

India Warehousing Market Report



July - September 2024

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Summary of the period

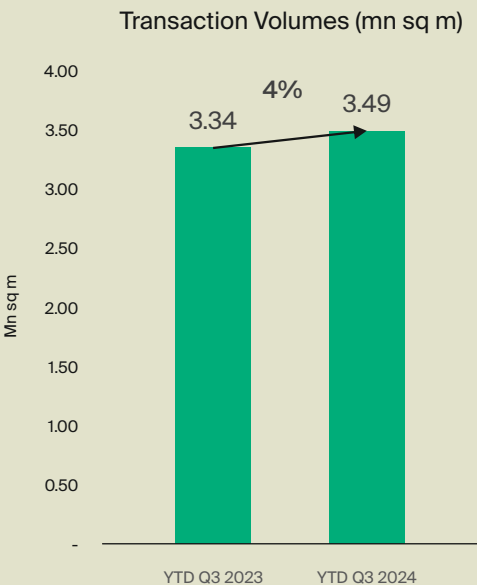
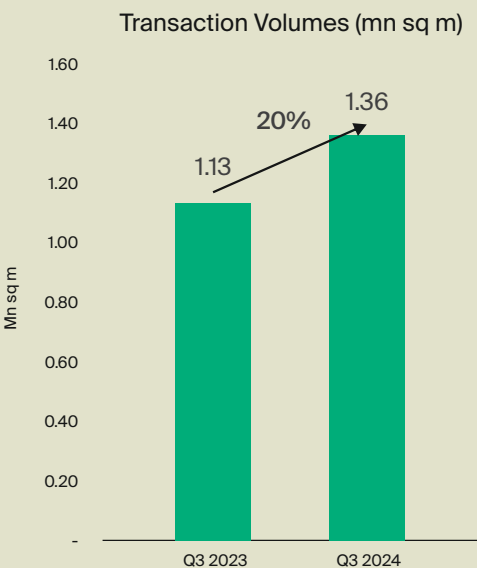
The Indian growth story has held strong in 2024 with the GDP growth in Q2 2024 coming in at a much better than expected rate of 7.6%. The RBI has successfully reined in inflationary forces by ensuring that the CPI levels consistently remained well below the tolerance limit of 6% while supporting the growth agenda, October 2024 being the only exception over the trailing 14 months. The healthy economic momentum has caused the RBI to raise its initial GDP growth forecast for FY 2025 from 7% to 7.2% ensuring that the Indian economy continues to remain the fastest growing large economy in the world. This strong growth momentum against the backdrop of a gradually improving global growth outlook reinforces the positive economic undertone seen in the country in 2024.

The logistics environment in a country is usually directly correlated with its economic momentum and the warehousing market has seen strong transaction volumes since the pandemic. While headline volumes in the warehousing market have sustained at close to record highs, the underlying demand drivers have changed significantly. 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 broader 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 in the first half of 2024 as it seemed to be consolidating during the period.

The market has recouped some of the ground lost in the first half of the year with 1.4 mn sq m (14.65 mn sq ft) transacted in Q3 2024 constituting a 20% growth in YoY terms. In YTD terms, transaction volumes grew by 4% YoY with occupiers taking up 3.5 mn sq m (37.54 mn sq ft) in the first nine months of 2024.

Demand for Grade A properties also remained strong in Q3 2024. 66% of the area transacted occurred in Grade A spaces during the period compared to 61% share recorded in Q3 2023.

Fig 1: Warehousing market transaction volume



Note: 1.1 square metre (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

Industry split of transaction volumes

The pecking order in the top industry groups which form the occupier base of the warehousing market has not changed. Manufacturing sector occupiers (excluding FMCG and FMCD) who took the lead from 3PL players in 2023 have remained the largest consumer of warehousing space in Q3 2024 as well as in the YTD 2024 period (January-September 2024). With the ongoing decentralization of manufacturing capacity from China, India has seen substantial benefits. Major global manufacturers such as Apple, Samsung, Foxconn, Micron Technology 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.

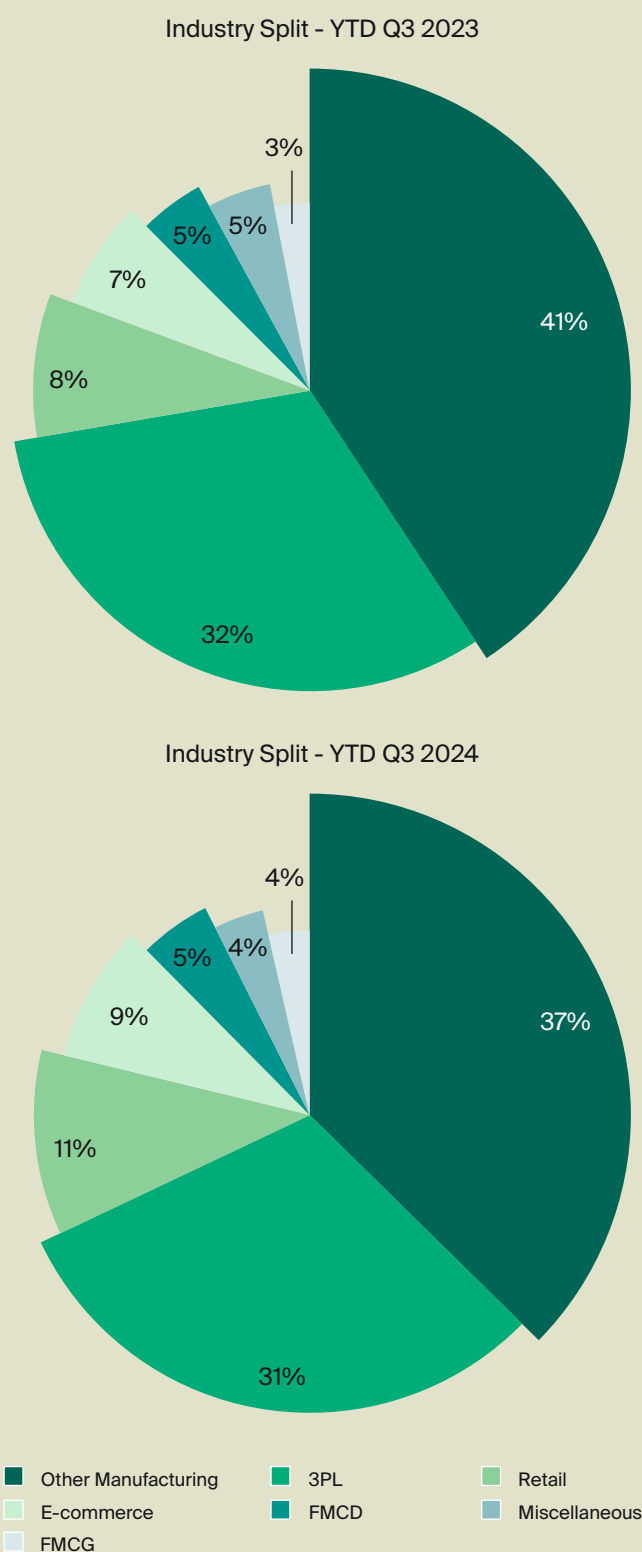
While the manufacturing sector has been the most prolific occupier group in 2024 so far, there has been a 4% drop in volume transacted compared to the January-September period in 2023. This is not seen as a matter of concern as the underlying drivers remain strong and traction is expected to improve in subsequent quarters. Manufacturing companies accounted for 38% of the transacted volume during Q3 2024 and 37% in YTD terms. In comparison, the volume taken up by 3PL companies increased marginally by 1% YoY in the January-September 2024 period. 3PL companies took up 33% of the transacted area in Q3 2024 and 31% in the first nine months of 2024. While there was a marginal drop in the market share of the 3PL sector, the absolute volume taken up by 3PL occupiers has grown in YoY terms during the quarter as well as in the January to September period.

The retail and e-commerce occupiers have been particularly active in 2024 till date with volumes transacted increasing by 35% and 34% YoY, respectively. While their share is still much smaller than their counterparts, it has grown to 11% and 9% respectively and signals the continued broadening of the warehousing market's occupier base.

Table 1 : Industry-split of transaction volume in mn sq m (mn sq ft)

	YTD Q3 2024	YoY % change
Other Manufacturing	1.3 (14)	-4%
3PL	1.07 (11.5)	1%
Retail	0.38 (4.1)	35%
E-commerce	0.31 (3.3)	34%
FMCD	0.17 (1.9)	15%
Miscellaneous	0.13 (1.4)	-18%
FMCG	0.13 (1.3)	23%
Total	3.49 (37.5)	4%

Fig 2: Industry Split

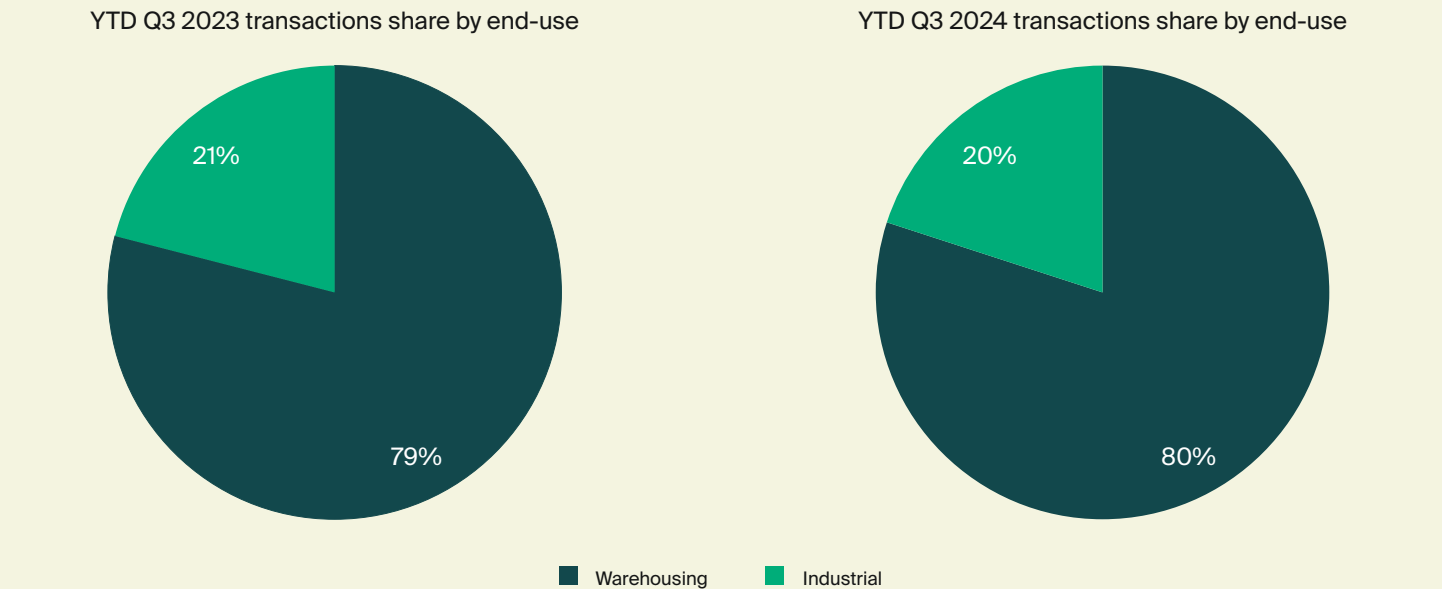


Source: Knight Frank Research

Notes:

- Warehousing transactions data includes light manufacturing/assembly.
- 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



Source: Knight Frank Research

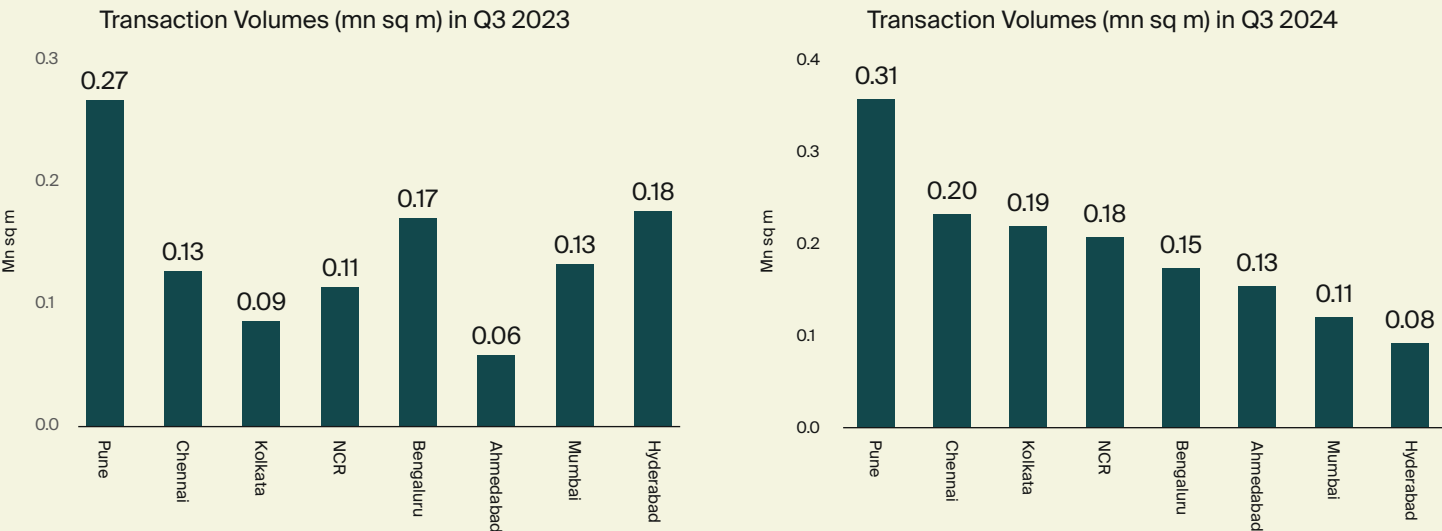
Notes:

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

Market performance (city-level transaction volumes)

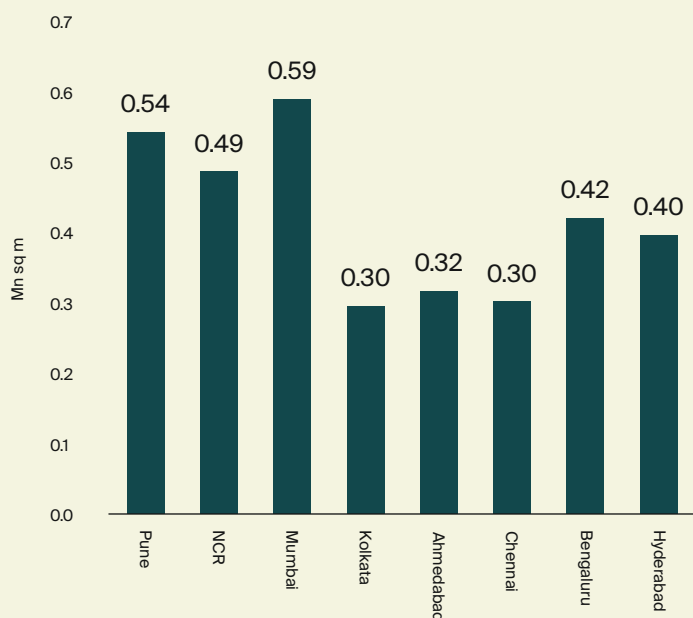
Transaction activity has been well distributed across markets in the January-September 2024 period with all markets other than Hyderabad accounting for 10% to 17% of the total volume transacted during this time. The transaction distribution in Q3 2024 was more concentrated in some of the markets with Pune accounting for 23% of the total transacted area, this being the highest amongst all markets at 0.31 mn sq m (3.4 mn sq ft). The Pune market also saw the most traction in YTD terms in 2024 underscoring its profile as a dominant warehousing hub. Ahmedabad and Kolkata experienced a significant spike in transaction activity in Q3 2024, with volumes growing at a steep 129% and 122% YoY during the period. This spike in volume during the quarter has pushed the transaction share of both markets to 13% each in the January-September 2024 as compared to 9% each during the same period last year.

Fig 4: Market-split of transaction volume



Source: Knight Frank Research

Transaction Volumes (mn sq m) in YTD Q3 2023



Transaction Volumes (mn sq m) in YTD Q3 2024



Source: Knight Frank Research

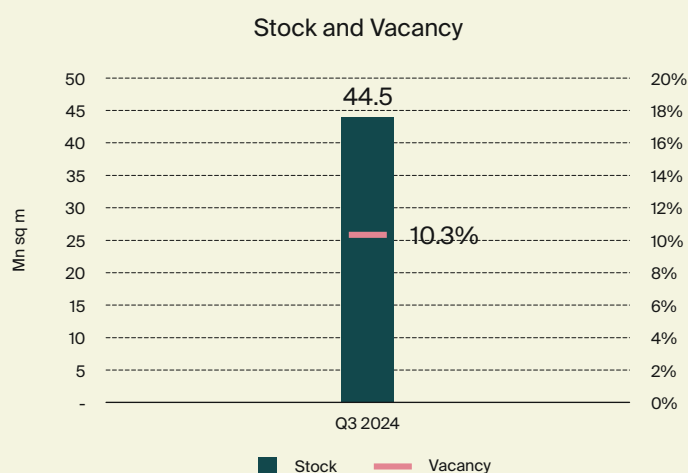
Table 2 : Market-split of transaction volume in mn sq m (mn sq ft)

	Q3 2024	YoY % change	YTD Q3 2024	YoY % change
Pune	0.31 (3.4)	17%	0.59 (6.3)	9%
NCR	0.18 (2)	59%	0.55 (5.9)	12%
Mumbai	0.11 (1.1)	-21%	0.53 (5.7)	-10%
Kolkata	0.19 (2.1)	122%	0.46 (4.9)	55%
Ahmedabad	0.13 (1.4)	129%	0.44 (4.7)	38%
Chennai	0.2 (2.2)	60%	0.37 (3.9)	21%
Bangalore	0.15 (1.6)	-11%	0.34 (3.7)	-18%
Hyderabad	0.08 (0.9)	-55%	0.22 (2.4)	-44%
Grand Total	1.36 (14.6)	20%	3.49 (37.5)	4%

Stock and Vacancy

The top eight warehousing markets in India hold a warehousing stock of 44.5 mn sq m (479 mn sq ft). Mumbai is by far the largest market constituting 31% of the total stock with the NCR being a distant second at 21%. Healthy transaction volumes, in tandem with lower supply in recent times, have kept vacancy levels at a healthy 10.3% in Q3 2024. The Bengaluru market has the highest vacancy level at 18.9% followed by Hyderabad and the NCR at 14.6% and 14.5% respectively.

Fig 5 : Warehousing market stock and vacancy



Source: Knight Frank Research

Fig 6: Market-split of warehousing stock and vacancy in Q3 2024



The development of Grade A warehousing facilities has continued to increase in recent years and constitutes 41% of the total warehousing stock in the top eight markets. 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 at 70% and 77% respectively 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.

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. Rent levels have sustained across markets over the past two years as transaction volumes have remained stable while the supply scenario has remained comparatively tight. The rent growth trajectory has not deviated significantly in Q3 2024 with rent levels in all markets sustaining above those seen at the end of Q3 2023.

Table 3 : Share of Grade A stock

Market	Q3 2024
Chennai	77%
Pune	70%
Kolkata	54%
Hyderabad	44%
Bengaluru	40%
Ahmedabad	38%
NCR	38%
Mumbai	23%
Total	41%

Source: Knight Frank Research

Table 4 : Average rent (in INR/sq ft/month)

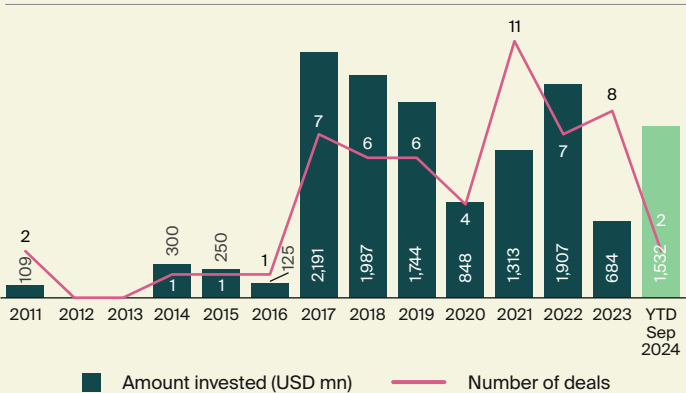
Market	Q3 2023	Q3 2024	% Change
Pune	25.9	26.9	4%
Ahmedabad	17.5	18.1	4%
NCR	20.5	21.1	3%
Chennai	23.3	23.9	3%
Mumbai	23.4	23.9	2%
Bangalore	21.8	22.1	2%
Kolkata	23.6	23.9	1%
Hyderabad	20.4	20.6	1%

Source: Knight Frank Research

Private Equity investments in warehousing

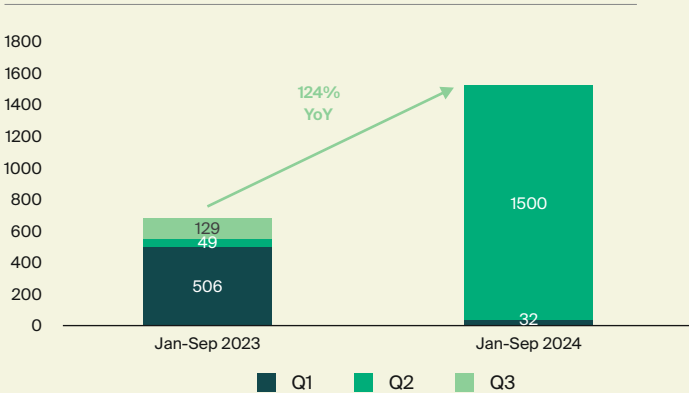
Investments in the warehousing sector reached USD 1.5 bn in the first nine months of 2024, marking a significant increase from USD 0.68 bn in the same period last year. Private equity investors remain highly engaged in the warehousing market with a strong focus on subsectors like 3PL and e-commerce facilities, both of which are projected to experience strong growth. 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 7 : Warehousing Sector led the India real estate private equity investment space, received investments worth USD 1,532 mn in YTD Sep-2024



Source: Knight Frank Research, Venture Intelligence

Fig 8 : Investments in Warehousing Sector surged 124% YoY in YTD Sep 2024



Source: Knight Frank Research, Venture Intelligence

Outlook

While the global economic environment slowly recovers, India's relatively healthy fiscal position and improving economy have kept corporate sentiments buoyant and sustained warehousing market activity. The manufacturing sector demand has filled the vacuum left behind by the e-commerce sector while the 3PL sector continues to anchor the market. Private equity interest continues to be strong in the sector and has played a catalytic role in the adoption of the latest processes and infusion of high-quality facilities in the market. The robust business environment, diversified warehousing demand base, and sustained institutional interest should help sustain warehousing market volumes in the near term and aid its evolution over the longer term as well.

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