

# India Industrial and Logistics





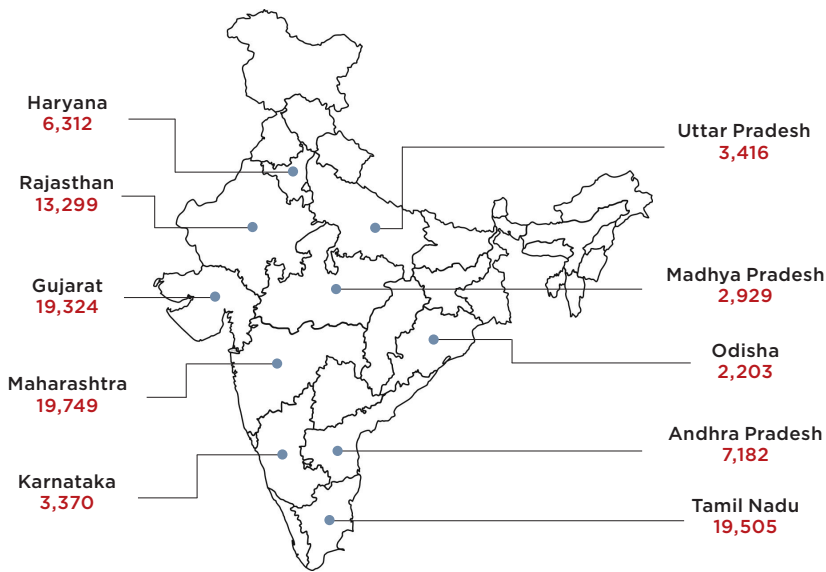
# India's industrial and logistics sector on an upward growth trajectory

GRAPH 1: The Industrial Land Bank in India



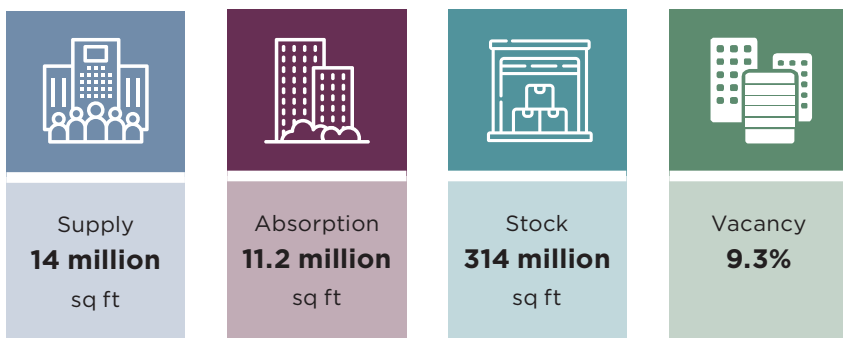
Source DPIIT, Government of India  
Note: Data as of May 2023.

MAP 1: State Wise Availability of Industrial Land in Hectares (top 10 States)



Source DPIIT, Government of India  
Note: Data as of May 2023.

GRAPH 2: Key Statistics in Tier I Cities, 1H/2023



Source Savills Industrial Research  
Note: Data as of May 2023.

## AN ECONOMY POISED FOR GROWTH

The World Bank has affirmed that GDP is projected to grow by 6.3% in 2023-24, while the average inflation rate is estimated to be 5.2% over the same period. The primary factors contributing to the downward trend in inflation include the easing of global commodity prices, a slower pace of currency depreciation, and a moderation in domestic demand.

Global uncertainties, slower consumption growth, and rising borrowing costs are likely to have a significant impact on the growth of the global economy. However, the Indian economy is anticipated to show resilience and continue its growth trajectory.

In this edition, we have chosen to highlight a set of tier-1 markets in the industrial, logistics and warehousing space. These markets are key to understanding a cohesively and rapidly emerging class of real estate in the country. These are not merely of great interest to investors, but more importantly, are central to India's growth over the next several decades.

## A BURGEONING MANUFACTURING LANDSCAPE

India's manufacturing sector plays a vital role in driving the country's economic growth, making a significant contribution to the Gross Domestic Product (GDP). It constitutes approximately 15% of India's GDP and remains the largest employer. At present, the Indian manufacturing sector is on a high growth trajectory. According to World Bank estimates, the manufacturing sector is projected to experience a growth rate of 6.8% in 2023-24, while the Purchasing Managers Index (PMI) has consistently remained above the threshold of 50 since September 2021, reflecting a stable growth trend in the sector.

In recent years, the Indian government has implemented several initiatives to augment the manufacturing sector that have significantly improved the overall business environment. In a major effort to encourage domestic manufacturing, the government of India has slashed the corporate tax rates of new manufacturing companies to 15%, making it the lowest in Southeast Asia. The sector has seen further traction backed by the roll out of Performance Linked Incentives (PLI) scheme. In Budget 2022-23, the government allocated US\$315 million for promoting electronics and IT hardware manufacturing, and US\$104.25 million for the Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (FAME-India) initiative in Budget 2021-22.

India has established multiple industrial corridors, special economic zones (SEZs),

and dedicated industrial parks to support and promote industrial growth. The government has identified large-sized land parcels across several states which could potentially be offered to new manufacturing entrants.

**THE MANUFACTURING & WAREHOUSING LANDSCAPE IN TIER I CITIES**

Industrial and warehousing space witnessed absorption of around 11.2 million sq ft in 1H/2023 across tier I cities. Among the major cities, Delhi-NCR led the pack with the highest absorption of 21% followed by Mumbai at 16%. Bengaluru and Pune are at 14% each and Chennai at 12%. Grade A space accounted for 51% of total absorption witnessed across the top eight cities indicating significant demand for quality space.

The top eight cities of India witnessed fresh supply of 14 million sq ft in 1H/2023. The market is witnessing new projects delivered with improved specifications and higher environmental, health and safety

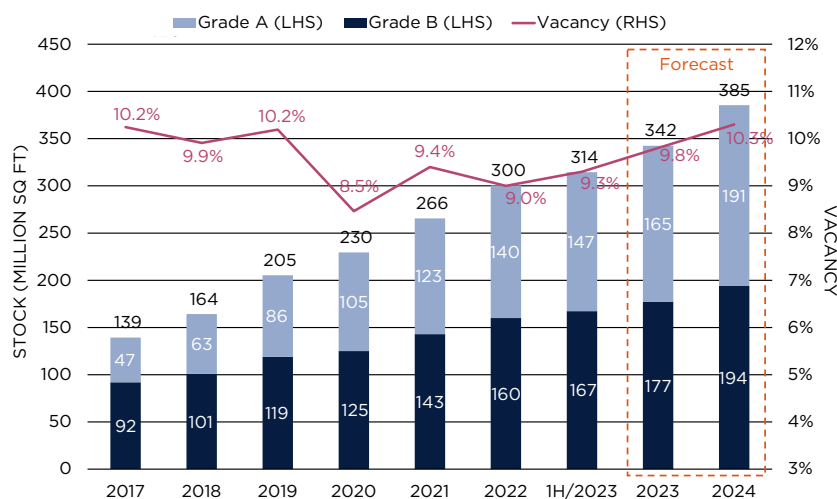
**The industrial and logistics sector is poised for significant growth in 2023, with a projected absorption of over 35+ million sq ft for tier I cities. This demand is expected to be driven by the 3PL sector, the growing need for urban warehousing, and a major transformation in the Indian manufacturing sector. The shift is further supported by the Performance Linked Incentives (PLIs) and efficient multimodal connectivity plans designed for local and global distribution purposes.**

**TABLE 1: City Supply and Absorption in Tier I Cities, 1H/2023**

CITY	ABSORPTION	SUPPLY
Ahmedabad	7%	8%
Bengaluru	14%	7%
Chennai	12%	14%
Hyderabad	8%	4%
Kolkata	8%	12%
Mumbai	16%	10%
NCR	21%	32%
Pune	14%	12%

Source Savills Industrial Research  
Note: Data as of May 2023.

**GRAPH 3: Supply, Stock and Vacancy in Tier I Cities, 2017 to 2024F**



Source Savills Industrial Research  
Note: Data as of May 2023.

(EHS) standards. As a result, there has been a consistent increase in grade A supply across cities in recent years. In 1H/2023, grade A space accounted for 49% of total supply witnessed across the top eight cities.

The overall industrial and warehousing stock in tier I cities stands at 314 million sq. ft in 1H/2023 and is expected to reach 342 million sq ft in 2023 and 385 million sq ft in 2024. As of 1H/2023, Delhi-NCR has a cumulative industrial and warehousing stock of 76 million sq ft accounting for 24% of the total stock among tier I cities, the highest in the country followed by Mumbai at 54 million sq ft (17%), Bengaluru at 40 million sq ft (12.7%) and Pune at 37 million sq ft (11.8%) respectively.

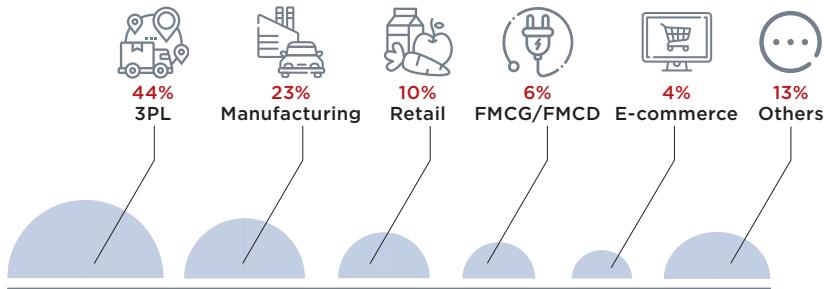
**SECTORAL DEMAND**

In the last two to three years, the 3PL sector has played a significant role in driving demand, accounting for approximately 40% to 50% of the total. The manufacturing sector has gained momentum due to increased activity backed by various incentive schemes including the Production Linked Incentive Scheme (PLI). In 1H/2023, the 3PL sector continued to drive warehousing demand, accounting for 44% of the total absorption, followed by the manufacturing sector at 23%, the retail sector at 10% and the FMCG/ FMCD sector at 6%.

**SURGE IN MANUFACTURING & WAREHOUSE SITE TRANSACTIONS**

In 1H/2023, the market witnessed 800 plus acres of manufacturing and warehousing land change hands across tier I cities of which 61% was for manufacturing, 29% was for warehousing and around 10% for mixed

**GRAPH 4: Sector Demand in Tier I Cities, 1H/2023**



Source Savills Industrial Research  
Note: Data as of May 2023.

use (both manufacturing & warehousing) development. The west zone of India accounted for 61% of the transactions followed by the north zone at 21% and the south zone (17%).

**INVESTMENT FLOWS INTO WAREHOUSING SECTOR**

The warehousing sector continues to garner investor interest, although there was some impact on deal activity of the asset class in 1H/2023. The private equity investment inflows into the warehousing sector in 1H/2023 have dropped significantly from over US\$1.5 billion for the whole year 2022. However, it is expected that the sector is likely to bounce back to normalcy as input costs stabilize and developers are able to optimize and adjust to the changing economic scenarios.

We expect to witness increased interest from investors in 2023 owing to inherent domestic demand and expansion of distribution networks in tier II and tier III cities. There is a noticeable trend among institutional investors taking up development of warehousing assets through innovative structuring to achieve higher returns and venturing into tier II and tier III markets.

**OUTLOOK**

The industrial and logistics sector is likely to see absorption of over 35 million sq ft in 2023 from tier I cities. The growing demand for urban warehousing and a major transformation in the Indian manufacturing sector is backed by Performance Linked Incentives (PLIs) and efficient multi-modal connectivity plans for local and global distribution. Rising popularity of quick

commerce companies and e-commerce companies focusing on improving delivery times and the customer experience will result in rapid growth of urban warehousing.

Moving ahead, improved specifications and strong compliance will lead to growth of the industrial and allied sectors. Diverse investment opportunities and growing interest in developing infrastructure around integrated industrial townships, highways, ports, inland waterways, Inland Container Depots (ICD'S), and Free Trade & Warehousing Zones (FTWZs) will boost the sector.

The investment cycle is on an uptick backed by the e-commerce boom, an increased number of 3PLs, improving infrastructure, and freight corridors. Investments in the form of debt funding, equity investments in rental yielding assets, and the entry of new global and sovereign wealth funds can be expected in 2023-24. Furthermore, the existing growth potential, coupled with the government's clear strategy and strong leadership, along with India's cost advantage, will continue to serve as catalysts in attracting significant foreign investment.



For more information about this report, please contact us

**Savills India**

**Anurag Mathur**  
CEO  
+91 12 4402 0556  
anurag.mathur@savills.in

**Savills Industrial & Logistics**

**Srinivas N**  
Managing Director  
India  
+91 98 4544 5495  
srinivas.n@savills.in

**Savills Research**

**Arvind Nandan**  
Managing Director  
India  
+91 22 6833 0000  
arvind.nandan@savills.in

**Simon Smith**  
Regional Head of Research  
& Consultancy, Asia Pacific  
+852 2842 4573  
ssmith@savills.com.hk