

The evolution & expansion of Malls in India

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The report from Deloitte in partnership with SCAI analyses the growth and impact of the shopping centre industry on consumers and society at large

New Delhi: The recent report titled, ‘Recognising malls and shopping centres as a new-age industry’ by Deloitte and the Shopping Centres Association of India (SCAI), presents a survey-based analysis of the effects of the shopping centre industry on different stakeholders. It also identifies several measures that can be implemented to enable their growth.

Out of the more than 500 malls across India, as of H1 2022, 271 malls are operational with a total area of 92.9 million sq. ft. in the top eight markets; Ahmedabad, Bengaluru, Chennai, Hyderabad, Kolkata, Mumbai, National Capital Region (NCR), and Pune. Out of the total number of shopping malls in India, about 50% of the stock is concentrated in these markets: NCR has the largest share of the total malls amongst the top 8 cities at 34 %, followed by Mumbai at 18%, and Bengaluru at 17%.

In addition to existing supply, about 60 shopping malls encompassing a total retail space of 23.25 million square feet are expected to become operational during 2023– 25 across the top seven cities of India. Out of this, 10 million sq. ft. are expected to get operational in 2023 with 25 new malls entering the market across the top seven cities of India.

This fresh supply will mean an investment of Rs 250 billion.

Though the supply seems to be robust, with:

- Omnichannel retailing becoming an integral part of retail strategy for most brands
- Global retailers entering India
- Increasing institutional investment in retail in comparison to demand, the available supply isn't enough

Apart from substantial retail space in the seven cities mentioned, above prominent developers plan to establish shopping malls in Tier 2 and Tier 3 cities. With 30% of India's middle class residing in these areas, Tier 2 and Tier 3 are key contributors to retail growth in India.

Other attractive factors are the lower rental rates and operating costs, which are estimated to be 30-40% lower compared to bigger cities. Tier-2 and 3 cities received \$6.2 billion in overall retail investments from 2006 to 2017, five times more than major Indian metros.

Due to these factors, established developers are opening a considerable number of high-quality retail properties in Tier- 2 and -3 cities for example:

- Phoenix Mills opened a mall in Indore in Dec 2022. It is also opening malls in Ahmedabad and Surat.
- Lulu Group launched a 2.2 million square feet shopping mall in Lucknow in July 2022.
- It added Lulu Trivandrum in December 2021. It is also constructing malls/hypermarkets in Calicut, Kottayam, Tirur and Perinthalmanna.
- Pacific Development Corp is reportedly working on constructing a mall covering an area of 1.5 million square feet in Jaipur.
- AB Alcobev and P.P. Buildwell are coming up with mixed-use developments in Mohali.

Revenue Graph

Comparing the shopping centre industry to similar revenue-generating industries, such as hotels and airlines, can provide a clearer understanding of its impact on the economic activity of India as these industries involve not only revenue and employment generation but also infrastructure development.

The annual revenue generated by hotels in India, ~`1.8 lakh crore, is comparable to the revenue generated by the malls and shopping centre industry. However, the latter employs a larger number of people, both directly and indirectly.

With annual revenue close to 1,80,000 crore and employment to 1.2 crore people, the shopping centre sector is even larger than the airline industry, which generates a business of ~95,000 crore (aviation industry's combined net sales) and employs fewer people.

The Consumption Drive

As per the report, India's GDP has been on the rise in recent years, driven in large part by consumption, which has been powered by several socioeconomic and demographic factors, including the following:

- A growing middle-class
- A significant consumer demographic – ~65% of India's population falls in the 18–55 years old range
- Rise in urbanisation–Indian urban population is expected to rise from 33.53% in 2017 to 60% in 2050

The consumption expenditure is the biggest driver for GDP growth and India's private consumption is expected to more than double to \$4.5 trillion by the end of the current decade. The retail industry is bound to play a significant role in helping India achieve its goal of becoming a \$5 trillion economy due to the following reasons:

- It is the primary channel through which goods and services are made accessible to consumers.
- It encourages consumption via advertising and promotions.
- It provides consumers access to avenues of consumption, such as malls, high streets, shopping complexes, and multiplexes.

Conclusion

Apart from driving consumption, malls also drive economic growth via impact on multiple aspects of an economy, such as the following:

- Boosting tourism by providing shopping and entertainment options for visitors.
- Contributing to Infrastructure Development through the construction and maintenance of the mall, which serves as a social infrastructure available for common use
- Contributing Significantly to the Tax Revenues of the government through property taxes, GST, and other means, leading to an increase in tax revenue for the government; which can then utilise these funds to finance public services and infrastructure, thereby potentially benefiting the economy
- Creating Jobs, both directly (for example, mall employees) and indirectly (for example, suppliers, delivery drivers, etc.)
- Stimulating Local Businesses by attracting customers to the area.

Thus, with adequate support from stakeholders in terms of an attractive investment climate, enabling infrastructure development, and consumer awareness, the growth of malls and shopping centres can be accelerated. This can drive economic growth, create jobs, and stimulate local businesses, key factors in achieving the \$5 trillion economy goal.