

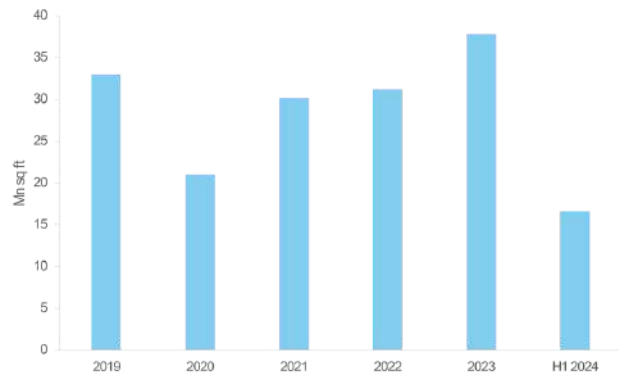
WAREHOUSING & LOGISTICS SECTOR REVIEW H1 2024



Absorption Trend

Warehousing & Logistics sector witnessed robust absorption of 16.6 Mn sq ft in the first half of 2024, registering an increase of 8% over H1 2023 and 26% compared to H1 2022. However, absorption declined by 26% compared to H2 2023.

After surpassing pre-pandemic levels in 2023, the sector is anticipated to continue the positive trend in 2024 as well, bolstered by robust institutional investments, Production-Linked Incentive (PLI) schemes, development of freight corridors, and a booming e-commerce industry. Government announcements to enhance infrastructure across the country are likely to drive the next wave of growth in the sector.



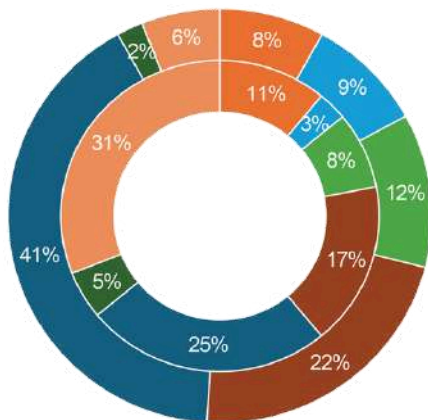
Source: Vestian Research



City-wise Share in Absorption (H1 2024 vs H1 2023)

Mumbai led absorption in H1 2024 commanding a share of 41%, up from 25% in H1 2023. This growth can be attributed to an increase in demand for grade-A warehouses in areas such as Bhiwandi, Panvel, Uran, Taloja, and Ambernath. Similarly, Pune witnessed robust absorption in H1 2024, accounting for 22% of pan-India absorption. Mumbai and Pune together accounted for around 63% of the total absorption in H1 2024.

Major southern cities (Bengaluru, Chennai, and Hyderabad) collectively contributed 29% to the total absorption in H1 2024, up from 22% in H1 2023. NCR witnessed a significant decline in its share from 31% to 6% in the same period. Furthermore, Kolkata accounted for a mere 2% of the total absorption in H1 2024, down from 5% in H1 2023.



■ Bengaluru ■ Chennai ■ Hyderabad ■ Pune ■ Mumbai ■ Kolkata ■ NCR

Source: Vestian Research

Note: Inner Circle - H1 2023, Outer Circle - H1 2024



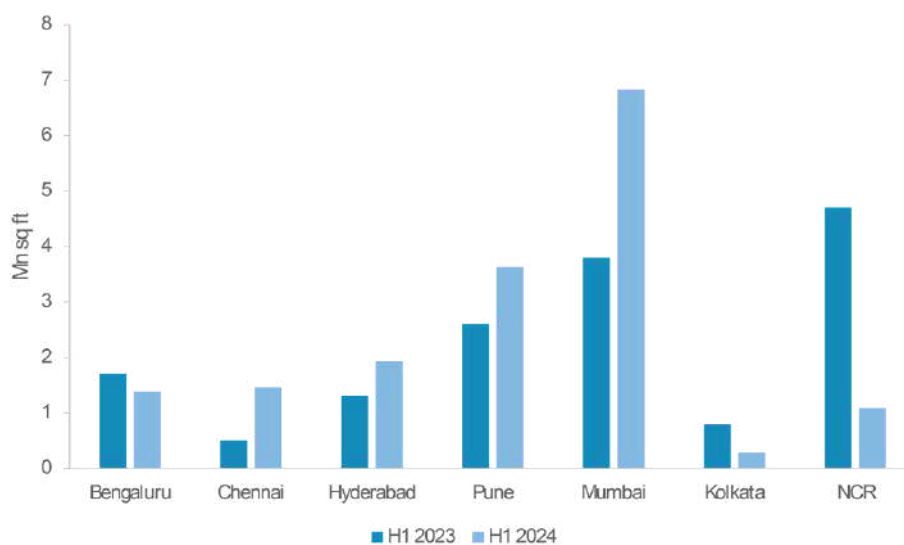
City-wise Absorption (H1 2024 vs H1 2023)

Mumbai reported the highest absorption of 6.8 Mn sq ft in H1 2024, witnessing an annual increase of 80%. Moreover, the city reported an increase of 7% in absorption over the second half of the previous year, strengthening Mumbai's position as a key trade and commercial hub in India.

Pune ranked second in absorption with an annual increase of 40% in H1 2024, reaching 3.6 Mn sq ft. This could be attributed to large manufacturing facilities located in the city's trade hub, Chakan MIDC.

Among the southern cities, Chennai and Hyderabad recorded absorption of 1.5 Mn sq ft and 1.9 Mn sq ft, respectively. Moreover, Chennai accounted for the highest annual growth rate of 191% amongst the top seven cities owing to the low base effect. On the contrary, absorption in Bengaluru declined by 19% annually, reaching 1.4 Mn sq ft in H1 2024.

NCR reported the highest annual decline of 77% among the top seven cities, reaching an absorption of 1.1 Mn sq ft in H1 2024. Similarly, Kolkata recorded 0.3 Mn sq ft of absorption in H1 2024, registering a significant decline of 65% compared to H1 2023. Limited availability of grade-A warehouses in the city posed a challenge in catering to growing demand, leading to low absorption.



Source: Vestian Research

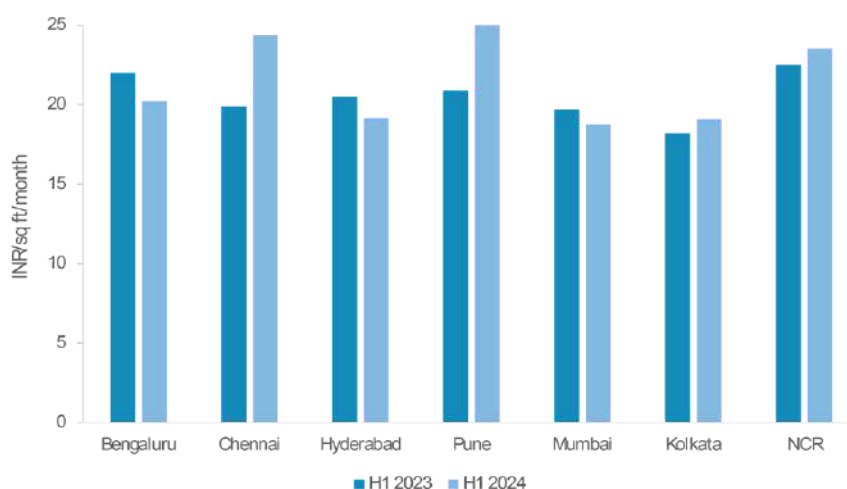
Weighted Average Rental Values (H1 2024 vs H1 2023)

Weighted average rental values remained under pressure amid volatile market conditions in H1 2024. Pune reported the highest rental value of INR 27.1/sq ft/month, registering a half-yearly growth of 15% and an annual increase of 30%. Several large rental transactions were reported at elevated prices, contributing to the rise in overall weighted average rental values in the city.

Chennai witnessed an annual increase of 22%, reaching a rental value of INR 24.3/sq ft/month in H1 2024. Conversely, Bengaluru reported a decline of 8% in rentals during H1 2024 over the same period a year earlier due to limited demand for warehouses. Currently, rental values stand at INR 20.2/sq ft/month in the city.

NCR closely followed Chennai with a rental value of INR 23.5/sq ft/month. The region registered an annual increase of 5% and 4% over H2 2023. Despite recording the highest absorption, the weighted average rental values in Mumbai declined by 5% in H1 2024 compared to H1 2023 as 27% of total transactions in Mumbai closed below INR 15/sq ft/month. Therefore, rentals stand at INR 18.7/sq ft/month.

Limited absorption in Kolkata during H1 2024 exerted pressure on rentals, resulting in a decline of 7% over H2 2023. Currently, rentals stand at INR 19.1/sq ft/month in Kolkata. Similarly, weighted average rental value in Hyderabad registered an annual decline of 7%, easing the rentals to INR 19.1/sq ft/month.



Source: Vestian Research

Sector-Wise Absorption (H1 2024 vs H1 2023)



H1 2024

H1 2023

3PL (3rd Party Logistics)

39%

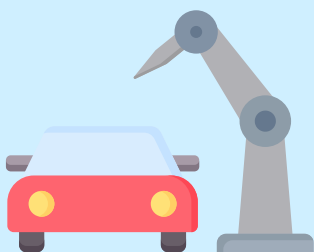
26%



Engineering & Manufacturing

22%

16%



Automobiles & Auto Components

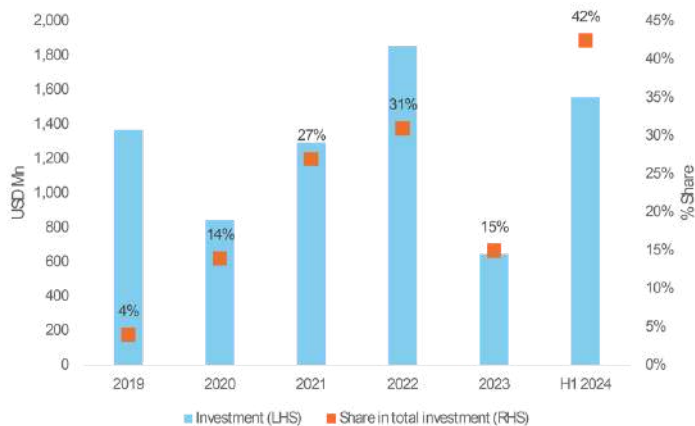
9%

4%



Institutional Investment Trend

In 2023, institutional investments in Warehousing & Logistics sector declined substantially due to the wait-and-watch approach of investors amid global macroeconomic uncertainty and geopolitical tensions. However, investments revived during the first half of 2024 as major economies of the world started expanding again and participation of foreign investors increased in the Indian warehousing sector, accounting for 42% of the total institutional investment received in the real estate sector.



Source: Vestian Research

USD 1.6 Bn worth of transactions in just six months is a result of a single high-value transaction of USD 1.5 Bn which concluded between Reliance Retail Ventures, KKR, and ADIA. Therefore, investments in H1 2024 were equal to 1/3rd of the total institutional investment received in the past four years in the sector. Moreover, investments increased by 4.5X in H1 2024 compared to H1 2023 and surpassed the total investments received in 2019 (pre-pandemic).

Key Investment Deals (H1 2024)

USD 1.5 Bn investment in Reliance Retail Ventures warehousing assets by KKR and Abu Dhabi Investment Authority (ADIA) was the largest deal concluded by value in H1 2024, accounting for 96% of the total investments in the sector.

CapitaLand India Trust (CLINT) has entered into a forward purchase agreement with Casa Grande Group to acquire three industrial facilities at OneHub Chennai, with a total net leasable area of 0.79 Mn sq ft. The deal is valued at approximately USD 32.3 Mn. This investment is expected to be executed in three phases, with the completion of Phase 1 by the first half of 2025.

Goa Investment Promotion and Facilitation Board (Goa-IPB) signed a Memorandum of Understanding (MoU) with TVS Industrial and Logistical Parks (TVS ILP). This agreement is expected to facilitate the development of a grade-A warehousing and logistics park in Verna Industrial Estate with an investment of USD 15.6 Mn.

Investor	Developer/Partner	Location	Approx. Amount (USD Mn)
KKR, ADIA	Reliance Retail Ventures	Multi-city	1,500.0
CapitaLand	Casa Grande	Chennai	32.3
TVS ILP	Goa-IPB	Goa	15.6
Asian real - estate giant	Welspun One	NCR	11.0

Source: Vestian Research

Key Trends

Focus on manufacturing and logistics: The government launched several policies and initiatives such as PLI scheme and National Logistics Policy to boost manufacturing sector, reduce logistics costs, improve infrastructure, and enhance connectivity. These measures may bring down the logistics costs to 5-6% of GDP from 8-9% currently, boosting the demand for warehouses across the country.

Cold chain warehousing: India, being a densely populated country with a high consumption of food items, necessitates the storage and transportation of several perishable items at specific temperatures. This may spur the development of cold storage facilities across the country.

Sustainable warehousing: Warehousing and logistics companies are increasingly prioritizing green initiatives by transitioning to electric vehicles and eco-friendly packaging materials, installing solar panels and reducing reliance on non-renewable energy sources. Such sustainable practices are expected to make environmental sustainability a crucial determinant of long-term success.

Dark stores: Dark stores, often located in city centres or densely populated areas, are fulfilling the demand for quick commerce. The growing popularity of same-day, one-day, or ten-minute delivery is expected to boost the demand for dark stores.

Cradle-to-cradle approach: Cradle-to-cradle (C2C) approach focuses on designing and utilizing packaging materials in a way that allows for reuse and recycling, creating a closed-loop cycle that aims to eliminate waste. Logistics companies are adopting C2C approach to minimize waste, which may help reduce their carbon footprint.

AI & Robotics integration: Integration of AI & Robotics in the sector can optimize the value chain. Implementation of Internet of Things (IoT) and automation simplifies inventory monitoring, material management, and forecasting. This may improve operational efficiency and reduce costs.

Rising prominence of 3PL companies: An increase in demand for warehousing and logistics services has led large transportation and storage companies to outsource their operations to third-party logistics (3PL) companies. These 3PL companies focus on enhancing efficiency by optimizing delivery timelines, avoiding substantial capital expenditures, managing fulfillment centres, overseeing distribution, and data management.

New pockets of opportunities: E-commerce industry is one of India's fastest-growing sectors, prompting large companies to shift their focus to Tier 2 and Tier 3 cities on the back of rising consumption.



Outlook



- The Union Budget 2024-25 set the tone for the next couple of years. Recent announcements of infrastructure development across the country may improve connectivity, boosting demand for warehouses nationwide.
- Easy availability of funds amid increased participation of foreign investors in H1 2024 improved prospects of the sector. As the prevailing global macroeconomic uncertainty, the Warehousing and Logistics sector may garner more investments in the second half of 2024.
- Tier 2 and Tier 3 cities are poised to attract major warehousing and logistics players due to the rising demand for e-commerce across the country which may encourage multinational companies to explore and invest in these emerging markets.
- Demand for micro-fulfillment stores to increase amid the growing prominence of 'Buy Online, Pick Up in Store' (BOPIS) facilities.
- Integration of technology at every process of the value chain is necessary to improve efficiency. It may help companies to reduce costs, adapt to changes, and focus on scalability and competitiveness.
- The sector is expected to expand at a CAGR of 10-13% for the next couple of years, predominated by third-party logistics and e-commerce companies. However, striking a balance between sustainability and growth is equally important for the holistic development of the sector.

About Vestian

Vestian, is a leading contemporary workplace solutions firm specializing in occupier-focused services for commercial, residential, industrial, retail, and hospitality sectors. Our service portfolio includes Integrated Service Delivery, Project Services, Investment & Consultancy Services, Transaction Advisory Services, Retail Business Solutions, and Integrated Facilities Management Services.

We prioritize client strategic goals, ensuring excellence and consistency in service delivery. Our experienced team, blending global best practices with local expertise, provides integrated real estate solutions for all real estate requirements. Moreover, the belief in our corporate philosophy - Delivering Measurable Results - helps us to provide solutions, in keeping with global delivery standards.

Vestian is certified in both quality management systems and environmental health & safety standards - ISO 9001, ISO 14001, ISO 37001 and ISO 45001. We are also a member of the Indian Green Building Council.

Investment & Consultancy Services (ICS), Vestian's research and investment solutions arm, delivers end-to-end advisory services to multinational and Indian corporations, investors, private equity funds, financial institutions, government entities, and real estate developers across tier-I, II, and III cities nationwide.

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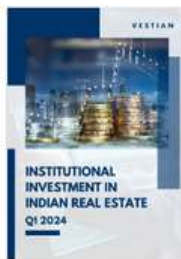
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Institutional Investment in Indian Real Estate
Q2 2024



The Connect
Q1 2024



Institutional Investment in Indian Real Estate
Q1 2024



Warehousing and Logistics Sector Review 2023



The Connect
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