

H1 2023

Q
SPOTLIGHT
Savills Research

Market in Minutes: India Industrial & Logistics

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2022

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INDIA ECONOMY

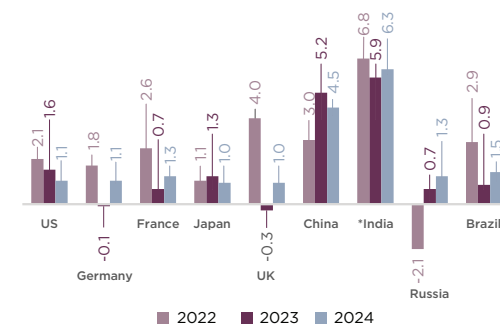
H1 2023

As the first half of 2023 closes, policymakers around the world are navigating through an uncertain if not a previously uncharted terrain. The last few years have seen overlapping crises – COVID-19, the Russia-Ukraine War, rising inflation and interest rates, and liquidity troubles after a series of bank crises. In March 2023, World Bank warned of the makings of a ‘Lost Decade’ for the global economy.¹

While the fear of recession is seemingly ubiquitous, some parts look more vulnerable than others. Nevertheless, select bright spots like India stand out, with negligible chances of a technical recession. India, in fact, continues to be the fastest growing major economy (Chart-1).

INDIAN ECONOMY REMAINS LEAST VULNERABLE

Chart-1: GDP Growth Rates Around the World



— Interest Rate Movement in 2022 (Change in bps)
— Inflation: Peak 2022 vs Dec 21 (Change in bps)

Source: IMF WEO Apr 2023

* Fiscal year basis

REMARKABLE RESILIENCE

Although the global atmosphere necessitated a slight revision in India's GDP growth forecast, it still appears to be an island of low vulnerability, primarily on account of strong macro-economic indicators, demographic advantage and robust consumption. Despite this revision, World Economic Outlook (IMF's flagship report) in its April 2023 edition projected a 6.4% growth rate for India in FY24, an evidence of remarkable resilience, in the face of global headwinds.

The 'growth vs inflation conundrum' seems well managed at this point. Barring the first two months of the year, inflation is within the RBI's tolerance zone since Nov 2022 (Chart-2). In fact, at 4.25%, retail inflation hit a 26-month low in May 2023.

The general economic performance can be viewed through the lens of certain key macro-economic indicators. GST collections were the highest recorded ever, at INR 1.87 lakh crores in April 2023 (up 12% YoY). Interestingly, the revenue collections have been consistently above INR 1.5 lakh crores since March 2023. Both manufacturing and services Purchasing Managers Index (PMI) have been steadily expanding for almost 2 years. Strong sentiments in the IT sector are reflected in the 13-year high services PMI of 62 in April 2023. A 31-month high

in the manufacturing sector is reflected in the manufacturing PMI of 58.7 for May 2023. Brent crude oil prices have remained comfortably below USD100 per barrel throughout 2023, enabling relative stability of the Indian Rupee reportedly at INR 80-82 to a USD, for the most part this year. Foreign exchange reserves, consequently, have increased from around USD 560 bn at the start of the year to USD 596 USD in mid June 2023.

Equity Markets: The Bellwether of Growth Phase

Equity markets often act as powerful barometers for macroeconomic sentiments. Towards the end of June 2023, both BSE SENSEX and NIFTY were trading at all-time highs of 64,000 and 19,000 respectively. More assuring are the key sectoral indices. SENSEX and key sectoral indices have recorded significant gains compared to the pre-pandemic times of early 2020. (Chart-3). As of 28th June 2023, the S&P BSE IT and Realty indices had registered gains of 87% and 82%, vis-a-vis 1st of January 2020.

[Click here to read #SavillsRoundUp: A fortnightly reporting of economic and real estate news](#)



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Note: FY refers Fiscal Year (Apr-Mar)

This section contains figures in Indian system of lakhs and crores (refer Appendix for international conversions)

1 USD = Approx. 82.05 INR on Jun 29, 2023

1. Economic Times

POLICY ACTION

Despite demand concerns across the globe and phases of untamed inflation domestically, India’s growth has remained steady. A key factor powering the upward trajectory post peak-pandemic is strong policy support from various agencies and institutions, including the RBI. While the Atma-Nirbhar Bharat Package was a decisive factor in limiting the impact of devastation during the pandemic, the RBI’s role in maintaining domestic demand and liquidity has been commendable. A close look at retail inflation and repo rate movement since 2020 (Chart-2) reveals that well spaced-out and gradual hikes in benchmark lending rates were mostly successful in handling spiralling inflation, with a manageable impact on demand and growth prospects.

Budgetary Announcements

The Union Budget 2023-24 centered around creating a blueprint for the economy in ‘Amrit Kaal’ – a run from 75 years of independence (in 2022) till the 100th in 2047. The hon’ble Finance Minister identified 7 priority areas for this long-term growth plan, viz., inclusive development, percolation of benefits to the last mile, infrastructure and investment, potential realisation, sustainable green growth, youth empowerment and reforms in the financial sector.

Real Estate Specific Announcements

Although direct real estate announcements were limited, the steep rise in the Capex to 3.3% of GDP continued to be the guiding force of the budget, providing a strong impetus to infrastructure and allied industries including real estate. Specifically, the INR 10,000 crore per annum allocation to the Urban Infrastructure Development Fund will enhance the proposition of tier II and III cities with developers and funds creating more commercial, residential and retail developments.

(Refer Appendix for detailed real estate specific announcements and the impact on various real estate verticals).

In other notable announcements of H1 2023, SEBI’s proposal to regulate all online platforms that offer fractional ownership of real estate assets is expected to institutionalise the segment and help attract more capital from both domestic and offshore investors. REITs have also been at the centre of investor and retail participant attention in the first half of the year, as India’s REIT offerings expanded from the office sector to retail with the listing of Nexus Select Trust REIT in May 2023. The NSE also launched India’s first REIT and InvIT index to help the retail investor track the cumulative performance of such offerings listed on the NSE.

Chart-2: RBI Response to Macroeconomic Scenario

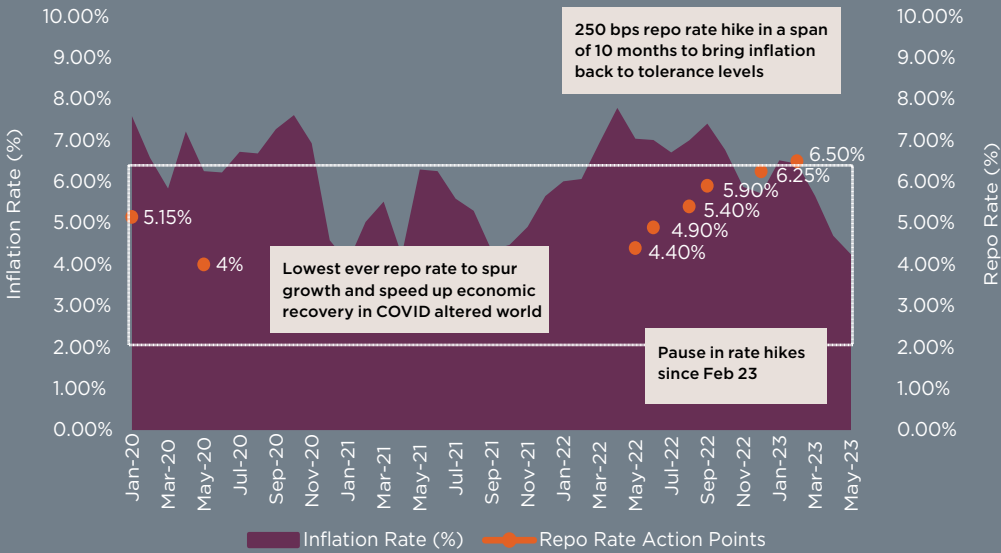
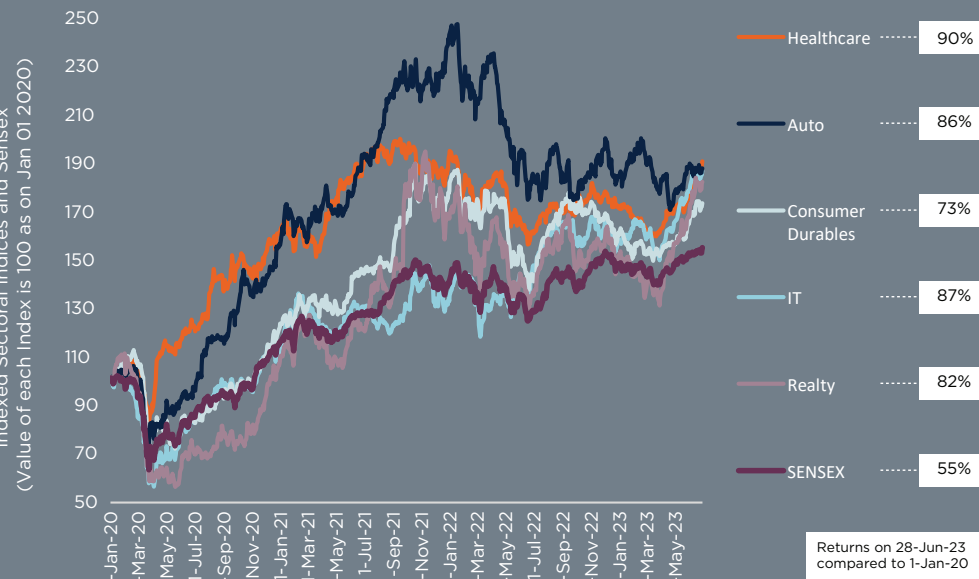


Chart-3: Equity Markets: Sectoral Performance



NEAR-TERM CAUTION

Although India remains the least vulnerable major economy, it will be wise to consider that no economy is fully insulated from concerns elsewhere in today’s highly globalised world. To quote the RBI governor, “Headwinds from weak external demand, volatility in

global financial markets, protracted geopolitical tensions and intensity of El Nino impact, however, pose risks to the outlook and needs to be carefully monitored.”

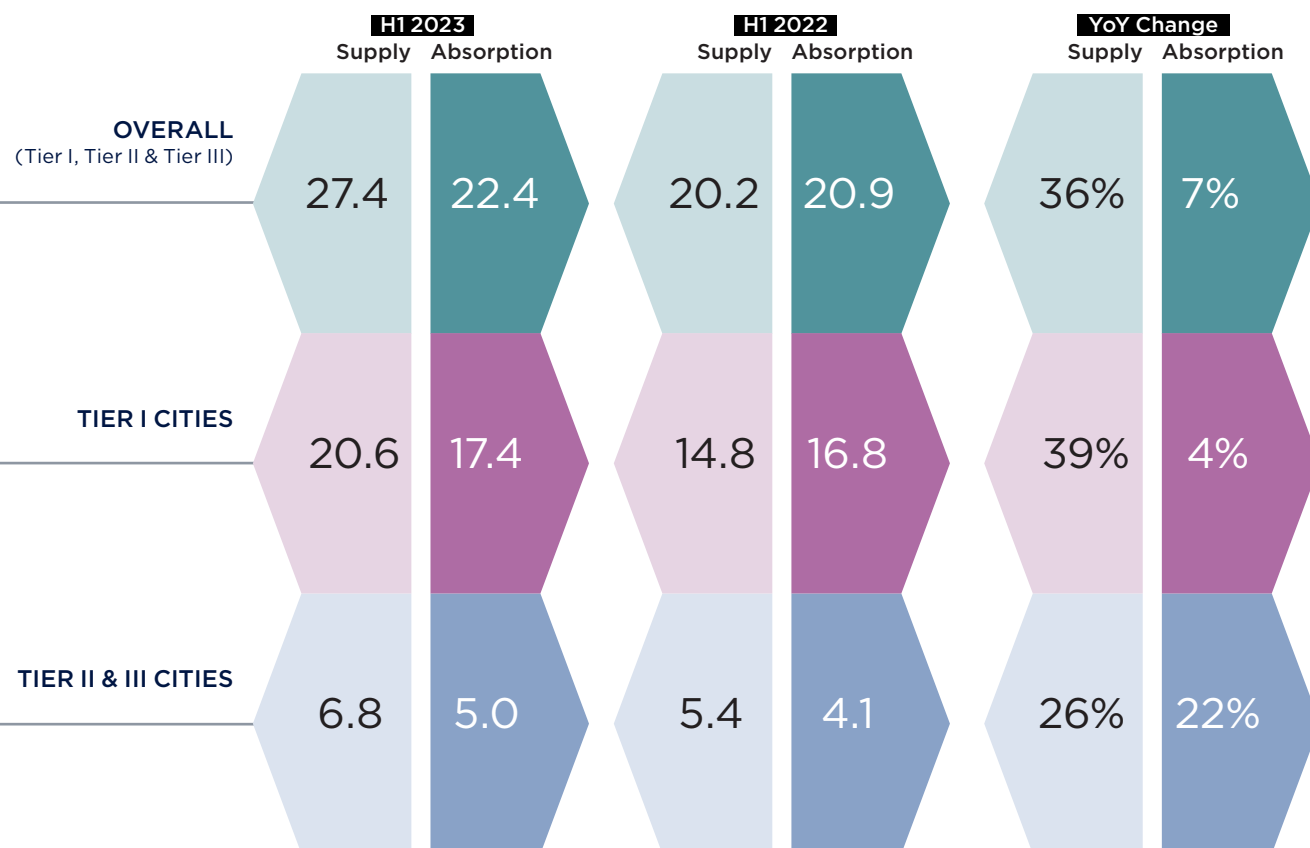
India will have to navigate the near-term challenges emanating from global events, but its future is quite promising, as its engines are very well geared up.

RBI’s Financial Stability Report: Indian banks’ gross bad loans fall to a 10-year low of 3.9% in Mar 2023

India’s Current Account Deficit (CAD) narrowed sharply in the Jan-Mar quarter, helped by a smaller trade gap and increased services exports. The CAD stood at USD 1.3 Bn (0.2% of GDP) in the 4th quarter of FY 23, compared with the previous quarter’s revised deficit of USD 16.8 Bn (2% of GDP).

INDIA

Industrial & Logistics Market

Key Statistics
(in mn sq. ft.)

Note: Tier I city includes Ahmedabad, Bengaluru, Chennai, Hyderabad, Kolkata, Mumbai, Delhi-NCR, and Pune. Tier II and Tier III cities include Guwahati, Bhubaneswar, Patna, Hosur, Coimbatore, Rajpura, Lucknow, Jaipur, Nagpur, Indore and Surat.

Key Trends



India witnessed absorption of 22.4 mn sq. ft. in H1 2023 including 17.4 mn sq. ft. from Tier I cities and 5.0 mn sq. ft. from Tier II & III cities



New supply of 27.4 mn sq. ft. in H1 2023 including 20.6 mn sq. ft. - Tier I cities and 6.8 mn sq. ft. Tier II & III cities has been added



3PL sector accounted for 44% of total absorption in H12023 followed by manufacturing at 22% and retail at 13%.

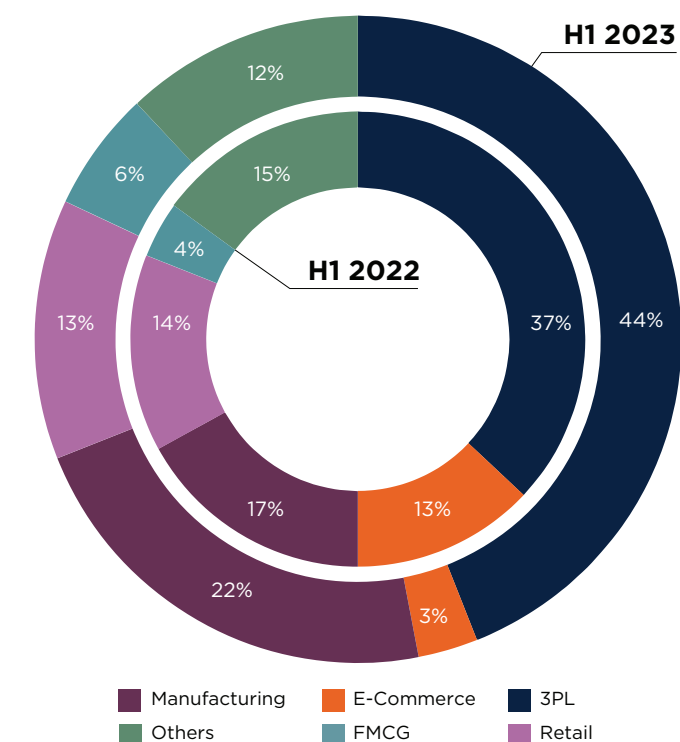


Mumbai MMR accounted for 18% of absorption followed by NCR (14%), Pune (10%) Bengaluru and Chennai at 9% each.



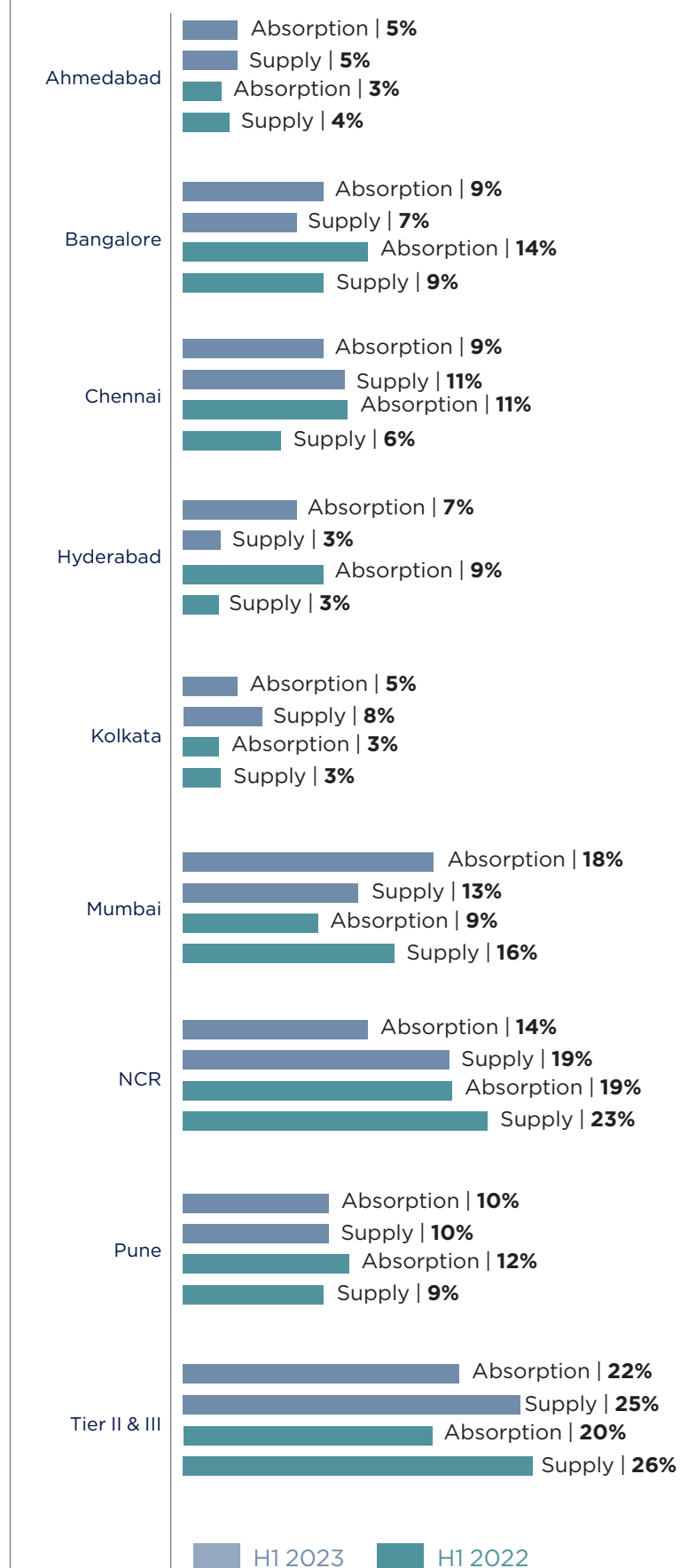
Land transaction continued to garner attention with an excess of 1,500 acres being exchanged ownerships for manufacturing and warehousing across India.

Absorption by Sector



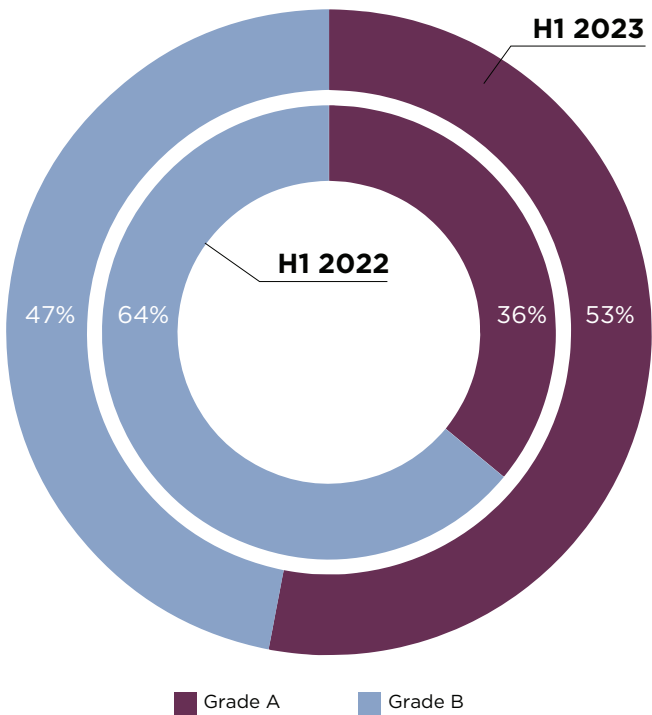
Source: Savills India Industrial Research

Supply & Absorption by City

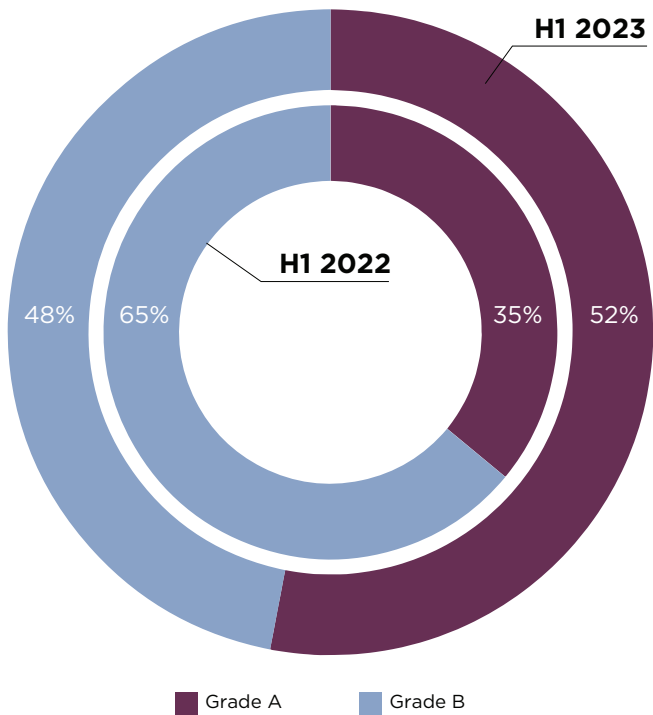


Source: Savills India Industrial Research

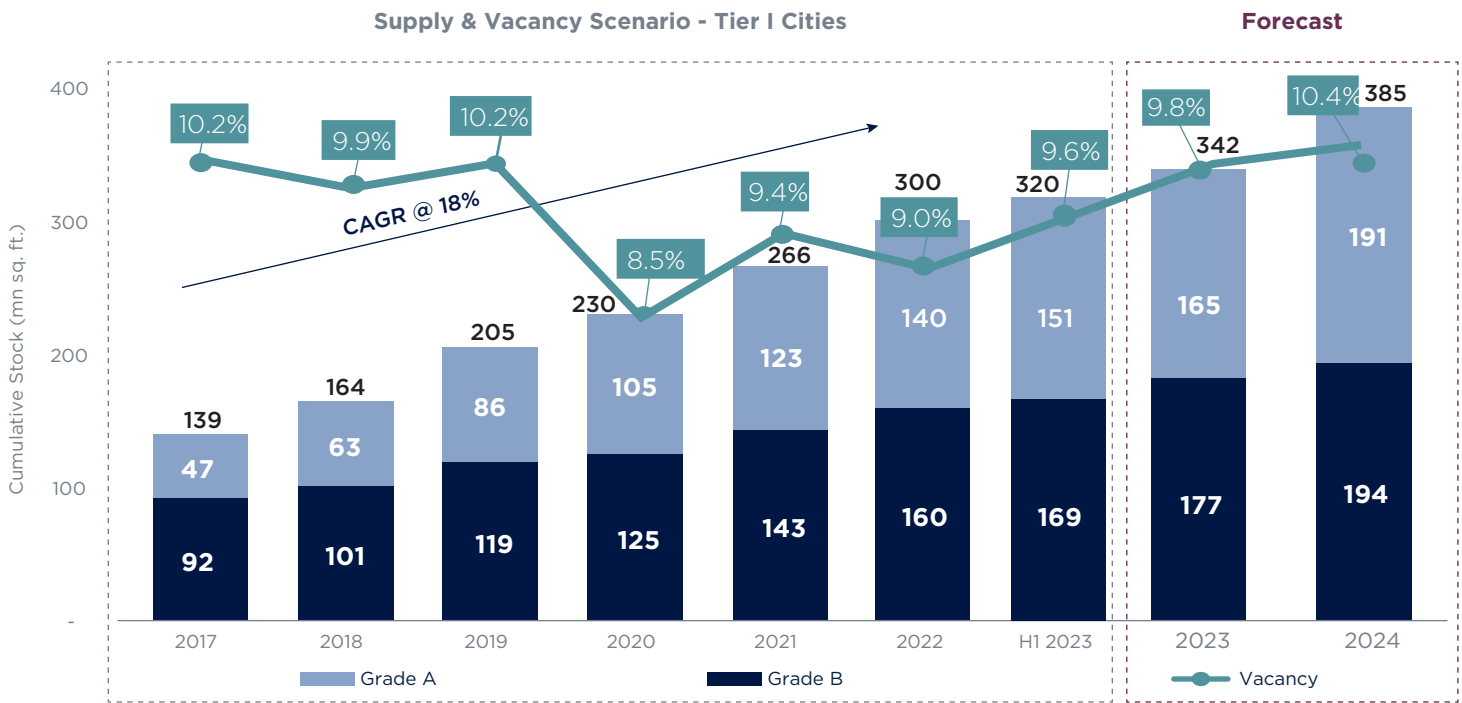
Absorption by Grade



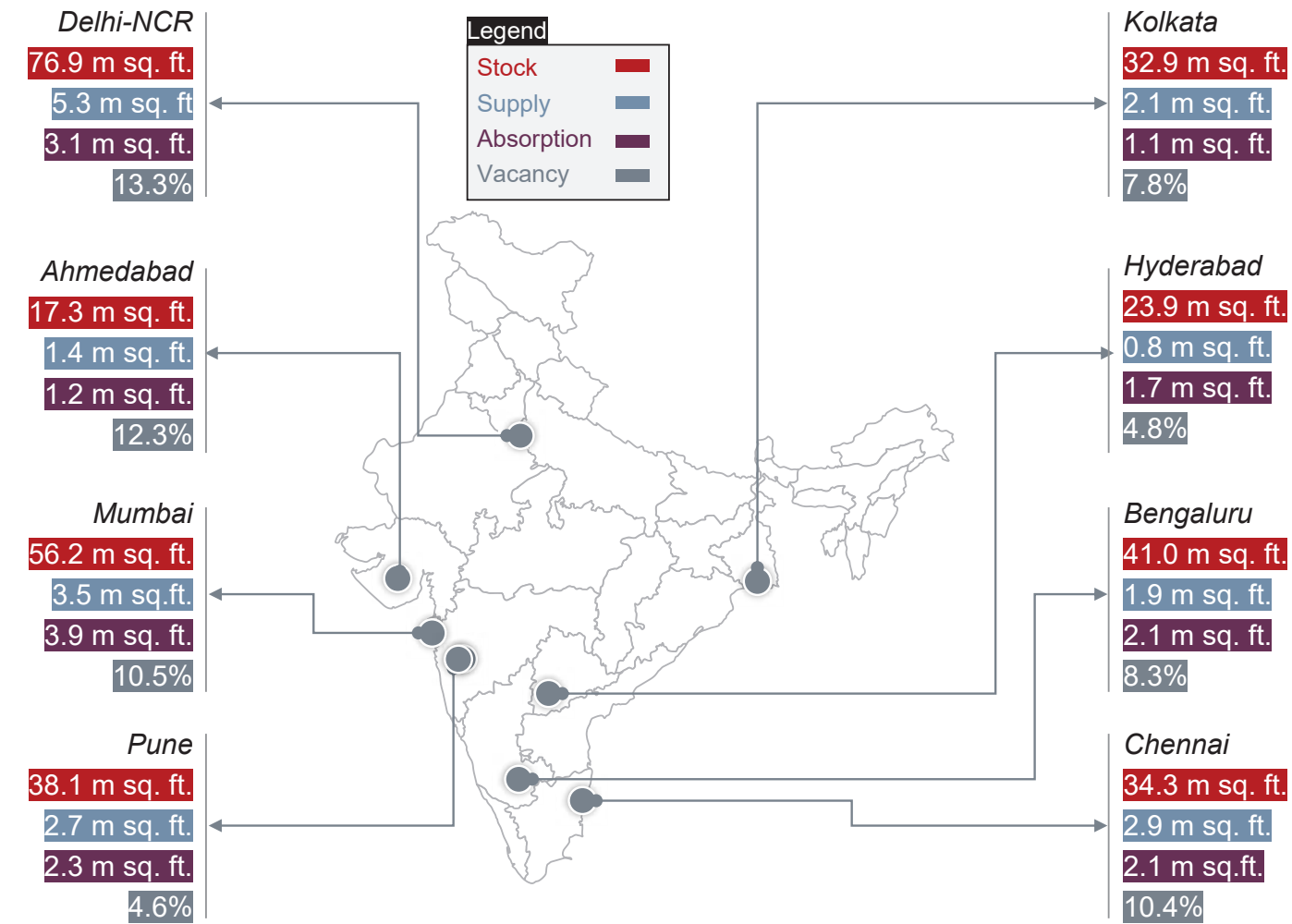
Supply by Grade



Supply & Vacancy Scenario - H1 2023

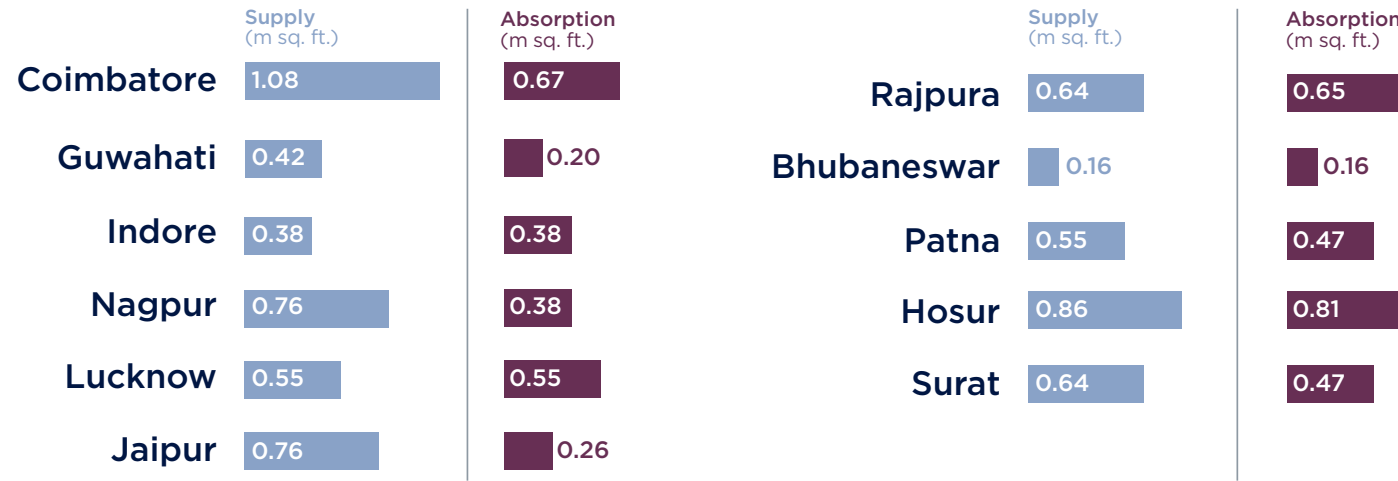


City Wise Stats - H1 2023



Source: Savills India Industrial Research
Note: as on H1 2023

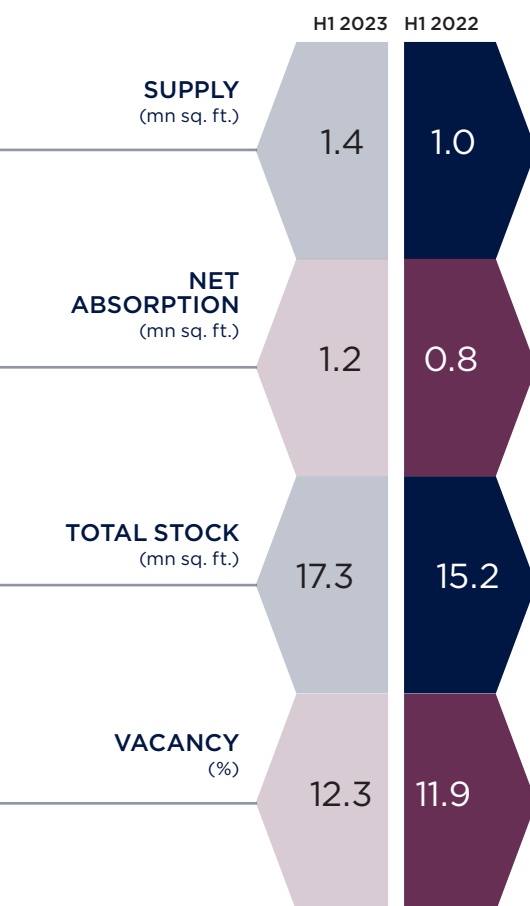
Supply and Absorption in Tier II & III Cities



AHMEDABAD

Industrial & Logistics Market

Key Statistics



Key Trends



Automobile sector has leased majority of the space specifically in Sanand micro-market



Occupier preference for compliant and quality Grade A facilities is driving the rental growth for the major corridors of Grade A projects



Vacancy rates marginally increased

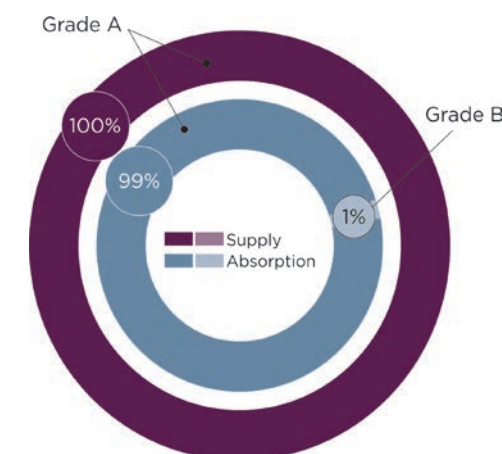
Supply, Absorption, and Vacancy

Ahmedabad city witnessed absorption of 1.2 million sq. ft. in H1 2023 in comparison with 0.8 million sq. ft. in H1 2022 mainly driven by manufacturing, 3PL and retail occupiers. Sanand and Changodar-Bavla micro-markets together contributed 70% of the total absorption. Automobile and auto ancillary occupiers have recently engaged in significant leasing activities in micro-markets like Sanand and Jalisanna.

The manufacturing sector led with 72% of the total absorption, followed by the retail sector at 17% and FMCG/FMCD at 9% in H1 2023. Furthermore, Grade A space accounted for 99% of the total absorption during the same period.

In H1 2023, the market witnessed a supply of 1.4 million sq. ft. against 1.0 million sq. ft. in H1 2022. The operational stock stands at 17.3 million sq. ft. as of H1 2023 and the overall vacancy levels increased from 11.9% in H1 2022 to 12.3% in H1 2023.

Supply & Absorption by Grade

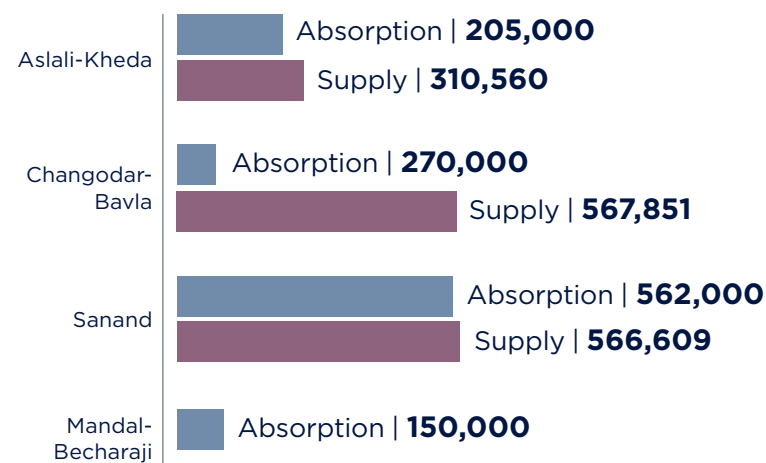


Major Transactions

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

3PL Jalisanna 150,000	MANUFACTURING Sanand 112,000
MANUFACTURING Changodar 120,000	3PL Kheda 160,000

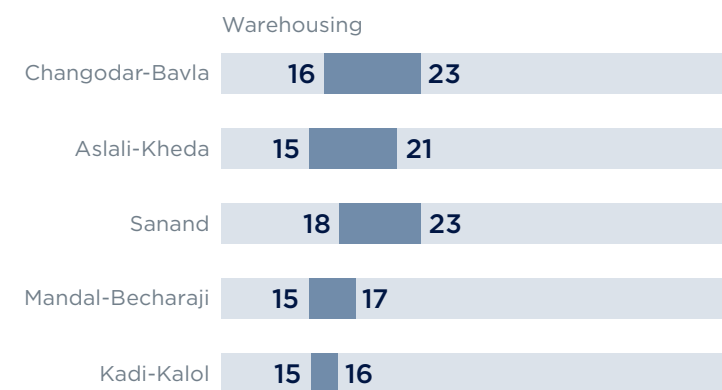
Supply & Absorption by Micro-Market



Source: Savills India Industrial Research

Rental Values

Rental Value Range (INR psf pm)



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

Absorption by Sector

3PL
3%

Manufacturing
72%

Source: Savills India Industrial Research

Outlook

Considering the uptick in manufacturing and warehousing leasing activity in H1 2023 and on the back of strong government push for local production, Ahmedabad is likely to have robust leasing demand for H2 2023 as well. We foresee ~ 2.5 million sq. ft. of industrial and logistics space getting absorbed in Ahmedabad City.

Sanand, Aslali-Kheda and Changodar-Bavla remain the preferred locations for warehouse occupiers.

Sanand, Surat and key micro-markets expect substantial land transactions due to manufacturing occupiers' preference. In H1 2023, Sanand micro-market witnessed a transaction of 89 acres of industrial land. Rental values are expected to increase marginally for compliant graded buildings.

Retail
17%

FMCG/FMCD
9%

BENGALURU

Industrial & Logistics Market

Key Trends



Growing demand for Grade A and compliant facilities



3PL led the absorption, followed by manufacturing and retail sectors



Manufacturing clients have taken RTM spaces ranging between 50,000 sq. ft.-100,000 sq. ft.

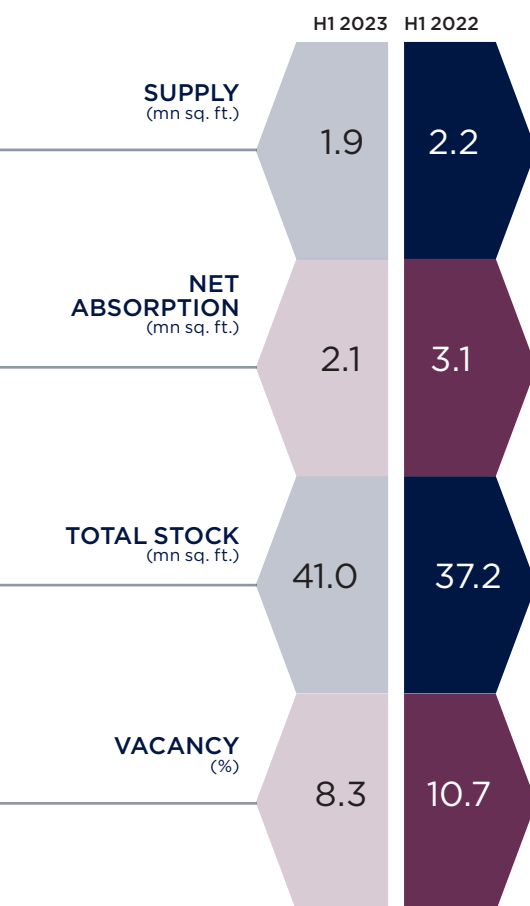


Vacancy rates decreased marginally



Hoskote, Tumkur Road and Hosur Road remain the preferred micro markets

Key Statistics



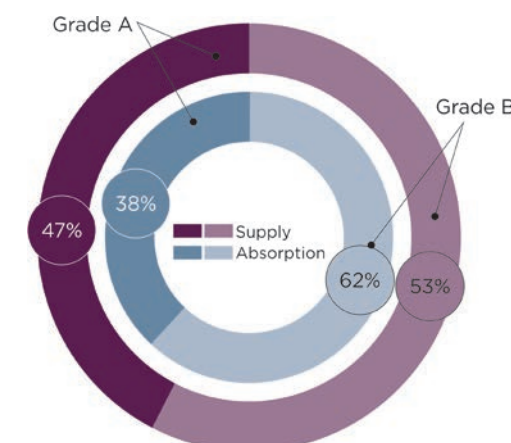
Supply, Absorption, and Vacancy

In H1 2023, Bengaluru witnessed absorption of 2.1 million sq. ft. of manufacturing and warehousing space. This accounted for 60% of the total occupancy observed in the 3PL sector, with the manufacturing sector following at 11% and the retail sector at 10%. Hoskote and Tumkur Road micro-markets accounting for dominant share in absorption, together accounted for 85% total absorption witnessed in the city in H1 2023.

Grade A space accounted for 38% of the total absorption in H1 2023, marking a significant increase from 35% in H1 2022, indicating growing demand for graded and compliant warehousing spaces.

On the supply side, Bengaluru witnessed a supply of 1.9 million sq. ft. in H1 2023 against 2.2 million sq. ft. in H1 2022. The operational stock stands at 41.0 million sq. ft. as of H1 2023, while vacancy levels decreased marginally to 8.3% in H1 2023 from 10.7% in H1 2022. Hoskote and Tumkur Road micro-markets together accounted for 76% of the total supply witnessed in the city followed by Hosur Road at 10%.

Supply & Absorption by Grade



Major Transactions

OCCUPIER	Micro-Market	Area Leased (sq. ft.)
3PL	Tumkur Road	100,000
MANUFACTURING	Bellary Road	44,000
3PL	Tumkur Road	95,000
FMCG	Hoskote	40,000
RETAIL	Hoskote	73,000

Supply & Absorption by Micro-Market



Source: Savills India Industrial Research

Rental Values

Rental Value Range (INR psf pm)

	Manufacturing		Warehousing
Hoskote	26 20		18 22
Tumkur Road	36 26		17 21
Hosur Road	28 20		18 24
Mysore Road	26 18		17 22
Bellary Road	35 25		19 25

Source: Savills India Industrial Research

Note: Rental Values on Carpet Area

Absorption by Sector

3PL
60%

Manufacturing
11%

Retail
10%

Source: Savills India Industrial Research

Outlook

The demand for Grade A warehousing and ready fitted-out factory space has seen a substantial surge in recent years as a result of major push from occupiers and tenants on specifications and compliance.

In the coming year, warehouse and industrial space demand will continue to grow driven by 3PL, manufacturing and retail sectors.

Bengaluru is going to witness more of Grade A industrial and warehousing supply in prominent micro-markets. The warehousing industry is evolving, and the market is witnessing a major push from occupiers on specifications and compliance.

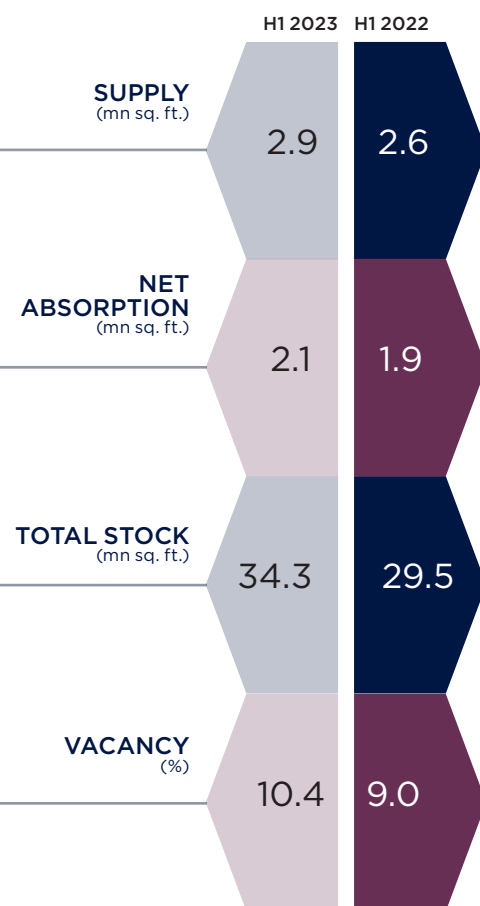
FMCG/FMCD
2%

Others
17%

CHENNAI

Industrial & Logistics Market

Key Statistics



Key Trends

-  Outpaced demand for RTM manufacturing facilities ranged from 30,000 to 200,000 sq. ft.
-  Supply and absorption concentrated in South-West corridor
-  Vacancy rates increased marginally

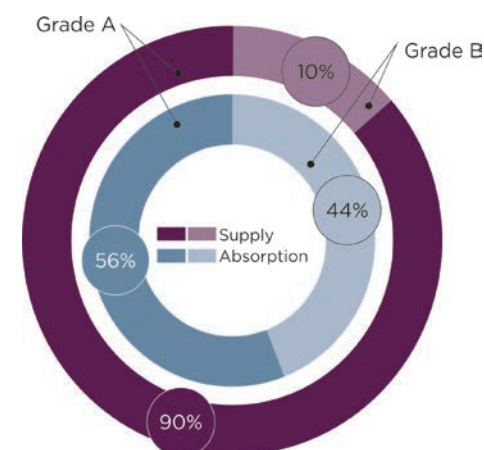
Supply, Absorption, and Vacancy

The market witnessed absorption of 2.1 million sq. ft. in H1 2023 against 1.9 million sq. ft. in H1 2022. Absorption has been resilient with the manufacturing sector leading in total absorption accounting for 47%, followed by 3PL at 42% and FMCD/FMCG at 12%. The Bangalore Highway micro-market accounted for 83% of the total absorption witnessed in the city in H1 2023.

The market witnessed increased demand for graded and compliant buildings. As a result, Grade A space accounted for 56% of the total absorption witnessed in the city in H1 2023.

Industrial and warehousing space supply was at 2.9 million sq. ft. against 2.6 million sq. ft. in H1 2022 of which 90% was Grade A supply. The operational stock stands at 34.3 million sq. ft. as of H1 2023. The overall vacancy levels increased from 9.0% in H1 2022 to 10.4% in H1 2023. The majority of the vacancies are in Grade B developments.

Supply & Absorption by Grade



Major Transactions

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

3PL Bangalore Highway 300,000	FMCG Bangalore Highway 47,000
MANUFACTURING Bangalore Highway 222,707	3PL NH-16 GNT Road 40,000
MANUFACTURING Bangalore Highway 176,000	

Supply & Absorption by Micro-Market

Bengaluru Highway	Absorption 1,759,587 Supply 2,323,208
GST Road	Absorption 36,500 Supply 300,000
NH-16 GNT Road	Absorption 333,200 Supply 275,500

Source: Savills India Industrial Research

Rental Values

Rental Value Range (INR psf pm)

Manufacturing			Warehousing	
Supply	Absorption		Supply	Absorption
28	22	Chennai-Tiruvallur Highway	20	25
32	26	Bangalore Highway (NH 48)	22	30
26	16	GNT Road	16	26
38	30	GST Road	30	37

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

Absorption by Sector

3PL
42%

Manufacturing
47%

Source: Savills India Industrial Research

Outlook

Manufacturing and 3PL sectors will continue to drive warehousing demand in Chennai in 2023.

Automotive, auto ancillary, and renewable energy companies are generating significant demand for space, primarily driven by their proximity to trade routes that facilitate exports.

Chennai city is likely to witness absorption and supply in excess of 5.0 million sq. ft. each in 2023.

Supply and absorption continue predominantly to be driven by manufacturing sector.

FMCG/FMCD
12%

DELHI-NCR

Industrial & Logistics Market

Key Trends



3PL and retail sectors are driving the demand



Supply and absorption concentrated in locations such as Tauru Road, Farukhnagar, Kulana and Bilaspur- Pataudi Road of Gurugram

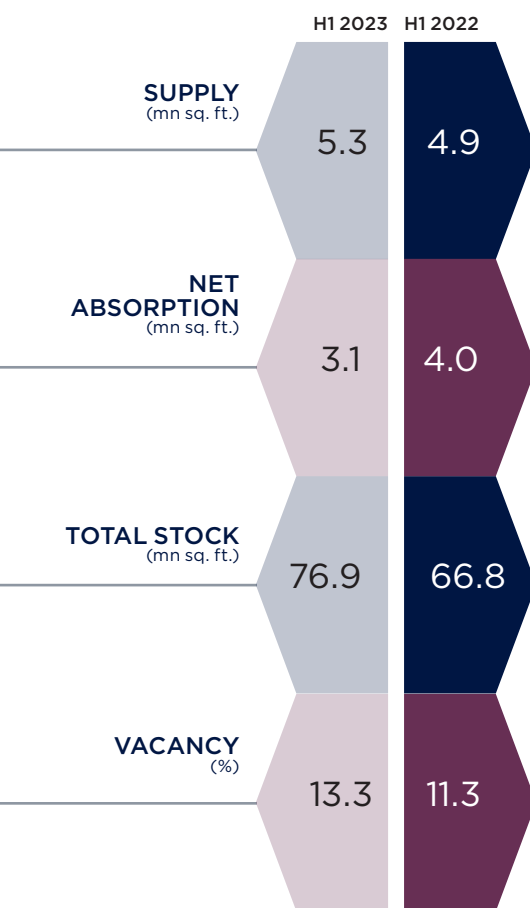


Overall vacancy rates increased



Rental values increased marginally for compliant graded buildings

Key Statistics



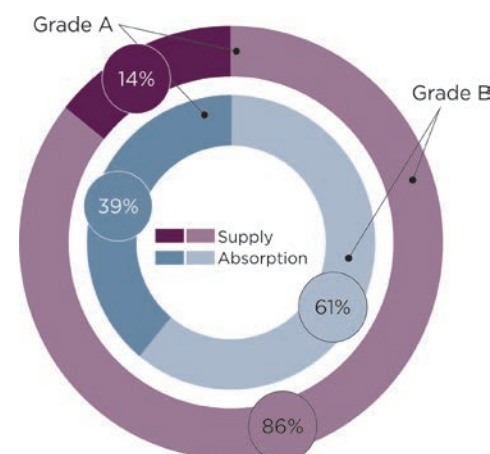
Supply, Absorption, and Vacancy

The Delhi-NCR region comprises Delhi, Gurugram, Noida and Faridabad. The industrial and warehousing space absorption in the NCR region was at 3.1 million sq. ft. in H1 2023 against 4.0 million sq. ft. in H1 2022. Grade A space accounted for 39% of the total absorption witnessed in the region in H1 2023.

The 3PL sector takes the lead in the absorption pie witnessed in the city in H1 2023, accounting for 61% of the total absorption followed by retail sector at 8% and e-commerce sector at 7%.

On the supply side, 5.3 million sq. ft. of supply was witnessed in H1 2023 against 4.9 million sq. ft in H1 2022. The Gurugram micro-market accounted for 91% of the total absorption and 62% of the total supply respectively in H1 2023. The other micro-markets contributing to the absorption are Noida, Ghaziabad, Sonipat and Faridabad. The overall vacancy levels increased from 11.3% in H1 2022 to 13.3% in H1 2023.

Supply & Absorption by Grade

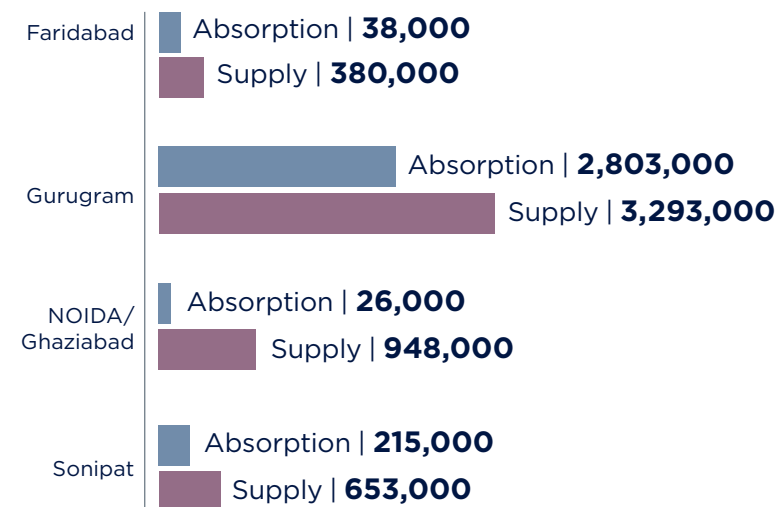


Major Transactions

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

3PL Gurugram 200,000	3PL Gurugram 100,000
3PL Gurugram 200,000	3PL Gurugram 75,000
RETAIL Gurugram 190,000	

Supply & Absorption by Micro-Market



Source: Savills India Industrial Research

Rental Values

Rental Value Range (INR psf pm)

	Manufacturing		Warehousing
35	20	Gurugram	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

Others
23%

3PL
61%

Source: Savills India Industrial Research

Outlook

The demand for warehousing in the Delhi-NCR region will be primarily driven by the 3PL and retail sectors. The Delhi-NCR market is likely to witness supply and absorption in excess of 8.0 million sq. ft each in 2023.

Palwal, Sohna and Sonipat are emerging micro-markets in the region, poised to contribute significantly to upcoming supply and absorption.

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.

E-Commerce
7%

Retail
8%

FMCG/FMCD
2%

HYDERABAD

Industrial & Logistics Market

Key Trends



Medchal-Kompally micro-market dominates in terms of absorption



Occupiers and tenants prioritise specifications and compliance

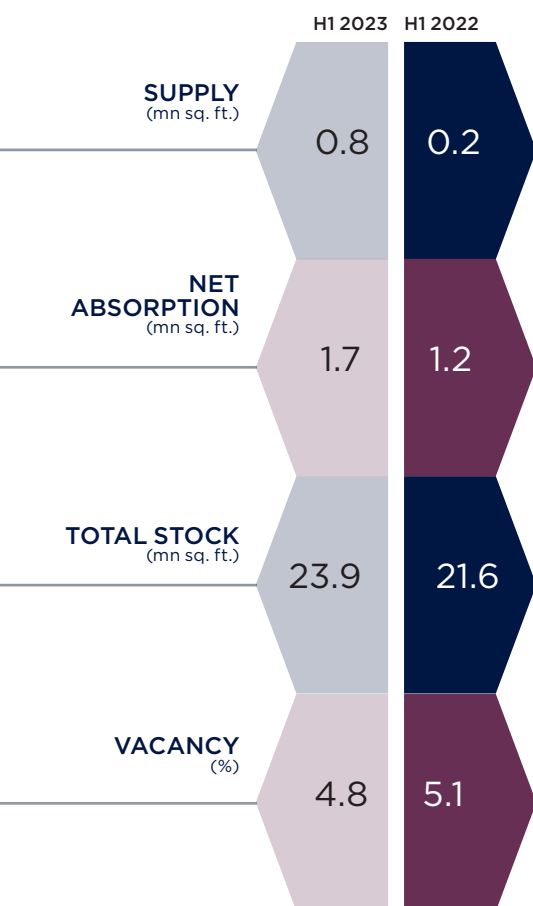


The 3PL and retail sectors are driving the demand



Vacancy rates have decreased marginally

Key Statistics

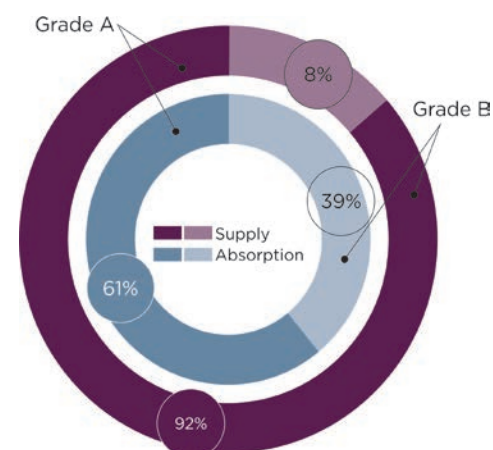


Supply, Absorption, and Vacancy

The Hyderabad market witnessed absorption of 1.7 million sq. ft. in H1 2023 against 1.2 million sq. ft. in H1 2022. The operational stock stands at 23.9 million sq. ft. as of H1 2023 and vacancy levels decreased from 5.1% in H1 2022 to 4.8% in H1 2023. Cherlapally-Uppal accounted for 38% of the total absorption followed by Shamshabad at 35% and Medchal-Kompally at 27%.

Grade A accounted for 92% of supply and 61% absorption respectively in H1 2023. 3PL and e-commerce sectors together accounted for 51% of the total absorption witnessed in the city in H1 2023 followed by retail sector at 14% and FMCG/FMCD at 7%.

Supply & Absorption by Grade



Major Transactions

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

E-COMMERCE

Shamshabad
300,000

RETAIL

Medchal- Kompally
70,000

FMCG

Cherlapally - Uppal
100,000

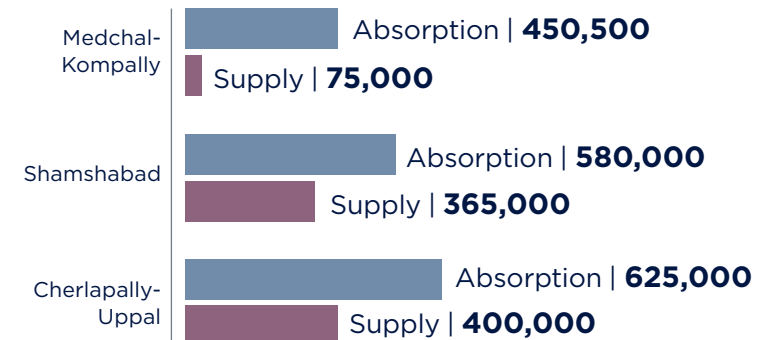
OTHER

Medchal- Kompally
118,000

3PL

Medchal-Kompally
75,000

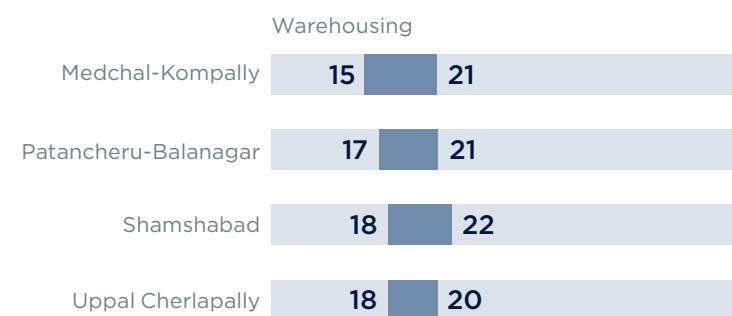
Supply & Absorption by Micro-Market



Source: Savills India Industrial Research

Rental Values

Rental Value Range (INR psf pm)



Source: Savills India Industrial Research

Note: Rental Values on Carpet Area

Absorption by Sector

Other
24%

3PL
33%

E-Commerce
18%

Retail
14%

Source: Savills India Industrial Research

Outlook

Medchal-Kompally is likely to remain the top choice micro-market for occupiers. The majority of the demand is expected to come from Medchal-Kompally and Shamshabad micro-markets.

In 2023, warehousing demand in Hyderabad is still primarily led by the 3PL, e-commerce, and retail sectors.

Rental values are expected to increase marginally for compliant graded buildings.

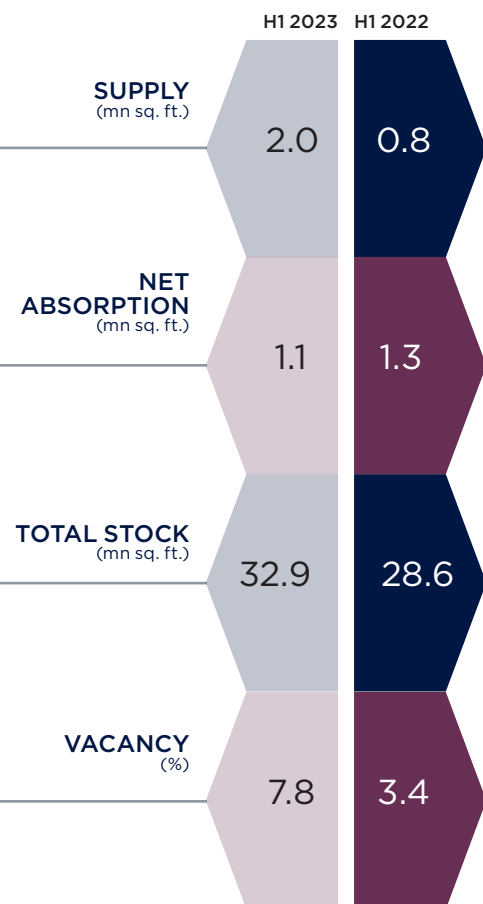
Manufacturing
3%

FMCG/FMCD
7%

KOLKATA

Industrial & Logistics Market

Key Statistics



Key Trends



Demand and supply concentrated in NH-16 and NH-19 micro-markets



Increased demand for Grade A industrial and warehousing spaces



Vacancy rates increased

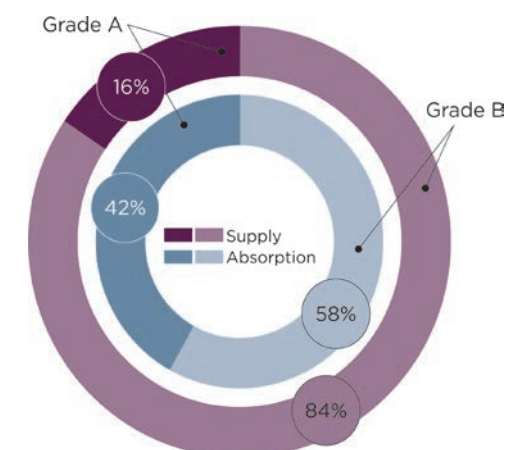
Supply, Absorption, and Vacancy

The Kolkata market witnessed absorption of 1.1 million sq. ft. in H1 2023 against 1.3 million sq. ft. in H1 2022 of which 42% was Grade A. The 3PL sector accounted for 35% of the total absorption witnessed in H1 2023 followed by FMCD/FMCG at 9% and manufacturing at 3%.

The operational stock stands at 32.9 million sq. ft. as of H1 2023. On the supply side, the market witnessed completions of 2.0 million sq. ft. in H1 2023, of which 16% was Grade A space. The vacancy levels increased from 3.4% in H1 2022 to 7.8% in H1 2023.

NH-16 and NH-19 micro-markets dominate the demand and supply in H1 2023, accounting for the entire supply and absorption witnessed during this period.

Supply & Absorption by Grade

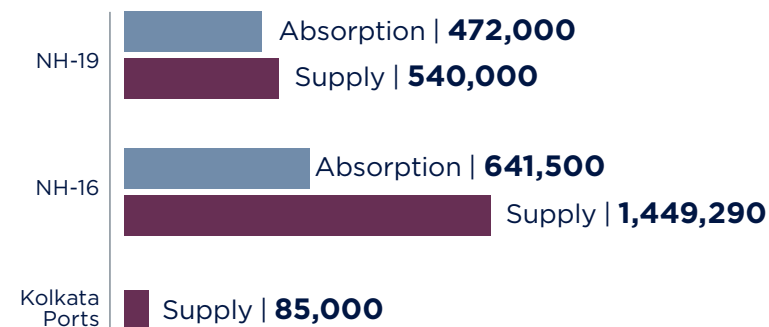


Major Transactions

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

E-COMMERCE	3PL
NH 16	Kolkata Ports
250,000	40,000
E-COMMERCE	OTHERS
NH 19	NH 19
150,000	70,000
3PL	
NH 19	
47,000	

Supply & Absorption by Micro-Market



Source: Savills India Industrial Research

Rental Values

Rental Value Range (INR psf pm)

	Warehousing	
NH-19	20	26
NH-16	20	24
Kolkata Ports	20	24
Northern Suburbs	18	23

Source: Savills India Industrial Research

Note: Rental Values on Carpet Area

Absorption by Sector

Others
54%

3PL
35%

Outlook

NH-16 and NH-19 micro-markets will continued to be the preferred micro-markets.

3PL, FMCG and retail will continue to remain the largest demand drivers. The city is likely to witness absorption in excess of 3.5 million sq. ft. each in 2023.

Rental values are expected to increase slightly for quality and compliant projects.

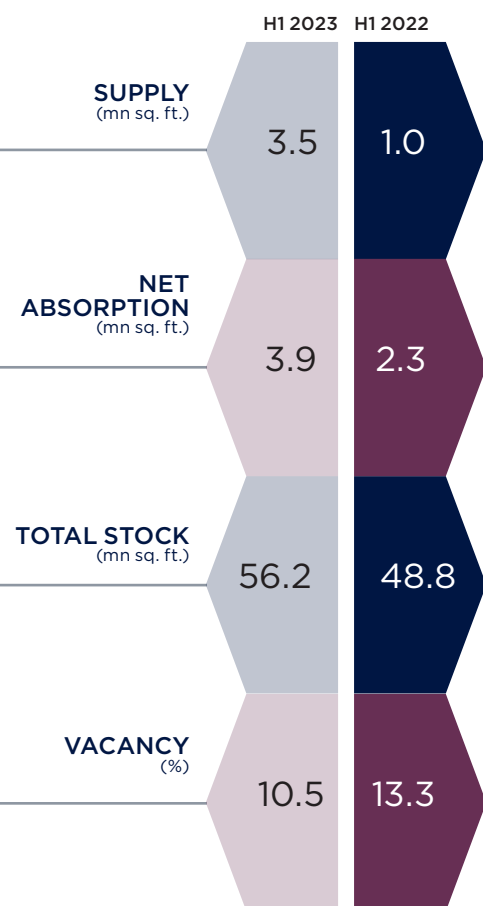
Manufacturing
3%

FMCG/FMCD
9%

MUMBAI

Industrial & Logistics Market

Key Statistics



Key Trends

- Major 3PLs have been observed consolidating their operations into single parks to enhance efficiency in serving their end clients
- 3PL and retail sectors are driving the demand
- Vacancy rates decreased marginally

Supply, Absorption, and Vacancy

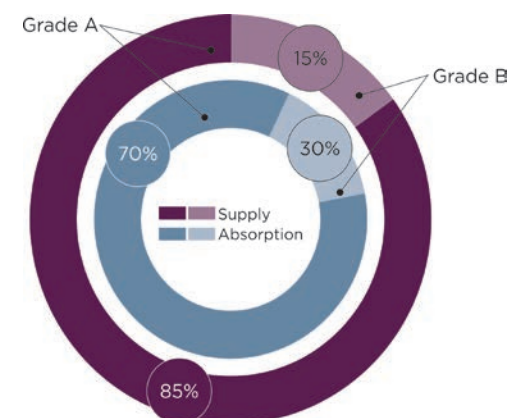
In H1 2023, Mumbai Metropolitan Region (MMR) witnessed the absorption of 3.9 million sq. ft. of industrial and warehousing space against 2.3 million sq. ft in H1 2022. The new leases are predominantly inclined towards Grade A compliant facilities.

Bhiwandi, the highly preferred micro-market, contributed 91% to the total absorption and 90% of the total supply witnessed in the city H1 2023. The 3PL sector accounted for 56% of total absorption witnessed in H1 2023, followed by the retail sector at 36%.

On the supply side, MMR witnessed 3.5 million sq. ft. in H1 2023 against 1.0 million sq. ft. in H1 2022, Grade A supply accounted for 85% of the total completions witnessed in H1 2023, indicating increased demand for graded buildings.

The overall vacancy levels decreased from 13.3% in H1 2022 to 10.5% in H1 2023. The city has a cumulative industrial and warehousing stock of 56.2 million sq. ft. as of H1 2023, the second highest in the country.

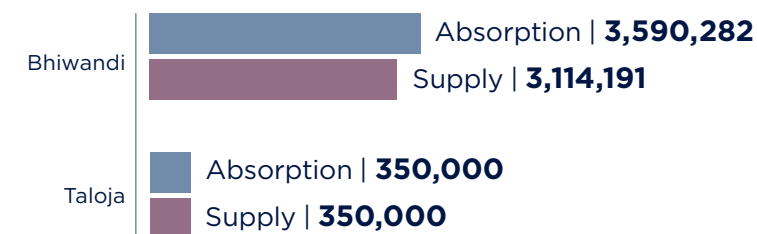
Supply & Absorption by Grade



Major Transactions

OCCUPIER	Micro-Market	Area Leased (sq. ft.)
3PL Bhiwandi 400,000	3PL Bhiwandi 130,000	
RETAIL Taloja 350,000	OTHERS Bhiwandi 300,000	

Supply & Absorption by Micro-Market



Source: Savills India Industrial Research

Rental Values

Rental Value Range (INR psf pm)

Manufacturing	Warehousing
Bhiwandi	21 31
Navi Mumbai	23 44
TTD MIDC	
Thane	
Taloja	
Ambernath, Kalyan and Dombiville	

Source: Savills India Industrial Research

Note: Rental Values on Carpet Area

Absorption by Sector

Others
8%

3PL
56%

Source: Savills India Industrial Research

Outlook

There has been a surge in end clients directly acquiring spaces instead of relying on 3PLs, and we anticipate this trend to persist throughout the year.

In 2023, the warehousing demand is expected to be driven mainly by the Bhiwandi micro-market.

The driving factors for warehousing demand are anticipated to be 3PL, retail, and increased demand for in-city warehousing by last mile delivery players.

R&D and manufacturing developments are expected to favour Taloja, TTC Area, Panvel, Patalganga and Ambernath as preferred destinations.

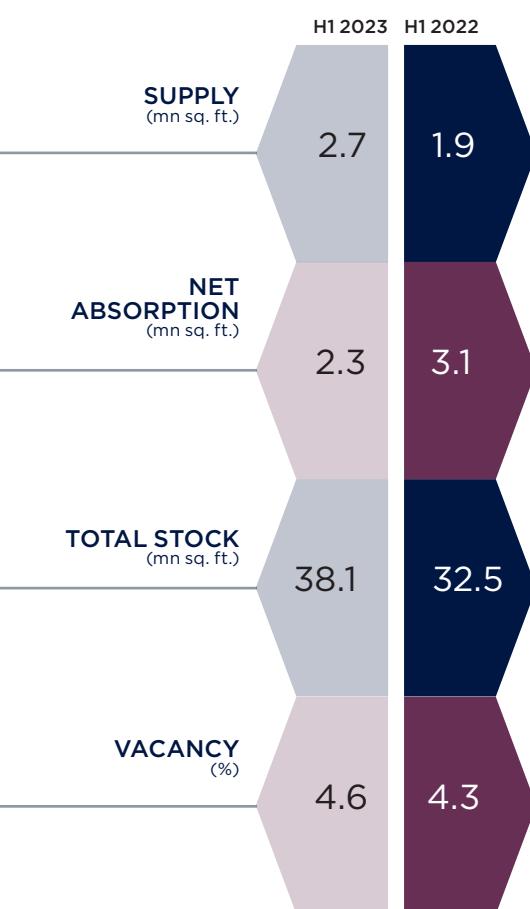
Retail
36%

PUNE

Industrial & Logistics Market



Key Statistics



Key Trends



Chakan-Talegaon is the preferred micro-market for occupiers



The manufacturing sector continues to drive the demand



Rental values increased slightly across micro-markets due to limited supply and increased input costs

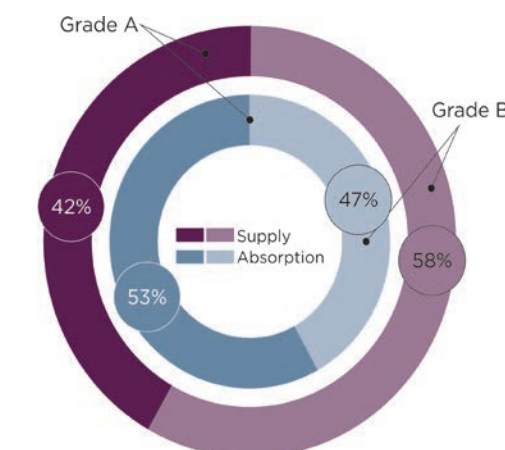
Supply, Absorption, and Vacancy

The Pune market witnessed absorption of 2.3 million sq. ft. in H1 2023 against 3.1 million sq. ft. in H1 2022. Pune is an established manufacturing hub with a focus on the automobile and auto ancillary sectors. In H1 2023, the manufacturing sector retained a significant share, accounting for 80% of the total absorption, with the 3PL sector following closely at 20%.

The Chakan-Talegaon micro-market accounted for 78% of the total absorption witnessed in the city. The other micro-markets contributing to absorption are Ranjangaon, Hinjewadi and Nagar Road.

On the supply side, the city witnessed completion of 2.7 million sq. ft. in H1 2023, of which 90% completions/supply was witnessed in the Chakan-Talegaon micro-market. The operational stock stands at 38.1 million sq. ft. as of H1 2023 with vacancy levels at 4.6% in H1 2023.

Supply & Absorption by Grade



Major Transactions

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

3PL
Chakan-Talegaon Belt
300,000

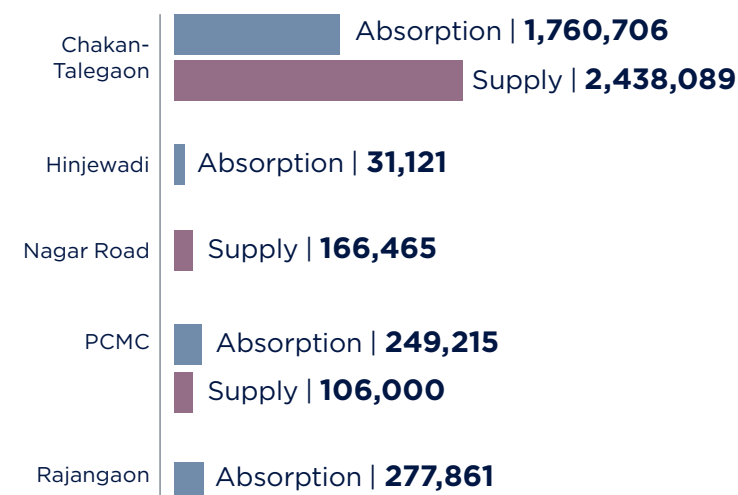
MANUFACTURING
Chakan-Talegaon Belt
96,000

MANUFACTURING
Ranjangaon Belt
185,861

MANUFACTURING
Chakan-Talegaon Belt
80,000

MANUFACTURING
Chakan-Talegaon Belt
140,000

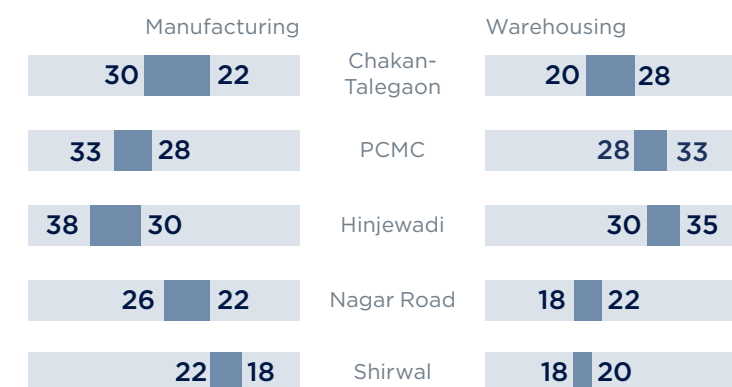
Supply & Absorption by Micro-Market



Source: Savills India Industrial Research

Rental Values

Rental Value Range (INR psf pm)



Source: Savills India Industrial Research

Note: Rental Values on Carpet Area

Absorption by Sector

3PL
20%

Outlook

Chakan, Talegaon, and Ranjangaon remain favoured locations due to their proximity, connectivity, and ongoing graded developments.

The market is likely to witness increased manufacturing space requirements driven by the PLI scheme for various manufacturing sectors.

Pune city is likely to witness absorption in excess of 5 million sq. ft and supply of 6.0 million sq. ft of industrial and warehouse space in 2023.

Rental and land values are expected to marginally increase in 2023 due to lack of ready-to-move-in stock.

Manufacturing
80%

BURGEONING MANUFACTURING LANDSCAPE IN INDIA

Key Trends



The Indian manufacturing sector is on a high growth trajectory, the government has implemented several initiatives such as Make in India, Digital India, PLI Scheme and Startup India, which have boosted the manufacturing sector that have significantly improved the overall business environment. In addition, the manufacturing sector is expected to benefit from corporate tax rates of 15% for new manufacturing companies, lowest in Asia.



Indian manufacturing sector is projected to experience a growth rate of 6.8% in 2023-24, according to estimates by the World Bank¹. The S&P Global India Manufacturing Purchasing Managers Index (PMI) has consistently remained above the threshold of 50 since September 2021², reflecting a stable growth trend in the sector.



In Budget 2022-23, the government allocated US\$315 million for promoting electronics and IT hardware manufacturing³. During FY 2022-23 electronic goods exports were recorded at USD 23.57 Billion as compared to USD 15.66 Billion during FY 2021-22, registering a growth of 50.52%⁴.



The country attracted in excess of USD 6 billion FDI inflows into Automobile, Drugs & Pharmaceuticals, Chemicals (other than fertilizers) and Metallurgical Industries⁵.



The Geological Survey of India has achieved a significant milestone by establishing inferred resources (G3) of 5.9 million tonnes of Lithium within the country⁶. This discovery is expected to provide a significant boost to industries reliant on lithium, including electric vehicles, lithium-ion batteries, semiconductors, consumer electronics, aerospace, marine, medical, and telecommunications.

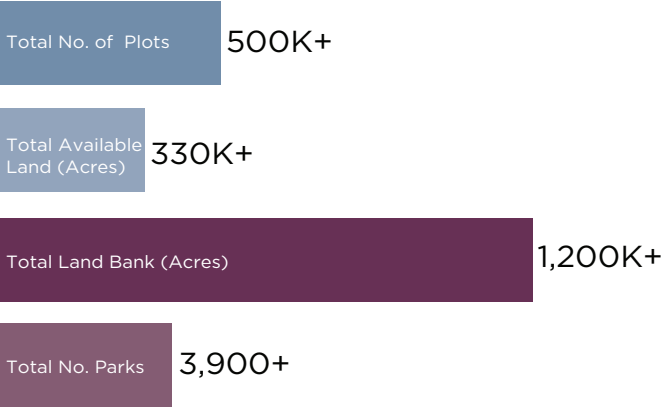


The Government has identified the Defence and Aerospace sector as a focus area for the 'Aatmanirbhar Bharat' initiative with an aims to achieve a turnover of USD 25 billion by 2025⁷. This measure will lead to the establishment of indigenous manufacturing infrastructure, supported by a necessary research and development ecosystem.

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.

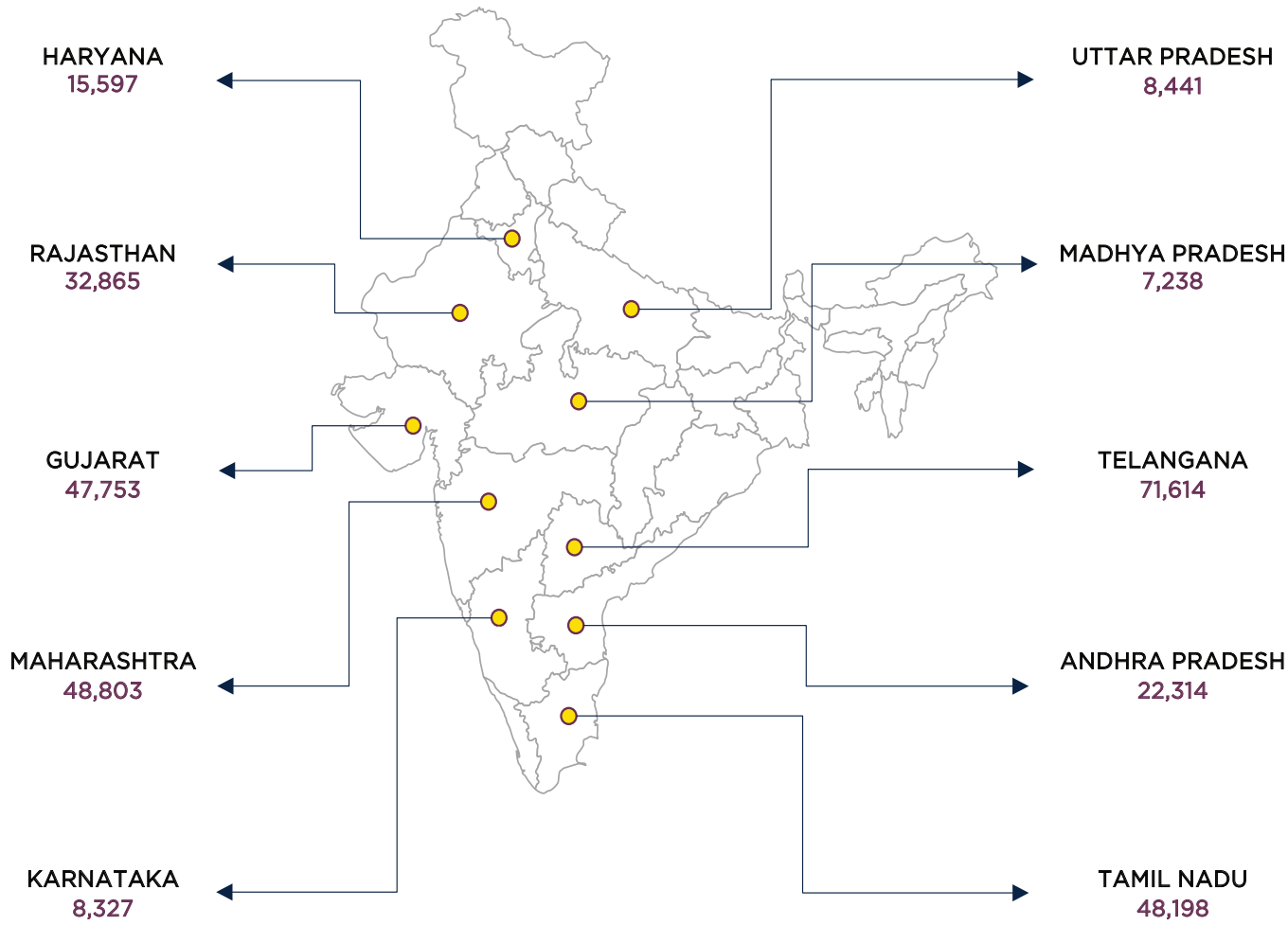
India has established multiple industrial corridors with planned Multi Modal Logistics Parks (MMLP's) along with government and private industrial parks to support and promote growth. The government of India has identified over 1,200 thousand acres of land across several states which could potentially be offered for establishing industrial & logistics hubs⁸. In H1 2023, the market witnessed transactions of close to 1,500 acres of manufacturing and warehousing land in the country of which 72% was for manufacturing purpose, 22% was for warehousing and 5% for mixed use (both manufacturing & warehousing) development. Additionally, more than 50% of the transactions were dedicated to captive usage.

The Industrial Land Bank in India



Source: DPIIT, Government of India

State wise availability of industrial land in hectares (top 10 States)



Source: DPIIT, Government of India

Land Transactions in H1 2023

Zone-wise land transactions

Zone	Acres and % share
East	23 (2%)
North	175 (12%)
South	266 (18%)
West	1,007 (68%)

Land Transactions by occupier type

Occupier Type	Acres and % share
Manufacturing	1,063 (72%)
Warehousing	331 (22%)
Mixed (Both Manufacturing & Warehousing)	77 (5%)

Land Transactions by ownership

Occupier Type	Acres and % share
Government	549 (37%)
Private	922 (63%)

Source: Savills Industrial Research

APPENDIX

KEY POLICY /SCHEME ANNOUNCEMENTS H1 2023

Prime Minister Mega Integrated Textile Region and Apparel Parks (PMMITRA) scheme: anticipated to encourage investment in the textile and apparel manufacturing industry and provide a boost to the Make in India initiative⁹.

Modified Programme for Semiconductors and Display Fab Ecosystem: Fiscal Incentive of 50% of the project cost is available to companies/consortia/ joint ventures for setting up of Semiconductor Fabs in India of any node (including mature nodes). Similarly Fiscal incentive of 50% of the project cost is available for setting up of Display Fabs of specified technologies in India¹⁰.

Kerala Industrial Policy 2023: The state of Kerala has formulated a new policy to accelerate its industrial growth and create more employment opportunities.

Andhra Pradesh Industrial Development Policy Policy 2003: The Andhra Pradesh government has notified the Industrial Development Policy (IDP) for five years starting April

2023. This will likely promote industrial development in the state.

Union Budget 2023-24-Key Announcements ¹¹

- Extending 15% corporate tax benefits to new co-operatives to commencing manufacturing till 31st March 2024.
- Customs Duty on specified capital goods/machinery for manufacture of lithium-ion cell for use in battery of electrically operated vehicle (EVs) extended to 31.03.2024.
- Customs duty exempted on vehicles, specified automobile parts/ components, sub-systems and tyres when imported by notified testing agencies, for the purpose of testing and/ or certification, subject to conditions.
- 35,000 crore outlay for energy security, energy transition and net zero objectives.
- Battery energy storage systems to be promoted to steer the economy on the sustainable development path.
- 20,700 crore outlay provided for renewable energy grid integration and evacuation from Ladakh.

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³<https://www.indiabudget.gov.in/doc/eb/sbe27.pdf>

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⁵<https://dpiit.gov.in/publications/fdi-statistics>

⁶<https://pib.gov.in/PressReleasePage.aspx?PRID=1897799>

⁷<https://www.makeinindia.com/sector/defence-manufacturing>

⁸<https://iis.ncog.gov.in/parks/login1.jsessionid=CF5073FD86E8E8B890E7B39BA854DAB9>

⁹<https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1908052>

¹⁰<https://www.meity.gov.in/esdm/Semiconductors-and-Display-Fab-Ecosystem>

¹¹<https://pib.gov.in/PressReleasePage.aspx?PRID=1895315>

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 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 and 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.

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