Retail Market Dynamics

Research

India

Q2 2025

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Contents

Key trends

1 Healthy leasing activity

Gross leasing remained strong across the top 7 cities. With a leasing total of 2.6 million s.f. in Q2 2025, the half-yearly leasing volume touched 5.7 million s.f., reflecting a 69% annual growth.

3 Constrained mall supply

During this quarter, only one new shopping mall admeasuring 0.3 million s.f. became operational in Hyderabad.

2 Rents remain steady

Rents across all quality developments largely remained stable. Due to lack of new supply, upward rental incline remained limited to few sought-after malls with tight vacancies.

4 Dominance of domestic retailers

Domestic retailers comprised an 85% share of the total retail space leased during the quarter. Demand from domestic retailers is primarily driven by the expansion of Indian origin food and beverage and apparel retailers.

By the numbers

88.7 million
Existing inventory (s.f.)

39.3 million*
Under construction (s.f.)

11.6%
Total vacancy

INR 281.4
Market rent (per s.f.)

1.65 million**
YTD net absorption (s.f.)

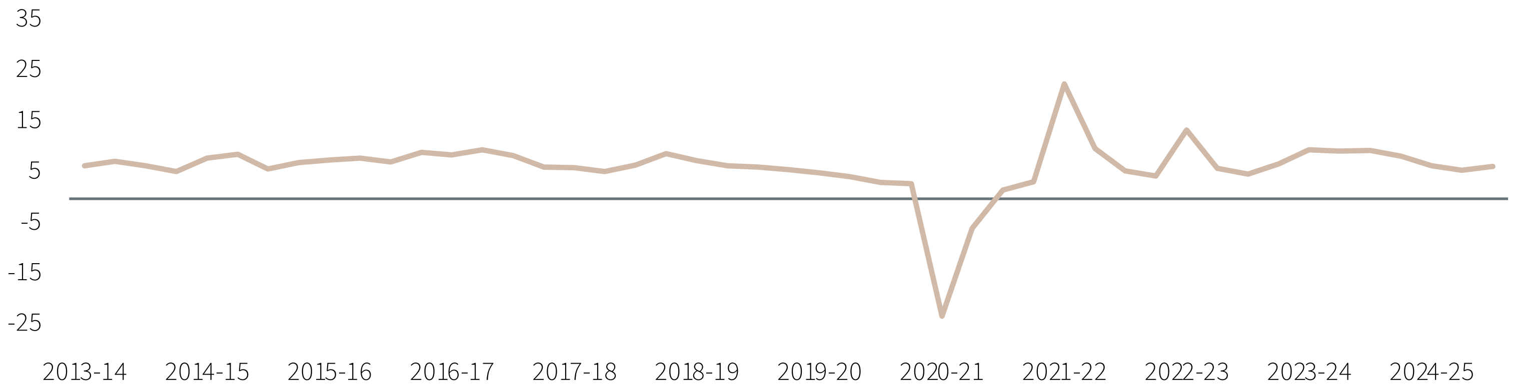
Notes: *Indicates upcoming and proposed retail developments across the top 7 cities from 2025 to 2029.
**Indicates net absorption from January to June 2025.
Calculations across the entire report are done basis the last decimal place before conversion to mn s.f. and may vary marginally if only mn s.f. numerals are used in its place.

Economy

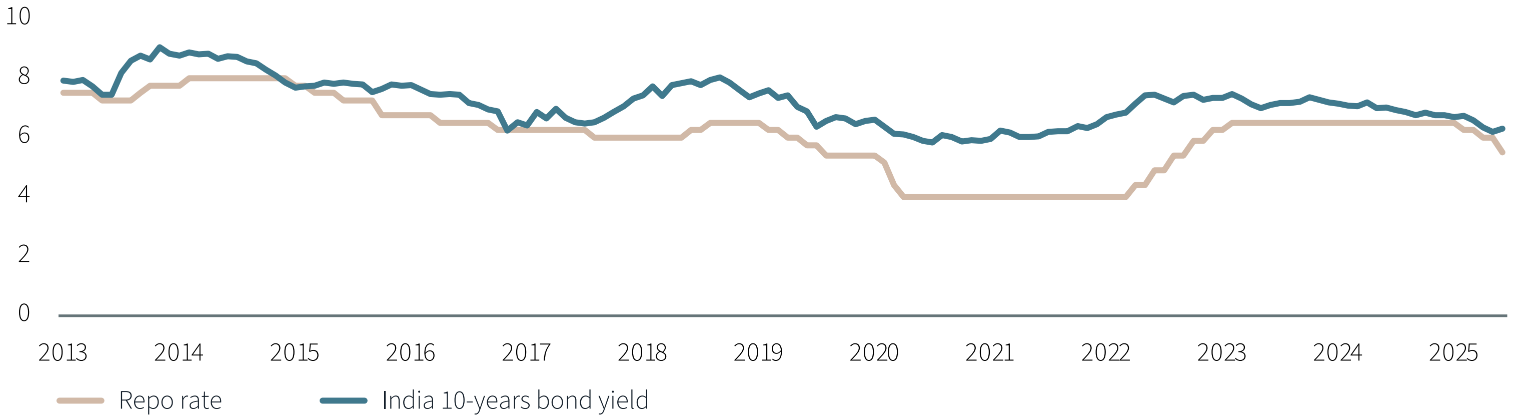
- The narrative for the quarter is one of resilient growth, moderating inflation, and strengthening macroeconomic fundamentals. The Indian economy closed the financial year on a powerful note with real GDP growth for FY 2024-25, recorded at 6.5%. Q4 FY 2024-25 was particularly strong, with the economy expanding by an impressive 7.4% y-o-y.
- One of the standout achievements of the past year has been the successful taming of inflation. Retail (CPI) inflation has moderated significantly, providing a stable macroeconomic backdrop essential for sustainable growth. This has afforded the RBI the flexibility to pivot towards a more accommodative monetary policy. Consequently, the RBI delivered a cumulative 100 bps repo rate cut in the first half of 2025, a decisive move aimed at stimulating investment and consumption.
- Looking forward, the outlook remains optimistic, albeit with a need for continued vigilance. The RBI projects real GDP growth for FY 2025-26 at a robust 6.5%. This forecast is supported by several pillars: sustained investment activity, a broad-based recovery in consumption fueled by rural and urban demand, and a resilient services sector. Progress on Free Trade Agreements (FTAs), including the finalization of a deal with the United Kingdom, is expected to provide a further fillip to trade activity.

Key indicators

GDP growth at constant prices (%)



Repo rates and government bond yields (%)

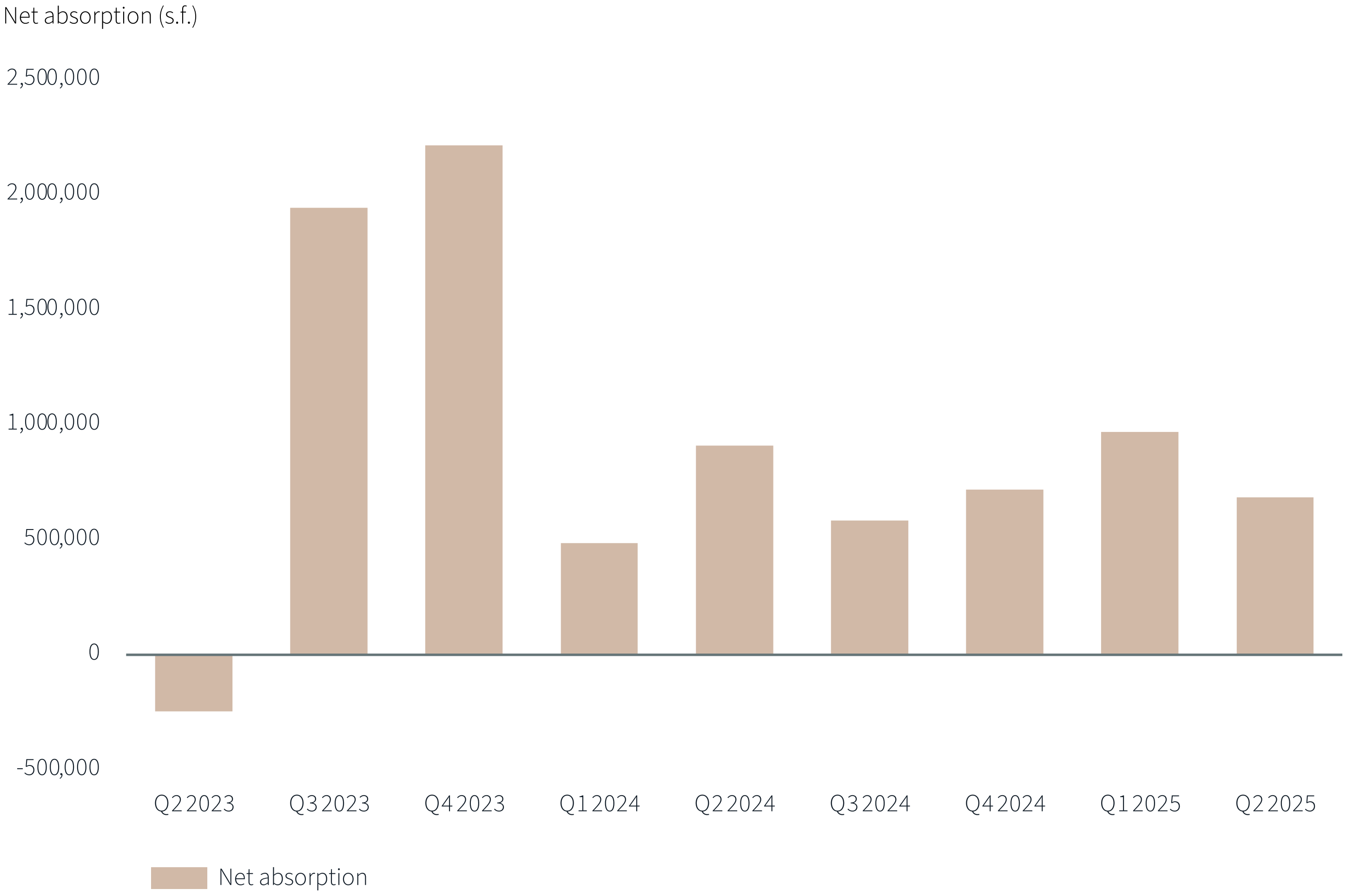


Source: JLL Research, NSO, RBI

Net absorption trends

- In Q2 2025, net absorption of 0.68 million s.f. was recorded, down by 29% as compared to Q1 2025, primarily due to lack of expansion by retailers in a supply-constrained scenario.
- Hyderabad and Mumbai collectively contributed 55% to the quarterly net absorption. Net absorption in Hyderabad remained the highest due to the completion of a new mall in the quarter, whereas in Mumbai, substantial fresh leasing was recorded in a retail development, which got completed in the last quarter.
- Net absorption in Delhi NCR and Bengaluru remained strong with vacancy levels dipping in both these cities.
- Kolkata, Chennai and Pune recorded low net absorption for retail spaces, with nearly 0.03 million s.f. in each of these cities.
- For the H1 2025 period, net absorption of 1.6 millon s.f. was recorded, which is 27% higher than H1 2024.

Historical absorption

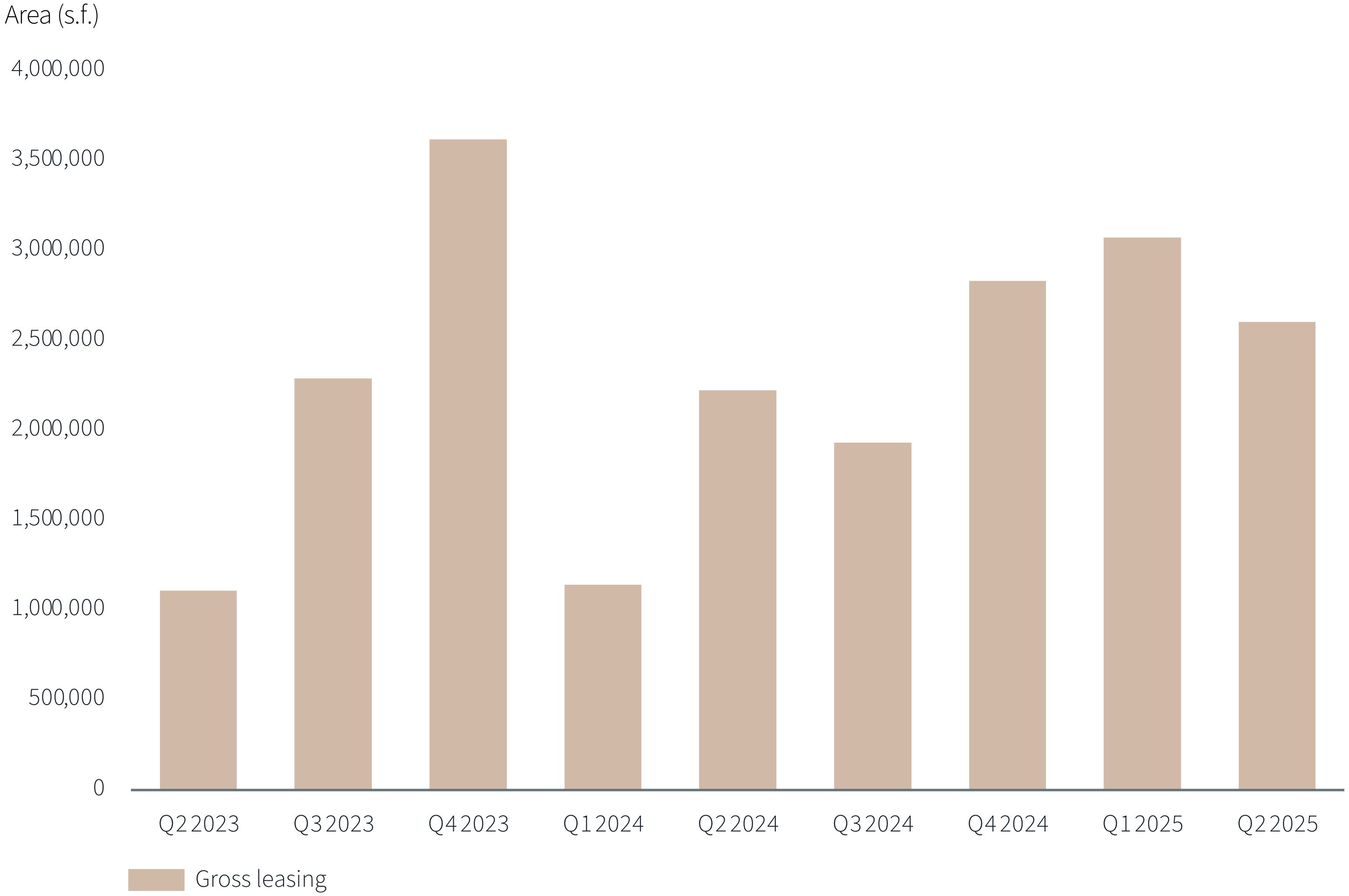


Source: JLL Research, 2025

Leasing activity

- During the current quarter, 2.6 million s.f. of retail space was leased across the top 7 cities. Compared to the preceding quarter, this represents a 15% decline largely due to unavailability of new retail supply, which hampered the expansion plans of retailer in the short term.
- However, on a year-on-year (y-o-y) comparison, the current quarter's leasing indicates a 17% growth and is demonstrative of a healthy demand scenario.
- For the first half of calendar year 2025, the gross leasing volume stood at 5.7 million s.f., up by 69% compared to the same period last year as both domestic and foreign retailers continued with fast-paced expansion plans.
- Bengaluru accounted for more than one-fourth share of the total retail space take-up in Q2 2025, followed by Delhi NCR (20%). In Bengaluru, jewellery and home furnishings brands expanded their retail footprint, while food and beverage dominated the space take-up in Delhi NCR.

Historical gross leasing



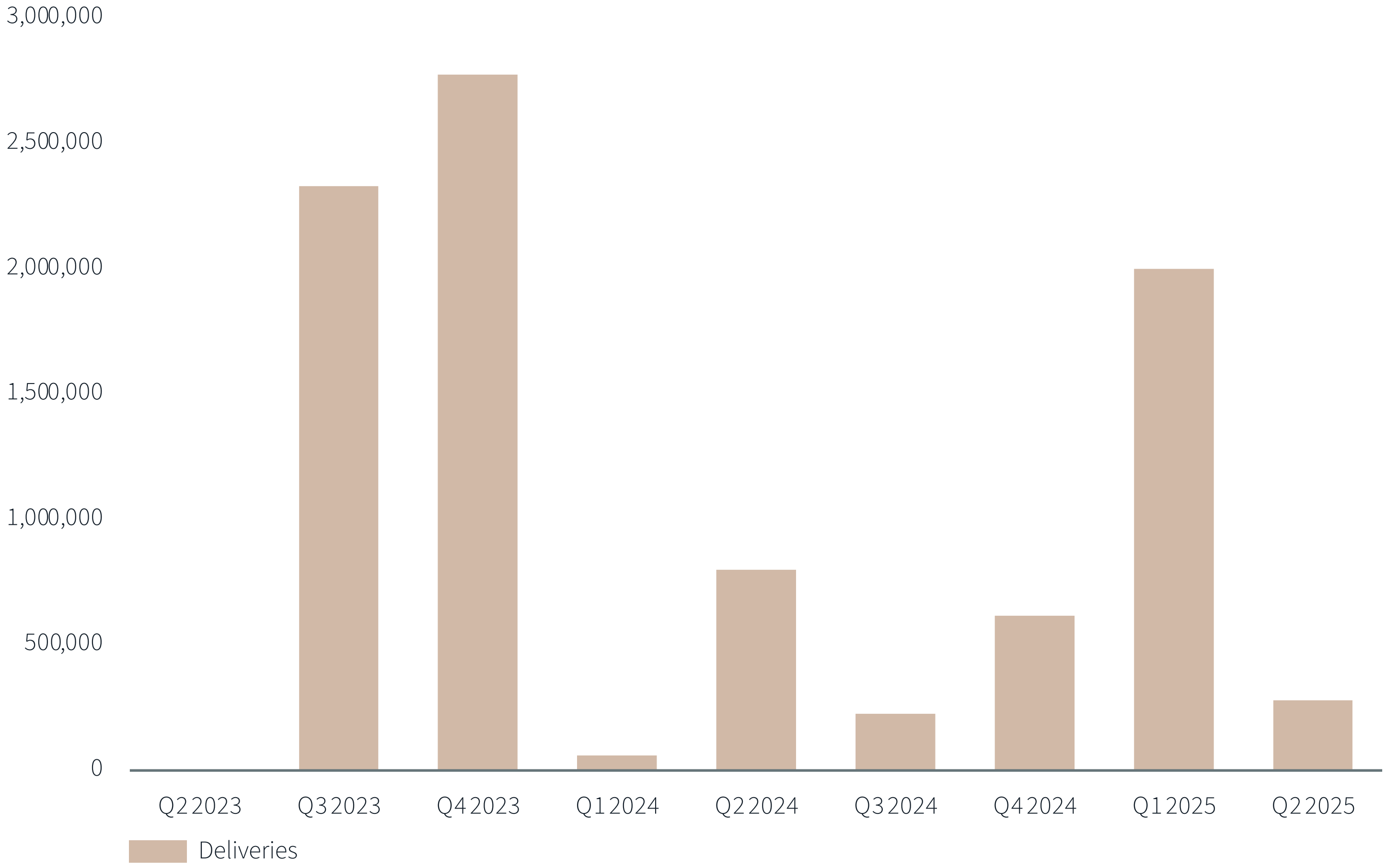
Source: JLL Research, 2025

Development activity

- The second quarter of calendar year 2025 remained bereft of any major completions, leading to supply constraints, causing a short-term blip in quarterly leasing.
- Only one new mall admeasuring 0.3 million s.f. became operational in Hyderabad. With this completion, the half-yearly supply total for 2025 stands at 2.3 million s.f., up by 165% compared to H1 2024. In Q1 2025, sizeable new mall supply was recorded across Mumbai, Delhi NCR and Hyderabad.
- With the addition of this new supply, the organized retail stock across the top 7 cities reached 88.7 million s.f. at the end of H1 2025. In the second half of 2025, nearly 6 million s.f. of new retail supply is expected as per the proposed delivery timelines.

Historical deliveries

Quarterly deliveries (s.f.)

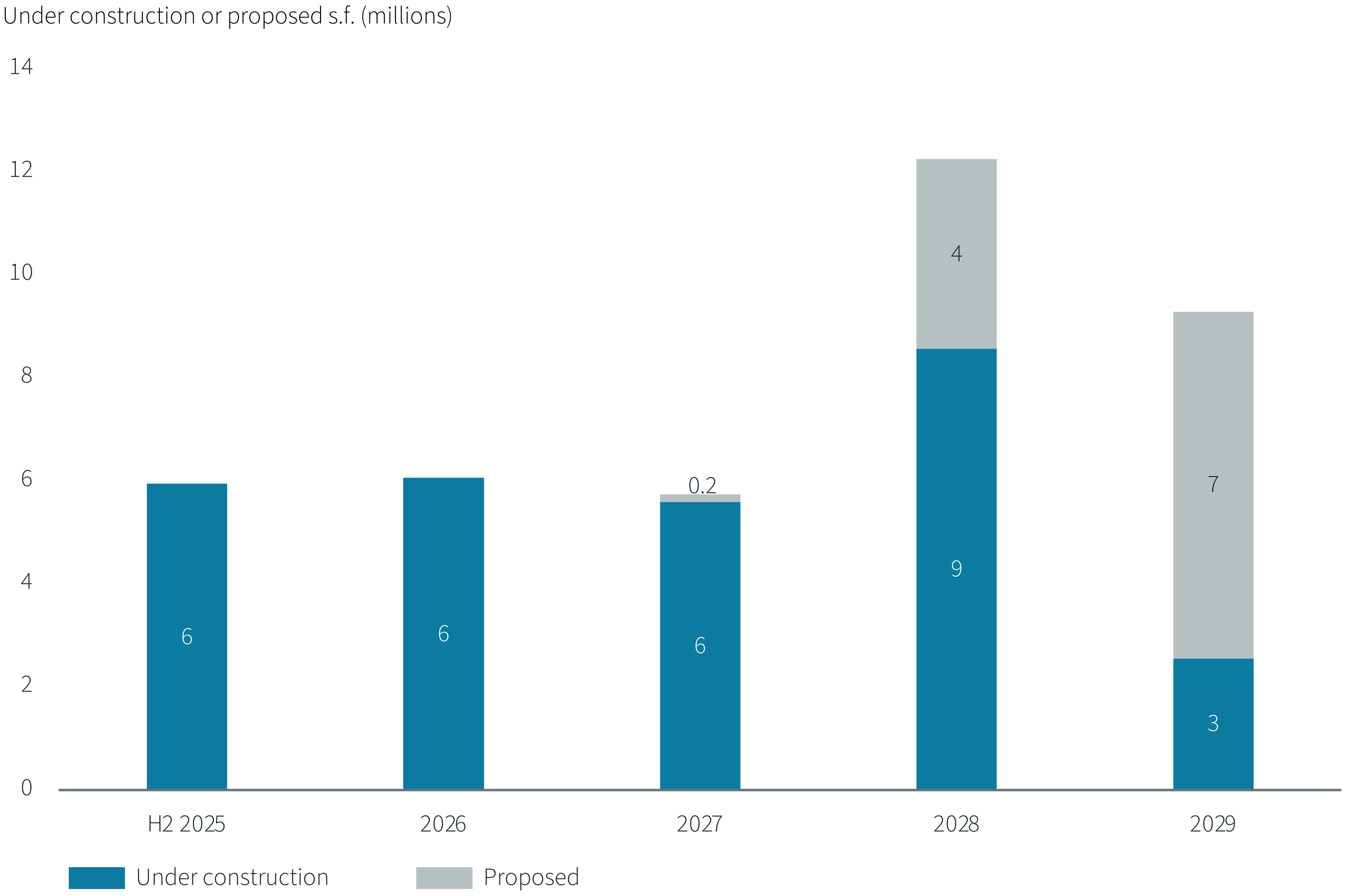


Source: JLL Research, 2025

Nearly 39.3 million s.f. of under construction and proposed new retail spaces expected by 2029

- By the end of calendar year 2029, the addition of 39.3 million s.f. of new retail space is expected, which will take the retail stock total to over 128.5 million s.f. Of the total new supply expected by 2029, 28.7 million s.f. is under construction and the remaining 10.6 million s.f. is in various stages of active planning.
- In 2028, high quantum of new retail space addition is expected as per current delivery timelines. With 12.3 million s.f. expected across 18 developments, this substantial supply influx will include a handful of large-sized assets, each spanning at least a million s.f.
- On an overall basis, Delhi NCR is expected to dominate the upcoming retail supply with a 40% share. Nearly 16 million s.f. is expected to come up in Delhi NCR by 2029, including two prominent retail developments of over 2 million s.f. each.
- Hyderabad is the second market which his expected to witness a huge supply influx with 8.5 million s.f. by 2029.

Retail space proposed or under construction

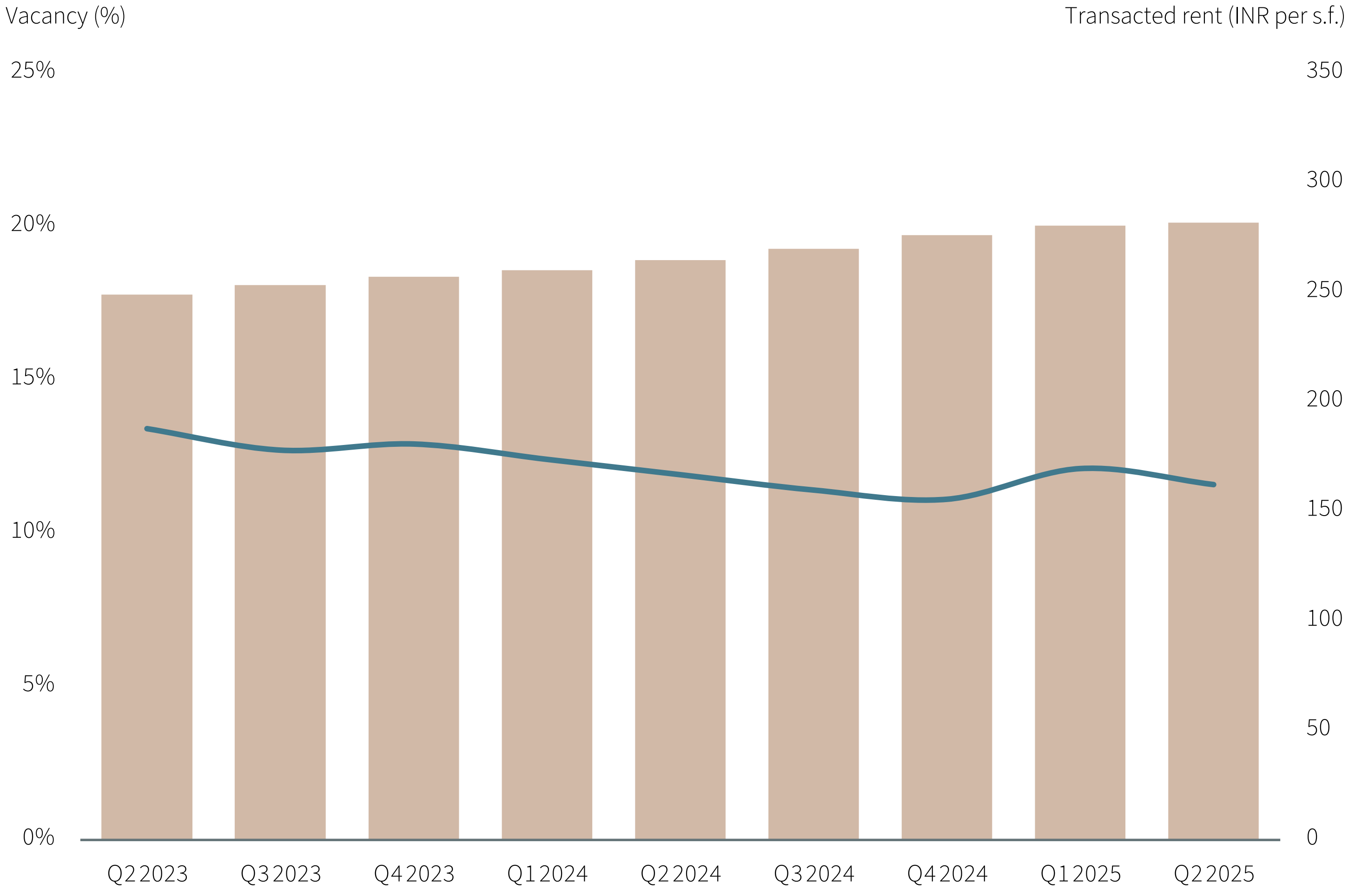


Source: JLL Research, 2025

Rents and vacancy

- Healthy demand for retail spaces led to a steady rise in rents . The overall rents in Q2 2025 were up by 6% on a y-o-y basis. Lower vacancy levels in existing superior-quality malls have pushed rental growth upwards in most cities.
- All cities witnessed a downward trend in existing vacancy levels, except Hyderabad. Despite healthy demand for retail spaces, the completion of a new mall led to an upward movement in vacancy in Hyderabad where the vacancy levels rose by 30 bps.
- With the decline in vacancy levels across most cities, the overall vacancy level came down by 50 bps and stood at 11.6% at the end of Q2 2025.
- Strong pre-commitments for the new retail supply that became operational during the quarter further supported the dip in vacancy.

Transacted rents and vacancy

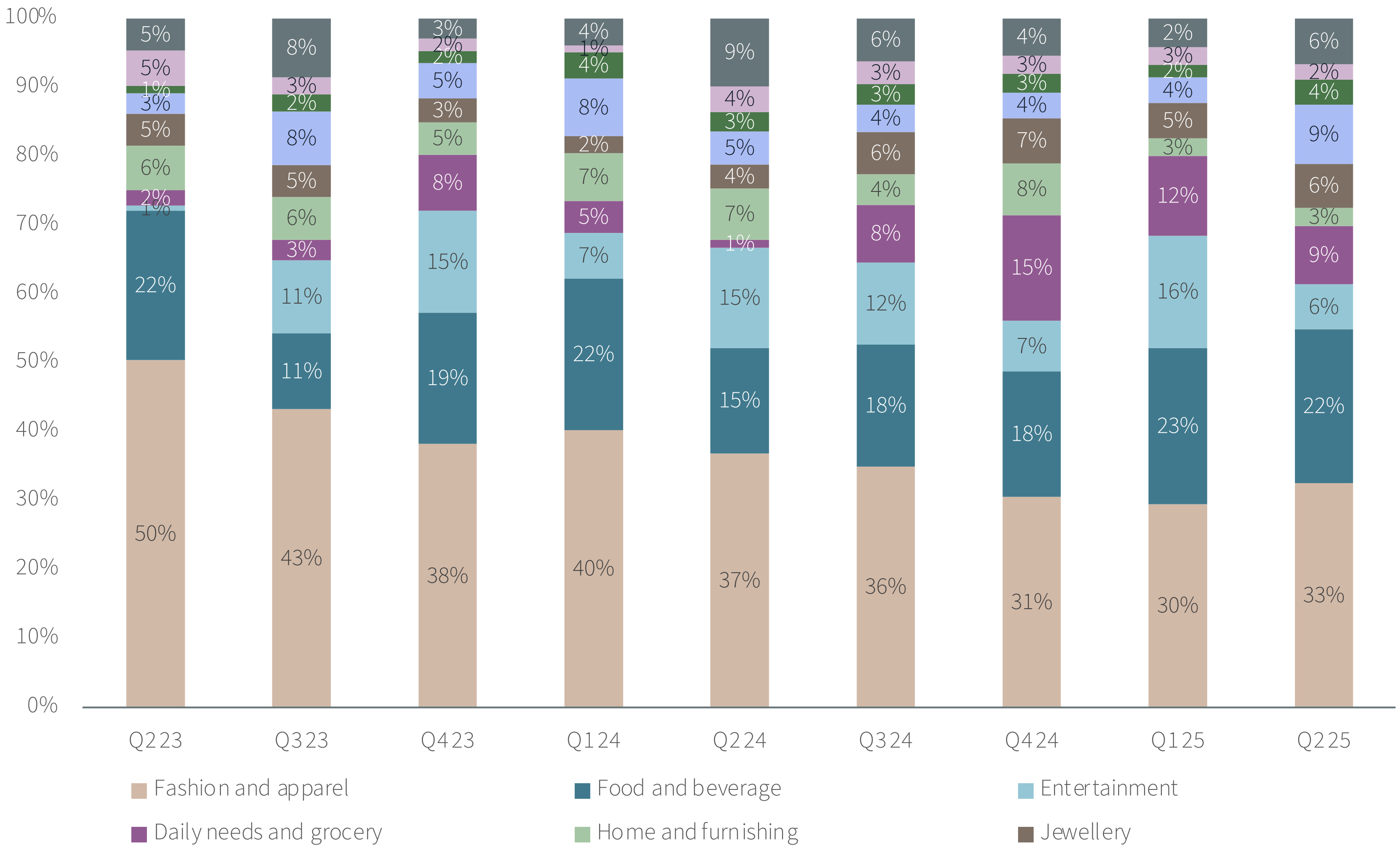


Source: JLL Research, 2025

Fashion and apparel, food and beverage collectively contributed more than half of the total leasing volume

- Fashion and apparel continued to lead across all the retailer categories, accounting for 33% of gross leasing in Q2 2025, followed by food and beverage at 22%.
- Unlike past trends, jewellery emerged as the third leading category, surpassing Entertainment, which typically used to be amongst the top three retailer categories until the first quarter of 2025. From a 16% share in gross leasing in Q1 2025, the share of Entertainment has dwindled to 6% in Q2 2025.
- Jewellery retailers commanded a 9% share in gross leasing with 0.23 million s.f. of prime retail space consumed in the second quarter. Notably, leasing in this category was largely dominated by indigenous brands opening new stores, mainly in southern cities of India.
- Domestic retailers held 85% of the market share in Q2 2025, while international brands expanded their footprint with 13 new entrants, seven of which were in the food and beverage segment.

Gross leasing trends by retailer categories

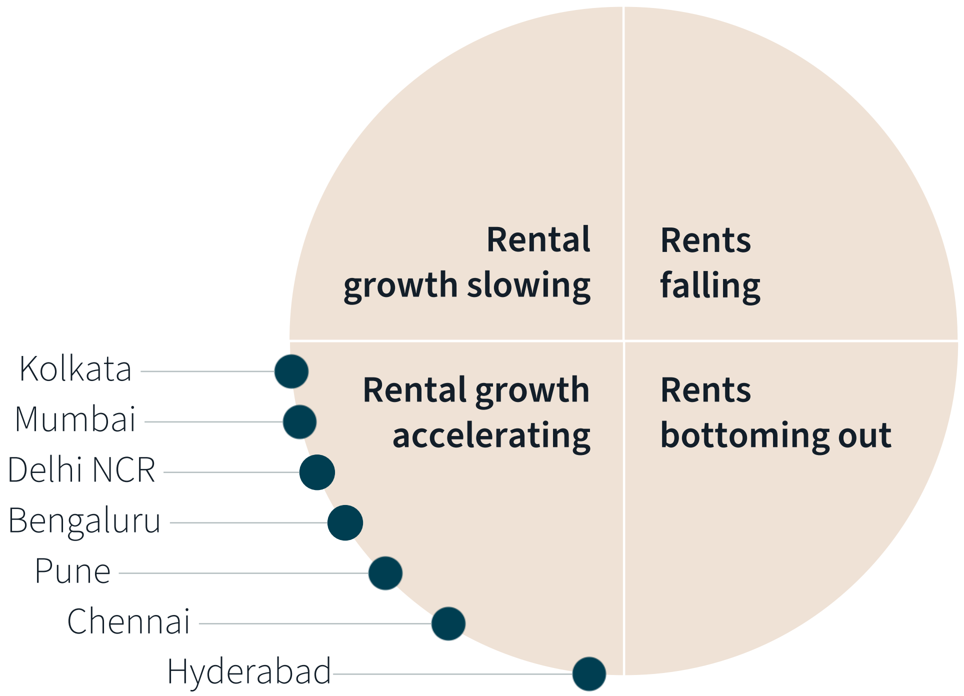


Source: JLL Research, 2025

Rental growth across prime locations

- Q2 2025 continued to witness retail rental growth across cities. Mumbai saw the highest annual rent increase of 16% as superior quality malls with tight vacancies continued to command a steep rental premium for prime locations.
- Mumbai and Kolkata noted quarterly rental appreciation of more than 200 bps as limited availability of quality retail spaces created an upward pressure on rents in the short-term.
- Both international retailers and leading national brands continue to display a strong appetite for superior-grade retail developments. Going forward, this scenario will be conducive to rental growth across markets.

Retail rental clock



Note: Clock positions for the retail sector relate to quarterly rental movement at a city level

Source: JLL Research, 2025

Outlook

- In H2 2025, 6 million s.f. of new retail supply is expected as per the current delivery timelines. With this upcoming new supply, the retail sector is expected to witness healthy leasing as retailers continue to scout for quality new spaces with a host of shopper amenities. Going forward, this latent demand from both domestic and international retailers across categories will keep the leasing momentum high.
- In the first half of this calendar year, retail sector leasing touched 5.7 million s.f. Strong retailer demand coupled with the addition of new retail supply will underpin gross leasing, which is likely to touch the 10 million s.f. mark by the end of 2025.
- The presence of institutional-grade retail spaces and growing demand for international brands are likely to entice more foreign retailers to enter the Indian market.
- India's strategic position as a hotbed for retail expansion is evidenced by the number of international brand entry more than doubling y-o-y in H1 2025. This is largely driven by the structure of our young demographic, rising disposable incomes, and premium consumption preferences.

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Research authors

Divya Agarwal
Director
Research & REIS
India
divya.agarwal@jll.com

Sourajit Biswas
Assistant Manager
Research & REIS
India
sourajit.biswas@jll.com

To find out more about JLL services, contact:

Dr. Samantak Das
Chief Economist and Head
Research and REIS
India
samantak.das@jll.com

Rahul Arora
Senior Managing Director - Karnataka and Kerala
and Head - Office Leasing and Retail Advisory
India
arora.rahul@jll.com

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