



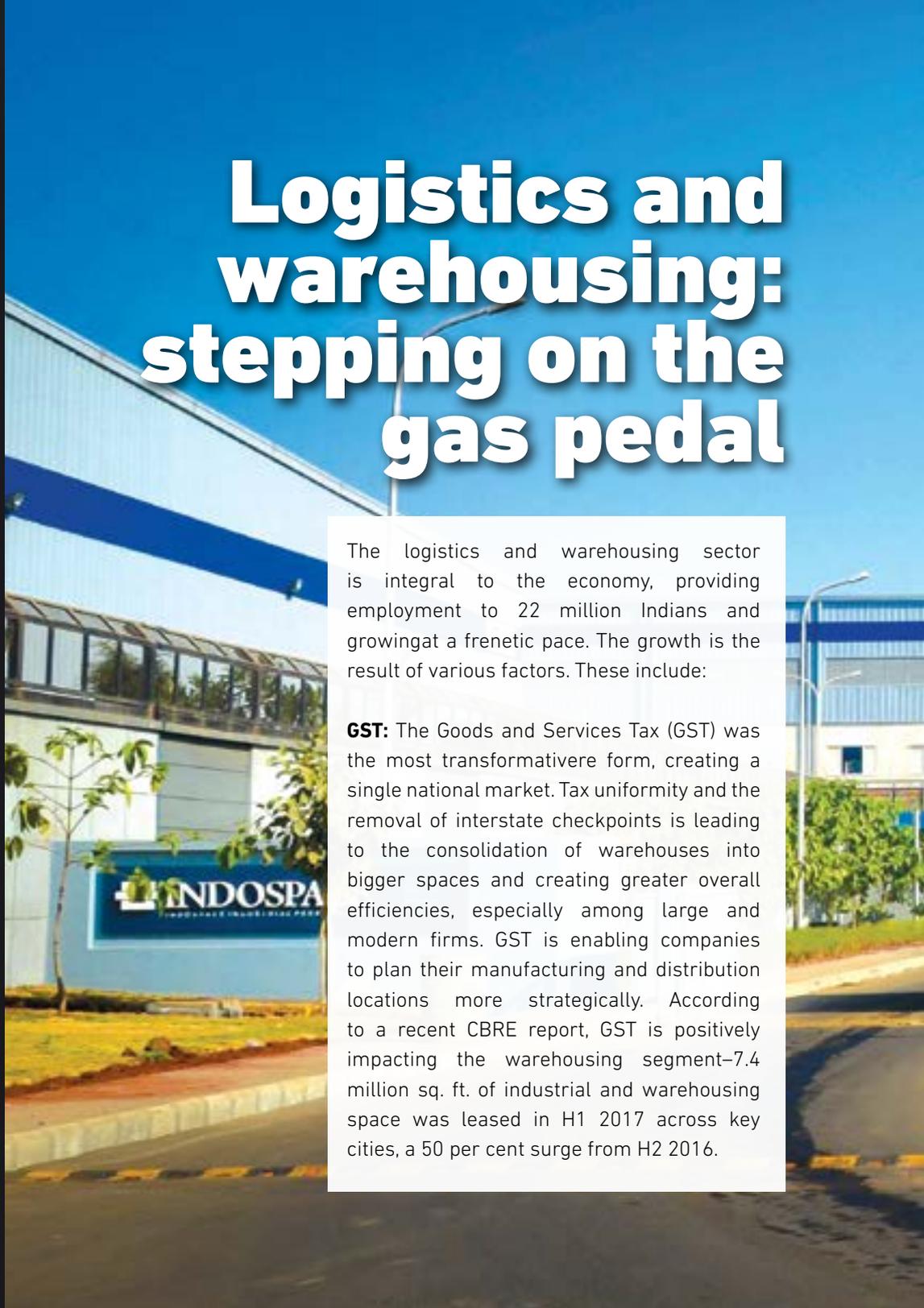
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Logistics and warehousing: stepping on the gas pedal

The logistics and warehousing sector is integral to the economy, providing employment to 22 million Indians and growing at a frenetic pace. The growth is the result of various factors. These include:

GST: The Goods and Services Tax (GST) was the most transformative form, creating a single national market. Tax uniformity and the removal of interstate checkpoints is leading to the consolidation of warehouses into bigger spaces and creating greater overall efficiencies, especially among large and modern firms. GST is enabling companies to plan their manufacturing and distribution locations more strategically. According to a recent CBRE report, GST is positively impacting the warehousing segment—7.4 million sq. ft. of industrial and warehousing space was leased in H1 2017 across key cities, a 50 per cent surge from H2 2016.



Infrastructure status: The government granting infrastructure status to the logistics sector, including multi-modal logistics parks and cold chains, last November will enable firms to access loans at competitive rates. Logistics players will have multiple instruments to raise money, including from insurance companies and pension funds with longer tenures. Improved infrastructure will also create more employment.

According to the latest Knight Frank India Warehousing Report, after GST, the Mumbai market recorded a staggering 231 per cent growth as companies that were in wait-and-watch mode have now started executing. Leasing transactions in the warehousing sector across key markets burgeoned to 25.7 mn sq. ft. in 2017, an 85 per cent spike year-on-year.

E-commerce: According to the Economic Survey 2018, India's e-commerce market is currently at \$33 billion, and grew 19.1 per cent in 2016-2017. Rising internet and mobile penetration, online

sales, discounts and various payment options have enabled this. Warehouses, meanwhile, are evolving to meet these trends by adopting automation and robotics.

Make in India: The initiative is boosting domestic production, which is good for logistics and warehousing. The demand for more light manufacturing and warehousing spaces is augmenting expansion.

THE FUTURE IS BRIGHT

According to the Economic Survey, the logistics sector is expected to grow by more than 34 per cent from the current \$160 billion to \$215 billion by 2020—augmented by the factors mentioned above and other initiatives. These include Bharatmala, under which the government is planning logistics parks at 35 locations, and Sagarmala, which aims to develop and modernise Indian ports.

There will be more organised players as demand increases. IndoSpace, being the largest and most advanced, has a head start in providing modern,

large and best-in-class warehouses—at strategic locations—to companies in need of this service.

IndoSpace, the warehousing partner for Ikea in India, is building a 3 lakh sq ft modern built-to-suite, world-class distribution centre located at IndoSpace Chakan, Pune. This gradual shift from unorganised to organised means the industry is ripe for investment from global and Indian institutional investors. IndoSpace and the Canada Pension Plan Investment Board (CPPIB) created a joint venture last year, IndoSpace Core, that focuses on acquiring and developing modern logistics facilities in India. CPPIB has committed more than \$1 billion towards IndoSpace's assets. This is considered to be the largest private equity deal in warehousing and logistics in India.

As is evident, the sector is setting a hot pace that won't slow anytime soon. How it responds to the various opportunities before it is the key. It's time for bold investments and decisions.

(The article is authored by Rajesh Jaggi, Managing Partner, Real Estate, Everstone Group)