

Asian Cities - 1H 2023

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SPOTLIGHT  
Savills Research

# Pakistan Warehouse and Logistics



# Unlocking potential: warehousing and logistics in Pakistan

## MACROECONOMY

Pakistan’s macroeconomy in the first half of 2023 continued to face challenges as inflation soared to 36.4% in April and the interest rate remained at a high of 21%. The Pakistani Rupee continued to weaken, with the exchange rate surpassing 280 PKR per USD, and foreign exchange reserves remained low. In these difficult circumstances, Pakistan is in need of IMF funding to help stabilize its economy and address its fiscal challenges.

## OVERVIEW

Pakistan is a developing country and its warehousing and logistics industry is an essential part of its economic infrastructure. The industry provides critical services such as storage, transportation, and distribution of goods across the country. Over the past decade, the industry has seen significant development due to the growth of the industrial and manufacturing sectors and the rise of e-commerce. This has led to greater demand for warehousing space and logistics services, particularly in urban areas such as

Karachi, Lahore, and Islamabad.

The growth of the warehousing and logistics industry in Pakistan is also due to the emergence of new startups in the country. These startups are leveraging technology to provide innovative last-mile delivery, inventory management, and fulfillment services.

However, the industry also faces challenges such as inadequate infrastructure, security concerns, and a lack of skilled labor. To address these challenges, the government and private sector are investing in infrastructure development, technology, and training programs to ensure the continued growth and success of the warehousing and logistics industry.

## WAREHOUSING LANDSCAPE

There are different types of warehousing found across the country. General warehouse sheds, known as “godowns,” primarily store raw materials and bulk goods, while distribution centers strategically located near residential areas ensure efficient customer-centric operations; these two types of facilities are found across the entire country with a greater presence in major cities like Karachi, Lahore and Islamabad.

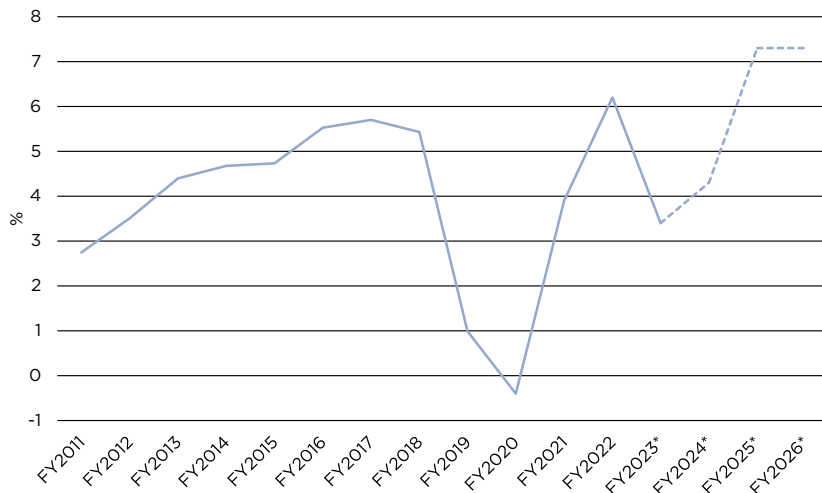
Bonded warehouses near ports provide importers with cash relief by storing goods until taxes are paid upon their removal. These facilities primarily exist in Karachi due to the presence of Karachi Port and Port Qasim.

Temperature-controlled warehouses cater to products such as food, medicines, and volatile inventory requiring specific temperature and humidity control. These diverse warehouse types found in major cities such as Karachi, Lahore, Islamabad, Rawalpindi, Sialkot and Faisalabad, accommodate the storage and operational needs of businesses across sectors, facilitating efficient supply chain management and distribution of goods.

## SUPPLY

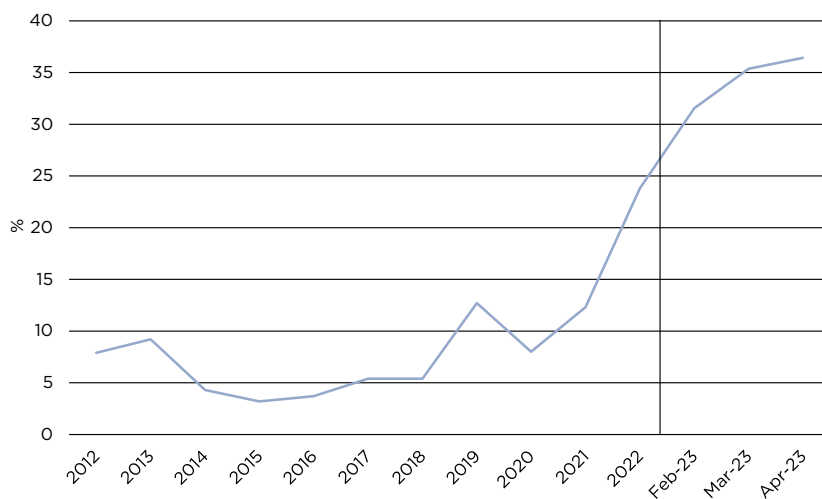
Historically, warehousing in Pakistan has been active through informal, in-house arrangements for required storage of goods. Karachi, being the main port city and trading hub, has the highest supply of Grade A warehousing, driven by demand from multinationals and shipping operators. Lahore is placed second in terms of Grade A warehouse supply, followed by Islamabad and Rawalpindi. Other warehousing hubs include Faisalabad, Multan, Sukkur, located at key points along the industrial belts in the hinterland.

GRAPH 1: GDP Growth, FY2011 to FY2026



Source Savills Research

GRAPH 2: Inflation Trends, 2012 to April 2023



Source Savills Research

Warehouses in all major cities are typically located in designated industrial areas that offer good accessibility for both white and blue collar workers, good connectivity to the city and favorable logistical advantages, ensuring efficient distribution and supply chain management.

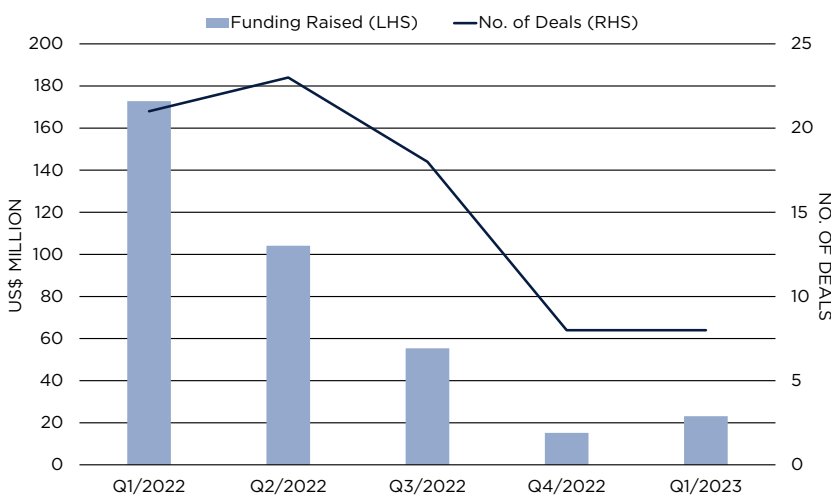
**DEMAND**

The demand for high-quality warehousing facilities is primarily fueled by multinational corporations (MNCs) and large corporates. The recent expansion of the startup ecosystem, particularly in the Q-Commerce and B2B logistics sectors, has led to an increased need for godowns, distribution centers, and dark stores across major cities nationwide. As a result, the demand for these facilities has witnessed a noteworthy rise.

Karachi's strategic location as a

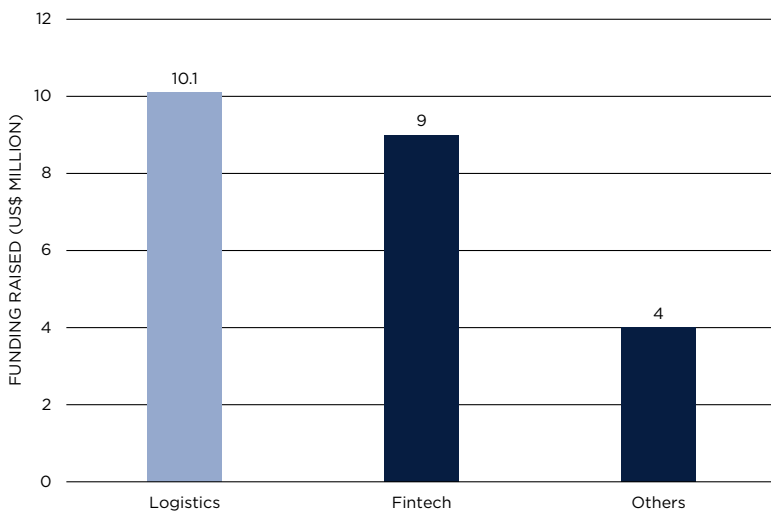
## The warehousing and logistics industry in Pakistan is poised for growth, with government initiatives, infrastructure development, and a vibrant startup ecosystem creating a promising landscape.

**GRAPH 3: Pakistan's Startup Funding Activity, Q1/2022 to Q1/2023**



Source Savills Research

**GRAPH 4: Top Funded Sectors, Q1/2023**



Source Savills Research

major port city has made it an attractive destination for businesses and investors alike, leading to higher economic activity and larger concentration of industries than other major cities such as Lahore and Islamabad. With the rise in economic activity and population, the demand for warehousing and logistics services has also increased significantly, making Karachi the primary hub for warehousing and logistics operations in Pakistan. The city's well-developed infrastructure, including transportation networks, industrial estates, and export processing zones, further supports its position as the leading hub for warehousing and logistics in the country.

While Karachi remains the primary hub for warehousing and logistics operations in Pakistan, Lahore has also emerged as a significant contender, with its airport and well-developed road infrastructure making it the second highest city in demand for warehousing and logistics services.

**PRICING**

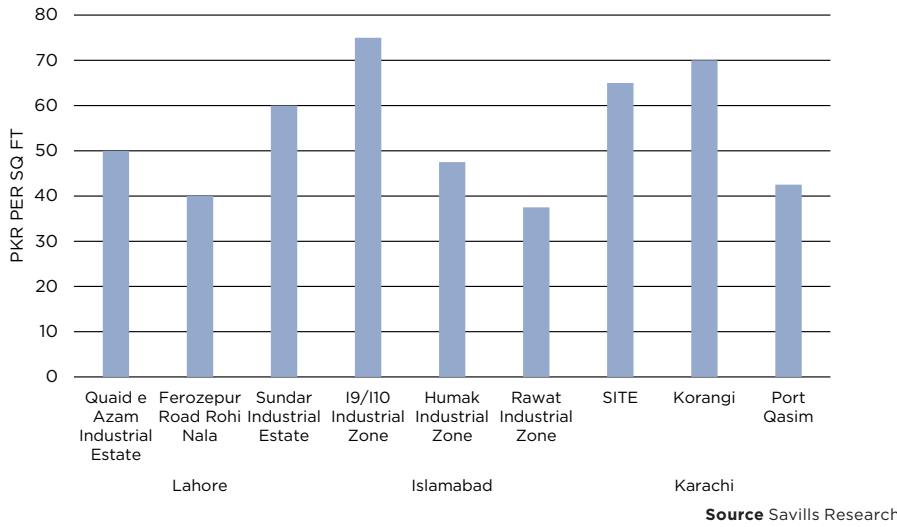
Warehouses are generally leased due to rising industrial land prices and capex limitations of companies which do not have access to high amount of capital, especially startups.

Lease rates of warehouses in major industrial areas of Karachi vary depending on their location. Average lease rates range from PKR35 to PKR80 per sq ft with the higher rates found in Korangi Industrial Area where industrial land prices go up to 870 million PKR per acre.

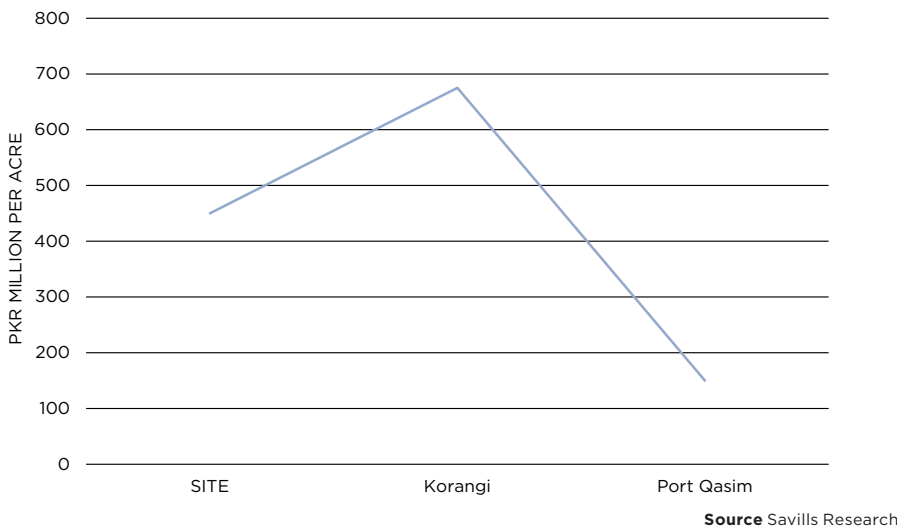
Similarly in Lahore, lease rates in major industrial areas such as Quaid-e-Azam Industrial Estate, Sundar Industrial Estate and Ferozepur Road Roohi Nala, range from PKR30 to PKR70 per sq ft with sale rates ranging between PKR12,000 and PKR16,000 per sq ft in the same areas.

Islamabad lease rates are on average on the lower side compared to Lahore and Karachi due to comparatively lower demand

**GRAPH 5: Average Lease Rate - KLI, Q1/2023**



**GRAPH 6: Karachi Average Industrial Land Price, Q1/2023**



for warehousing in the city, with rates in Humak and Rawat Industrial zones ranging from PKR30 to PKR55 per sq ft. However, the I9 and I10 Industrial zones have lease rates which are much higher, ranging between PKR65 and PKR85 per sq ft due to higher industrial land prices and existing supporting infrastructure facilities for the warehousing market.

**FUTURE OUTLOOK**

The future of the warehousing and logistics market appears promising, driven by various factors which are expected to generate significant demand. The recent introduction of government amnesty schemes for industrial investment, coupled with the launch of Special Economic Zones (SEZs), is anticipated to create a favorable investment climate and attract more businesses to the sector. The development of road networks, particularly the CPEC Highways, will enhance connectivity and facilitate efficient transportation, further boosting the demand for warehousing and logistics services. Additionally, the overhaul and upgrade of railways, such as the Mainline (ML-1) and the development of a dedicated freight corridor from KPT to Pipri, will contribute to improved logistics capabilities. The expansion of port capacity in Karachi will accommodate increased trade volumes and necessitate additional warehousing infrastructure. Furthermore, the growth of the startup ecosystem and increased venture capital funding are expected to fuel demand for warehousing and logistics, particularly in the e-commerce and innovative logistics sectors. Collectively, these factors point towards a promising future for the warehousing and logistics market in Pakistan, with ample opportunities for growth and development.



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