

India Warehousing Market Report

January - June 2024

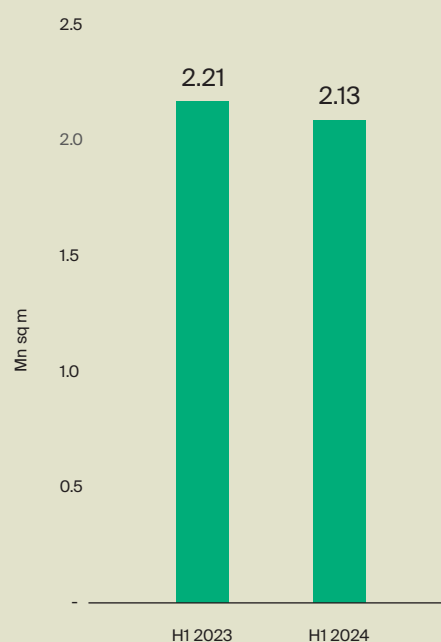
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Economies around the world have been grappling with a recessionary environment compounded by an intensifying geopolitical crisis in Ukraine and Israel. India, however, has successfully navigated the volatile economic and geopolitical environment, sustaining its pole position among the largest countries with the highest GDP growth rates. The RBI's upward revision of the GDP growth estimate to 7.2% in FY 2025 reinforces the view that the country's near-term growth prospects remain unimpeded.

The warehousing market has been on a similar growth trajectory with annual transaction volumes trending high since the pandemic. The slack in demand in the e-commerce sector was offset by the growing demand from the manufacturing industry and marked a healthy shift in the demand profile of the market. This signified a more resilient and broad-based occupier base which did not have to rely on a specific tenant group to drive volumes in the warehousing market. While the market fundamentals underwent a significant shift, the overall market traction took a pause towards the end of 2023 as it seemed to be consolidating during the period.

Occupier demand continued to be fairly stable as it entered 2024 and continued to consolidate with the 2.13 mn sq m (22.9 mn sq ft) transacted during the period, falling 4% short of the volumes seen in H1 2023. 55% of these transactions occurred in Grade A spaces during the current analysis period, slightly lower than the 58% share recorded in H1 2023.

Fig 1: Transaction Volumes (mn sq m)



Source: Knight Frank Research

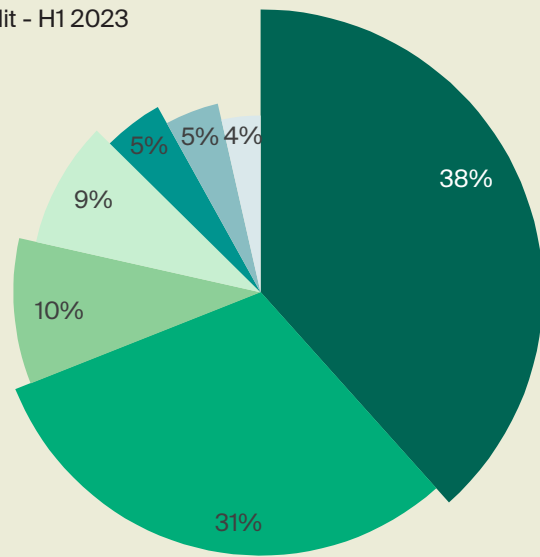
Industry split of transaction volumes

The demand profile of the market in H1 2024 remained very similar to that seen in the base period of H1 2023 with little deviation in market share of the seven occupier groups we track. The volume transacted by the manufacturing sector continued to exceed that of the 3PL sector in H1 2024 constituting 36% of the total volume transacted during the period. Companies in the manufacturing sector such as those in the automotive, energy, and chemicals industries, accounted for this significant percentage of transaction volume during the period. With the ongoing decentralization of manufacturing capacity from China, India has seen substantial benefits. Major global manufacturers, including Apple, Samsung, Foxconn, and TSMC, have expanded their manufacturing operations in India. Moreover, the government's emphasis on the 'Make in India' initiative and the Production Linked Incentive (PLI) scheme is yielding positive results, further enhancing the prospects of the country's manufacturing industries. 23% of the total space transacted in H1 2024 was for industrial use compared to 17% previously, further signifying the increasing impact of the manufacturing sector on the warehousing landscape. Following the manufacturing sector, companies in the 3PL (third-party logistics) sector accounted for 30% of the transaction volume, while other sectors had shares in single digits.

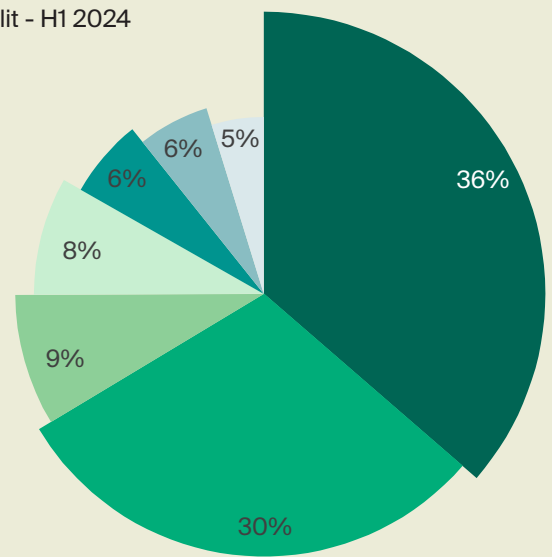
Since early 2022, the e-commerce sector volumes have remained stagnant due to surplus capacities created with the aggressive expansion during the pandemic. Additionally, major players in the sector have acquired large-format, captive-owned spaces for their regional hubs, which are not reflected in market demand as they are not part of the leasable space market. With a growing emphasis on profitability, e-commerce companies have focused on reducing costs and avoiding speculative expansion.

Fig 2: Industry-split of transaction volume

Industry Split - H1 2023



Industry Split - H1 2024



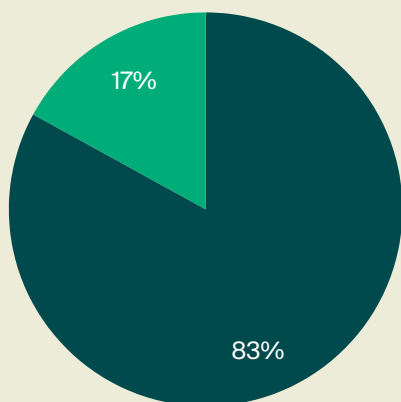
Source: Knight Frank Research

Notes:

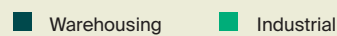
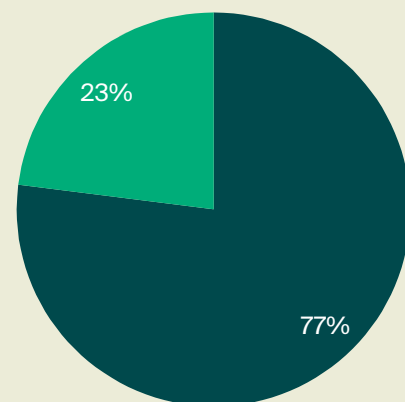
- Warehousing transactions data includes light manufacturing/assembling.
- Other Manufacturing – These include all manufacturing sectors (automobile, electronics, pharmaceutical, etc.) except FMCG and FMCD.
- Miscellaneous – These include services such as telecom, real estate, document management, agricultural warehousing and publishing.

Fig 3: Transaction share by end-use of space

H1 2023 transactions share by end-use



H1 2024 transactions share by end-use



Source: Knight Frank Research

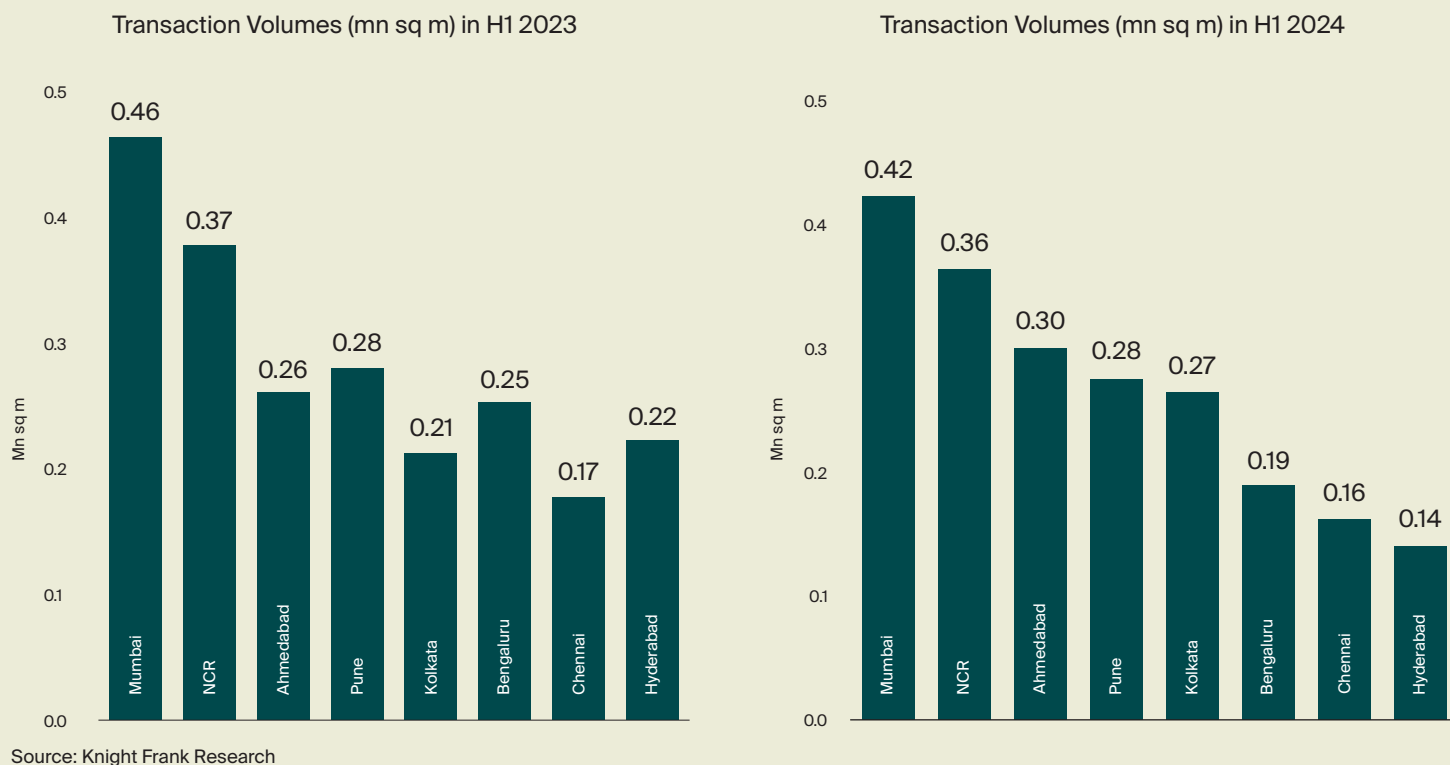
Notes:

- Warehousing transactions refer to storage activity.
- Industrial transactions refer to manufacturing activity.

Market performance (city-level transaction volumes)

Similar to industry demand, transaction activity was also well distributed across markets with Mumbai, the leading market, accounting for 20% of the total volume. The 3PL industry was the primary driver in Mumbai and constituted 31% of the area transacted in this market. The NCR was the second most prolific market accounting for 17% of the total area transacted during the period with the 3PL and manufacturing sectors accounting for 26% and 24% of the market volume respectively. Ahmedabad and Kolkata experienced significant growth in transaction volumes at 17% and 27% YoY respectively. Manufacturing and FMCG businesses were the primary growth drivers in Ahmedabad, while the large leases taken up by the 3PL sector accounted for the growth in Kolkata during H1 2024.

Fig 4: Market-split of transaction volume



Stock and Vacancy

The top eight warehousing markets in India hold a warehousing stock of 42.9 mn sq m (462 mn sq ft). Mumbai is by far the largest market constituting 40% of the total stock with the NCR being a distant second at 22%. Healthy transaction volumes, in tandem with comparatively lower supply in recent times, have brought down the vacancy levels to 9.3% in H1 2024. Vacancy levels in the markets of Mumbai, Pune and Ahmedabad now stand at single digits at 9.4%, 8% and 8.3% respectively.

Fig 5 : Warehousing market stock and vacancy

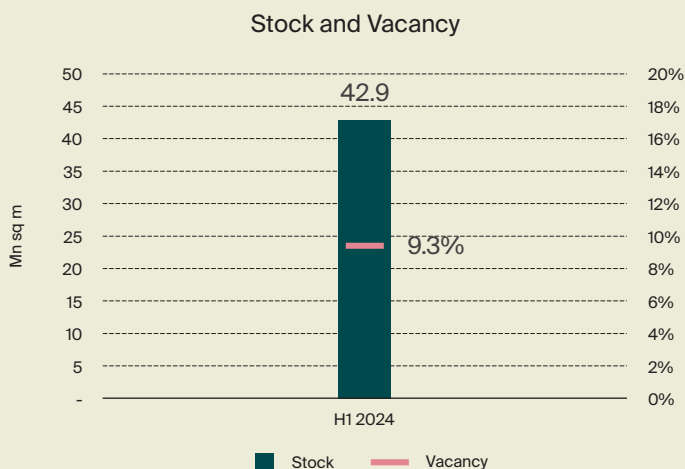
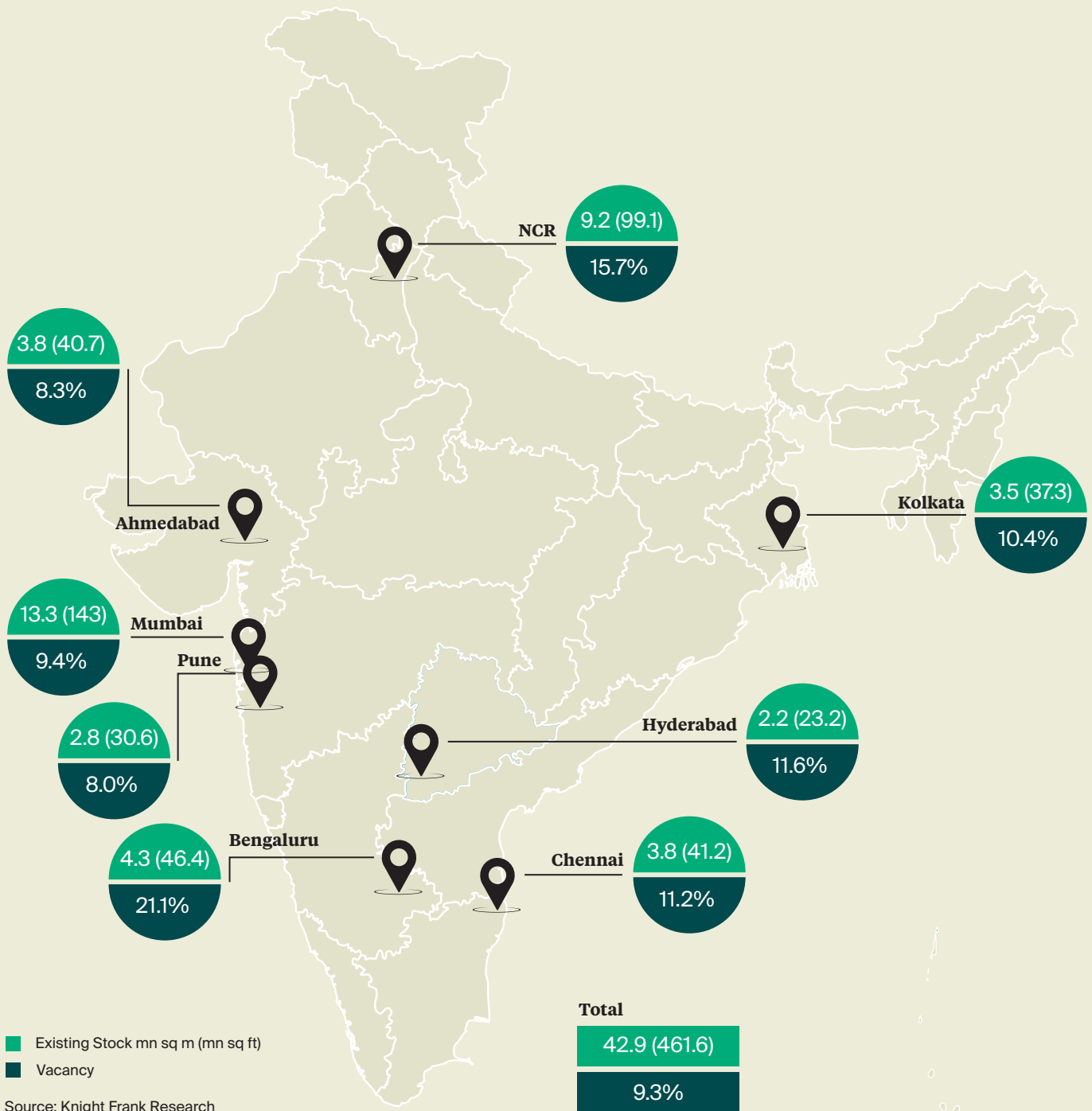


Fig 6: Market-split of warehousing stock and vacancy in H1 2024



The development of Grade A warehousing facilities has continued to increase in recent years, and currently constitutes 40%. The larger warehousing markets of Mumbai and NCR have a significantly lower proportion of Grade A warehouses as they are much older markets, and the bulk of their stock had been built before the demand for Grade A warehousing gathered momentum. Pune and Chennai have the highest concentration of Grade A stock due to their primary demand base of auto and auto ancillary occupiers.

With the emerging focus on sustainable development, there is also an increasing need to improve the aesthetics of these warehousing parks and enable a better working environment.

Fig 7 : Share of Grade A stock

Market	H1 2024
Chennai	76%
Pune	71%
Kolkata	51%
Hyderabad	44%
Bengaluru	39%
Ahmedabad	38%
NCR	37%
Mumbai	22%
Total	40%

Source: Knight Frank Research

Rent

Rent growth had been a challenge for the warehousing market over the past decade, and it only started to gain momentum in 2021 due to the inflationary pressures on steel and cement prices and the recovery in demand. Although occupier activity appears to have moderated during the current analysis period, the rent growth trajectory across markets has been maintained in H1 2024 compared to levels at the end of H1 2023.

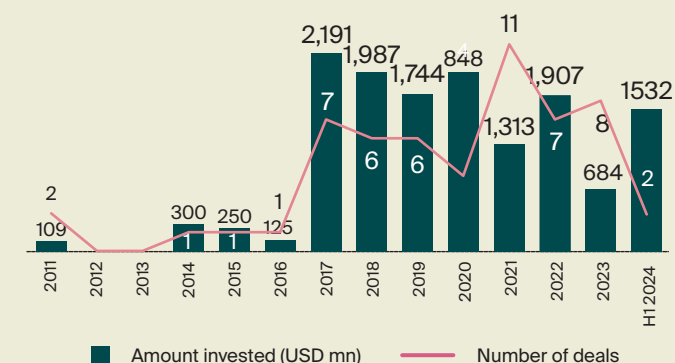
Fig 8 : Average rent (in INR/sq ft/month)

Market	H1 2023	H1 2024	% Change
Pune	25.0	26.0	4.0%
Chennai	22.5	23.4	4.0%
Ahmedabad	17.0	17.6	3.7%
NCR	20.2	20.8	3.0%
Kolkata	23.1	23.8	3.0%
Hyderabad	20.0	20.5	2.5%
Mumbai	23.1	23.6	2.3%
Bangalore	21.5	22.0	2.3%

Private Equity investments in warehousing

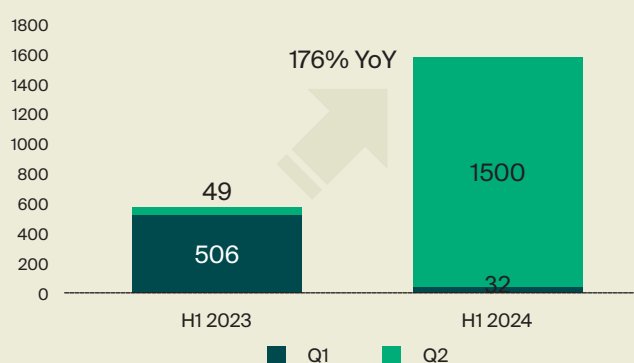
Investments in the warehousing segment surged significantly to USD 1.5 bn in H1 2024, recording a sharp rise from the USD 0.55 bn recorded in H1 2023. PE investors remain actively engaged in the warehousing market, particularly targeting subsectors such as 3PL and e-commerce facilities that are expected to have a robust growth trajectory. This can be attributed to the bright economic outlook with the vast consumer market having become a battleground for businesses constantly striving to shorten supply chains for the increasingly demanding customer.

Fig 9 : Warehousing Sector led the investment space, received investments worth USD 1,532 mn in H1 2024



Source: Knight Frank Research, Venture Intelligence

Fig 10 : Investments in Warehousing Sector surged 176% YoY in H1 2024



Source: Knight Frank Research, Venture Intelligence

Outlook

While the global economic environment could impact businesses in India, our relatively healthy fiscal position and improving economy should support the warehousing market in 2024. The government focus on the manufacturing sector is yielding dividends, leading to consistent demand from this sector. Coupled with the traditional anchor role played by 3PL players, this has bolstered the overall market volumes despite the conspicuous abstention from the e-commerce sector. Strong private equity inflows into the warehousing market will continue to benefit the logistics environment, ensuring a supply of high-quality facilities and the adoption of the latest processes in the Indian warehousing landscape. The robust business environment, diversified warehousing demand, and growing institutional interest should help the market regain its momentum over the near to medium term.

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