SPOTLIGHT
Savills Research

Year-End 2022

Market in Minutes:
Kolkata Industrial & Logistics

savills







INDIA ECONOMY: 2022

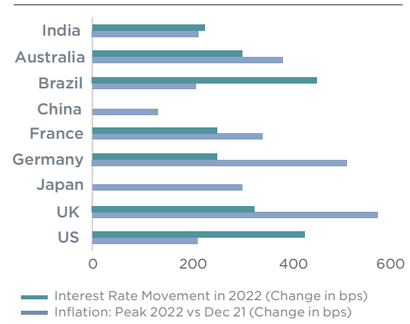
As 2022 ended, it became obvious that this was perhaps the third successive year of remarkably distinct and unforeseen events. We present a brief account, in this section, of key events that shaped the economy and real estate sector in India this year.

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

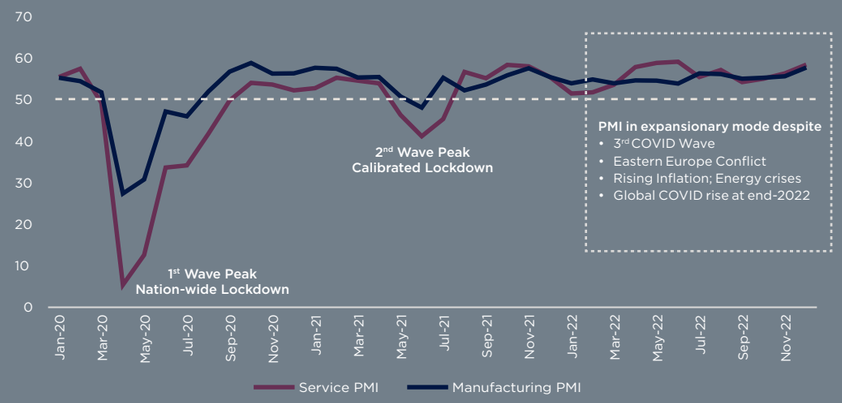
Real Estate Specific Announcements

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

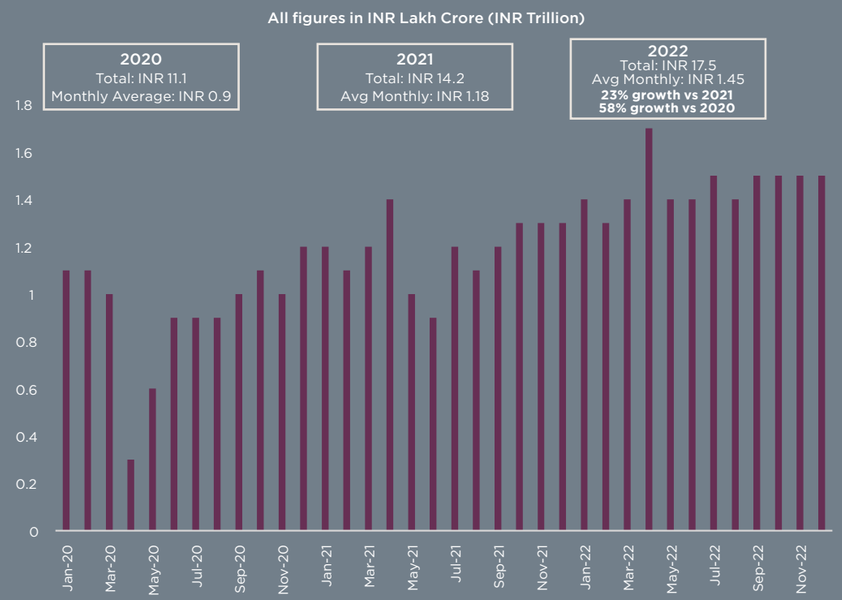
Chart-2: India: Purchasing Manager's Index (PMI) Performance

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.



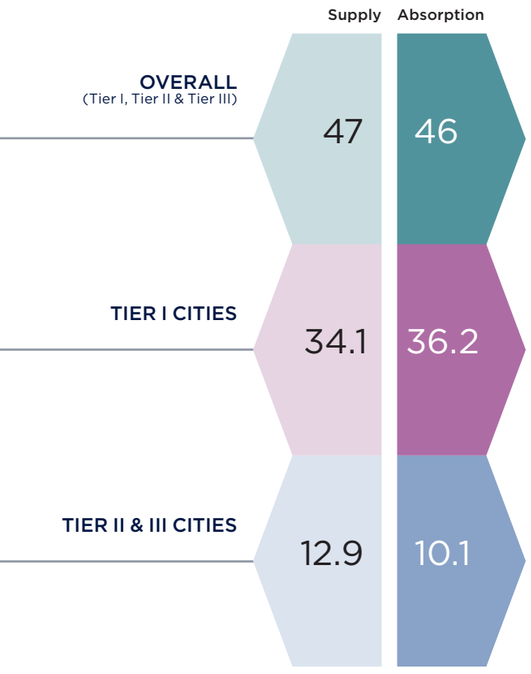
In the 75th year of independence, India became the 5th largest economy (by nominal GDP) and is widely expected to reach the top 3 by 2030.

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.

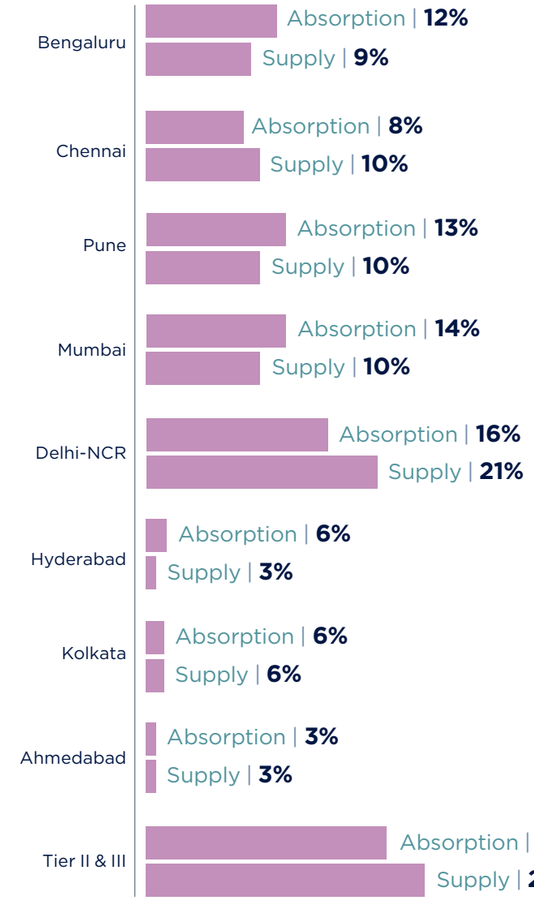
India witnessed a fresh supply of 47 mn sq. ft. in 2022 including 34 mn sq. ft. from Tier I cities and 13 mn sq. ft. from Tier II and III cities.

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.

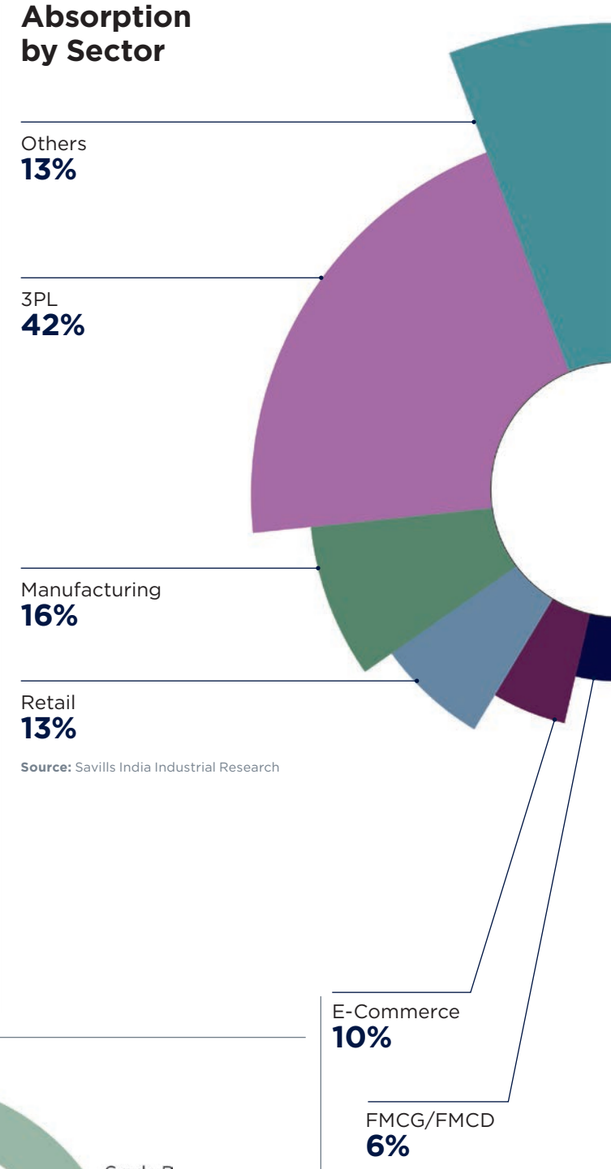
The market witnessed transactions of over 3,800 acres of manufacturing and warehousing land across Tier I, II and III cities.

Supply & Absorption by City



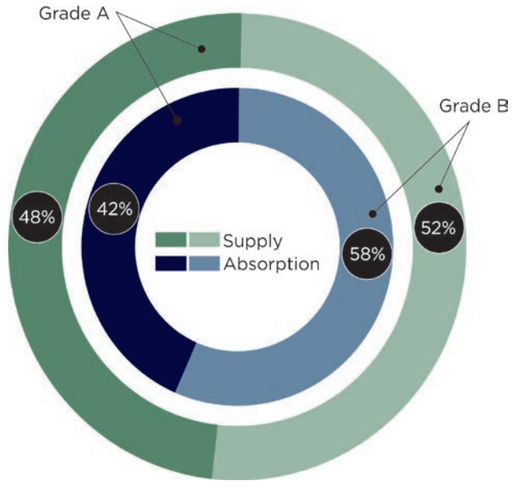
Source: Savills India Industrial Research

Absorption by Sector

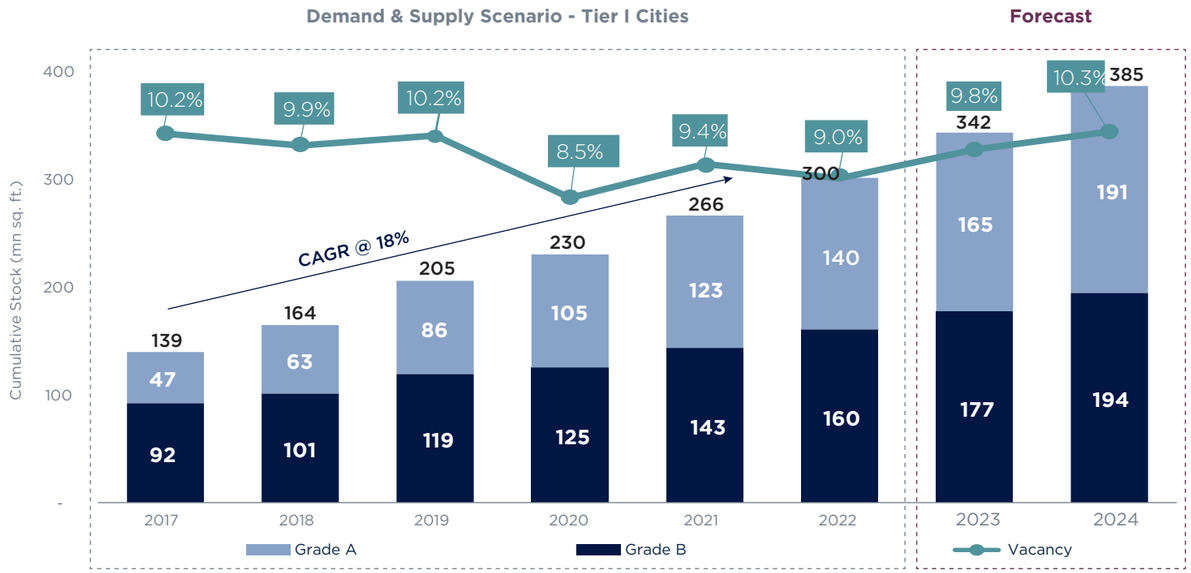


Source: Savills India Industrial Research

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

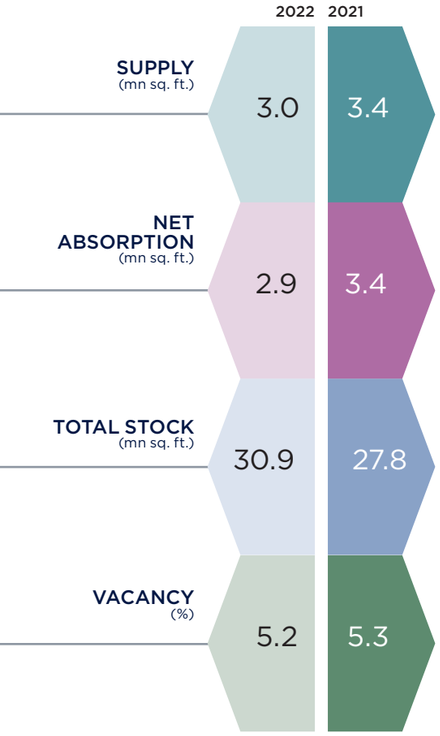
Source: Savills India Industrial Research
Note: as on end 2022





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

Retail, 3PL, e-commerce, and FMCD/FMCG sectors are driving the demand

Vacancy rates marginally decreased

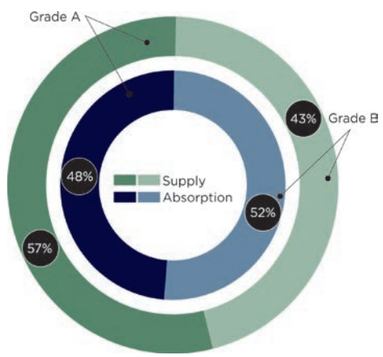
Supply, Absorption, and Vacancy

The Kolkata market witnessed absorption of 2.9 million sq. ft. in 2022 against 3.4 million sq. ft. in 2021 of which 48% was Grade A. The retail and e-commerce sectors together accounted for 53% of the total absorption witnessed in 2022 followed by 3PL and FMCD/FMCG sectors at 20% and 17% respectively.

The operational stock stands at 30.9 million sq. ft. as of 2022. On the supply side, the market witnessed the completion of 3.0 million sq. ft. in 2022, of which 57% was Grade A space. The vacancy levels decreased slightly from 5.3% in 2021 to 5.2% in 2022.

Demand and supply concentrated in NH-16 and NH-19 micro-markets as these two micro-markets together accounted for 100% of the total supply and absorption witnessed in 2022.

Supply & Absorption by Grade



Major Transactions

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

E-COMMERCE
NH 16
500,000

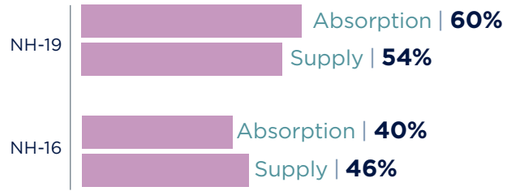
RETAIL
NH 19
144,000

FMCG
NH 16
180,000

FMCG
NH 16
80,000

3PL
NH 19
180,000

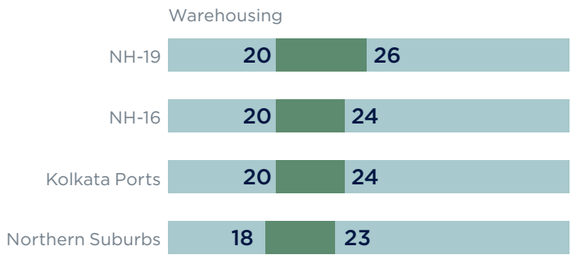
Supply & Absorption by Micro-Market



Source: Savills India Industrial Research

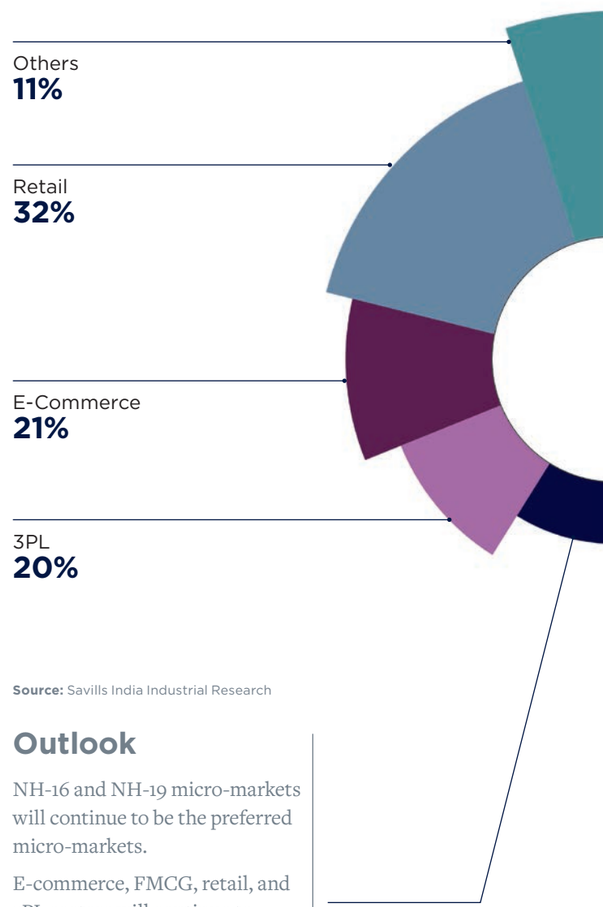
Rental Values

Rental Value Range (INR psf pm)



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

Absorption by Sector



Source: Savills India Industrial Research

Outlook

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

E-commerce, FMCG, retail, and 3PL sectors will continue to remain the largest demand drivers.

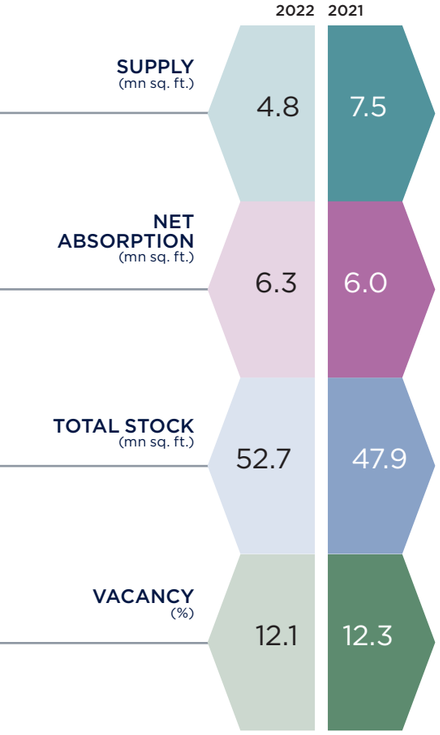
Rental values are expected to increase slightly for graded-compliant projects.

Kolkata market is likely to witness absorption of over 3.5 million sq. ft. in 2023.



MUMBAI
Industrial & Logistics Market

Key Statistics



Key Trends

Bhiwandi and Navi Mumbai continue to be the preferred locations

3PL and retail sectors are driving the demand

Rental values increased for compliant buildings across the micro-markets

Vacancy rates decreased marginally

Supply, Absorption, and Vacancy

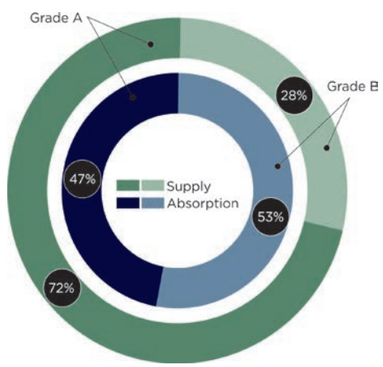
In 2022, Mumbai Metropolitan Region (MMR) witnessed an absorption of 6.3 million sq. ft. of industrial and warehousing space against 6.0 million sq. ft. in 2021.

The Bhiwandi sub-market accounted for around 86% of the total absorption witnessed in 2022. The 3PL sector accounted for 79% of total absorption witnessed in 2022, followed by the retail sector at 12%.

On the supply side, MMR witnessed 4.8 million sq. ft. in 2022 against 7.5 million sq. ft. in 2021. Grade A supply accounted for 72% of the total completions witnessed in 2022.

The overall vacancy levels decreased from 12.3% in 2021 to 12.1% in 2022. The city has a cumulative industrial and warehousing stock of 52.7 million sq. ft. as of 2022, the second highest in the country.

Supply & Absorption by Grade



Major Transactions

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

3PL
Bhiwandi
288,000

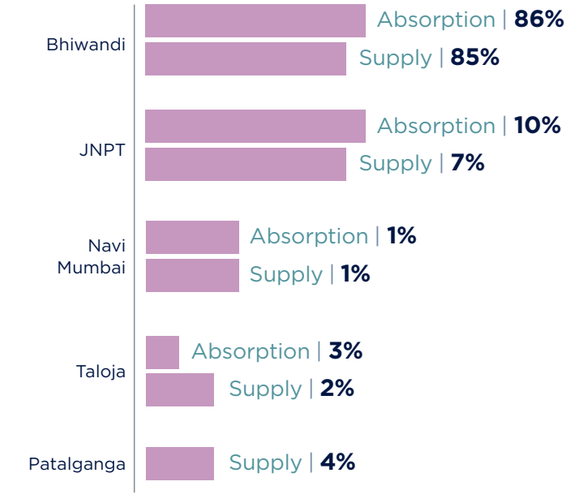
MANUFACTURING
Taloja
150,000

RETAIL
Patalganga
250,000

E-COMMERCE
Bhiwandi
150,000

3PL
Bhiwandi
225,000

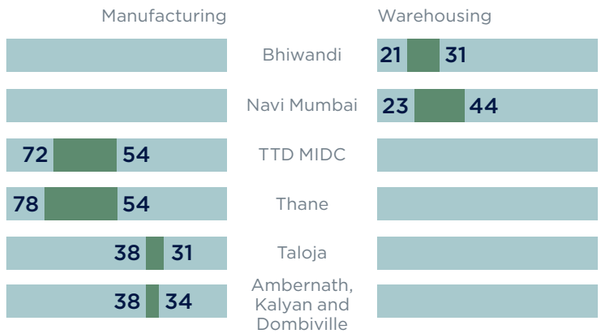
Supply & Absorption by Micro-Market



Source: Savills India Industrial Research

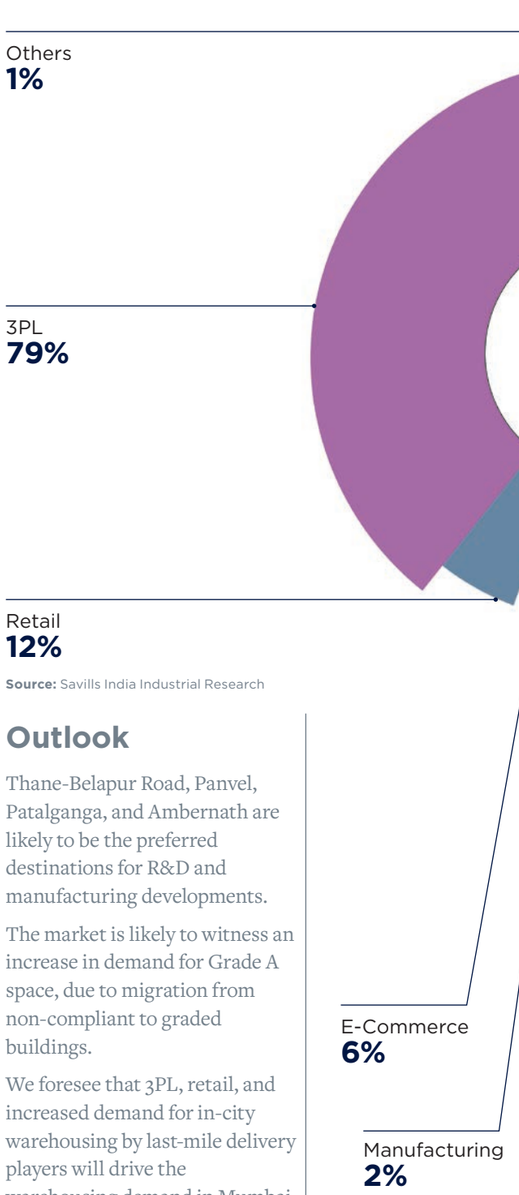
Rental Values

Rental Value Range (INR psf pm)



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

Absorption by Sector



Source: Savills India Industrial Research

Outlook

Thane-Belapur Road, Panvel, Patalganga, and Ambernath are likely to be the preferred destinations for R&D and manufacturing developments.

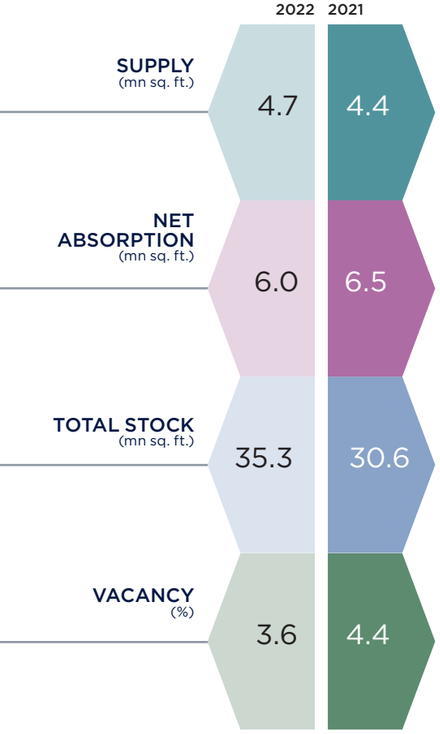
The market is likely to witness an increase in demand for Grade A space, due to migration from non-compliant to graded buildings.

We foresee that 3PL, retail, and increased demand for in-city warehousing by last-mile delivery players will drive the warehousing demand in Mumbai in 2023.



PUNE
Industrial & Logistics Market

Key Statistics



Key Trends

Chakan, Talegaon, Ranjangaon, and Nagar Road are preferred locations

Manufacturing, 3PL, and retail sectors are driving the demand

Rental values increased marginally across the micro-markets due to the limited supply and increased input cost

Vacancy levels declined

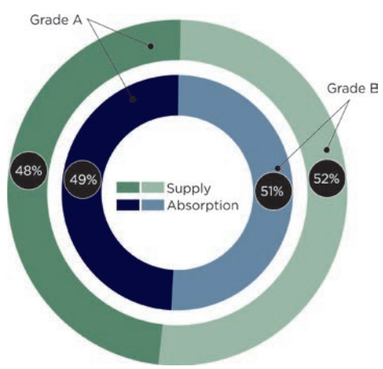
Supply, Absorption, and Vacancy

The Pune market witnessed an absorption of 6.0 million sq. ft. in 2022 against 6.5 million sq. ft. in 2021. On the supply side, the city witnessed the completion of 4.7 million sq. ft. in 2022, of which over 86% completions/supply was witnessed in the Chakan-Talegaon micro-market.

The operational stock stands at 35.3 million sq. ft. as of 2022 with vacancy levels at 3.6% in 2022 against 4.4% in 2021.

The Chakan-Talegaon micro-market accounted for 90% of the total absorption witnessed in the city. The other micro-markets contributing to absorption are Ranjangaon, Hinjewadi, and Nagar Road. The manufacturing sector accounted for 67% of the total absorption in 2022, followed by the 3PL sector at 22%.

Supply & Absorption by Grade



Major Transactions

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

MANUFACTURING
Chakan-Talegaon
259,861

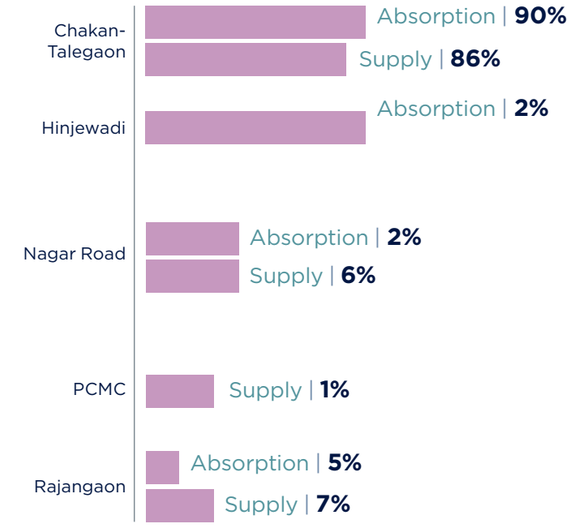
3PL
Chakan-Talegaon
155,000

MANUFACTURING
Ranjangaon
151,623

MANUFACTURING
Nagar Road
116,000

MANUFACTURING
Nagar Road
55,000

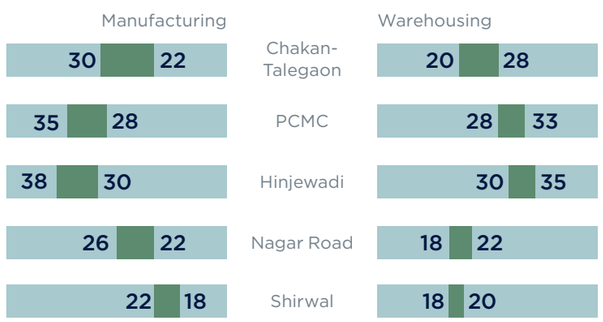
Supply & Absorption by Micro-Market



Source: Savills India Industrial Research

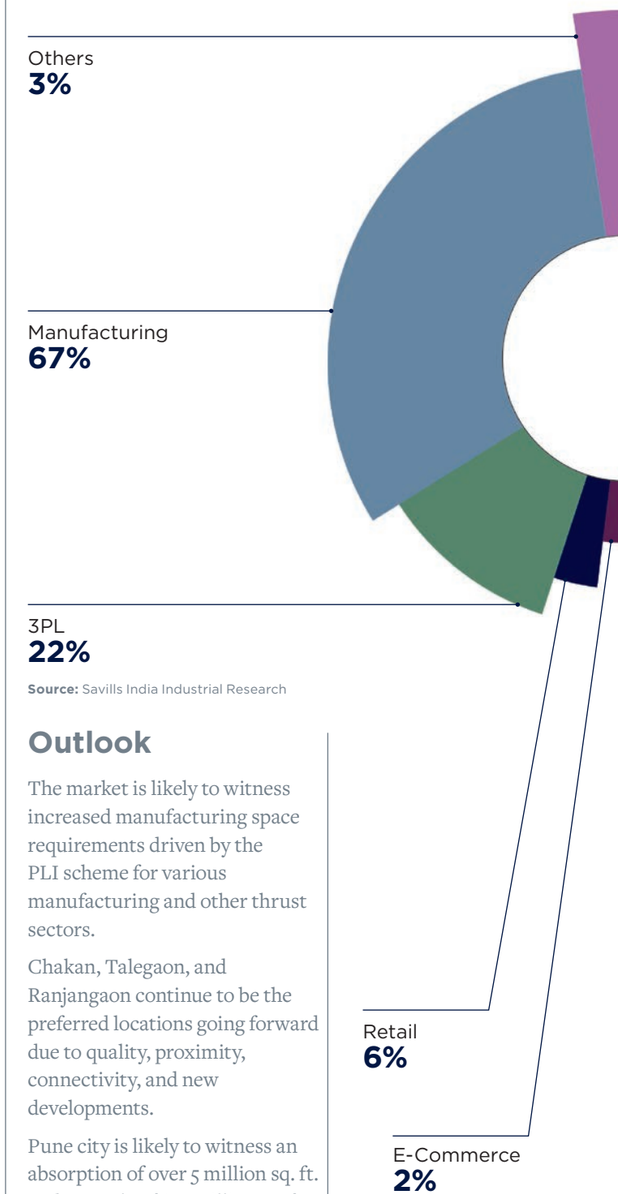
Rental Values

Rental Value Range (INR psf pm)



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

Absorption by Sector



Source: Savills India Industrial Research

Outlook

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

Chakan, Talegaon, and Ranjangaon continue to be the preferred locations going forward due to quality, proximity, connectivity, and new developments.

Pune city is likely to witness an absorption of over 5 million sq. ft. and a 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 a lack of ready-to-move-in stock.

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.

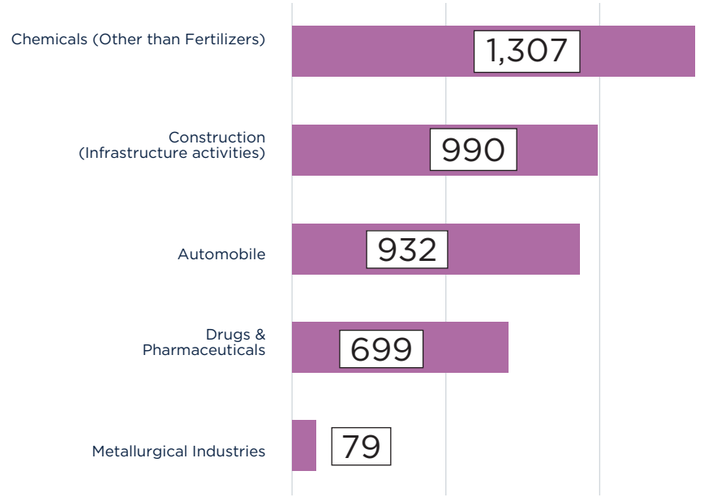
Manufacturing has emerged as one of the high growth sectors in India, and has seen further traction after the roll out of the PLI scheme with major multinational players announcing their investment plans in the country.

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



Kolkata 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
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