

Warehouse space leasing grows by 77% year-on-year in 2018 -19: Knight Frank Report

Warehousing space requirement for manufacturing sector expected to be 68 million Sq m in 2019; estimated to reach 86 million Sq m by 2024

19th June 2019, New Delhi – Knight Frank, the independent global property consultancy in association with REED Exhibitions India is participating in the region's largest warehousing expo the "9th India Warehousing Show 2019". As a part of this association, Knight Frank launches the latest edition of its flagship report, *India Warehousing Market 2019* to give perspective on the scale and growth of the warehousing market in India. According to the report, total warehousing space estimated to be 68 million sq m (739 million sq ft) in 2019 for the manufacturing sector which is projected to grow at a compounded annual growth rate (CAGR) of 5% in the next five years to 86 million sq m (922 million sq ft) by 2024.

The report notes that logistics cost in India accounts for 13% - 14% of the Gross Domestic Product (GDP) which is substantially higher than the (8-10%) logistics cost to GDP ratio in other developed countries. The primary reason for this is the skewed multi-modal mix and the fact that 60% of freight movement in India happens via roadways.

Key Highlights:

- Total requirement of storage space in the Indian manufacturing sector accounts for 80% of the warehousing market today.
- Top warehousing markets in India witness a growth of 77% year -on -year in leasing in April 2018 – March 2019.
- The warehousing industry has witnessed massive participation from institutional investors, as well as developers, who have collectively invested over USD 6.8 billion since 2014, with an average investment per deal of USD 282 million.
- Private Equity funds had a 49% share of the total investments into the warehousing industry. This was followed by sovereign & pension fund at 31% and 20% of the pie belonged to the developers
- 83% of the investments in warehousing assets went into new developments where as 10% went into ready assets and 7% into a combination of ready and under construction assets.
- The investment committed by institutional investors alone, is estimated to create over 15 million sq m (158 million sq ft) of new warehousing space over the next few years.
- Kolkata witnessed highest year-on-year (YoY) surge with 191% in warehousing leasing volume over 2017 followed by Bengaluru (147%) & Hyderabad (96%)
- Other cities such as Coimbatore, Guwahati, Rajpura, Ludhiana, Nagpur, Lucknow, Visakhapatnam, Bhubaneswar and Siliguri are gaining prominence now in terms of the growing demand for warehousing space.

- Of the 29 states, only seven have a dedicated policy framework for the logistics industry. A comparative analysis of the existing logistics policies of seven states shows that Haryana is rated the highest based on the benefits for developers as well as occupiers.

Sector-wise allocation of Warehousing costs in proportion to net sales:

Sector	Warehousing costs in proportion to net sales
Cement	2.03%
FMCG	0.80%
Chemicals	0.57%
Fertilizers and agrochemicals	0.46%
Automobile	0.43%
Pharmaceuticals	0.43%
Consumer durables	0.38%
Textile	0.36%
Auto-ancillary	0.35%
Metals	0.25%
Engineering	0.22%

Source: Knight Frank Research

Shishir Bajjal, Chairman & Managing Director, Knight Frank India, said, "The growth of the manufacturing sector has been slated to have the most prominent impact on the Indian Warehousing industry. Just this sector's storage requirement forecasted to reach 86 million sqm by 2024, instantly puts the spotlight on scope and growth for developers and investors in the warehousing market. The warehousing segment is in the midst of an evolutionary leap spurred by the new GST regime, technological enhancements and the increasing adoption of third party logistics providers. The tangible efficiencies brought in by these logistics experts and the substantial growth in institutional investment activity in the warehousing space have seen leasing transactions in this segment grow by a substantial 77% during 2018. Of which, at 128% growth, the e-commerce segment is the fastest growing occupier segment for the Indian warehousing market."

Annual lease transactions in Warehousing in India:

City	2017	2018	Growth (YoY)
	in mn sq m (mn sq ft)		
Kolkata	0.1 (1.6)	0.4 (4.7)	191%
Bengaluru	0.2 (2.5)	0.6 (6)	147%
Hyderabad	0.2 (2)	0.4 (4)	96%
NCR	0.6 (6.5)	1.1 (12.6)	94%
Chennai	0.2 (2.5)	0.4 (4.2)	79%
Ahmedabad	0.3 (3.3)	0.5 (4.9)	51%
Mumbai	0.4 (5.2)	0.7 (7)	34%
Pune	0.2 (2.5)	0.3 (3.5)	41%
Total	2.4 (26.1)	4.2 (46.2)	77%

Source: Knight Frank Research

Balbirsingh Khalsa, National Director, Industrial & Asset Services, Knight Frank India said, “Organised warehousing developers are steadily seeing more demand from occupier groups and sectors like E-commerce, 3PLs, Retail, Manufacturing, FMCG, FMCD etc. The string of policy and regulatory reforms unveiled by India in recent times such as implementation of the Goods and Services Tax (GST), the ‘Make in India’ programme and initiatives to set up industrial corridors like Delhi Mumbai Industrial Corridor (DMIC), Delhi-Kolkata Industrial Corridor and logistics parks has accelerated the entry of international institutional players in the Indian warehousing and logistics space. Exponential demand of large sized warehousing structures that are legally compliant in for regional warehousing purpose in top 8 cities has driven leasing volumes to grow from 26.1 mn sq ft to 46.2 mn sq ft. in last one year. Demand in tier 2 cities is also on the rise and showing big growth potential and combinedly taking demand up to 60 mn sq ft across India. This growth is adequately funded by a substantial growth in investments, giving the required stimulus to develop quality and organised warehousing spaces across India”

Ankita Kapoor, Portfolio Director, REED Exhibitions India said “The exponential growth in the Warehousing and Logistics segment is very encouraging, especially the growth in tier 2 and tier 3 cities across the country. The current size of the warehousing space in the country which is easily more than 150 million sq ft which is set to witness. What is interesting to note is that the sector is growing inclusively encompassing technological advances, service delivery platforms as well as strong real estate strategies. Our show, now in the 9th edition is expected to be the largest not only in India but also in the region.”

About Knight Frank

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