

CHAPTER 114

Review of Key Determinants Influencing Retail Property Valuation

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ABSTRACT

The valuation of retail property is a complex procedure incorporating many determinants, which are interrelated, such as its location, physical attributes, as well as proximity to demand, services, and regulation. These determinants of the value are discussed in this paper, leading to an overall study on retail property valuation that can be used for various urban metropolitan areas. The dynamics of the retail industry are changing, very much on the basis of the changing consumer trends and the technological advances, and a different way of understanding of the same is very much needed with a view to policy-makers, investors and developers. The paper goes into questions: What determines retail property value? So, what are the factors as well, and how do they interact such that it changes the valuation results? The influence of zoning, accessibility, physical characteristics of properties, proximity to complementary services, along with consumer behavior patterns are determined through a systematic review of the literature. Empirical evidence from multiple markets and case studies provide a foundation to which we consider this interaction, and the need to be flexible toward different solutions given different settings (urban). The model asserts that all these attributes – accessibility of location, road infrastructure, frontage and parking – are crucial with respect to property attractiveness and usability. Proximity to amenities such as transit stops, retail groups and recreation spaces increase value since they address consumers' wants and needs. At the same time, value appreciation occurs and is driven by positive interactions between the market demands (that is, attitudes and expenditure patterns) and the infrastructural advancement. Ensuring compliance with regulations and keeping with schemes of zoning also assures long term viability and marketability. This is to present actionable recommendations for stakeholders for better decisions, maximization of property potential, and decoding the nuances of retail property valuation in the quick changing urban environment.

Keywords: Property attractiveness; Location; Accessibility; Infrastructure; Demand.

1.0 Introduction

Real estate sector is a major component in wide variety of types, mostly for commercial purpose

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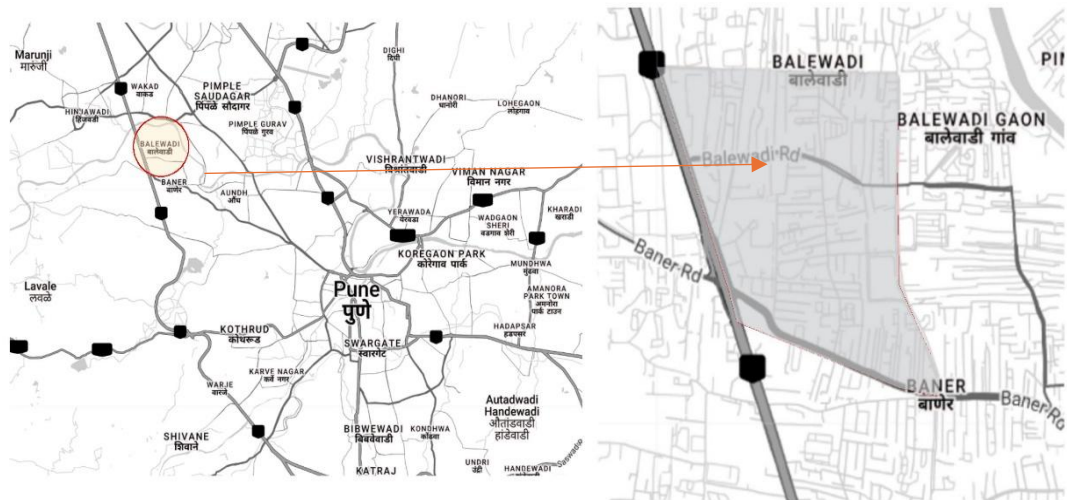
objects like retail properties whose objective is mainly to sell goods and services directly to the final consumer. Retail assets on the other hand are very dependent on foot traffic and the ways of consumers as well as the physical locations of the assets itself. Factors that differentiate retail properties from residential, industrial and office properties are determinants of footfall, frontage visibility, parking, and proximity to other complementary services. It is a rich and dynamic art of retail property valuation with couple of linked determinants. This paper intends to provide a comprehensive overview for the value determinants of retail property. This study strives to formulate a systematic approach to value retail properties in urban settings of varying nature by a critical review of the literature in existence, empirical data, and previous research. Urban infrastructure, economic growth are all directly dependent on retail properties. The classical retail property is in the process of change as the world goes towards an organised retail and online shopping. Drivers of technological revolution, the changing tastes and preferences of driver set, adoption of experiential retailing paradigms and drivers of profit revolution are changing the scenery. Retail property is a very dynamic asset class, which has well defined cyclical trends in the marketplace, and hence its valuation is necessarily a very important endeavour for developers, investors and policy makers.

The city of Pune has become a retail and commercial real estate hub owing to its growing consumer base and burgeoning IT and commercial industries. Some of the regions that have seen a surge in demand for retail properties include Hinjewadi, Wakad and Baner, all of which include Balewadi High Street, as they are close to IT parks and commercial hubs. Transport infrastructure development in the form of Pune Metro and Mumbai Pune Expressway has made the cities more accessible and connected. Under this study, a primary survey at Balewadi High Street in Pune and a secondary online data collection have been made to find out how shopping habits, consumer spending behavior and psychographic traits affect property prices. The study is aimed to conduct a thorough analysis to identify the underlying drivers of the consumer decision making at retail property level and its implication on the retail property performance. For instance, Balewadi High Street, particularly, is well known for its excellent urban planning, entertainment centers, easy accessibility, and visibility. These are the reasons why Balewadi High Street, Pune is a suitable case study for investigating the determinants of retail property value as the factors lead to high footfall and increased spending power of the residents in the area.

Retail property valuation is playing a role in the increasingly important urban economic planning and real estate investment policies. Yet, classic valuation models do not account for the changing market driven by fast urbanization, technological changes, consumers' behavior change over time and e-commerce and mixed-use developments (Smith, 2020; Williams, 2022). While there have been theoretical valuation approaches to retail property, there are important gaps between theory and practice in retail property performance (Jones *et al.* 2023). Finally, lack of attention has been paid in existing models to spatial, economical and behavioral drivers. There is also lack of integrated perspectives from the literature on accessibility, property value,

and regulatory influences on infrastructure quality (Miller & White, 2021). Therefore, this presents the basis for a more adaptive and data and context informed valuation that would facilitate planning for sustainable urban development and informed decision making.

Figure 1: Map of Area Studied



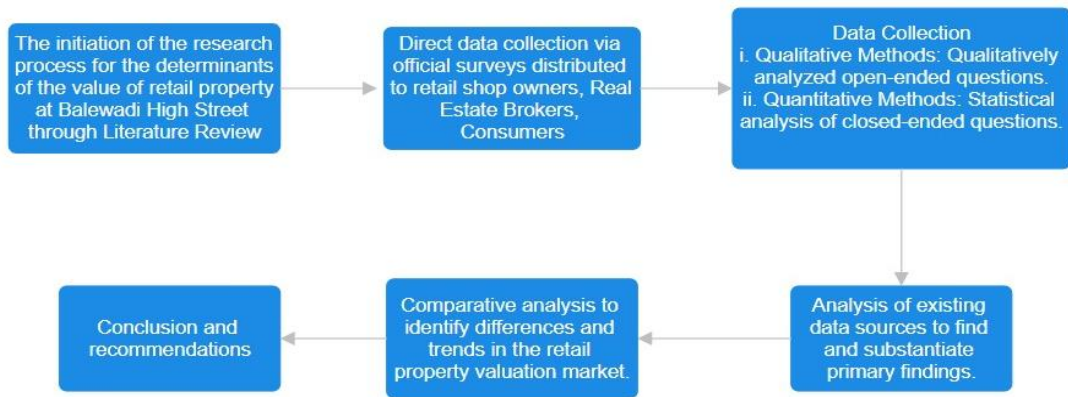
2.0 Objectives and Research Questions

- To examine the impact of location, accessibility, and transport infrastructure on valuation of retail property.
- To determine the effect of consumer behaviour, shopping habits, and spending patterns on property performance.
- To compute rental yields and evaluate factors influencing value perception in the retail asset class.

3.0 Research Methodology

This research will involve a mixed-methods approach to ascertain retail property valuations within Balewadi High Street. The surveys would be undertaken to include: Retail Shop Owners—Rental yields, lease structures, and rental value drivers; Consumers—Footfalls, spending patterns, and preference of tenants; Real Estate Developers and Brokers: Inferences into demand by the property, investments, and marketplace dynamics. The research adopts both qualitative (open ended questions with quantitative analysis) and quantitative (closed ended questions with statistical analysis) approaches.

Figure 2: Methodology Flow-chart



4.0 Literature Review

Suitability of the property for the use to which it will be used by potential tenants, is a major factor of retail property valuation. A design, size and layout of the space is considered by shops to determine if it is a good space for their business and a good place to work from. This is important not only for the tenant but for the property owner because it determines whether the property is viable and whether it will sit well on the market for some time. Moreover, demographic and economic characteristics of the population are critical in determining the suitability of a retail property. Retailers want to be in places where there are many people out walking, visible and in the vicinity of their target market because this is crucial to raising sales and, therefore, business success.

Before anything else, we need to know the consumers' behavior. What type of retailers can perform well in an area depends on the tastes, shopping frequency and demographics of the area. Imagine, if the neighborhood has a concentration of young professionals to have trendy boutiques and up market coffee shops and things as such, meanwhile, the family neighborhood has to be groceries and family restaurants. And this knowledge makes property developers and owners sure that the properties they are building meet the market for which it was intended, thus increasing the value of the property. Close examination of traits such as location, accessibility, demand, infrastructure, and consumer behavior help owners and developers to offer what will appeal to the taste and requirement of the target market. Consumer behavior trends and market intelligence provide landlords with the means to devise successful leasing strategies that will attract most preferred tenants and increase the total building value. An integrated and proactive strategy to retail property valuation is essential for long-term achievement in more and more competitive and dynamic markets.

Table 1: Parameters Identified from Literature Study: Retail Sector

No.	Parameters	Key terms	Papers
1	Economy	Commercial Real Estate Prices, Economic Growth, Macroeconomic Factors, Monetary Policy, Property Market Trends	Smith, 2022; Grum and Govekar, 2016; Johnson, 2024; Patil, 2024; Brown, 2019
2	Location	Location Influence, Commercial Property Values, Real Estate Success, Behavioral Factors, Property Value Determinants	Sobha, 2024; Colby Annet, 2024; K&E Flatwork, 2021; BNL Appraisal, 2024
3	Interest Rates	Interest Rates, Inflation, Real Estate, Investment, Commercial Property Valuation, Market Dynamics,	Danica Cicmil, 2023; Cheng; Zhao; Zhang, Zhau, 2022; Antell D.E, 2019; Peng & Thibodeau, 2019; Peng & Thibodeau, 2011; MetLife Investment Management, 2022; Ernst & Young, 2023
4	Inflation	Inflation and Real Estate, Interest Rates Impact, Real Estate Investment Returns, Inflation Hedging, Commercial Property Valuation	Danica, 2023; Dabara; D.I, 2014; Wurtzebach, Mueller & Machi, 1991; Wu, Arora, & Mei, 2024; Nwosu, Bello, Oyetunji & Amaechi, 2023; Smith & Johnson, 2022
5	Proximity to services and infrastructure	Transit-Oriented Development, Real Estate Valuation, Location Analysis, Hedonic Modeling, Transportation Infrastructure	Yu, Pang, Zhang, 2018; Filiz; Taner; Muhammet, 2018; Dunn, 2024; Kockelman, 2018; Singhal & Tyagi, 2021
6	Physical Characteristics	Retail Property Valuation, Spatial Accessibility, Transit Proximity, Hedonic Pricing Model, Commercial Real Estate Dynamics	Adejimi; Paul; Muldoon & Smith, 2019; Shalen & Yogesh, 2021; Mohammed Ali; Perdana; Saroji & Mustika, 2020; Sven-Olov; Oana; Niklas; Ozge, 2013; Paul, 2023
7	Demand	Retail Real Estate, Value Creation, E-Commerce Impact, Property Valuation, Market Trends	Tuuli Jylhä; Seppo Junnila; 2014; Waleed A. Muhanna; James R Wolf, 2002; Daoud Abdellatif Jerab, 2023; Danlei Zhang; Pengyu Zhu; Yanmei Ye, 2020
8	Perceived Value	Property Value, Amenities Impact, Real Estate Branding, Commercial Property Market, Global Investors	Solerealty, 2024; Wang; Xinfeng; Cao; Abhijit, 2023; Purple Pride Group, 2024
9	Tax Policies & Incentives	Property Taxes, Commercial Real Estate, Macroeconomic Factors, Real Estate Pricing, GST Impact	Catalina; Muller, 2012; Bojan; Darja, 2016; Adani Realty, 2025
10	Zoning & Planning Regulations	Zoning Regulations, Commercial Real Estate Values, Planning Policy, Retail Property Market, Market Impact Analysis	Andra; J.D., 2024; John; Tony; Fotis, 2005; Catherine; Craig, 2005
11	Consumer Preferences	Retail Property Valuation, E-commerce Impact, Customer Buying Behavior, Accessibility in Real Estate, Behavioral Factors in Property Purchasing	Dennis, 2018; Oree Realty, 2024; Joseph; Raphael; Ifeanyichukwu, 2018; Helena; Martin, 2013; He; Roberto; Le Thi; Joseph; Christopher, 2018; Charlotte, 2020; Tawfik Salah; Omar Hassan; Abu Hassan, 2015
12	Layout	Retail Property Layout, Store Layout Design, Consumer Behaviour, Accessibility, Commercial Property Value	V.V. Devi Prasad, 2016; Joson, 2004; Helena; Juncheng; Minkoo; Andrea, 2020

Source: Compiled by author

5.0 Data Collection

Figure 3: One West



Figure 4: Starbucks



Figure 5: Theobroma



Figure 6: Third wave coffee



Figure 7: Pizza Express



Figure 8: Urban Foundry



Table 2: Data Points

#	Property	Location	Physical Characteristics	Proximity to Infrastructure	Demand	Layout	Rent (per month)	Dominating Factors
1	Starbucks	Balewadi High-street	Year of Occupancy:2016 Use: F&B Size:2500 sqft Level: Ground Parking: Sufficient dedicated parking Frontage: High	Located at primary road along with the metro line	High	Good-High	4-5L	Location, Physical Characteristics,
2	Theobroma	Balewadi Highstreet	Year of Occupancy:2017 Use: F&B Size:1200 sqft Level: Ground Parking: Sufficient dedicated parking Frontage: High	Located at primary road along with the metro line Accessibility: High	High	Good-Low	-	Demand, Physical Characteristics
3	Urban Foundry	Balewadi Highstreet	Year of Occupancy:2016 Use: F&B Size:1250sqft (indoor) 1300sqft. (outdoor) Level: Ground Parking: Sufficient dedicated parking Frontage: High	Located at primary road along with the metro line Accessibility: High	High	Best	6L Profit sharing: 2.5%	Location, Physical Characteristics
4	Pizza Express	Balewadi Highstreet-2	Year of Occupancy:2021 Use: F&B Size:2100sqft Level: Podium Parking: Sufficient dedicated parking Frontage: High	Corner property adjacent to metro line Accessibility: High	High	Best	6L Clause: +10-15% per year Common area charge: 75000/-	Location
5	Third wave coffee	Balewadi Highstreet-2	Year of Occupancy:2022 Use: F&B Size:1400sqft (indoor+outdoor) Level: Podium Parking: Sufficient dedicated parking Frontage: High	Located at primary road along with the metro line Accessibility: High	High	Good-High	-	Demand,
6	Livspace	Solitaire Business Hub, Balewadi Highstreet	Year of Occupancy:2024 Use: Modular Furniture Agency Size:2000sqft) Level: Ground Parking: Sufficient dedicated parking Frontage: High	Located at Primary road along with the metro line Accessibility: High	High	Good-Low	5L	Location

7	Nike	Solitaire Business Hub, Balewadi Highstreet	Year of Occupancy:2024 Use: Clothing Retail Size:2000sqft) Level: Ground Parking: Sufficient dedicated parking Frontage: High	Located at Primary road along with the metro line Accessibility: High	High	Best	6L	Physical Characteristics, Demand
8	Chul Mutton	Balewadi Highstreet	Year of Occupancy:2021 Use: Modular Furniture Agency Size:2800qft) G+1 Level: Ground Parking: Not dedicated and insufficient Frontage: High	Road touch located at Primary road along with the metro line Accessibility: High	High	Poor	2.75L	Proximity to Infrastructure
9	We Idliwale	Solitaire Business Hub, Balewadi Highstreet	Year of Occupancy:2024 Use: F&B Size:2000sqft) Level: First Parking: Sufficient dedicated parking Frontage: Low	Located at Primary road along with the metro line Accessibility: High	High- on lower side	Poor	5L	Proximity to Infrastructure
10	One West Commercial Building	Balewadi Highstreet	Use: F&B and office Size:3650 each floor No. of floors: 12 Level: Second Parking: Inc. first floor, Mechanized, Sufficient and dedicated + 4 parking slots Frontage: Moderate	Located at Primary road along with the metro line Accessibility: High	High- on lower side	Good-Low	80/- per sq.ft	Location
11	Nandan Probiz	Sai Chowk Road, Balewadi	Use: Office & Retail spaces No. of floors: G+16 Parking: Basement and dedicated space at front. Frontage: High	Located at secondary road. Near by metro station: < 1km Bus stop: < 1km Accessibility: High	High	Best	G.F: 188/- per sq.ft	Location
							1st Fl: 179/-per sq.ft	Demand
							2nd Fl: 123/- per sq.ft	Demand
12	Kakkad Madhukosh	DP Road, Balewadi	Use: Retail Size: 275 sq.ft Level: Ground Parking: Sufficient and dedicated Frontage: Moderate	Located at secondary road. Near by metro station: 1km Bus stop: < 1km Accessibility: low	Low	Good-High	152/- per sq.ft	Zoning and Planning Regulations
13	Kundan Espacio	Golden street, Balewadi	Use: Mix Size: 480 sq.ft Level: Ground Parking: Sufficient and dedicated Frontage: High	Located at secondary road. Near by metro station: <1km Bus stop: < 1km Accessibility: Moderate	Very Low	Good-Low	145/- per sqft	Zoning and Planning Regulations

14	Elite Premio	Balewadi road	Use: Retail Size: 428 sq.ft Level: Ground Parking: Sufficient and dedicated Frontage: High	Located at primary road. Near by metro station: <1km Bus stop: < 1km Accessibility: High	High	Good-Average	G.F: 128/- per sq.ft 3rd Floor and above: 105/- per sq.ft	Physical Characteristics,
15	Altus	Sai Chowk Road, Balewadi	Use: Mix Size: 1175 sq.ft Level: Ground Parking: Sufficient and dedicated Frontage: High	Located at secondary road. Near by metro station: < 1km Bus stop: < 1km Accessibility: High	High	Good-High	G. Floor: 187/- per sq.ft 5th Floor: 155/- sq.ft	Location
16	Speciality Business Center	Balewadi road	Use: Retail & office Size: 480 sq.ft Level: Ground Parking: Sufficient and dedicated Frontage: Low	Located at primary road. Near by metro station: <1km Bus stop: < 1km Accessibility: Moderate	High	Good-Average	183/- per sq.ft	Location
17	Metropolis by Arham Landmarks	Balewadi Highstreet	Use: Office Size: 5104 sq.ft Level: 6th Parking: Insufficient but dedicated Frontage: High	Located at primary road. Near by metro station: <1km Bus stop: < 1km Accessibility: High	High	Good-High	148/- per sq.ft	Location,
18	Amar Tech Park	Balewadi road	Use: Retail & office Size: 657 sq.ft Level: First Parking: Sufficient and dedicated Frontage: Low	Located at primary road. Near by metro station: <1km Bus stop: < 1km Accessibility: Moderate	High	Best	135/- per sq.ft	Layout, Physical Characteristics, proximity to infrastructure

Source: Compiled by authors

The research data pertains to retail stores operating within Balewadi. The area contains both young families and professional residents thus creating an excellent setting to study factors determining retail success because of its diverse consumer demographics. Analysis of this data enables assessments about retail market performance while helping evaluate space usage along with customer perception of how retail buildings enhance property value in the sector.

6.0 Discussion

The following examination uses rent per square foot (psft) to divide properties into three pricing groups while discussing the main factors that affect these differences.

Figure 9: Connectivity Mapping for Selected Area

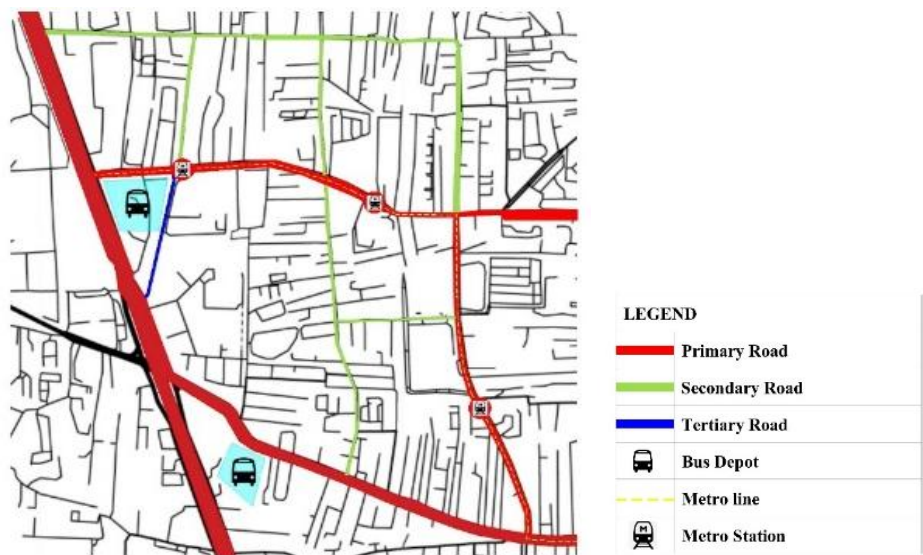
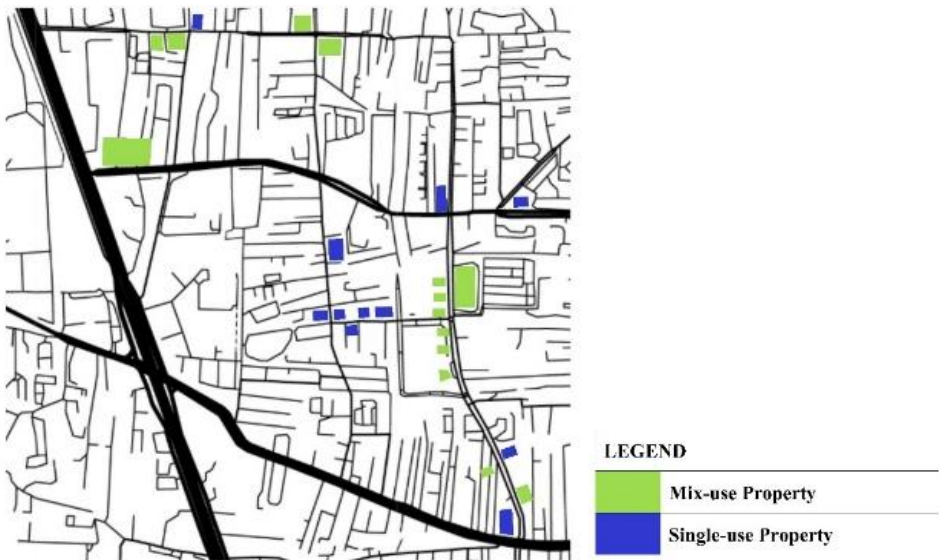


Figure 10: Map of Properties Studied



6.1 Defining the Categories

The classification segments have been defined approximately as follows:

- Low Range: Below approximately Rs. 150 psft

- Mid-Range: Approximately Rs. 150–200 psft
- High Range: Above approximately Rs. 200 psft

**Note: Some properties particularly those with multiple levels present various psft values to consider. When working with these cases we base our ranking on the most typical psft rates that dominate the market.*

6.1.1 Low Range (<150 psft)

The properties demand lower psft rates because they have several limitations consisting of secondary road locations as well as small sizes or physical shortcomings.

- *One West Commercial Building: Rs. 80 psft:* A low rent exists on this property which sits on a primary road. The combination of F&B with office space and inconvenient layout and infrastructure issues leads to the lower rent of this property.
- *Chul Mutton: ≈ Rs. 98 psft:* The leasing rate remains low because the property is a diner use with no dedicated parking space which diminishes consumer preference for its services.
- *Elite Premio: Rs. 105–128 psft (avg. ~ Rs. 116 psft):* Although it is located on a primary road, the lower rates can be attributed to its modest size and mixed use nature of the property.
- *Amar Tech Park: Rs. 135 psft:* The properties low-rate stems from not having direct roadway visibility and being of compact dimensions along with featuring high-level location access.
- *Kundan Espacio: Rs. 145 psft:* The mixed-use together with limited area size reduces psft value while access through local transport remains advantageous because it serves a nearby metro stop and bus stop on the second-level road.
- *Metropolis by Arham Landmarks: Rs. 148 psft:* Its rent remains lower than top-tier properties since it lacks specific premium features including road frontage and dedicated parking near metro access on a primary road.

6.1.2 Mid Range (Rs. 150–200 psft)

These properties strike a good balance between desirable characteristics that high-end properties possess yet they fall short in selected premium features.

- *Nandan probiz: range: Rs. 123–188 psft:* The rents and value for this property spans from the mid to high ranges because different floors command different prices (188 psft on ground floor against lower rates on upper levels). Overall, it positions between the mid-tier levels because of its prime Sai Chowk Road location and mixed-use potential.
- *Speciality business center: Rs. 183 psft:* Its prime location on a major thoroughfare offers metro access but the reduced frontage size paired with suboptimal building plan drives the property value to the middle segment.

6.1.3 High Range (>200 psft)

- High rates per square foot characterize these properties that offer prime locations alongside top-quality layouts along with market demand which is most active among F&B and flagship retail/office operations.
- *Starbucks: Rs. 200 psft:* The location advantage of being on Balewadi High-street with high frontage and metro proximity attracts high market demand for F&B operations.
- *Urban Foundry: Rs. 235 psft:* The restaurant property features an optimal floor plan which includes a functionally designed common area and outdoor seating. The property benefits from its exceptional visibility from the main road and metro accessibility thus achieving high market value.
- *Livspace: Rs. 250 psft:* The location of Solitaire Business Hub next to a primary road with metro service and high-end brands including Nike, Nonna's, van Heusen, Louise Phillip promotes high-end buyer traffic that drives sales and valuation upward to the high end of the market.
- *Pizza Express: Rs. 285 psft:* The strategic corner position of the property at Balewadi Highstreet Phase 2, near by metro station, a desirable layout complete with functional landscaping elements in common spaces helps in boosting its market value. The agreement includes annual rental adjustments signifying its extraordinary location value and extreme market demand.
- *Nike: Rs. 300 psft:* This property enjoys its position in the Solitaire Business Hub on a key primary road that provides metro transportation. High demand in combination with the well-known retail brand creates a value foundation for the highest possible rate.

7.0 Conclusion and Recommendations

Some commercial, rental market and location factors which together determine the value of Balewadi Pune retail properties are proved. It is inherent both in micro and macroeconomic factors, for example high traffic area, parking spot, accessibility and the age and condition of the building, that contribute to the valuation of the building. It is also known that location close to fancy brands, central business districts, mixed developments, etc promotes market trend. The most interesting revelation from the study is that there is a direct relationship between the development of infrastructure and retail property value. More retail space is generated and rental yields and capital growth increased by creation of metro connectivity. When connectivity improves, it means the greater level of consumer visits equates to more business for retail properties near metro stations and transport hubs. This is not something unique to the Balewadi but is a theory that conforms with international urban economic theories of TOD, the principal hypothesis of which posits that land value appreciates as investments in mobility and accessibility increase (Guerra & Cervero 2013). The variety in retail mix improves consumer engagement and the stability of investment. Worth of a property is dependent on

parking facilities & accessibility. Renting from newer properties means that you can expect to pay a higher rent, while in profit sharing models you get a flexible rental income. Retail demand, growth of rental, the investor confidence have been fuelled by metro expansion.

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