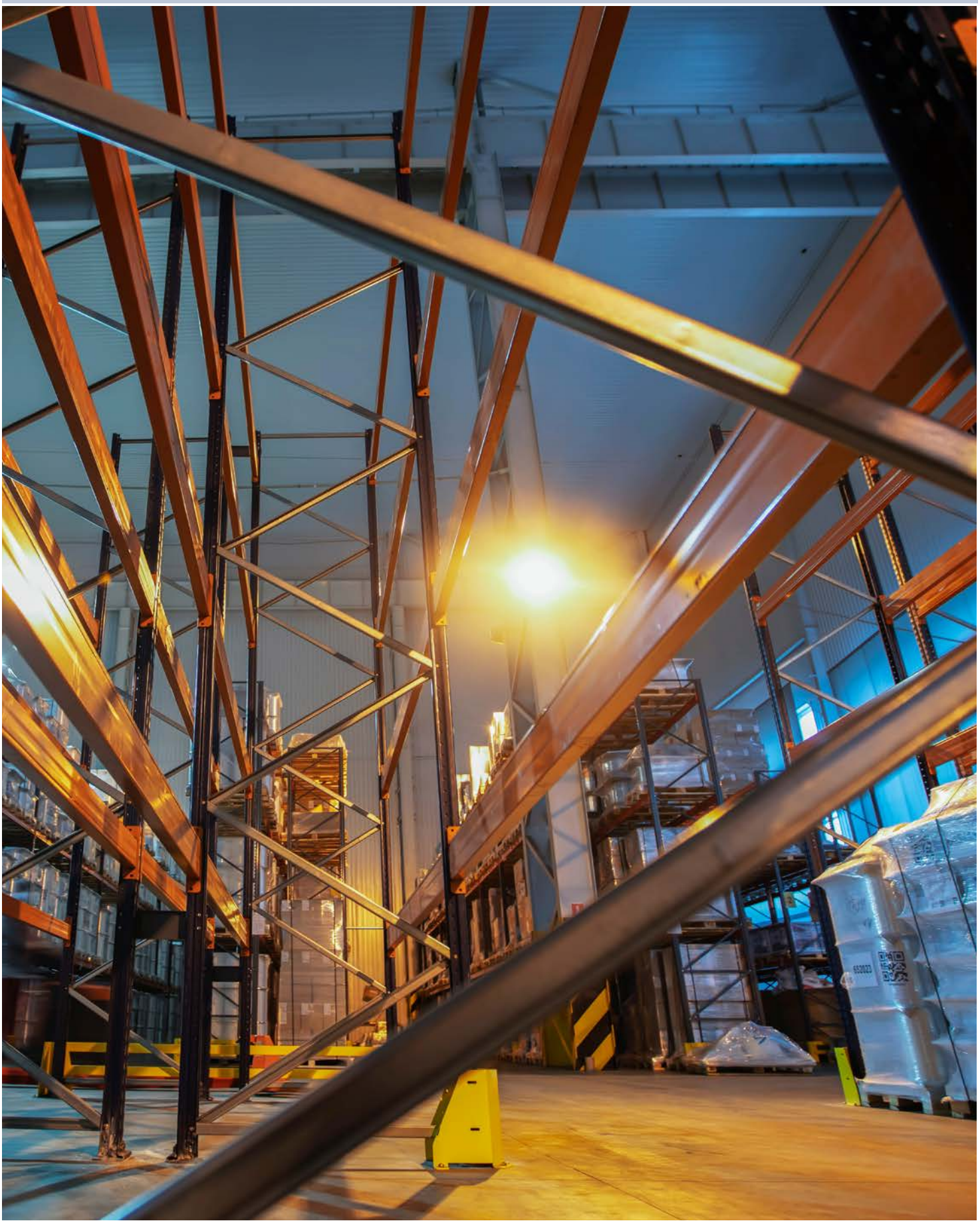
SPOTLIGHT
Savills Research

Year-End 2022

Market in Minutes:
Delhi-NCR Industrial & Logistics

savills







INDIA ECONOMY: 2022

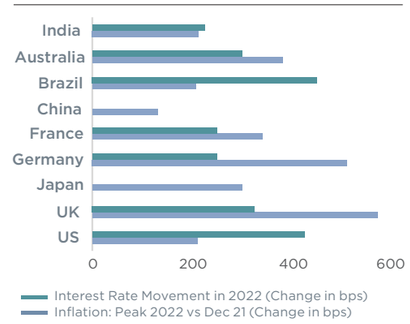
As 2022 ended, it became obvious that this was perhaps the third successive year of remarkably distinct and unforeseen events. We present a brief account, in this section, of key events that shaped the economy and real estate sector in India this year.

Successfully riding out the short-lived third wave of the pandemic in January, the country watched from a distance as the war broke out in Europe next month. It disrupted supply chains globally and sent crude prices soaring. Consequently, inflation shot above the comfort zone of central banks. Predictably, interest rates shot up around the world (Chart-1).

Soon, The Indian economy too began experiencing the ripple-effect of this black swan event.

GLOBAL CONCERN AREA: INFLATION

Chart-1: Central Banks' Responses to High Inflation



Source: FxEmpire, Savills India Research

'OASIS OF STABILITY & CALM'

India is set to be the second-fastest growing economy in the G20 in FY 2022-23 according to the OECD, despite decelerating global demand, geopolitical issues and monetary measures to manage inflationary pressures. The IMF, in its October 2022 World Economic Report, projected a 6.1% GDP growth rate for India in FY23.

For the first time since the onset of the pandemic, we witnessed a complete calendar year of manufacturing and services PMI remaining in expansionary mode (Chart-2). At 57.8, the manufacturing PMI was at a 26-month high in December 2022. Similarly, services PMI was at an 11-year high of 59.2 in June 2022.

In another remarkable event, India surpassed the UK to become the world's fifth largest economy in the third quarter of 2022.

Union Finance Minister's proclamation "India seems to be an oasis of stability and calm, and the challenges are being carefully firewalled.'" seems to sum up the overall picture succinctly.

1. Times of India, 8th Nov 2022
2. Trading Economics
3. CMIE

Potential Pitfalls

The economic rebound, however, needs to be viewed with ample caution, as potential pitfalls may lie ahead. The Indian Rupee depreciated steadily through 2022, breaching the 80-Dollar mark in September. Current Account Deficit (CAD) at 4.4% of GDP, rose to a 9-year high in Q2 FY23. In order to stabilize the Rupee, the RBI had to dip into its forex reserves. As a result, the reserves hit a 2-year low of USD 524 Bn in October. Notably though, it has since improved to USD 564 Bn.[2] Unemployment rate, though relatively manageable at 6-9%[3] throughout 2022, needs close monitoring given the volatile global economic environment.

Click here to read #SavillsRoundUp: A bi-monthly reporting of economic and real estate news



Click here to read

Note: FY refers Fiscal Year (Apr-Mar)
1 USD = Approx. 82.75 INR on Dec 31, 2022

POLICY ACTION

Inflation and Rupee depreciation were tackled with several measures, namely, withdrawal of accommodative stance, consecutive repo rate increases and liquidation of forex reserves.

Policy statements and socio-political messaging retained a sense of occasion in celebrating 2022 as the 75th year of India's independence; as also, in laying a foundation for the lead up to the 100th anniversary in a quarter-century.

Budgetary Announcements

Union Budget 2022-23, like the previous year's budget, focused on keeping the economy on an accelerated growth path.

- Multi Modal Logistics Parks (MMLPs)
- Replacement of the SEZ policy with a revamped Development of Enterprise & Services Hub (DESH) law, of which, the finer details are awaited
- Unveiling of National Logistics Policy

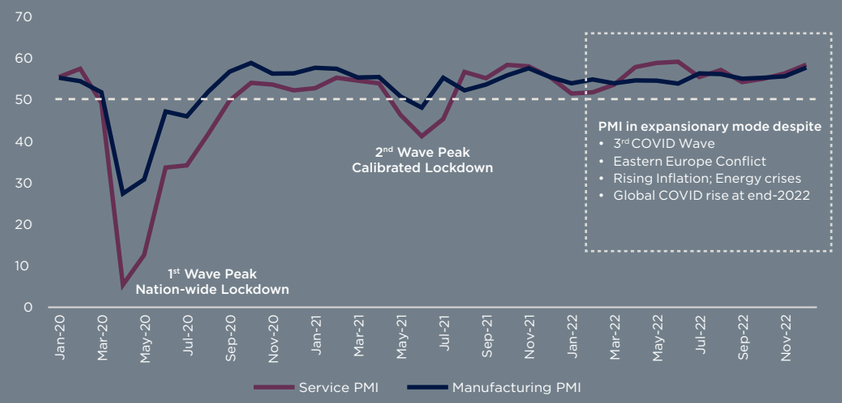
Real Estate Specific Announcements

Other direct real estate announcements included

- Infrastructure status to Data Centres
- Unique Land Parcel Identification Number to facilitate IT-based management of records
- Enhanced allocation to Pradhan Mantri Awas Yojana (PMAY)
- Steps aimed at Urban Capacity Development
- InvITs and REITs were also allowed to issue commercial papers

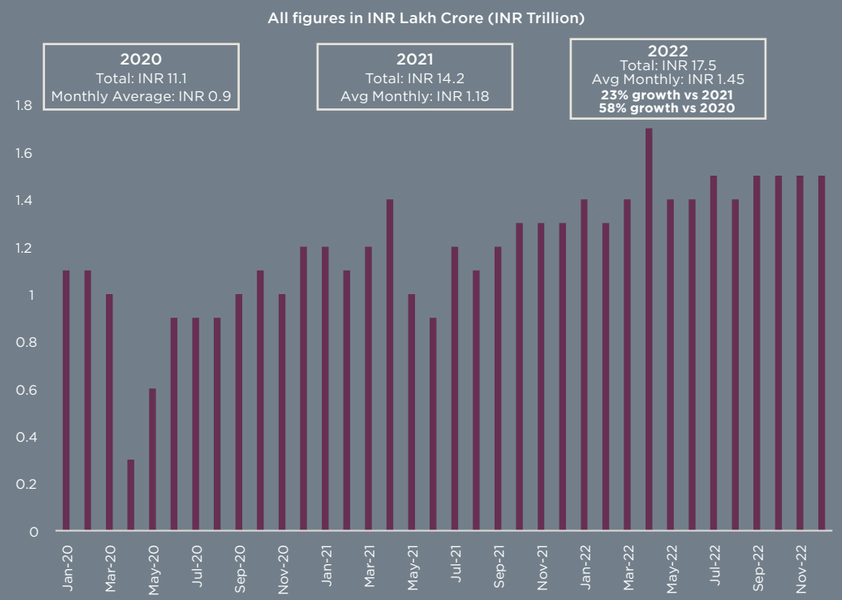
Chart-2: India: Purchasing Manager's Index (PMI) Performance

PMI is an indicator of business activity - both in the manufacturing and services sectors. A figure above 50 denotes expansion in business activity. Anything below 50 denotes contraction. The higher the difference from the mid-point (50), the greater the expansion or contraction.



Source: FxEmpire, Savills India Research

Chart-3: GST Collections



Source: pib.gov.in, Savills India Research

GLOBAL HEADWINDS & GROWTH

With the emergence of new virus variants towards the end of 2022 and the war in Eastern Europe dragging on, experts and analysts have cautioned of an imminent global economic slowdown in 2023. India is also likely to feel the impact – as is reflected in revisions of growth forecasts.

However, inherent domestic macro-economic strengths, as well as room for fiscal and monetary maneuverability, has given India some advantage against upcoming uncertainties. Given that monetary policy actions take a few quarters to show the desired impact, inflation is likely to remain in controlled levels in the near term. Foreign investor confidence is also likely to remain unperturbed, in view of complex geopolitical situations in other larger economies. A watchful H1 could eventually pick up speed as 2023 progresses, is what most businesses will hope.



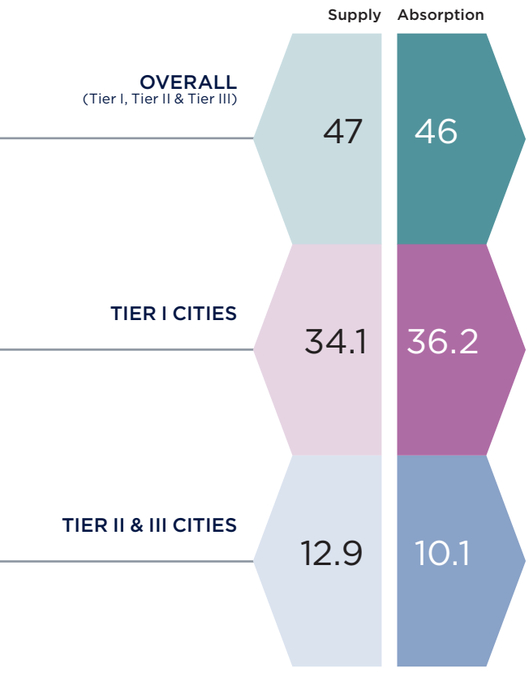
In the 75th year of independence, India became the 5th largest economy (by nominal GDP) and is widely expected to reach the top 3 by 2030.

India received USD 26.9 Bn FDI Equity investments in the first two quarters of FY23 (April-September 2022). Key sectors attracting maximum FDI include the services segment, computer software & hardware, telecommunications, trading, construction development, automobile, chemicals and pharmaceuticals.



INDIA
Industrial & Logistics Market

Key Statistics
(in mn sq. ft.)



Key Trends

The market witnessed absorption of 46 mn sq. ft. in 2022 including 36 mn sq. ft. from Tier I cities and 10 mn sq. ft. from Tier II and III cities.

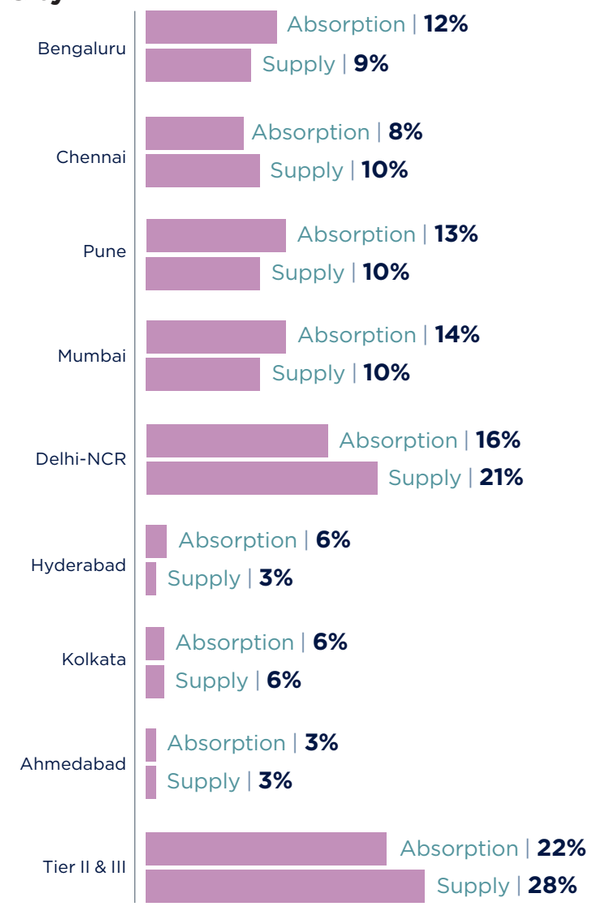
India witnessed a fresh supply of 47 mn sq. ft. in 2022 including 34 mn sq. ft. from Tier I cities and 13 mn sq. ft. from Tier II and III cities.

The 3PL and e-commerce sectors accounted for 52% of total absorption in 2022 followed by the manufacturing sector at 16%.

NCR accounted for 16% of absorption followed by Mumbai (14%) and Pune (13%). Tier II and III cities together accounted for 22% of the total absorption witnessed in 2022.

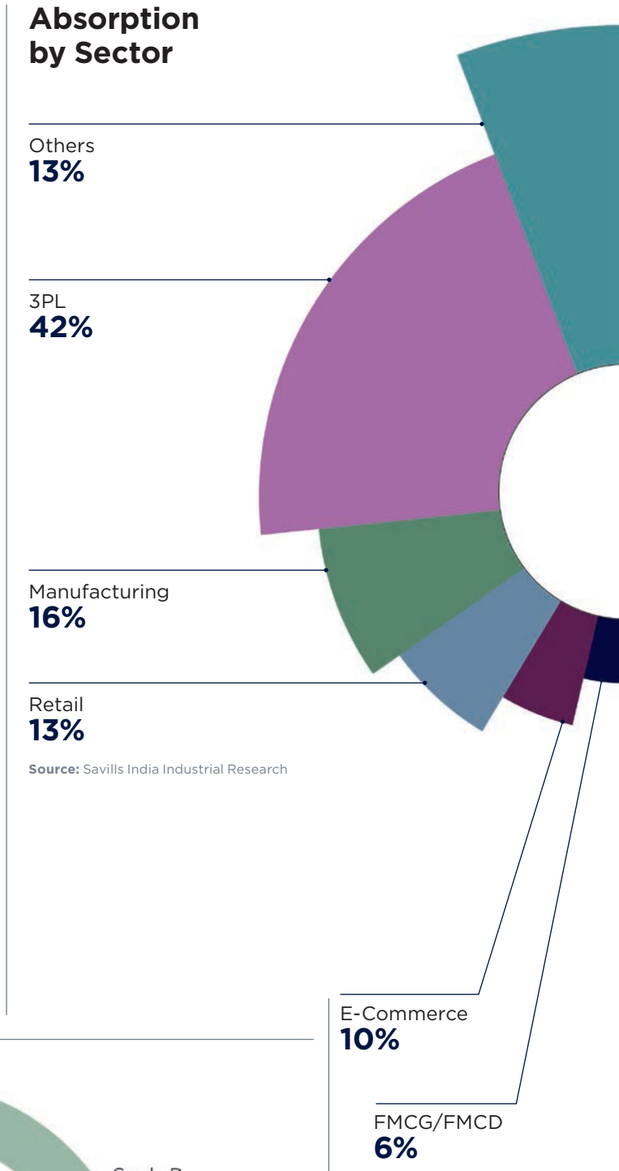
The market witnessed transactions of over 3,800 acres of manufacturing and warehousing land across Tier I, II and III cities.

Supply & Absorption by City



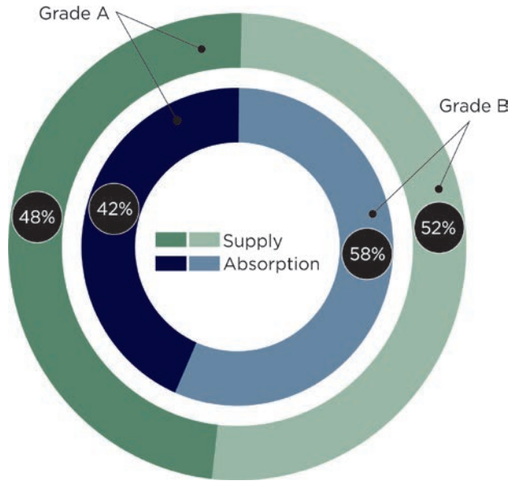
Source: Savills India Industrial Research

Absorption by Sector

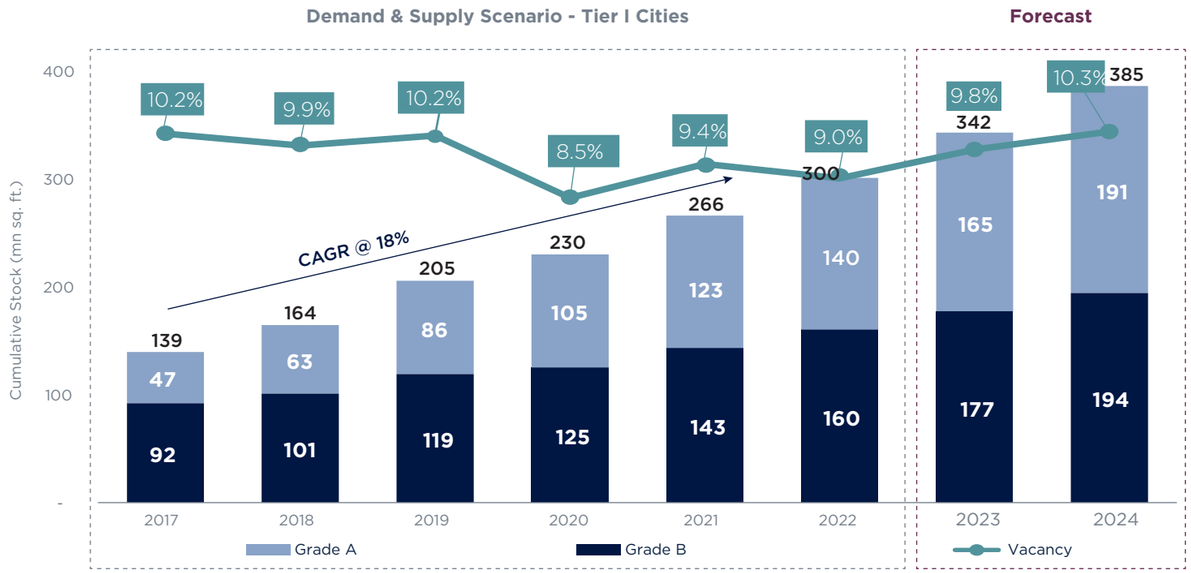


Source: Savills India Industrial Research

Supply & Absorption by Grade



Demand & Supply Scenario - 2022



Tier I Stock, Supply, Absorption & Vacancy - 2022



	Stock (m sq. ft.)	Supply (m sq. ft.)	Absorption (m sq. ft.)	Vacancy (%)
Delhi-NCR	71.6	9.7	7.3	12.6
Ahmedabad	15.8	1.6	1.4	11.8
Mumbai	52.7	4.8	6.3	12.1
Pune	35.3	4.7	6.0	3.6
Kolkata	30.9	3.0	2.9	5.2
Hyderabad	23	1.6	2.8	3.9
Bengaluru	39	4.0	5.8	8.1
Chennai	31.4	4.6	3.7	8.9

Source: Savills India Industrial Research
Note: as on end 2022

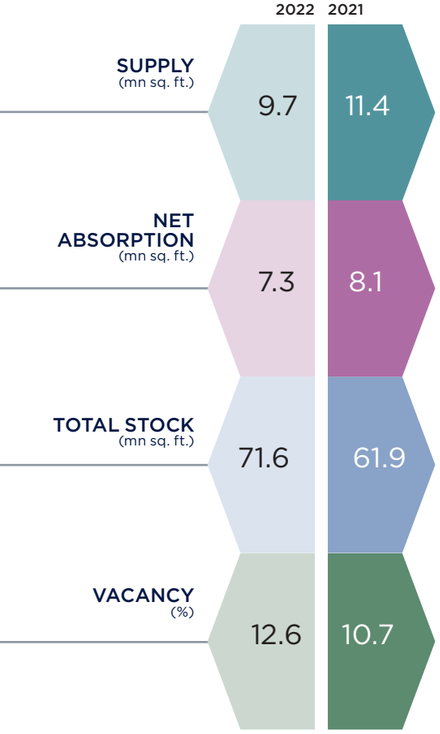




DELHI-NCR

Industrial & Logistics Market

Key Statistics



Key Trends

Supply and absorption concentrated in Gurugram micro-market

3PL and retail sectors are driving the demand in NCR

Overall vacancy rates increased

Rental values marginally increased for compliant buildings

Supply, Absorption, and Vacancy

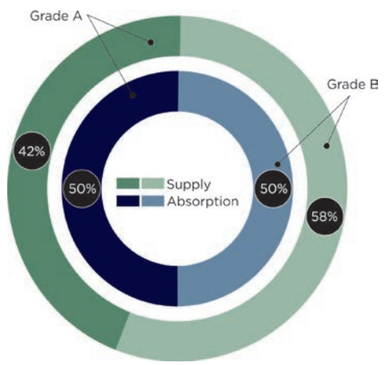
Industrial and warehousing space absorption in the NCR region was at 7.3 million sq. ft. in 2022 against 8.1 million sq. ft. in 2021. Grade A space accounted for 50% of the total absorption witnessed in the city in 2022. The 3PL and retail sectors together accounted for 64% of the total absorption witnessed in 2022.

On the supply side, 9.7 million sq. ft. of supply was witnessed in 2022 against 11.4 million sq. ft in 2021 of which 42% was Grade A supply.

The operational stock stands at 71.6 million sq. ft. as of 2022. The overall vacancy levels increased from 10.7% in 2021 to 12.6% in 2022.

The Gurugram micro-market accounted for 69% of the total absorption and 64% of the total supply respectively in 2022. The other micro-markets contributing to the absorption are NOIDA, Ghaziabad, Sonipat, and Faridabad.

Supply & Absorption by Grade



Major Transactions

OCCUPIER | Micro-Market | Area Leased (sq. ft.)

3PL
Gurugram
475,000

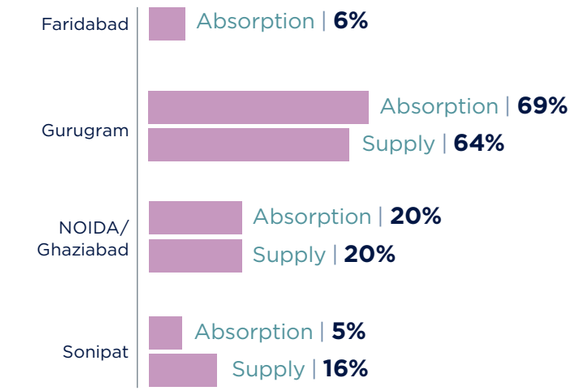
3PL
Gr NOIDA/NOIDA
100,000

E-COMMERCE
Gurugram
350,000

FMCG
Sonipat
100,000

RETAIL
Gurugram
300,000

Supply & Absorption by Micro-Market



Source: Savills India Industrial Research

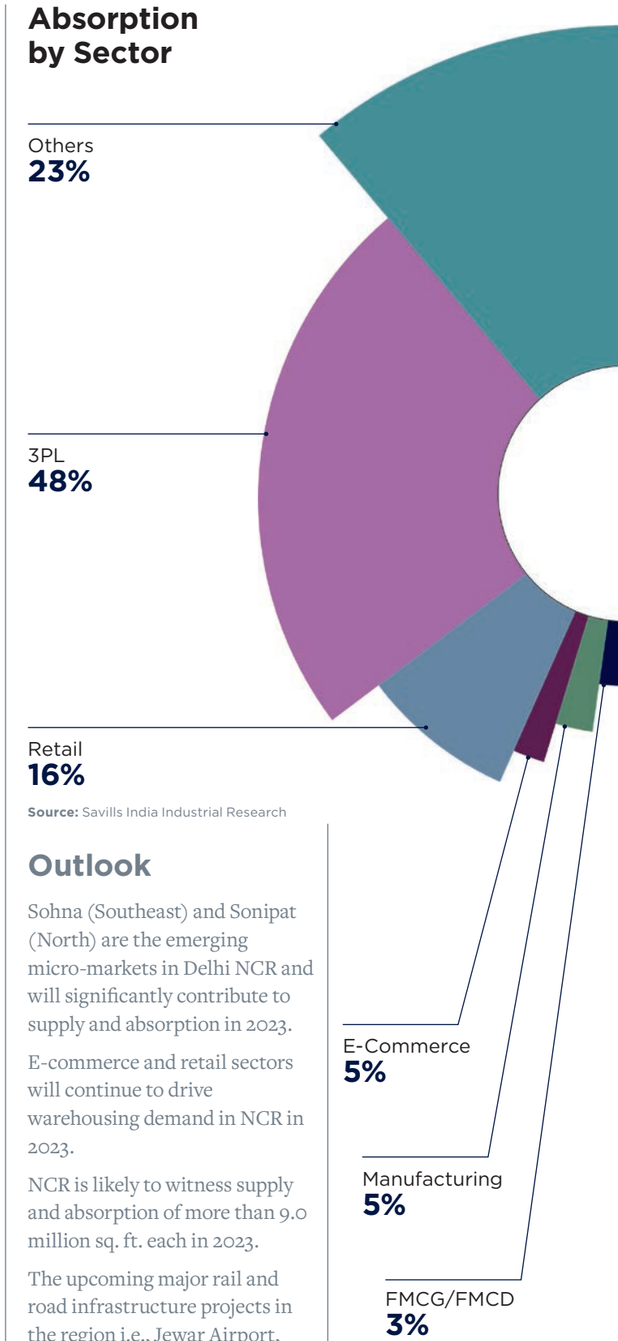
Rental Values

Rental Value Range (INR psf pm)

Manufacturing		Warehousing
35 – 20	Gurgaon	17 – 24
22 – 18	Sonipat	16 – 22
40 – 22	Noida/ Ghaziabad	24 – 35
26 – 18	Faridabad/ Palwal	16 – 24

Source: Savills India Industrial Research
Note: Rental Values on Carpet Area

Absorption by Sector



Source: Savills India Industrial Research

Outlook

Sohna (Southeast) and Sonipat (North) are the emerging micro-markets in Delhi NCR and will significantly contribute to supply and absorption in 2023.

E-commerce and retail sectors will continue to drive warehousing demand in NCR in 2023.

NCR is likely to witness supply and absorption of more than 9.0 million sq. ft. each in 2023.

The upcoming major rail and road infrastructure projects in the region i.e., Jewar Airport, Eastern Dedicated Freight Corridor, DMIC, etc. will further act as a strong catalyst in the near future.

MANUFACTURING
Sector in India

Quick Snapshot

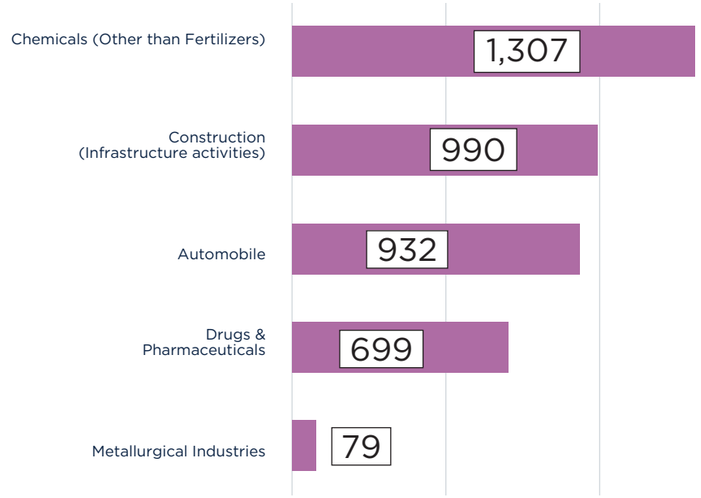
- 2nd largest cell phone **manufacturer**
- 2nd largest **steel** producer
- 3rd largest **pharmaceuticals** producer
- 4th largest **automotive** market by volume
- 5th largest exporter of **textiles**
- 6th largest **chemical** sales by volume

Key Trends

- Overall industrial production this fiscal (April-October-2022) has grown by 5.3%.
- India's manufacturing PMI continued on a steady path backed by strong output growth, new orders and exports.
- Manufacturing has emerged as one of the high growth sectors in India, and has seen further traction after the roll out of the PLI scheme with major multinational players announcing their investment plans in the country.
- The inflow of FDI into manufacturing surged, backed by Make-in India and government initiatives. During Apr-Sep 2022, automobiles, drugs and pharmaceuticals, metallurgical industries and chemicals (other than fertilizers) together attracted FDI of $ 3,017 million.
- In 2022, the market witnessed transactions of over 3,800 acres of manufacturing and warehousing land across Tier I, II and III cities of the country. Of this, 78% was for manufacturing purpose and 18% for warehousing.

Surge in FDI Inflows

FDI equity inflows into the Manufacturing Sector (Apr 2022-Sep 2022)



Source: DPIIT, Govt. of India
*April 2022-Sep 2022

Land Transactions in 2022

Zone-wise land transactions in 2022

Zone	% Share
East	7%
North	15%
South	38%
West	41%

Source: Savills India Industrial Research

Land transactions by occupier type 2022

Property Type | % Share

Mixed	Manufacturing	Warehousing
4%	78%	18%

Source: Savills India Industrial Research

Land transactions by ownership type 2022

Property Type | % Share

Government	Private
36%	64%

Source: Savills India Industrial Research



Delhi-NCR Industrial & Logistics Market – Year End 2022

INSTITUTIONAL

Investment in Industrial and Warehousing

Key Trends

Foreign funds attracted to India Industrial and Warehousing segment

The industrial & logistics sector continues to garner investor interest. The sector raised private equity in excess of $ 1.5 billion in 2022, although there was some impact on the financials of the asset class in the 2nd and beginning of 3rd qtrs. of the year due to rising construction costs, geopolitical issues (Russia-Ukraine war) and rise in interest rates. Normalcy returned as input costs stabilised and developers were able to optimise and adjust to the changing factors.

The huge requirements for quality Grade A space continue to attract investors, both domestic and international.

There is a trend of institutional investors taking up development of warehousing assets through innovative structuring to achieve higher returns.

This asset class is likely to witness increased interest from investors in 2023 owing to inherent domestic demand and expansion of distribution networks in Tier II and III cities.



Major investments in Warehousing Sector - 2022

Asset Holder / Investee	Acquirer / Investor	Amount (USD million)
Lodha Developers	Ivanhoe Cambridge & Bain Capital	1,000
Gokaldas Warehousing Corp.	Adani Group	Undisclosed
ESR	GIC	600
Apeejay Logistics Park	Barings PE	37.5*
Vertical Infra	Blackstone	87.5
XSIO Logistics	Blackstone	50*
Mahindra Lifespaces	Actis	275*
Polytrusions Infrastructure	Flyjac Logistics	29
Kingston Logistics Park	ESR – GIC	Undisclosed
KSH Logistics Parks	Mapletree Logistics	40
Pardos Logistics	DMI Group	Undisclosed

Source: Savills India Industrial Research and Secondary Sources

*Includes Debt

DEFINITIONS



Supply
New building(s) which are completed in a given time frame which includes Grade A and Grade B buildings in both BTS and speculative developments.

Stock
Existing built-up area in all buildings located in a given market. Only Grade A, B+ and B buildings have been considered for computing stock in each market/micro market.

Vacancy
Space is considered vacant till it is available for lease/sale to an end user. Vacancy is total of vacant space in the market/ micro-market.

Pre-lease/Pre-commitment
The agreement to lease drawn up between the owner and the tenant, prior to the completion of a building.

Built-to-suit (BTS)
A building which has been constructed by the developer, tailored for the requirements of an occupier.

Net Absorption
Total of lease transactions (excluding renewals & churns) witnessed in completed buildings in the market/micro-market in a given time frame, which includes Grade A and Grade B in both BTS and speculative developments.

Rental Value
The average of transacted rent(s) from a representative sample of same grade buildings including Grade A and Grade B in a market/ micro-market.

Capital Value
The price at which a sale transaction takes place. [Capital Value= Rent per year/Yield].

Rent Computation
Rents are computed by taking a weighted average of rents in the short-listed basket of buildings wherein there are recent lease transactions, and the frequency of lease transactions is the highest.

Micro-market
A micro market is a geographical segment of the city.

Savills
Savills PLC is a global real estate services provider listed on the London Stock Exchange. We have an international network of more than 600 offices and 39,000 associates throughout the Americas, the UK, continental Europe, Asia Pacific, Africa and the Middle East, offering a broad range of specialist advisory, management and transactional services to clients all over the world.

Savills India
Savills India is a group company of Savills PLC and is a premier professional international property consulting firm. With full-service offices in Bengaluru, Mumbai, Delhi-NCR, Chennai, Pune, Hyderabad and Ahmedabad, the firm serves occupiers, investors and developers of real estate.

Savills India provides services across office leasing, project management, capital markets, valuations, research, consulting, industrial and logistics and residential services. Started in India in 2016, the company employs over 600 professionals.

Central Management

Anurag Mathur
CEO- Savills India
anurag.mathur@savills.in

Arvind Nandan
Managing Director
Research and Consulting
arvind.nandan@savills.in

Srinivas N
Managing Director
Industrial & Logistics
srinivas.n@savills.in

Author

Srinivasa Reddy
Director
Industrial Research & Advisory
srinivasa.reddy@savills.in

Industrial & Logistics Contacts

Namit Kanchan
Director - Chennai
Industrial & Logistics
namit.kanchan@savills.in

Meraj Ali Choudhari
Director - Delhi NCR
Industrial & Logistics
meraj.choudhari@savills.in

Ajay Joshi
Senior Director & Head
Industrial & Logistics
ajay.joshi@savills.in

Shoueb Chishti
Senior Director - Mumbai
Industrial & Logistics
shoueb.chishti@savills.in

Sumit Ghosh
Director - Pune
Industrial & Logistics
sumit.ghosh@savills.in

Rupesh Kumar
General Manager - Bengaluru
Industrial & Logistics
rupesh.kumar@savills.in

Data Centre Services

Niraj Karale
Director & Head
Data Centre Services
niraj.karale@savills.in

Business Development

Namrata Kher
Senior Manager
Business Development
namrata.kher@savills.in

Industrial Investment Services

Sandeep Narayan Singh Deo
Senior Director & Head
sandeep.singhdeo@savills.in

Project Management Services-Industrial

Velprakash K
Executive Director
Project Management
velprakash.k@savills.in

Media Queries

Chinmoyee Kalita
Corporate Communications Lead
chinmoyee.kalita@savills.in

Marketing & Design

Ranjit Kumar
General Manager
ranjit.kumar@savills.in

Umesh Kumar
Manager
umesh.kumar@savills.in

Shikha Nair
Assistant General Manager
shikha.nair@savills.in

Gurugram
3-A, Second Floor, Building 9B
DLF Cyber City, Phase 3
Sector 24, Gurugram 122 002
Haryana, India

Mumbai
403, Tower B, Level 4, The Capital
Street 3, G Block, Bandra Kurla Complex
Bandra East, Mumbai 400 051
Maharashtra, India

Bengaluru
15th Floor, SKAV SEETHALAKSHMI
Corporation No.21, Kasturba Road
Bengaluru 560 001
Karnataka, India

Bengaluru
Vaishnavi Tech Park, WM9C+995
Sarjapur Main Rd, Bellandur
Bengaluru 560 103
Karnataka, India

Chennai
Savills, 5th Floor, North Wing
Harmony Square, New No. 48 & 50
Praksam Street, T. Nagar
Chennai 600 017
Tamil Nadu, India

Pune
Unit #4, 13th floor
Phoenix Fountainhead Tower 2
Phoenix Market City
Viman Nagar, Pune 411 003
Maharashtra, India

Hyderabad
Office No. 06A112
WeWork Krishe Emerald, HITEC City
Hyderabad 500 081
Telangana, India

Ahmedabad
INC-02, The First Commercial Complex
B/S Keshavbaug Party Plot, Vastrapur
Ahmedabad 380 015
Gujarat, India

savills

Savills, the international real estate advisor established in the UK since 1855 with a network of over 600 offices and associates globally.

This document is prepared by Savills for information only. Whilst the information shared above has been shared in good faith and with due care with an endeavour to keep the information up to date and correct, no representations or warranties are made (express or implied) as to the accuracy, completeness, suitability or otherwise of the whole or any part of the deliverables. It does not constitute any offer or part of any contract for sale.

This publication may not be reproduced in any form or in any manner, in part or as a whole without written permission of the publisher, Savills.

© Savills India 2023.