Development of Family Entertainment Centre at Puducherry

Project Brief

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Submitted by

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PROJECT BRIEF

THE CONSULTANCY

Trammell Crow Meghraj Property Consultants Pvt Ltd, has been commissioned by the **Department of Tourism, Puducherry**, to conduct a feasibility study for development of an integrated entertainment destination (Familly Entertainment Centre) in Goubert Avenue at Puducherry via their letter dated: 17th September 2004. This entertainment destination is envisaged by the tourism department as a pioneering tourism project in Puducherry. This study has been carried out keeping the following objectives in mind:

- To assess the demand of type of activities attracting tourists to Puducherry, their preference for leisure and entertainment etc.
- To study the overall tourism and real estate trends in Puducherry
- To derive financially viable product mix for the proposed Entertainment Destination at the proposed site and formulating a disposal plan

The brief scope of work for the Feasibility study stage is as follows:

- Site location analysis and SWOT
- Catchment delineation and analysis
- Study of tourism and real estate trends in the study region (with focus on retail, food, leisure and entertainment)
- Demand Assessment
- Product-Mix derivation and programming
- Development plan & phasing
- Financial feasibility of the project including risk and sensitivity analysis and profitability parameters
- Disposal mechanism and Business model options

PUDUCHERRY URBAN CHARACTER

Puducherry is located at 162 Km south of Chennai, the capital of Tamil Nadu, and is the capital of Union Territory of Puducherry. The Union Territory of Puducherry has a population of approx 10 lakhs; spread over 492 sq km whereas the city of Puducherry itself has a population of around 5 lakhs. The decadal growth rate of the Puducherry region, which has been over 30 % for all the decades during 1961-91, was 20.82 % in 1991-2001.

Urban structure of Puducherry city is oval-shaped with parallel streets cutting each other at right angles. The long canal street that runs from north to south was constructed for the purpose to separate the Black town from the White Town. The Promenade, one of the finest in the whole country, is 1,500 m long. This oval-shaped township is not like any other Indian town. Its skyline from offshore is typical of that of a French-influenced Mediterranean settlement as is it's town-planning.

PROPERTY MARKET TRENDS IN THE CITY

Residential Sector

There is a distinct difference in the residences in the French White town areas compared to the rest of the city. The houses here are of a colonial architectural style and are larger in size. The estimated values in this area are the highest in the town and because of the non-availability of houses or land in this area, this trend is likely to continue. The value for residential plots in this part lies in the range from INR 2500 to INR 4000 per Sq.ft.

Residential Property Rates

Location	Indicative land Rates in INR per Sq.ft.
Annanagar	1000-1350
Saram	1000-1250
Reddiyarpalyam	900-1100
Karuvadikuppam	800-950
SP Road, Close to Beach Road	1800-2000

Commercial Sector

Government offices and various nationalized & commercial banks have predominantly consumed the commercial spaces scattered all across city. Apart from this, some offices of private limited and MNC companies have also been located along the Nehru Road and Kamraj Salai road. It is observed that apart from the government office buildings, most of the offices are located at the upper floors of shopping complexes and retail shops.

Average built up area rates for office space in Puducherry ranges from INR 850 per Sq.ft. to INR 1800 per Sq.ft. depending upon the area, location and the building condition. The average rental rate is between the range of INR 8-16 per Sq.ft.

Retail sector

The retail sector in the city is mostly unorganized and caters to the daily needs of the middle and lower income groups, apart from the tourist population. Nehru Street is the major retail market of the city, where almost all types of small and medium size outlets are located.

Rates in Prime Retail Locations

Location	Indicative Rate in INR per Sq.ft.	Rental rates in INR per Sq.ft. (BUA)
Jawaharlal Nehru Street	2000 – 3000	25
MG Road	1800 -2400	16
S.V. Patel Road	2400 – 2800	20

The up market retail is restricted to a very few high-end outlets which include the outlets of Auroville and Hi-design, catering mostly to the middle and high income group people of the city and foreign & domestic tourists. Kalki, Harmonie boutique, Boutique d' Auroville, Auro Creation, Auro Tibetan Handicrafts and Ahram Exhibition center etc. are some of the other high end retail destinations in the city, mainly marketing handicraft items including terracotta, hand made paper, marbled silk, hand dyed fabrics, perfumes, incense sticks, pottery lampshades, etc.

Trends in Hospitality Industry

Puducherry region has a number of hotels and lodges offering lodging facilities to domestic as well as foreign tourists. In the region there are around 60 hotels, guesthouses and beach resorts with a total accommodation in various categories of around 4,325 beds in 2002. This is significantly higher compared to the year 1997-98 when the available numbers of beds was about 1,700 only.

PROJECT SITE ANALYSIS

Site Context

The site is an approx. **2.39-acre** property located on the sea front on Goubert Avenue, which is the most prominent beach promenade in the city. The property is an old distillery, at present the site has built-up sheds and storage tanks that which are now mostly in a dilapidated condition.

The site is located in a mixed zone with commercial, residential, hospitality and retail developments in the vicinity, including some number of small format restaurants and fast food shops, Churches and other monuments etc. The site enjoys a good location in terms of being very close to the majority of tourist destinations and near the Goubert Avenue.

The Primary Catchment of the site covers up to 1-1.5 km radius from the site, which practically includes the urban area of the entire city including the markets, tourists zone and residential areas. The secondary catchment has been considered for a distance of 2-5 km covering the University of Puducherry and other institutions along with residential developments and villages on the outskirts. The Tertiary Catchment includes an area of 5-10 km from the site, which includes Auroville and its surrounding villages.

Site SWOT (Strengths, Weaknesses, Opportunities & Threats)

Strengths • The site is located at the junction of Sardar Patel Road and Goubert Avenue, which observes the maximum number of footfalls in the city • It has good frontage and visibility along the junction of Goubert Avenue. • The site has good sea frontage available, which can become the unique selling point for the project • The site has an area of approx 2.39 acres, which is sufficient for an integrated retail and entertainment type of development • Shape of the site is almost rectangular, hence is perfect for any integrated development.
Weaknesses • The site falls in CRZ zone II and this could hold implications on the built-up form or the proposed activities here. • The site location and neighborhood faces traffic congestion in the evening hours, because of heavy local and tourist’s traffic.
Opportunities • Puducherry is already an established tourist destination in the world map due to its French connection and Auroville. • Chennai, which is a metropolitan city, sees Puducherry as a weekend getaway is witnessing a fast change in the commercial real estate and improvement in the spending patterns of the population • The increasing number of expatriates in IT sector in south of Chennai can be the potential target for the weekend tourism. • Puducherry lacks an integrated A-class leisure and retail destination and there is no other site in the vicinity of such potential.
Threats • Being located adjacent to seaside, underground construction may not be possible. Hence parking may be a constraint here.

TOURISM TREND ANALYSIS

Puducherry has established itself on the tourist map of world. It is a small place with not much to offer the regular tourists except for its natural calm and rich culture. In spite of its diminutive size, Puducherry attracts a large percentage of tourists visiting India. The fact that it was a home to the great poet Sri Aurobindo and the Mother enhance the unique spiritual charm of the place. In spite of keeping a very low profile in tourist promotion, the tourist inflow is estimated to increase by 20% annually in Puducherry.

Chennai is the entry point for many of the tourist circuits in the south. Chennai is also the principal feeder of domestic tourism to Puducherry, since Puducherry falls on the popular tourist circuit of Chennai - Mamallapuram - Puducherry - Thanjavur.

There are over 3.00 lakh foreign tourist arrivals in Chennai annually, however only about 25,600 foreign tourists visit Puducherry, which amounts for only 8.5% of total foreign tourists arrival in Chennai. This shows that although Puducherry is on the international tourists map, it is not been able to attract the quantum of foreign tourists arrival in Chennai as well as in south India.

Domestic Tourist Inflow

There are a significant number of tourists coming from other parts of south India, and total number of visitors from the south Indian region (including Chennai) make up over 75% of the domestic tourists. The average duration of stay for domestic tourists is approximately 1.5 days. The future number of domestic tourists in Puducherry for the year 2010 is expected to be approximately 675,000.

Foreign Tourist Inflow

5% of the total number of foreign tourists visiting Chennai visits Puducherry. Besides this, many more tourists plan a day's trip to Puducherry, while staying in Chennai. The average duration of stay for foreign tourists in the city is 4.5 days. The peak month of foreign tourist arrivals at Puducherry is August. The future number of foreign tourists in Puducherry for the year 2010 is approx 36,014.

Inflow Trends

- The number of domestic tourists arrival is almost 20 times higher than the number of foreign tourist arrivals in the city.
- There has been a steady growth in the number of arrivals of domestic tourists in the last ten years.
- The average rate of increment for domestic tourist category, from 1992 is 4.62%.
- The number of foreign tourist arrivals has more than doubled in the last decade, from 10,940 in 1993 to 25,559 in 2003.

It can be expected that by 2010 Puducherry will have to deal with approx 7 lakhs domestic tourist and approximately the same number of international tourists.

PRIMARY SURVEY & PERCEPTION ANALYSIS

A very important aspect of any project development is the perception and preferences of the end users or the target segment for which the development is intended.

Primary surveys were carried out targeting 300 samples, including the local residents as well as tourists in Puducherry town.

- *Domestic House hold Surveys: 100 Samples*

- *Total Tourists – 200 Samples*
    - Domestic Tourists – 131 Samples
    - Foreign Tourists – 69 Samples

1. Local Resident's Survey Results

Frequency of entertainment activities: The entertainment, leisure and recreational activities are not very frequent. Regular shopping and watching movies is done by most of the respondents once a month and less than 20% go for eating out, shopping for handicraft items, yoga center once in a month. Rest all activities are either once in a year or carried out very occasionally.

Places Preferred/ Visited: Most of the local people use the beach road and parks & gardens in the oval Puducherry (French Town) as their only recreational places in the city. The shopping is limited to MG Road and Nehru Street and in the city to the handicraft items being crafted and sold by the Ashram.

Mode of Travel for Entertainment and Recreational Activities: 56% of the respondents prefer walking while going for recreation or entertainment. 23% rely on the auto rickshaw, where as 21% use four wheelers for the same. It is quite evident that people living in the close vicinity of the beach road prefer walking and strolling in the evenings.

Amount Spent on each activity per month: 35% of the respondents spend between INR 200-500/- on shopping per month and almost 50% of respondents spend the same amount on eating out. The spending per month on entertainment, health related activities and recreation is almost nil for the local respondents.

Preferences and Perceptions for Entertainment and Recreational Activities: 55% of the respondents believe that there is a lack of entertainment and recreational facilities in the city, whereas 32% feel the available facilities are sufficient. When provided with a list of activities that can be proposed in the city, the local respondents have given a preference rating as given below:

Rank1: Oceanarium
Rank 2: Sea facing restaurant
Rank 3: Sports center/club
Rank 4: Yoga center
Rank 5: Crafts Bazaar

It is evident that activities like a Cineplex, massage parlor, or a leisure shopping center are not amongst the very first choices for the locals. Though in second rankings a lot of preference is given to a Cineplex, light and sound show, leisure shopping, and a health club.

2. Tourist Survey Results

General Tourism Characteristics

It is observed that 23% of the tourists surveyed had come from Tamil Nadu (including Chennai). Puducherry is a well-known weekend tourist destination for the residents of Chennai and the surrounding areas. Similarly there are a substantial number of tourists from Karnataka especially Bangalore.

In the case of foreign tourists, since Puducherry was formerly French territory, approximately 25% of the tourists are from France. Besides this most of the tourists are also mostly European. However the nationality wise breakup for the selected sample is as follows:

Tourist Attractions in Puducherry

Tourists come to Puducherry for mainly the following reasons:

- Spiritual
- Fun and Entertainment
- Beaches

Almost all of the domestic tourists have cited Spiritual, fun and entertainment, beaches and shopping as a reason for visiting the city. It aligns with the fact that many of the domestic tourists are taken to some pre-determined destination by the tour operators. Almost 90% of the International Tourists though have Spiritual reasons and Beaches high on their list. Fun and entertainment and shopping are a reason for almost 60% of them. Overall it can be concluded that Puducherry provides a unique blend of all these and most of the tourists here do not miss any of these activities.

Tourists Spending in Puducherry

More than 50% of the tourists keep a budget of INR 5000-8000 for Puducherry trip.

Accommodation and Room Tariffs

- Hotels consume a major share of the tourist accommodation, with 57% for domestic tourists and 53% for foreign tourists. This is followed by guesthouses, which claim 35% share of the domestic tourists and 39% of the foreign tourists.

- Nearly 4% of the foreign tourists stay in the ashram

- More than 30% of the foreign tourists take up accommodation in hotels having tariffs in the range of INR 400 to INR 600.

- In the Domestic tourists category 45% of the respondents pay a tariffs in the range of INR 200 – 300 per day.

Money Spent on each Activity

- Shopping – foreign tourists claimed to spend an average of around 4% of their total expenditure (excluding accommodation) on this activity. Domestic tourists spent only a negligible amount on shopping.
- Eating – this accounted for 89% of the domestic tourists expenses and 71% of the expenses of the foreign tourists. Since the domestic tourists are much larger in number than the foreign tourists, it is important to keep their specific needs and budgets in mind while developing such projects.
- Movies – this accounted for 11% of the expenditure of the domestic tourists and 20% of the foreign tourists.
- Health & Entertainment – these items were not part of the expenses of both domestic and foreign tourists.

Perception and Preference rating of activities

49% of the domestic tourists suggested a restaurant, followed by 44% suggesting Laser Light and Sound shows and about the same number suggesting an Oceanarium. Games parlors, Yoga centers and Cineplex were suggested by very few. The foreign tourists showed slightly different preferences with about 33% suggesting an Aquarium and roughly 25% suggesting a light and sound show and shopping complex. An Oceanarium, yoga center, and children's park were suggested by a very few.

Preferences rating for Proposed Activities by Foreign Tourists

Rank1: Laser Light and Sound Show
Rank 2: Viewing Tower / Deck
Rank 3: Oceanarium
Rank 4: Sea facing restaurant
Rank 5: Fair & Exhibition site
Rank 6: Yoga Center

Preference rating for Activities by Domestic Tourists

Rank1: Oceanarium
Rank 2: Laser Light and Sound
Rank 3: Viewing Tower / Deck
Rank 4: Sea facing restaurant
Rank 5: Fair & Exhibition site
Rank 6: Cineplex

Perception Analysis

Activities proposed by most the prominent sector people met:

- Travel Agents: Development of water sports, Development of quality hotels and beach resorts, Organizing cultural events and festivals
- Hoteliers: Development of quality hotels, Fine Dine Restaurants/pubs
- Retailers/ Developers: Leisure shopping and craft bazaar, Quality Hotels, Food courts, Entertainment options like Bowling alleys etc
- Visionaries: Leisure shopping, Quality Hotel, Fine Dining, Night time pubs, Viewing Tower, Spa

PROPOSED PRODUCT MIX

There is ample scope to develop recreational and other tourism related facilities at the subject site, such as retail and entertainment, space for performing arts, art galleries, food courts etc. The old distillery site is the ideal location for a variety of activities that add value to this location by increasing the tourists experience and time spent here. The proposed product mix is derived after the analysis of all the primary and secondary surveys undertaken along with views of key players in the development scenarios.

Considering the tourism potential of town, proposed development usage is considered for an integrated entertainment destination with the mix of entertainment and shopping activities. This section contains the process of proposed product mix derivation, concept planning, area analysis and pricing recommended for various options considered.

Product Mix Derivation

Depending upon the primary Surveys, the perception of visionaries and developers, the overall compatibility of the activity on the subject site and alignment with the tourism policies, the activities have been given a priority ranking as given below:

Activity	Desirability
Sea facing Restaurant	Must
Viewing Tower/ Deck	Must
Laser Light and Sound Show	Highly Desirable
Cineplex	Highly Desirable
Quality Hotel	Highly Desirable

Activity	Desirability
Leisure Shopping	Highly Desirable
Health Parlor/Massage Parlor/ Spa	Desirable
Oceanarium	Desirable
Yoga center	Desirable
Craft Bazaar	Desirable
Art Gallery	Somewhat Desirable
Fair and Exhibition site	Somewhat Desirable
Sports center	Not Desirable

Anchor Identification

A very careful analysis of the activities that can be proposed on the site shows that there has to be an anchor development, which will hold the key to the success of the entire development.

Identification of an anchor depends upon the scale of activity, which is able to hold the entire development on its own and becomes the major component in the commercial viability of the project:

- A Cineplex clubbed with retail
- Star Hotel with all related facilities

Cineplex / Multiplex Clubbed with Retail

Cineplex is also one of the preferred activities in the rating by locals and tourists. 91% of the locals have rated it as a desired activity. 98% of foreign tourist and 65% of the domestic tourist have preferred a Cineplex / multiplex, though it is not one of the highly desired activities, may be due to the general perception that a Cineplex attracts a lot of crowd.

- Technical feasibility: Cineplex is technically feasible in a smaller format with maximum two theatre of smaller format having not more than 150-250 seats per theatre clubbed with retail.
- Approx built-up area required: 25,000 Sq.ft. for Cineplex and approx 30,000 Sq.ft. – 50,000 Sq. ft for retail
- Preference Rating: **Very High**

Star hotel with all support facilities

There is a huge demand for quality hotels in the city. The perception analysis shows that most of the developers, retailers, hoteliers and other visionaries have suggested a quality hotel would be a good development option on the site. The site is an ideal location for a quality hotel with all types of support facilities such as restaurant, bar, conferencing and banquets, etc.

- Technical feasibility: A Star Hotel of almost 80 – 100 rooms with all support facilities is technically feasible for the site and would ensure great occupancy rate.
- Approx built-up area required: 100,000 Sq.ft.
- Preference Rating: **High**

Depending upon the various factors pertaining to development regulation, the potential of various activities and focused to increase tourism in the city, the following option has been generated for the subject site:

*Development of **Family Entertainment Center (FEC)** at the subject site, comprising of Cineplex, Retail area, Food courts and Hotel*

Therefore for the site the most suitable anchors will be:
Family Entertainment Center (FEC) • Cineplex (IMAX), • Retail area, • Food courts *and* **A quality Hotel with all associated facilities**

CONCEPT PLANNING

Family Entertainment Center

The development of Family Entertainment Center at the subject site is the most feasible and optimistic option. The site has tremendous potential to be developed as a destination point in the city for local residents as well as for the tourists to the city, because of its good connectivity and located at a very prominent location. Moreover, the product mix envisaged for the proposed Family Entertainment Center (FEC) at the subject site has also been finalized after critically analyzing the shortfalls and requirements of city for various recreational activities in the city.

Product Mix

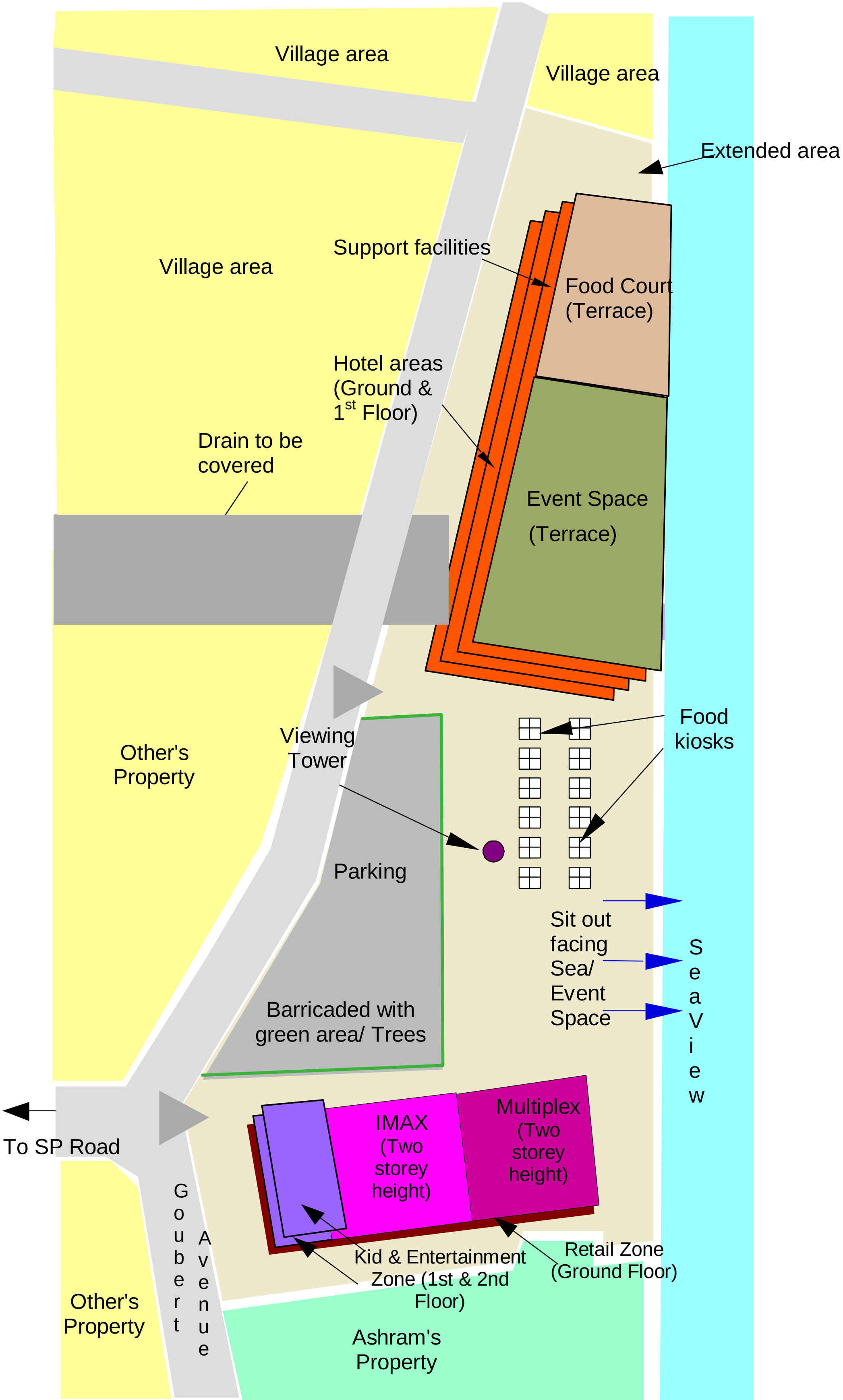
Thus, it is recommended to have the following product mixes in the proposed Family Entertainment Center (FEC) at the subject site:

BLOCK 1 • Cineplex (IMAX with multiplex) • Retail area
BLOCK 2 • A Hotel with Bar, Restaurant, Conference Halls/ Banquet hall, Gymnasium / Health Club, Swimming Pool, etc. • Open Food Court (Terrace) • Event Space (Terrace)
OPEN SPACE • Food courts and fast food outlets • Space for organizing events or light and sound show / open air theatre • A viewing Tower (existing Water Tank) • Parking

Concept Plan

The concept plan for the development of the proposed Family Entertainment Center (FEC) is proposed to have Cineplex (IMAX with Multiplex) as the anchor clubbed with small and large format retail in Block 1, which would act as crowd puller and hence would play a strategic role in the development and a Hotel with all the support activities and facilities such as restaurants, bar, conferencing facility, etc comprising 60 rooms in Block 2.

CONCEPT PLAN : FAMILY ENTERTAINMENT CENTRE



Area Statement for the FEC

The area statement for the proposed product mix is given as below:

SITE ATTRIBUTES		
Component	**Area**	**Unit**
Total Site Area	2.39	Acres
Total Site Area	103,945.85	Sq.ft.
FAR Permissible	1.5	
Total Built-up achievable	155,918.78	Sq.ft.
Permissible Built-up coverage	60	%
Permissible Built-up coverage	62,367.51	Sq.ft.
Permissible Height	10.5	M
Permissible Height	34.4	Ft
Proposed Area Components	**Area**	**Unit**
Proposed Built-up coverage	62,360	Sq.ft.
Proposed Total Built-up	155,900	Sq.ft.
Proposed Open area	40%	
Proposed Open area	41,578.34	Sq.ft.
Maximum Height Achieved	3	floors
Maximum Height Achieved	10.5	m
Maximum Height Achieved	34	ft
Proposed Parking Space Reservation	31,180	Sq.ft.
Proposed Event Space Reservation	18,942	Sq.ft.
Component	**Built-up Area Breakup**	**Unit**
IMAX theatre - 250 seats)	15,000	Sq.ft.
Multiplex (2/3Screens-500 seats)	15,000	Sq.ft.
Large Format retail	18,300	Sq.ft.
Food and craft kiosks	2,000	Sq.ft.
Open Food courts (terrace)	8,118	Sq.ft.
Event space (terrace)	18,942	Sq.ft.
Small Format retail	15,000	
Kid Zone/ Entertainment zone	3,300	
Total Saleable area	**77,360**	Sq.ft.
Total Built-up area proposed	**155,900**	Sq.ft.
FAR achieved	**1.5**	
Viewing Tower (Existing Water tank)	1,000	Sq.ft.

Block 1	**Area (in sqft)**	**Floor details**
Tentative plot area	46,000	Sq.ft.
Floor plate	27,060	Sq.ft.
Total Hotel (Room) Area	41,400	Sq.ft.
Bar (SF)	3,000	Second Floor
Restaurant (GF)	5,000	Ground Floor
Conference Halls/ Banquet hall (capacity 150) (SF)	13,500	Second Floor
Gymnasium / Health Club (SF)	3,000	Second Floor
Swimming Pool (SF)		Second Floor

Kitchen (GF)	2,250	Ground Floor
Corridor, elevators and stairs	4,140	
Lobby, reception and administration area (GF)	2,070	Ground Floor
Launge, toilets and function room (GF)	4,140	Ground Floor
Other facilities and services	5,500	
Event space and food courts	*27,060*	*On terrace of block 1*
Total Built up area of Block 1	**84,000**	

Block 2	Area (in Sq.ft.)	Floor details
Tentative plot area	55,500	150 ft X 140 ft
Floor plate	33,300	130 ft X 120 ft
Retail large format	18,300	Ground floor
Retail small Format	15,000	Ground floor
Kid Zone/ Entertainment zone	3,300	first floor
Kid Zone/ Entertainment zone	3,300	second floor
I MAX	15,000	First & second floor
Multiplex	15,000	First & second floor
Total Built up area of Block 2	**69,900**	

	Area (in sqft)	Floor details
Food / Craft kiosks	2,000	Ground floor

Total built up area	**155,900**	Sq.ft.
Total ground coverage	**62,360**	Sq.ft.

Development Mechanism

- **Lease option/ License option: The most suitable disposal mechanism for the site is that of a long-term lease.** The lease or License period should at least be for 19 years renewable to another 19 years. [1]

FINANCIAL ANALYSIS

The financial calculations have been done for proposed Family Entertainment Centre, to arrive at the most feasible option for the subject site.

Financial result of proposed Family Entertainment Centre is given below:

Particulars	Family Entertainment Centre
Construction cost [INR] in Million	288.32
Total Project Costs [INR] in Million	342.33
NPV of cash flows [INR] at @ 12% in Million	45.78
NPV per FSI per sqft (super BUA)	293.66
IRR	29.28 %

Hence, it is proposed to develop Family Entertainment Centre at the subject site to create a good recreational destination and targeting the tourism circuit in Puducherry.

[1] Subject to change

Action Plan:

EOIs shall be submitted to the Director, Department of Tourism, No.40, Goubert Avenue, Puducherry – 605 001 (Ph: 0413 – 2333590, Fax: 0413 – 2221022) on or before 11.12.2006. Consultants short listed after pre-bid conference based on the qualification criteria would be sent a detailed Request for Proposal (RFP) document

During short-listing process, Government of Puducherry may decide to restrict the number of bidders on the basis of relevant experience and financial strength. Government of Puducherry has the right to fix criteria for technical & financial evaluation

Disclaimer:

Department of Tourism, Government of Puducherry reserves the right to reject or accept any/ all applications/ proposals without assigning any reason whatsoever.