city like Mumbai. Spanning hundreds of acres, this master plan will include independent houses, apartments, offices, shopping malls, cinemas, schools, hospitals and all other facilities that will make life easy for

*Mumbai*," says Gulam Zia, executive director - advisory, retail and hospitality, Knight Frank India. While the housing sector alone contributes approximately 5 to 6 per cent to the country's GDP, the other sub-sectors like commercial, hospitality sector, retail and others have also grown parallelly. The need of the hour is to develop each industry in a planned manner and

A STRONG PUBLIC INFRASTRUCTURE IS THE BACKBONE OF THE RETAIL INDUSTRY:



get the realty sector back on track, which for long, has been moving at a snail's pace.

**KEY TAKEAWAYS:**

- ▲ Malad, Goregaon, Borivali, Vashi, Thane and Navi Mumbai, will rise as potential retail hotspots in the future, thereby impacting the adjacent residential market as well;
- ▲ Property prices depend on numerous parameters like the basic infrastructure, proximity to the local transport hubs, other social requirements, etc. The presence of malls and other retail zones is an added advantage for the buyer to look at while investing in a property;
- ▲ Three key factors that have defined the growth story of the retail sector in the last five years are: a rising young population; a significant rise in the working population and an increase in the income and purchasing power;
- ▲ The e-tailing business has a direct impact on the commercial real estate space, with large commercial offices and warehouses being leased rapidly across the tier-I and II towns;
- ▲ With urban areas getting more crowded and falling increasingly short on the future development potential, integrated townships have been correctly identified as a potential solution.