

# WAREHOUSING LANDSCAPE IN INDIA

## Disclaimer

This material is prepared by Hmsa Consultancy Services LLP (Hmsa) and is intended to provide general information on a particular subject(s) and is not an exhaustive treatment of such subject(s) or a substitute to obtaining professional services or advice. This material may contain information sourced from publicly available sources, research reports of reputed consulting/brokerage firms, annual reports of listed companies etc. Hmsa does not independently verify any such sources and is not responsible for any loss whatsoever caused due to reliance placed on this document by anyone. Hmsa, by means of this material, is not rendering any kind of investment, legal or other professional advice or services. You should seek specific advice of the relevant professional(s) for these kind of services. This material or information is not intended to be relied upon as the sole basis for any decision which may affect you or your business. Before making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser.

Hmsa shall not be responsible for any loss whatsoever sustained by any person or entity by reason of access to, use of or reliance on, this material. By using this material or any information contained in it, the user accepts this entire notice and terms of use.

- Indian warehousing market reached **Rs. 1206.03 Bn. in 2022** and is predicted to reach **Rs. 2872.10 Bn in 2027**, expanding at a **CAGR of 15.64%** from 2022 to 2027.
- India is the **5<sup>th</sup> largest economy** in the world and its (GDP) has touched the **\$3.75 trillion-mark in 2023**.
- Warehousing and logistics sector is given more emphasis in order to increase the manufacturing sector's share of **GDP from 15% to 25%** by 2025.

## ➤ FACTORS AFFECTING THE WAREHOUSING SECTOR IN INDIA:

### 1. GOVERNMENT POLICIES

- With the Government propulsion there has been an accelerated growth and to turn India into a hub for global design and manufacture through the "**Make in India**" program.
- The government will invest **INR 7.5 lakh crore** in infrastructure, logistics development, and multi-modal connectivity in FY2023 according to **PM Gati Shakti's Master Plan**.
- **New policies** have been granted for industrial and logistics parks resulting in significant interest in investing in the warehousing sector. Systematic reforms like **GST, multi-modal logistics parks**, etc. have attracted investors' interest to invest in this asset class.



### 2. DEMOGRAPHIC GROWTH AND INCREASE IN DEMAND AND PRODUCTION

- **~61%** of India's population is in the age group of **15 to 59 years**, which is expected to reach **~65% by 2036**. This indicates a higher working population and a lower dependent population, projecting higher economic growth potential.
- Rising disposable incomes across India and increasing demand from the e-commerce sector have prompted developers to increase the storage space across the country.



### 3. ADVANCED TECHNOLOGY AND DIGITALIZATION

- Advancement in technology along with wider internet access has enabled growth drivers like robotic process automation, warehouse management systems, etc. that aid create an effective and efficient warehousing network.
- Pandemic has accelerated trends such as increased internet penetration rates, expansion of online grocery, omnichannel retail, and the integration of technology into logistics and warehousing.

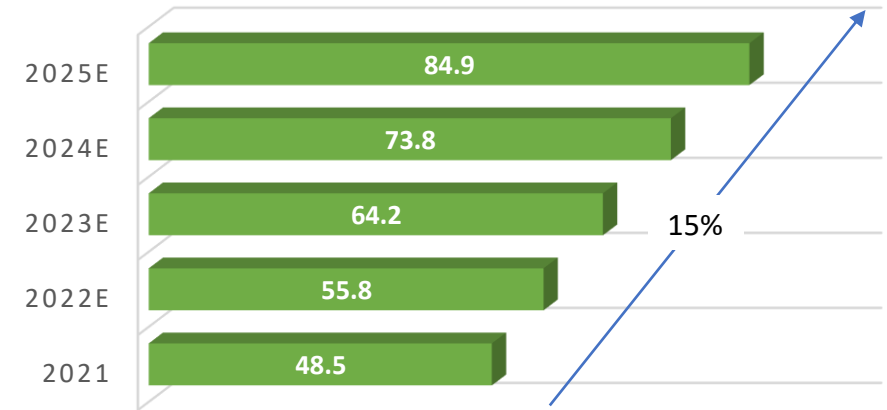


### 4. SHIFTS IN THE SUPPLY CHAIN

- Due to the increasing prevalence of direct-to-consumer consumption, it has generated an entirely new demand base for industrial space. This has pushed investors to look for innovative solutions and digital transformation.



## GROWTH IN GRADE-A WAREHOUSES (MN SF)



- Grade-A warehousing space is expected to grow by **15%** from **48.5 Mn SF in 2021 to 84.9 Mn SF in 2025**.
- Total Supply for Grade-A Warehousing across 7 Top cities in India increased from **37.7 Mn SF in 2018 to 51.1 Mn SF in 2021** with a **CAGR of 10.6%** and the Absorption increased from **34 Mn SF in 2018 to 48.6 Mn SF in 2021** with a CAGR of **12.6%**.
- Grade A warehouses are **modernized buildings** created specifically to meet warehouse logistics needs. Modern construction methods, premium building materials, a strategic position, and an easy traffic interchange are all present.
- Grade B objects are **dilapidated structures** that require reconstruction to meet current warehouse logistics standards.



# INVESTMENTS & KEY SECTORS IN WAREHOUSING SPACE

## ➤ FUNDING REQUIREMENTS IN INDIA

- India will need to create adequate supply to meet an absorption of ~223 Mn SF of Grade-A warehousing demand over the next 3 years.
- This will require an equity investment of ~USD 3.8 Bn to support this scale of development. Based on **Credai** research, this sector currently has dry powder of USD 900 Mn from existing commitments.
- This signifies a latent investment opportunity of further USD 2.8 Bn in the warehousing sector soon.

## ➤ MAJOR INCENTIVES PROVIDED BY STATES OF INDIA FOR WAREHOUSE DEVELOPMENT

- Ease of getting approvals
- Single window clearances by many states
- Transparent zoning and land conversion process
- Land allotment through State Government
- Faster Environmental clearances

## ➤ BENEFITS OF INVESTING IN THE WAREHOUSING SECTOR OF INDIA

Shorter development duration



Ease of approvals



Faster rotation of money



Land bank



## ➤ MAJOR PE AND FOREIGN INVESTMENTS MADE IN TO WAREHOUSING SECTOR OF INDIA

Investor	Recipient	Year
Ivanhoé Cambridge & Bain Capital	Macrotech Developers (Lodha)	May 2022
GIC	ESR	Dec 2020 & Nov 2022
Blackstone	Embassy Industrial Parks	May 2021
CDC Group	TVS Industrial & Logistics Park	Dec 2020
Mapletree Logistics Trust	KSH Infra Ltd.	June 2020

~78% of the total leasing space is occupied by these top 3 sectors across 7 Indian cities.



**42%**  
3<sup>rd</sup> Party Logistics



**18%**  
E-Commerce



**18%**  
Manufacturing & Automotive



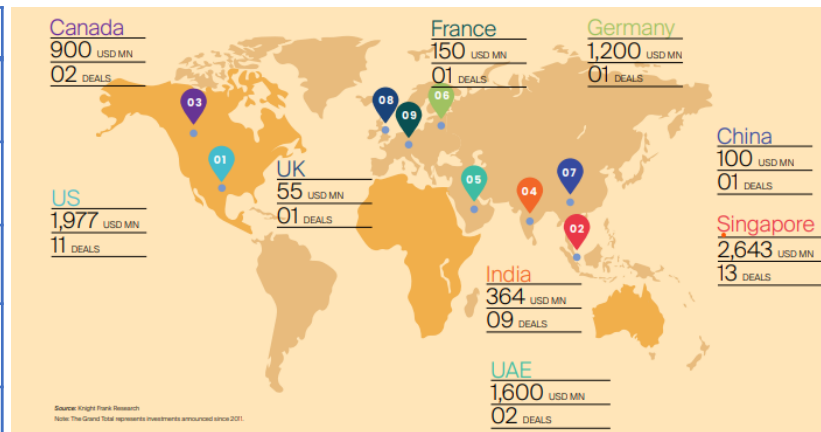
**12%**  
Retail



**8%**  
Consumer Electronics & FMCG



**2%**  
Pharma & Life Sciences



## A VIEW OF THE WAREHOUSE SECTOR



Investors both foreign and domestic, expect an entry yield of 9% - 10%



Increase in Grade-A warehouses to qualify for Green Loans is expected



Going forward, many international development funds are expected to enter Indian warehousing space



There is a major headroom for development as demand is significantly rising



So far, the warehousing development were led by funds, which would now have next round of funding by JV platform deals



We expect a warehouse sector specific REIT/ InvIT in 2024.



India has larger scope for air cargo, cold-chain, & in-city multi level structure warehouse development



ESG has become an integral factor for this sector as the projects that meet ESG standards are experiencing easy planning process, tenant retention, and investor trust

## COLD CHAIN WAREHOUSING



**Organized retail:** Consumers have more access to a large variety of fresh fruits & vegetables, dairy products & other temperature-sensitive commodities that require cold chain infrastructure.



**Food processing industry:** The Indian food processing industry accounts for 32% of the country's total food market & contributes 13% of India's exports & 6% of total industrial investment.



**Pharmaceutical sector:** India caters to over 50% of global demand for various vaccines. The sector is expected to grow to USD 100 Billion by 2025.



**Government policies:** Govt. has launched schemes such as Scheme for Integrated Cold Chain & Value Addition Infrastructure, Pradhan Mantri Kisan Sampada Yojana (PMKSY), and Backward & Forward Linkages to establish Cold-Chains in India.

## MULTI-STOREY WAREHOUSING



Ramp-up access multi-storey warehouse is winding up as the future of warehousing, which is built vertically with wide ramps and docks on multiple floors for the easy navigation of trucks and trailers to upper floors.



This can kick-start the demand for tech-enabled multi-storey warehousing, which can facilitate maximum land utilization in cities having limited land supply as well as help companies to reduce transportation costs and time.

## DARK STORES WAREHOUSES



Dark stores are the 'go-to' solution that can adapt to the complex supply chain involved in the workings of various formats that offer service options to the end customer.

The concept is rapidly gaining interest in India because of the post-pandemic effect, where some of the retail outlets have also converted partially or fully to dark stores to leverage their assets.



The size of these spaces ranges from 5,000 to 25,000 sq. ft. for which availability of land is difficult in the city area.

To reduce the cost component of dark stores and address the seasonality of the demand, new models such as a temporary lease of 6 months are being adopted.

## PRIVATE INVESTORS IN WAREHOUSING



Private equity-backed warehousing companies are capturing a substantial part of the overall growth in the warehousing sector.



The increasing interests from the PE investors in the Indian Warehousing Market, the warehousing rents are expected to witness revisions and grow at ~5% annually in the next 4 years.

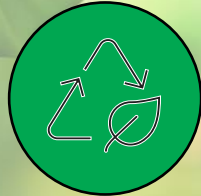


The land cost, construction cost, and warehousing rents are the factors impacting the yield in this sector.

## KEY ELEMENTS OF ESG (ENVIRONMENTAL, SOCIAL & GOVERNANCE)

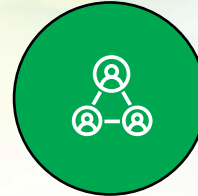
### Environmental

This criteria encompasses carbon emissions and climate change. It includes the energy that the warehouse takes in, the waste it discharges, and the resources it needs.



### Social

It caters to the reduction in turnaround time and the behavioral change towards green initiatives among the developers, investors and occupiers. It also addresses the relationships with people, labor and institutions.



### Government

Internal systems of practices, controls and procedures to meet the needs of the investors and the tenants.



### POSITIVES OF GREEN WAREHOUSING

Locally sourced building materials and use of low-emitting paints



Reducing energy consumption and waste creation



Reducing water consumption and recharging ground water



Increased employee health, safety and engagement, resulting in higher productivity



Create and maintain green covers



### TRENDS IN THE GREEN WAREHOUSING SECTOR

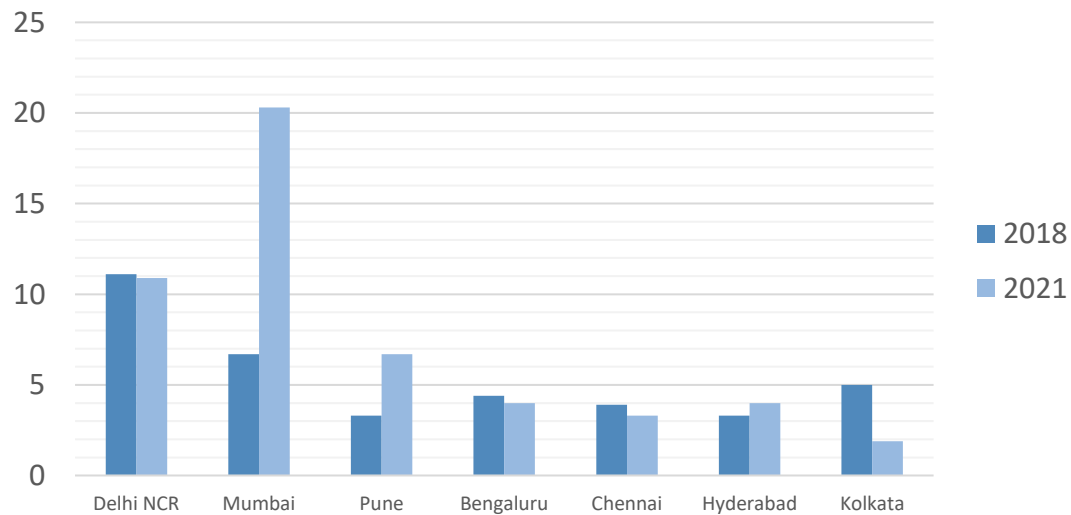
- Globally, the industrial sector accounts for **23% of the global carbon emissions** (Source: United States Environmental Protection Agency) and freight transport currently accounts for around **30% of all transport related CO2 emissions** (Source: ITF). Therefore, the carbon footprint associated with transporting and storing goods is under assessment.
- Shift in investor preference towards developers who are placing emphasis on **ESG parameters, sustainability policy framework and initiatives**.
- State-level incentives are provided in India to encourage green buildings (including warehouses). For example, Government of Tamil Nadu offers a **subsidy of 25%** on the cost of setting up environmental protection infrastructure for industrial projects that obtain IGBC (Indian Green Building Council) Green Certification.
- ESG intervention is shifting from a **CSR initiative** to a key constituent in decision making.
- Some of the large developers in India have been working on having an **ESG policy framework** in line with the global standards. As a result, projects achieving ESG standards should experience easier planning process, tenant retention and investor confidence. It is therefore advantageous to consider ESG parameters at the time of master planning, designing and construction phases, to avoid higher costs for future refurbishing.

# SUPPLY AND ABSORPTION OF GRADE-A WAREHOUSING IN INDIA

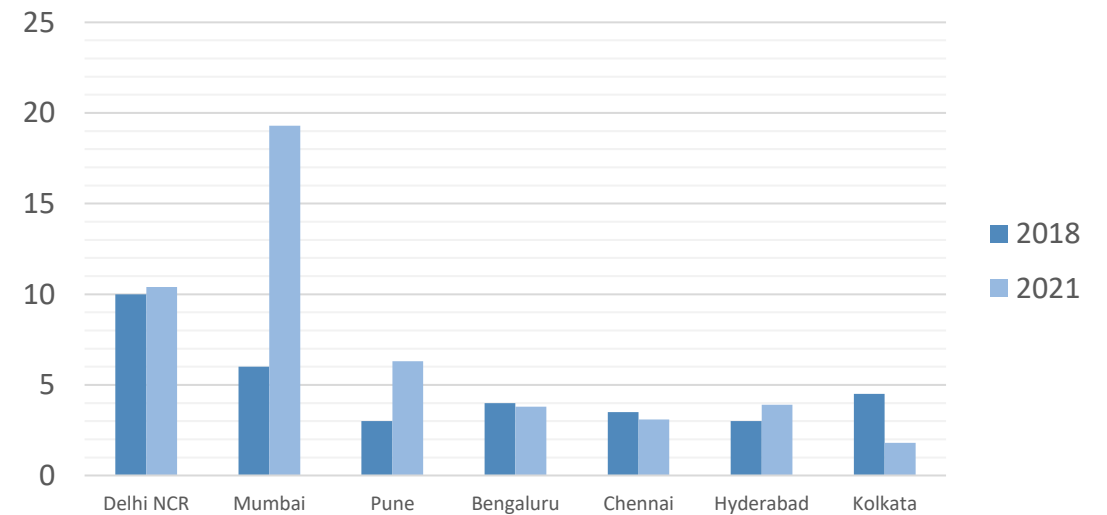
SUPPLY		STATE	ABSORPTION	
2018	2021		2018	2021
11.1	10.9	DELHI NCR	10	10.4
6.7	20.3	MUMBAI	6	19.3
3.3	6.7	PUNE	3	6.3
4.4	4	BENGALURU	4	3.8
3.9	3.3	CHENNAI	3.5	3.1
3.3	4	HYDERABAD	3	3.9
5	1.9	KOLKATA	4.5	1.8
<b>37.7</b>	<b>51.1</b>	<b>TOTAL</b>	<b>34</b>	<b>48.6</b>

- Total Supply for Grade-A Warehousing across 7 Top cities in India increased from **37.7 Mn SF in 2018 to 51.1 Mn SF in 2021** with a **CAGR of 10.6%** and the Absorption increased from **34 Mn SF in 2018 to 48.6 Million SF in 2021** with a **CAGR of 12.6%**.
- Tier 2 and 3 cities including **Rajpura, Anantapur, Sri City, Coimbatore, Nagpur, Lucknow, Siliguri, Jaipur, Bhubaneswar, Guwahati, Hosur**, etc. are attracting investments from institutional investors and developers such as **IndoSpace, ESR, LOGOS, Welspun, Blackstone**, etc. as they expand their footprints across the country.
- There is an increasing demand for Grade-A warehousing facilities as it has direct and indirect beneficial impact on operational efficiencies.
- Benefits such as optimization of cubic space, development of IT infrastructure, use of automated machines, consolidation of multiple facilities into a larger facility, and use of modern warehousing structures are offered by Grade-A warehouses which results in productivity going up and increasing efficiency.

SUPPLY OF WAREHOUSING SPACE (MN SQ. FT.)



ABSORPTION OF WAREHOUSING SPACE (MN. SQ. FT.)



# RENT TRENDS OF WAREHOUSING IN INDIA

## AVERAGE RENTS

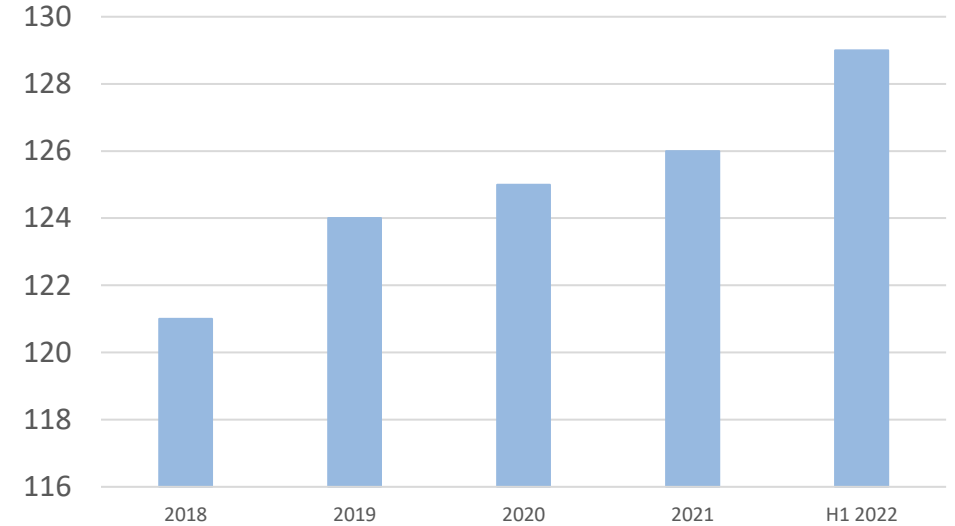
STATE	FY 2021 (INR/SF/MONTH)	FY 2022 (INR/SF/MONTH)	YoY CHANGE
DELHI NCR	17.9	18.9	6%
MUMBAI	20.2	22.1	9%
PUNE	23	24	4%
BENGALURU	18.8	20	6%
CHENNAI	21.3	21.9	3%
HYDERABAD	19.5	20	3%
KOLKATA	20.6	22.1	8%

➤ After the slow growth in the rent over the past 5 years, H1 2022 witnessed corrections in the rent due to increasing land prices and construction costs. The rent index in H1 2022 observed a significant jump reaching 129.

➤ Average rent for **Grade-A** Warehouses is expected to increase **from INR 21/SF/Month in 2021 to INR 25-26/SF/Month in 2025.**

➤ Average rent for **Grade-B** Warehouses is expected to increase **from INR 17/SF/Month in 2021 to INR 20-21/SF/Month in 2025.**

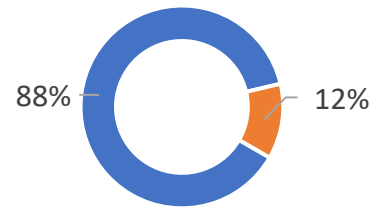
## RENT INDEX (TOP 8 CITIES WITH 2015 AS BASE - 100)



FY 2021 Transaction share by End-use Space



FY 2022 Transaction share by End-use Space



■ Warehousing ■ Industrial

■ Warehousing ■ Industrial

## SECTOR-WISE SHARE OF TRANSACTIONS

SECTOR	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
3PL	35%	36%	35%	31%	29%
OTHER SECTORS	21%	21%	23%	23%	27%
E-COMMERCE	14%	24%	23%	31%	23%
RETAIL	12%	11%	8%	4%	11%
MISCELLANEOUS	4%	1%	4%	1%	5%
FMCD	6%	3%	4%	5%	3%
FMCG	7%	4%	4%	5%	2%



- Major global funds have invested with warehousing developers and operators in order to expand their reach and regional footprint, being the key differentiators in the sector.
- These investments are not restricted to Tier 1 cities, they are also spreading across Tier 2 and 3 cities which are now emerging as major consumption and e-commerce hubs.
- 3PL and E-Commerce have become one of the fastest growing segments in warehousing space, contributing more than 50% of total net absorption in 2021, highest among all the other sectors. COVID-19 has accelerated e-commerce adoption rates, leading to an increase in the demand for online delivery of essential and non-essential items. Demand from 3PL has increased as different sectors such as e-commerce, engineering, electronics & white goods are routing through 3PL.
- The potential for developing large warehouses is primarily leveraged by the institutional Grade A developers by constructing high quality spaces to meet the specialized needs of their tenants.
- As the e-commerce is deeply ingrained in the busiest commercial, retail and residential areas, in-city warehouse space is gaining importance for rapid deliveries to end users. Constrained supply of space is also driving re-positioning or change in use of existing assets such as malls, high-street retail, marriage halls, auditoriums, showrooms and workshops.



- Furthermore, the advent of e-commerce has had a significant impact on the Indian warehouse scenario. Omni-channel retailing is emerging to optimize inventory management costs, operating costs, and real estate costs while increasing brand awareness and consumer base across the country.
- Private equity-backed warehousing companies are capturing a substantial part of the growth in the warehousing sector. These warehousing developers typically eye an entry yield of 9%-10% and IRR (internal rate of return) of 18%-20%. This will push the warehousing rents for corrections and grow at ~5% annually in the next 4 years.
- Projects that meet ESG standards are experiencing easier planning process, tenant retention, and investor trust. Thus, developers have recognized that it is advantageous to consider ESG parameters at the time of master planning, designing and construction stage to avoid higher costs for future revamping.
- The Indian cold chain industry is also transforming post COVID-19 considering the growth food and pharmaceutical growth. Organized retail and food service industries have also emerged as the new cold chain segments, majorly due to changing consumption patterns.
- Another potential that the Indian warehousing market has is to shift towards the multi-storey warehousing. This is due to the increasing demand from the e-commerce sector to be located close to their consumer base. This can push the demand for multi-storey warehousing which can facilitate maximum land utilization in cities having limited land supply as well as help companies to reduce transportation and logistics costs and time.



To know what our approach is;  
please submit an RFP here:

<https://hmsaconsultancy.com/contact/>

Or

send an email to us on:

[contactus@hmsaconsultancy.com](mailto:contactus@hmsaconsultancy.com)

Hmsa Consultancy Services LLP  
803, Wallfort House,  
S.V. Road, Goregaon (West),  
Mumbai – 400104, Maharashtra, India.  
Mobile / WhatsApp: +91 8433549944

