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The warehousing sector has gained significant attention from institutional real estate investors as it emerges as one of the most sought-after asset classes, reshaping the real estate landscape. One of the key drivers of investment in the industrial real estate and warehousing sector has been the rapid growth of e-commerce and the associated need for last-mile delivery facilities.

With the rise of online shopping, companies require strategically located warehousing facilities to store and distribute products to customers in a timely and cost-effectively.

The recent 'India Warehousing — A Sunrise Sector' report by CREDAI-ANAROCK highlights the pressing need for adequate supply to meet the growing demand for Grade-A warehousing in India. Over the next three years, an estimated absorption of about 223 million square feet is projected, creating a profitable investment opportunity of \$3.8 billion primarily driven by the third-party logistics and e-commerce sectors, which account for 60% of the warehousing space.

Investors have been taking note of this trend, and as a result, there has been a surge in investment activity in the sector. Major global institutional investors, including Blackstone, GIC and CPPIB, have invested substantial amounts in the Indian industrial real estate and warehousing sector, recognising its potential and growth prospects.

This sector is experiencing substantial growth thanks to the government's proactive initiatives. The Make in India program and the National Logistics Policy has been implemented to create a favourable environment for investment and facilitate the development of industrial infrastructure.

These initiatives aim to attract investors and propel the sector's expansion. Among the diverse investment options available, there is a notable focus on multi-modal logistics parks, third-party logistics players, automated warehouses, and the establishment of warehouses in tier-II and tier-III cities to support quick e-commerce deliveries. Backed by strong government support, India's industrial real estate and warehousing sector continues to flourish, presenting profitable opportunities for investors.

#### Growth Of Multi-Modal Logistics Parks

India's strategic location at the crossroads of major international trade routes gives it a significant advantage in transportation and logistics activities. Its proximity to key markets in Asia and the Middle East positions it as an ideal hub for transportation and logistics activities.

Since logistics parks provide a comprehensive logistics solution that caters to the needs of businesses of all sizes, from small and medium enterprises to large corporations, the Indian government has also recognised the importance of logistics infrastructure, which includes the development of logistics parks, creation of dedicated freight corridors and the implementation of policies to encourage private investment in logistics infrastructure.

Additionally, they provide a wide range of services tailored to the specific needs of e-commerce businesses, including warehousing, fulfilment, and last-mile delivery. By leveraging its strategic advantages and offering integrated logistics solutions, India's multi-modal logistics parks are going to play a vital role in driving the efficiency and growth of the logistics industry.

#### Third-Party Logistics Players (3PL)

3PL providers specialise in logistics management and have the expertise and experience to handle complex supply chain operations. They have a deep understanding of the latest technologies and industry best practices, which enables them to optimise warehouse operations for maximum efficiency and cost savings. 3PL providers offer flexible solutions that can be tailored to the specific needs of each client.

They can handle a wide range of logistics services, including warehousing, transportation, and inventory management. The flexibility provided by 3PL providers is particularly advantageous for businesses.

It allows them to scale their operations up or down based on demand fluctuations without significant infrastructure investments. This scalability ensures that businesses can meet customer demands efficiently while remaining agile in a rapidly changing market.

#### Automated Warehouses

The Indian government's focus on promoting the manufacturing sector through initiatives like Make in India and Digital India has encouraged the adoption of automation technologies in warehouses. These initiatives aim to enhance operational efficiency, reduce costs, and facilitate the growth of the manufacturing and logistics sectors.

Traditional warehouses in India often face manual handling, inventory management, and space utilisation challenges. Automated warehouses offer improved supply chain optimisation by streamlining processes, reducing human errors, enhancing inventory accuracy, and enabling faster order fulfilment.

These benefits have prompted companies to invest in automated warehouse solutions. By leveraging automation technologies, businesses can achieve greater efficiency, cost savings, and competitiveness in the market. The growth of automated warehouses aligns with the government's vision of a digitised and modernised manufacturing and logistics ecosystem in India.

#### Investments In Tier 2 And 2 Markets

Tier 2 and 3 cities in India are witnessing rapid urbanisation and industrialisation. As a result, there is a growing need for warehousing facilities to support various industries, including e-commerce, retail, manufacturing, and logistics.

Compared to metro cities like Mumbai, Delhi, and Bangalore, these cities offer relatively lower land and operational costs. This cost advantage can make warehousing investments more financially attractive and result in higher profit margins.

Tier 2 and 3 cities in India have a large and expanding consumer base. As these cities witness economic growth and rising disposable incomes, the demand for goods and services increases. This increased consumption drives the need for efficient warehousing and distribution centres.

Industrial real estate plays an essential role in diversifying the Indian economy. As the country shifts its focus away from just agricultural and service outputs, industrial real estate is becoming increasingly important to support the growth of manufacturing industries.

The combination of lower costs, a growing consumer base, government initiatives, strategic location, and the need for economic diversification has spurred investments in warehousing facilities in tier 2 and 3 cities in India. This trend is expected to continue as these cities offer significant opportunities for businesses seeking to expand their operations and tap into the growing markets in these regions.

India's industrial real estate and warehousing sector is witnessing a significant influx of investments, driven by various factors such as the rapid growth of e-commerce, government initiatives, and the cost advantage offered by tier 2 and 3 cities. The sector is reshaping the real estate landscape, attracting attention from institutional investors who recognise its potential and growth prospects.

With the pressing need for Grade-A warehousing facilities and the projected absorption of millions of square feet in the coming years, the investment opportunity in the sector is estimated to be worth billions of dollars. The government's focus on developing logistics infrastructure, multi-modal logistics parks, and promoting automation technologies further supports the sector's growth. As India diversifies its economy and witnesses urbanisation and industrialisation, the warehousing sector plays a crucial role in meeting the increasing demand for efficient storage and distribution centres. The combination of favourable market conditions, government support, and the untapped potential of tier 2 and 3 cities makes the industrial real estate and warehousing sector an attractive hotspot for investment capital.