

# E-commerce Raising the Bar for Warehousing Space Demand



**Rajesh Jaggi**  
Managing Partner, Real Estate, Everstone Group

## An update on E-Commerce Industry

E-Commerce is one of the fastest growing shopping industry in the world. With \$681 billion in online retail sales in 2016, China is the largest market for E-Commerce globally, followed by the US; and the fastest growing one is India.

According to a new study by Forrester Research, approximately a fifth of total retail sales will take place online by 2021 in Asia Pacific, with 78 percent of that coming from mobile, up from 63 percent in 2016. The study adds that online retail via mobile will grow at a CAGR of 15.6 per cent, to

reach \$1 trillion in 2020, up from \$539 billion in 2016.

## Warehouses: How Important for E-Commerce?

Warehouses have been used for a long time by the retailers, manufacturers, suppliers and many other types of businesses. As a place to store and ship the goods, however, they're greatly influenced by the changes in productivity, efficiency and overall operations of the E-Commerce business.

Warehouses are absolutely essential for the E-Commerce business and hence, they have constantly responded to the needs of the expanding E-Commerce industry. Because of this, E-Commerce is driving the warehouses to upgrade, for greater reliability, higher efficiency and a better suitability for customers' demands.

## Types of warehousing needed for E-Commerce

1. Innovative storage and shipping:

Warehouses now store more diverse kinds of products. Many organisations have evolved new innovative systems that facilitate storage and shipping. One of these is the chaotic storage system, where new items are placed on any available shelf to save time. The

3. Better tracking ability: Everything in warehouses can be tracked faster because of developed technology. At any given time, almost anyone in the organisation can find out where a specific product is. This improved tracking avoids product loss

## WAREHOUSING SPACE REQUIREMENT IN INDIA'S TOP SEVEN MARKETS (MN SQ FT)

	Warehousing space requirement		CAGR*	Total additional space required from 2016–2020	Annual additional space required from 2016–2020
	2016	2020E			
Manufacturing	487	656	8%	169	42
Brick-and-mortar retail	120	154	6%	34	8
E-tail	14	29	19%	14.4	3.6
<b>Total</b>	<b>621</b>	<b>839</b>	<b>8%</b>	<b>218</b>	<b>54</b>

\* Compounded Annual Growth Rate

Note: The top seven markets include Mumbai, NCR, Bengaluru, Chennai, Pune, Hyderabad and Ahmedabad

Source: Knight Frank Research

floor layout that seems to show no logical scheme, but the products can be tracked technologically.

2. Better software: There are many inventory-management software systems available, from basic barcoding systems, to advanced, real-time data-streaming systems that connect everything from initial supply to shipment in the warehouse.

## Expected Growth in Warehousing

A research by Knight Frank shows that while the requirement from traditional brick and mortar retail will continue to grow at a steady pace, requirement from the E-tail segment will more than double from 14 mnsqft in 2016 to 29 mnsqft by 2020, resulting in an annual growth rate of 19 per cent.



The total warehousing space requirement in the country's top seven markets is expected to grow from 621 mnsqft in 2016 to 839 mnsqft by 2020

A massive 218 mnsqft needs to be added within the next 4 years in the top seven warehousing markets of India

The warehousing requirements of the E-tail segment will more than double from 14 mnsqft in 2016 to 29 mnsqft in 2020

Currently, 17 mnsqft of space is transacted annually in the top seven warehousing markets of the country

Source: Knight Frank Research, 2016

## How IndoSpace brings Warehousing Solutions

- 1) IndoSpace builds its warehouses and light industrial parks at multiple strategic locations all over India, such that last mile delivery and distribution is easy where a hub and spoke model can be followed by the E-Commerce players. E-Commerce players need multiple locations to expand as they grow. It helps that IndoSpace is the largest owner-developer-manager of light industrial and warehousing, logistics facilities across India and has a pan-Indian presence. It has well-established land banks across the country.
- 2) Due to its sheer size, IndoSpace has a pipeline for expansion that can help E-Commerce to plan

expansion for the next 5-7 years. Scalability is very easily available due to the large size of land parcels and development plans.

- 3) IndoSpace builds big boxes, which is what the E-Commerce industry needs, sizes ranging from two-five lakh sqft. Because of the sheer volume, E-Commerce players prefer having large boxes to manage their inventories, pick and pack and send for last mile deliveries.
- 4) Because of sheer volume, E-Commerce industry needs fire suppressant infrastructure and IndoSpace builds the best in class fire management systems not only within, but also the best in class high side infrastructure. IndoSpace has the distinction of building an FM global approved fire sprinkler system including in-rack sprinklers for Adidas managed by DHL and built-to-suit green building for Swedish telecom giant Ericsson. This 200,000 sqft features skylights, solar powered common areas, insulated glass and natural ventilation.
- 5) All their parks have wide internal roads offering greater turning radius to trucks. Hence, IndoSpace enhances the daily operation, cutting down the loading and unloading time and reducing the total TAT.

Also, ample truck parking is available within the IndoSpace parks. All IndoSpace parks are well connected to major highways, railways, airports and seaports with access to skilled labour supply.

- 6) E-Commerce players need heights within their warehouse infrastructure. IndoSpace standard build-ings are of 10-12 metres to manage multi level racking systems.
- 7) IndoSpace offers global standard facilities and value added services, space optimisation, safety compliances, innovative initiatives in technology implementation. Both ready and built to suit facilities are available, helping them to address different needs of clients and potential tenants. It has most experienced and largest development team across India with around 120 number of professionals.

*IndoSpace is a joint venture between the Everstone Group and Realterm. The Everstone Group is a premier India and South East Asia focused private equity and real estate investment firm with assets under management of approximately US \$4 billion. Realterm is an industrial real estate firm that manages over \$2.5 billion across over 300 operating and development properties in North America, Europe and India.* 

