

Year-End 2022

Q
SPOTLIGHT
Savills Research

Market in Minutes: India Industrial & Logistics

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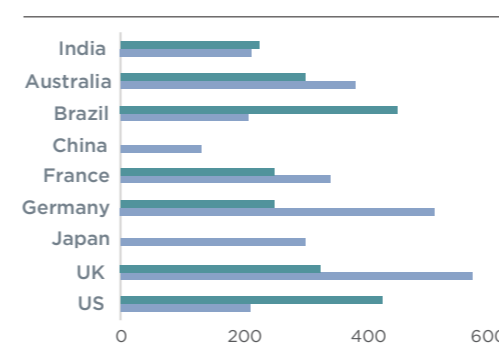
INDIA ECONOMY: 2022

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



Legend: Interest Rate Movement in 2022 (Change in bps) (Blue bar), Inflation: Peak 2022 vs Dec 21 (Change in bps) (Green bar)

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

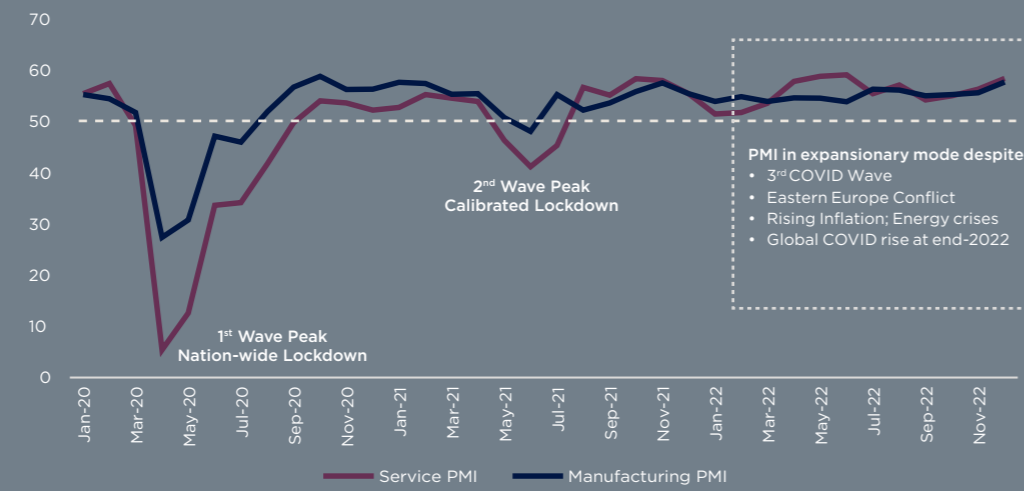
Real Estate Specific Announcements

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

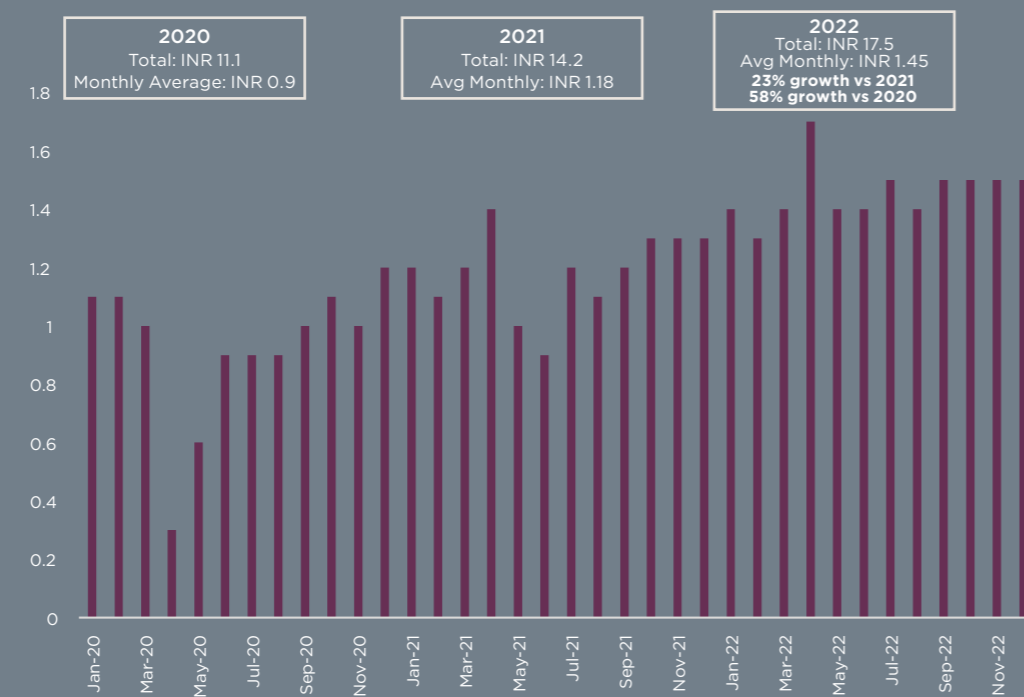
PMI is an indicator of business activity - both in the manufacturing and services sectors. A figure above 50 denotes expansion in business activity. Anything below 50 denotes contraction. The higher the difference from the mid-point (50), the greater the expansion or contraction.



Source: FxEmpire, Savills India Research

Chart-3: GST Collections

All figures in INR Lakh Crore (INR Trillion)



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 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.

Key Statistics

(in mn sq. ft.)

Supply Absorption

OVERALL
(Tier I, Tier II & Tier III)

47

46

TIER I CITIES

34.1

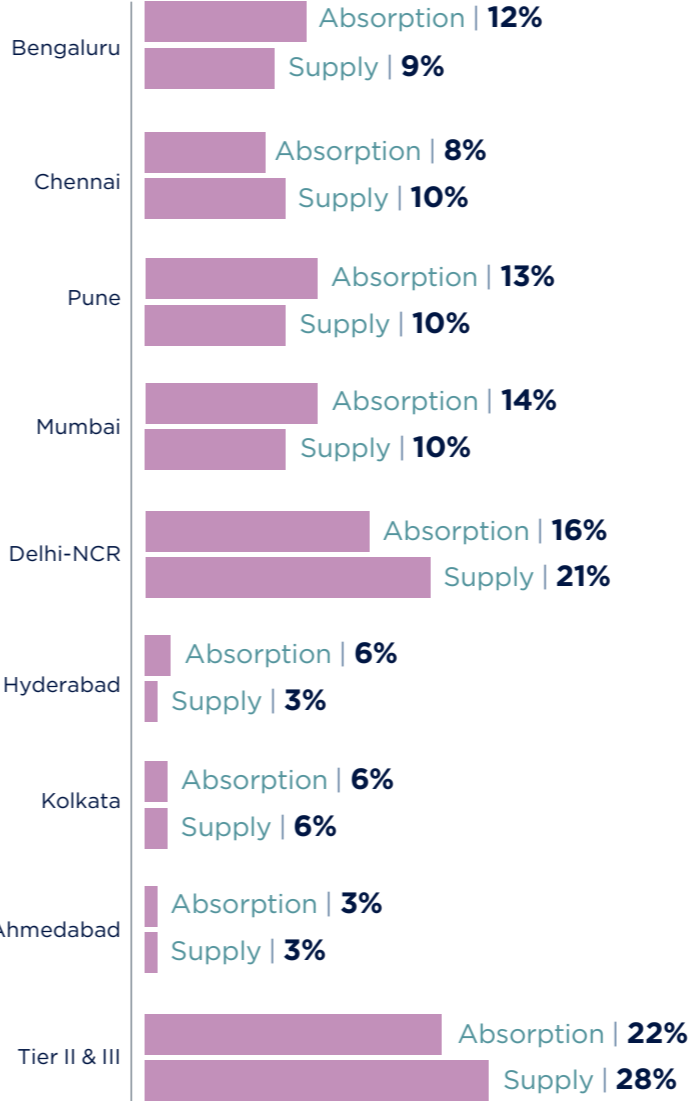
36.2

TIER II & III CITIES

12.9

10.1

Supply & Absorption by City



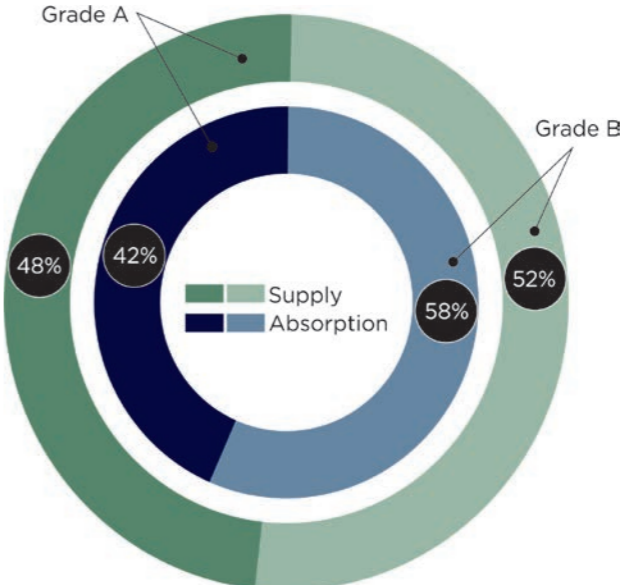
Source: Savills India Industrial Research

Absorption by Sector



Source: Savills India Industrial Research

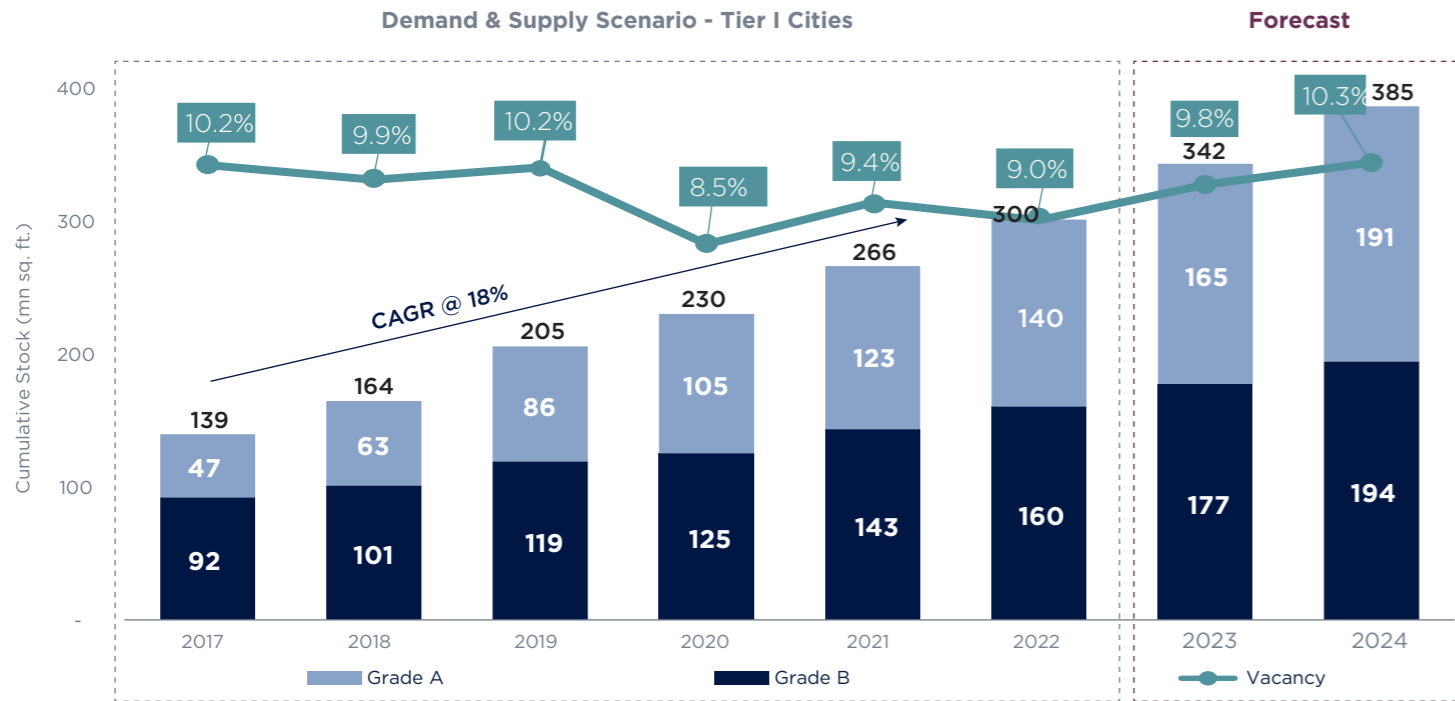
Supply & Absorption by Grade



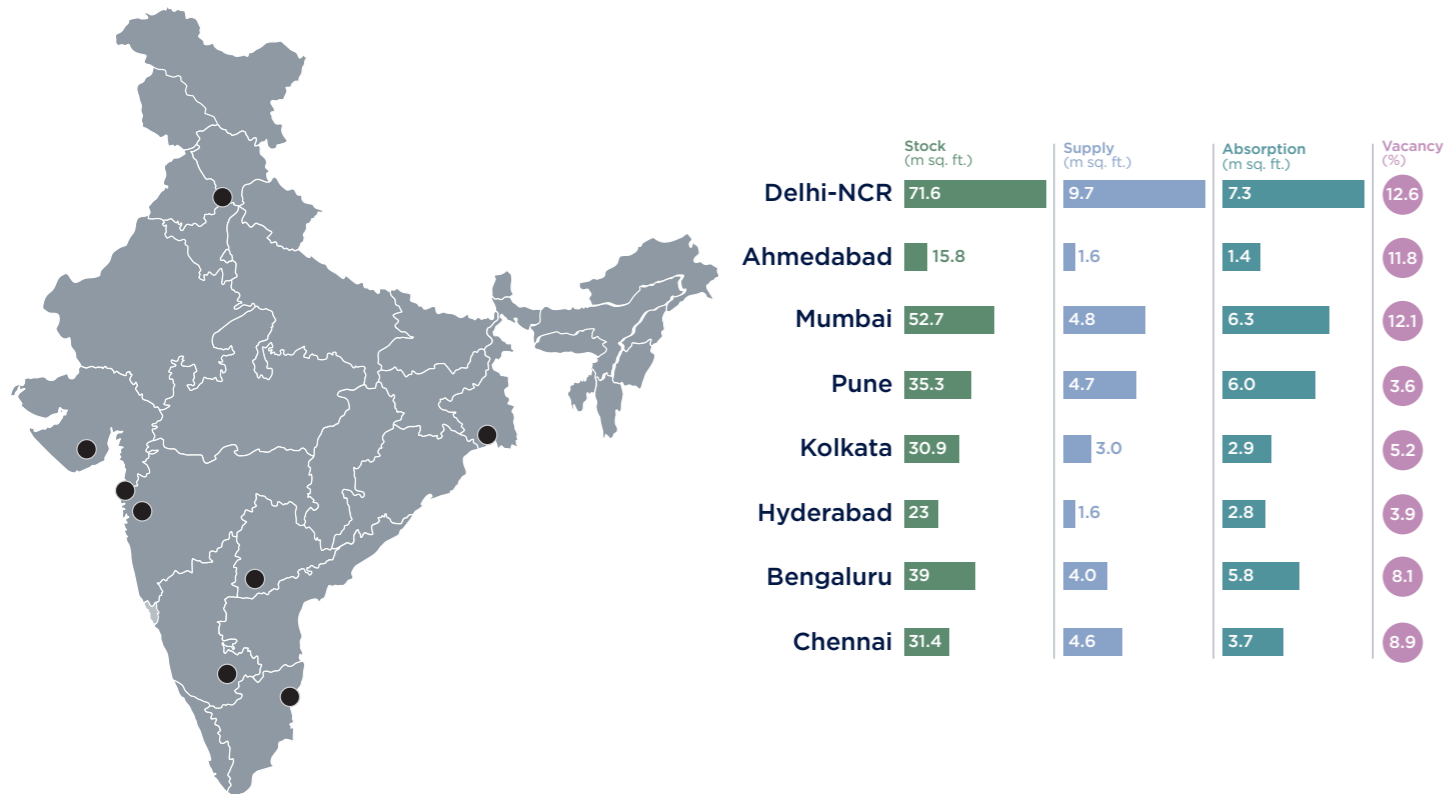
E-Commerce
10%

FMCG/FMCD
6%

Demand & Supply Scenario - 2022



Tier I Stock, Supply, Absorption & Vacancy - 2022



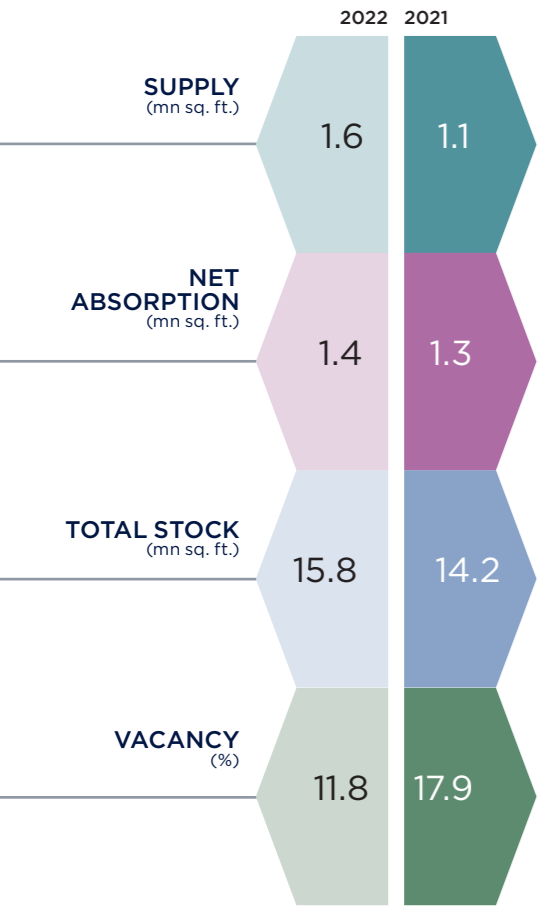
Source: Savills India Industrial Research
Note: as on end 2022



AHMEDABAD

Industrial & Logistics Market

Key Statistics



Key Trends



Aslali-Kheda and Changodar-Bavla were preferred micro-markets



Vacancy rates declined



No significant change in rental values



3PL and Retail sectors are driving the demand

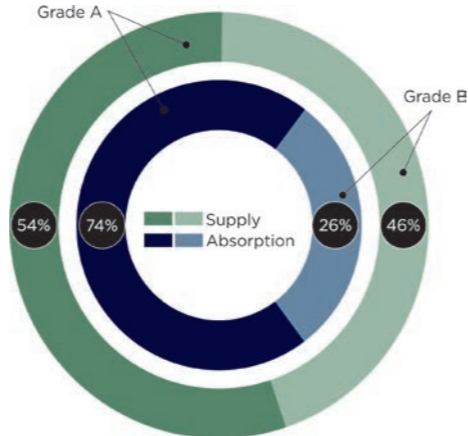
Supply, Absorption, and Vacancy

Ahmedabad city witnessed an absorption of 1.4 million sq. ft. in 2022, as compared to 1.3 million sq. ft. in 2021, mainly driven by the 3PL and retail sectors. Grade A space accounted for 74% of the total absorption witnessed in the city in 2022.

In 2022, the market witnessed a supply of 1.6 million against 1.1 million sq. ft. in 2021. The Aslali-Kheda micro-market accounted for 74% of the total supply followed by the Changodar-Bavla micro-market at 15%.

The operational stock stands at 15.8 million sq. ft. as of 2022. The overall vacancy levels reduced from 17.9% in 2021 to 11.8% in 2022.

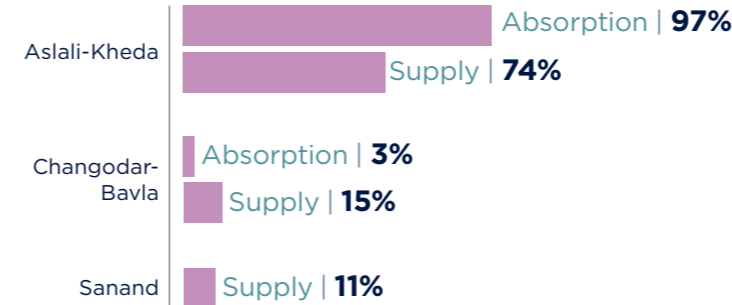
Supply & Absorption by Grade



Major Transactions

OCCUPIER	Micro-Market	Area Leased (sq. ft.)
3PL	Aslali-Kheda	300,000
3PL	Aslali-Kheda	50,000
RETAIL	Aslali-Kheda	76,000
RETAIL	Aslali-Kheda	20,000

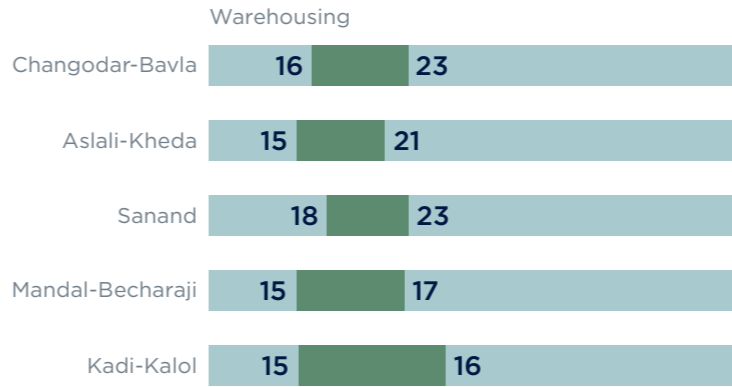
Supply & Absorption by Micro-Market



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

Others
49%

3PL
35%

Outlook

Ahmedabad is likely to witness absorption of over 2.5 million sq. ft. in 2023. Aslali-Kheda and Changodar-Bavla are likely to drive the demand. Most of the demand is likely to be from the manufacturing, retail, and 3PL sectors.

In 2023, vacancy levels are expected to decrease marginally from current levels.

Rental values are expected to increase marginally for compliant buildings.

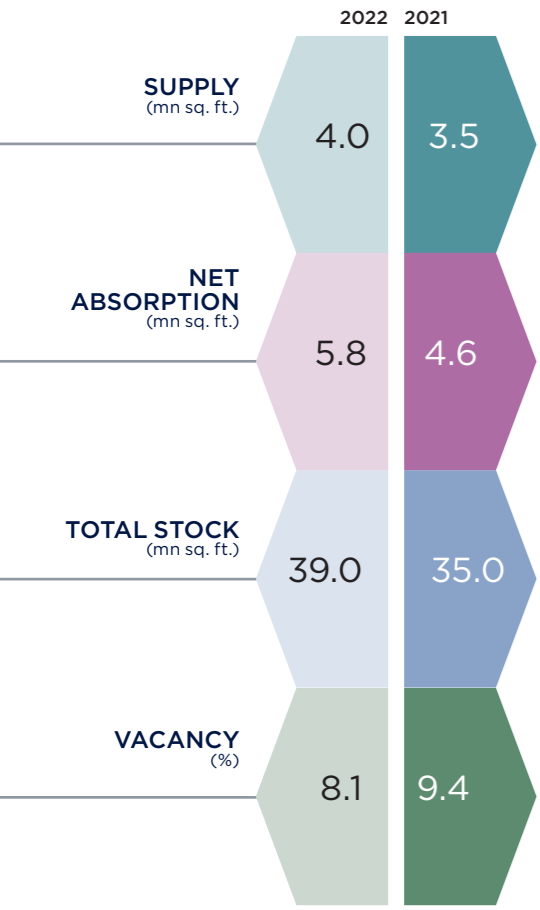
Retail
16%

BENGALURU

Industrial & Logistics Market



Key Statistics



Key Trends



Major demand was driven through 3PL, manufacturing, and retail sectors



Hoskote, Tumkur Road, and Hosur Road are driving the demand



Increased demand for Grade A industrial and warehousing spaces



Vacancy rates decreased marginally

Supply, Absorption, and Vacancy

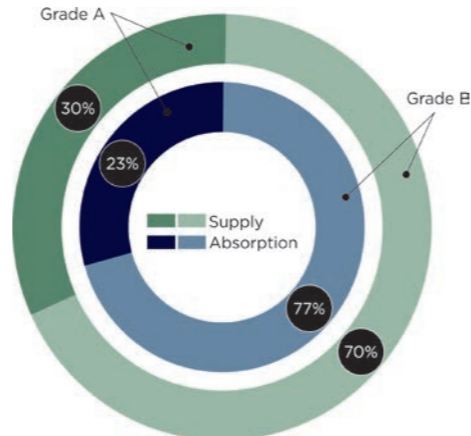
Bengaluru witnessed a supply of 4.0 million sq. ft. in 2022 against 3.5 million sq. ft. in 2021. The operational stock stands at 39.0 million sq. ft. as of 2022, while vacancy levels decreased marginally to 8.1% in 2022 from 9.4% in 2021.

Hoskote and Tumkur Road micro-markets together accounted for 80% of the total supply witnessed in the city followed by Bellary Road at 14%.

On the demand side, the market witnessed an absorption of 5.8 million sq. ft. in 2022 against 4.6 million sq. ft. in 2021. The Tumkur Road and Hoskote micro-markets together accounted for 66% of the total absorption witnessed in the city followed by Hosur Road at 19%.

The 3PL sector accounted for 30% of the total absorption witnessed in 2022 followed by manufacturing and retail at 20% each.

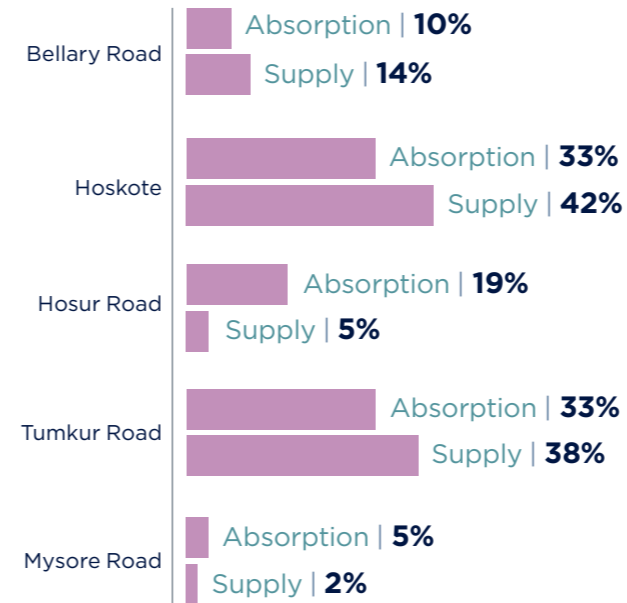
Supply & Absorption by Grade



Major Transactions

OCCUPIER	Micro-Market	Area Leased (sq. ft.)
RETAIL	Tumkur Road	209,000
RETAIL	Hoskote	200,000
E-COMMERCE	Hoskote	200,000
3PL	Hosur Road	120,000
MANUFACTURING	Tumkur Road	200,000

Supply & Absorption by Micro-Market



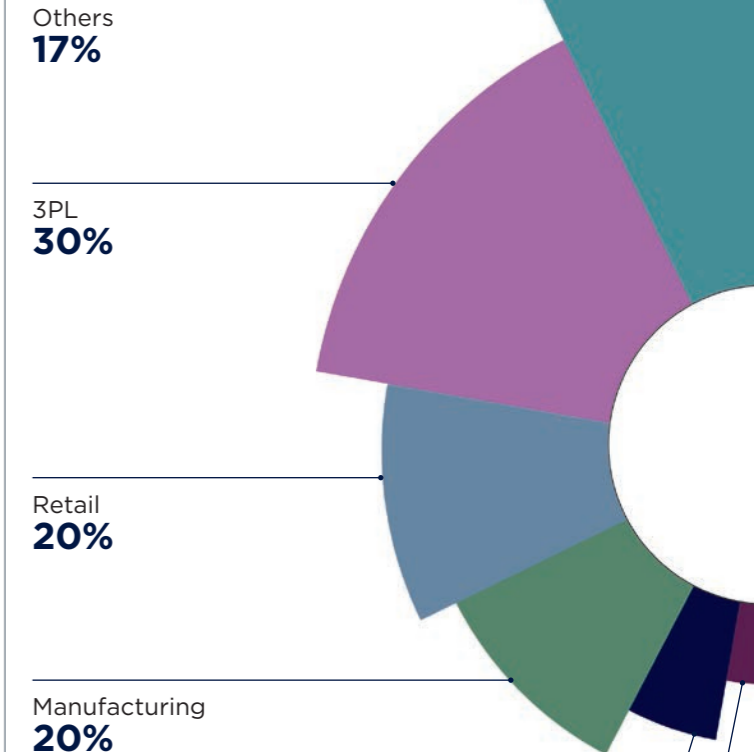
Source: Savills India Industrial Research

Rental Values

Micro-Market	Manufacturing (INR psf pm)	Warehousing (INR psf pm)
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



Source: Savills India Industrial Research

Outlook

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

The warehousing industry is evolving, and the market is witnessing a major push from occupiers and tenants on specifications and compliance.

Demand for plug-and-play compliant warehouses is likely to increase.

Bengaluru is likely to have more Grade-A industrial and warehousing supply in prominent micro-markets.

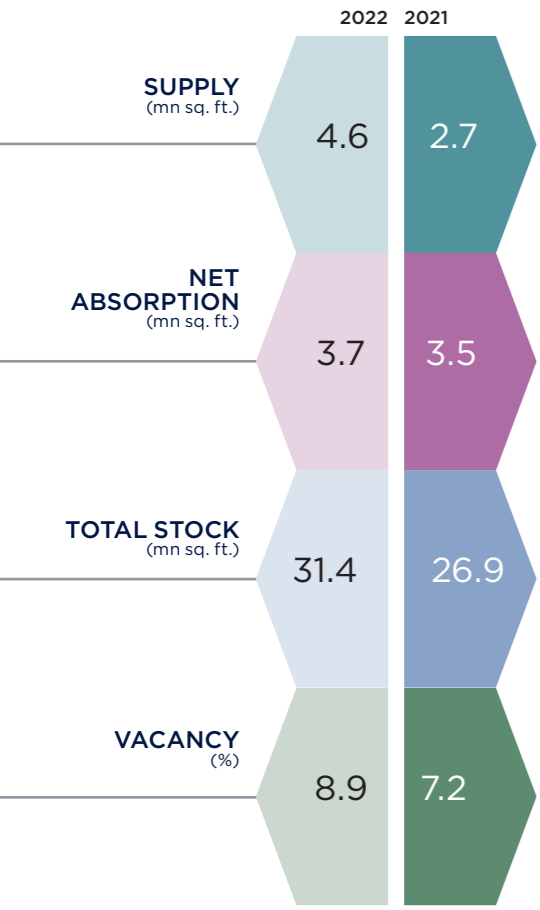
The city is likely to witness the absorption of over 4.0 million sq. ft. of industrial and warehouse space in 2023.

CHENNAI

Industrial & Logistics Market



Key Statistics



Key Trends



Supply and absorption are mainly concentrated on Bengaluru Highway



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



Vacancy rates have increased



Rental values increased marginally across the micro-markets

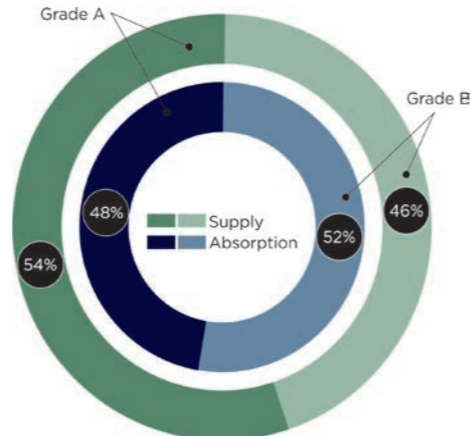
Supply, Absorption, and Vacancy

Industrial and warehousing space absorption in Chennai was at 3.7 million sq. ft. in 2022 against 3.5 million sq. ft. in 2021. The 3PL and manufacturing sectors together accounted for 74% of the total absorption in 2022, followed by the e-commerce sector at 9%. Grade A space accounted for 48% of the total absorption witnessed in the city.

The Bengaluru Highway micro-market accounted for 75% of the total absorption witnessed in the city in 2022 followed by GNT Road at 25%.

On the supply side, 4.6 million sq. ft. of supply was witnessed in 2022 against 2.7 million sq. ft. in 2021 of which 54% was Grade A supply. The operational stock stands at 31.4 million sq. ft. as of 2022. The overall vacancy levels increased from 7.2% in 2021 to 8.9% in 2022. The majority of the vacancy is in Grade B developments.

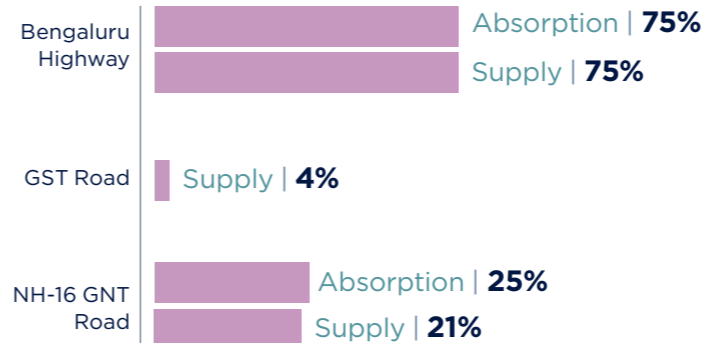
Supply & Absorption by Grade



Major Transactions

OCCUPIER	Micro-Market	Area Leased (sq. ft.)
3PL	Banglore Highway	280,000
MANUFACTURING	Banglore Highway	100,000
E-COMMERCE	NH-16 GNT Road	225,000
RETAIL	NH-16 GNT Road	100,000
MANUFACTURING	Banglore Highway	110,000

Supply & Absorption by Micro-Market



Source: Savills India Industrial Research

Rental Values

Micro-Market	Manufacturing (INR psf pm)	Warehousing (INR psf pm)
Chennai-Tiruvallur Highway	28 22	20 25
Bangalore Highway (NH 48)	32 26	22 30
GNT Road	26 16	16 26
GST Road	38 30	30 37

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

Absorption by Sector

Others
15%

3PL
51%

Manufacturing
23%

Source: Savills India Industrial Research

Outlook

Manufacturing, e-commerce, and 3PL sectors will continue to drive warehousing demand in Chennai in 2023.

Rental and land values are expected to increase marginally in 2023.

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

The vacancy levels are likely to decrease from the current levels.

E-commerce
9%

Retail
3%



DELHI-NCR

Industrial & Logistics Market



Key Trends



Supply and absorption concentrated in Gurugram micro-market



3PL and retail sectors are driving the demand in NCR

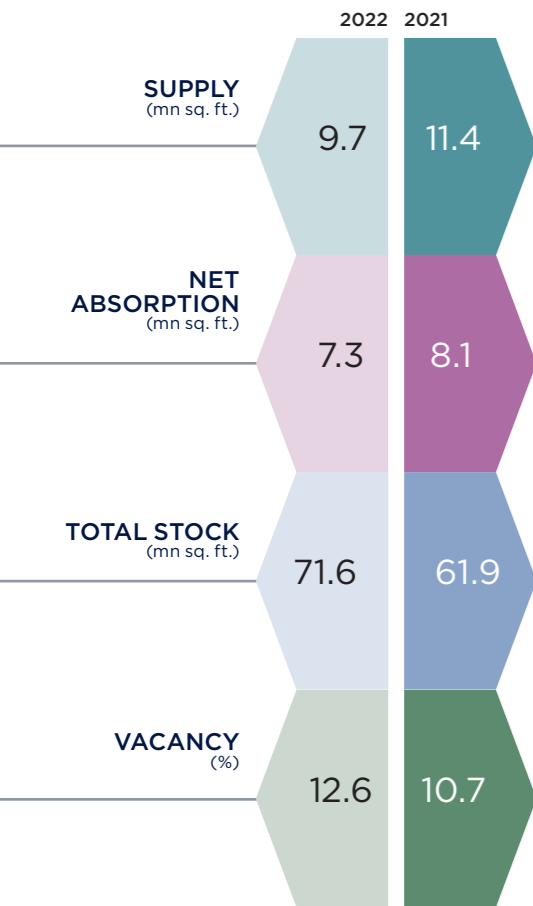


Overall vacancy rates increased



Rental values marginally increased for compliant buildings

Key Statistics



Supply, Absorption, and Vacancy

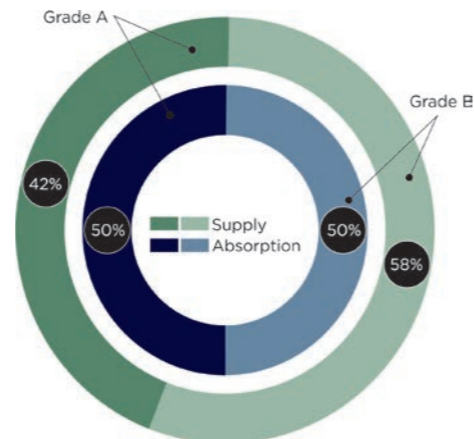
Industrial and warehousing space absorption in the NCR region was at 7.3 million sq. ft. in 2022 against 8.1 million sq. ft. in 2021. Grade A space accounted for 50% of the total absorption witnessed in the city in 2022. The 3PL and retail sectors together accounted for 64% of the total absorption witnessed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

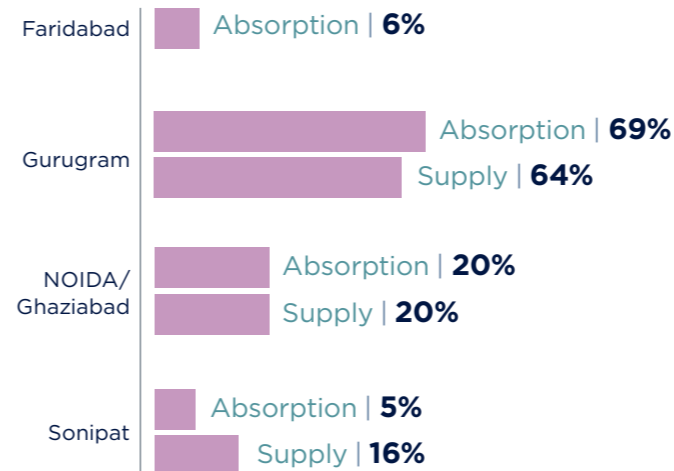
Supply & Absorption by Grade



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

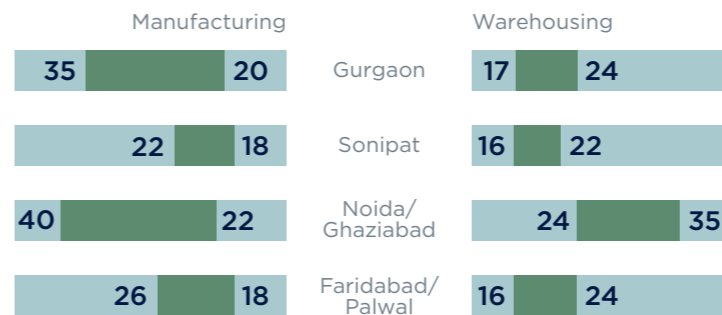
Supply & Absorption by Micro-Market



Source: Savills India Industrial Research

Rental Values

Rental Value Range (INR psf pm)



Source: Savills India Industrial Research

Note: Rental Values on Carpet Area

Absorption by Sector

Others
23%

3PL
48%

Retail
16%

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.

E-Commerce
5%

Manufacturing
5%

FMCG/FMCD
3%

HYDERABAD

Industrial & Logistics Market

Key Trends



E-commerce, 3PL, and retail sectors are driving the demand



Medchal-Kompally is the most preferred micro-market in the city



There is a major push from occupiers and tenants on specifications and compliance

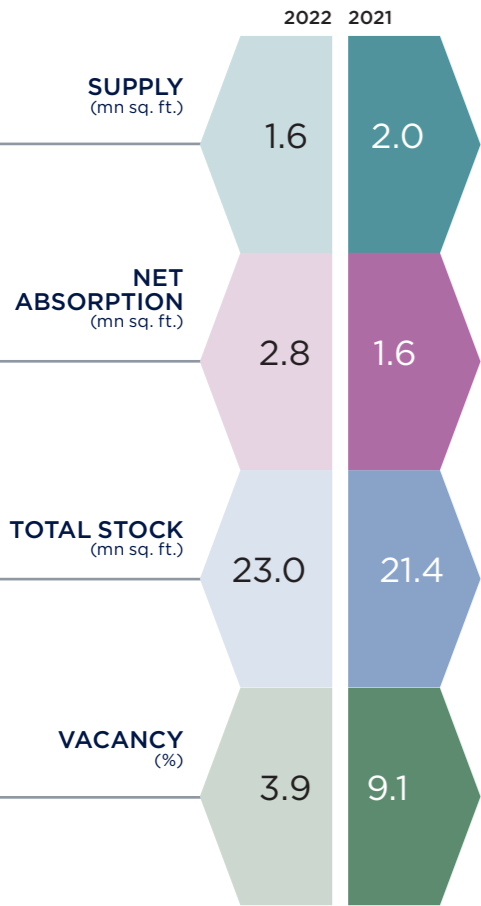


Vacancy rates have decreased



Rental values are marginally increased

Key Statistics



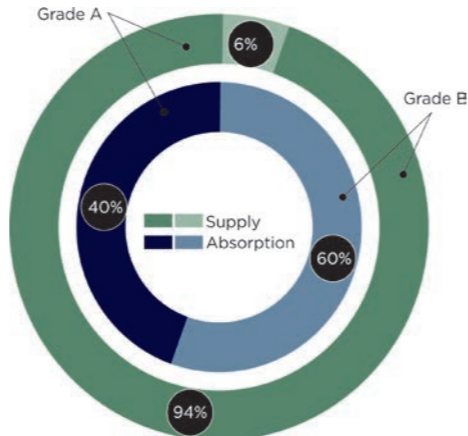
Supply, Absorption, and Vacancy

The Hyderabad market witnessed an absorption of 2.8 million sq. ft. in 2022 against 1.6 million sq. ft. in 2021. The operational stock stands at 23 million sq. ft. as of 2022 and vacancy levels decreased from 9.1% in 2021 to 3.9% in 2022.

Grade A accounted for 94% of supply and 40% of absorption respectively in 2022. 3PL and e-commerce sectors together accounted for 82% of the total absorption witnessed in the city in 2022.

The Medchal-Kompally micro-market accounted for 49% of the total absorption witnessed in the city, followed by Shamshabad (26%) and Patancheru-Balanagar at 18%.

Supply & Absorption by Grade

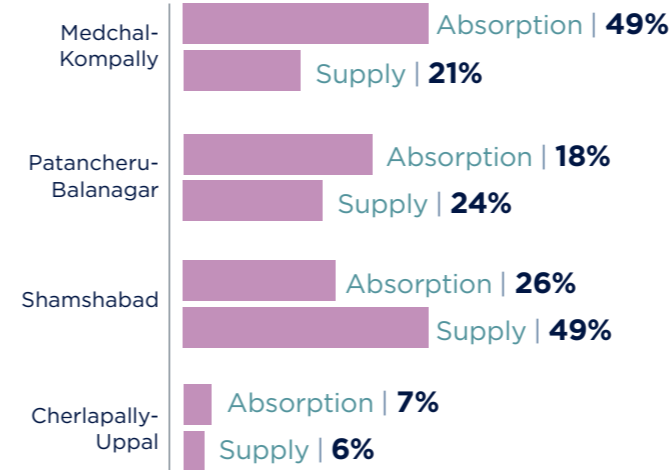


Major Transactions

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

E-COMMERCE Shamshabad 600,000	3PL Medchal-Kompally 225,000
E-COMMERCE Patancheru -Balanagar 400,000	3PL Medchal- Kompally 200,000

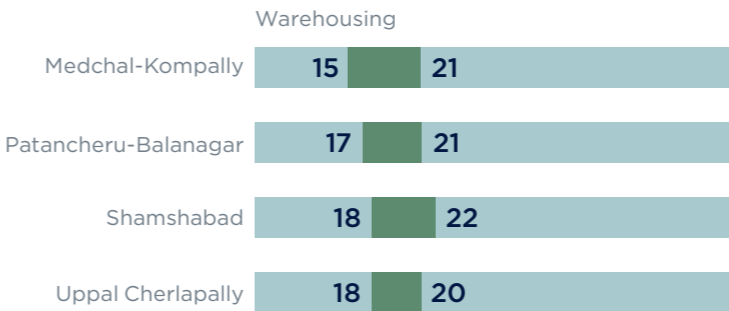
Supply & Absorption by Micro-Market



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
66%

E-Commerce
16%

Source: Savills India Industrial Research

Outlook

Medchal-Kompally and Shamshabad micro-markets are likely to be the preferred micro-markets in Hyderabad.

E-commerce and 3PL continue to lead warehousing demand in Hyderabad in 2023.

Demand for plug-and-play compliant warehouses is likely to increase.

The city is likely to witness an absorption of over 2.5 million sq. ft. of industrial and warehouse space in 2023.

Retail
8%

Manufacturing
6%

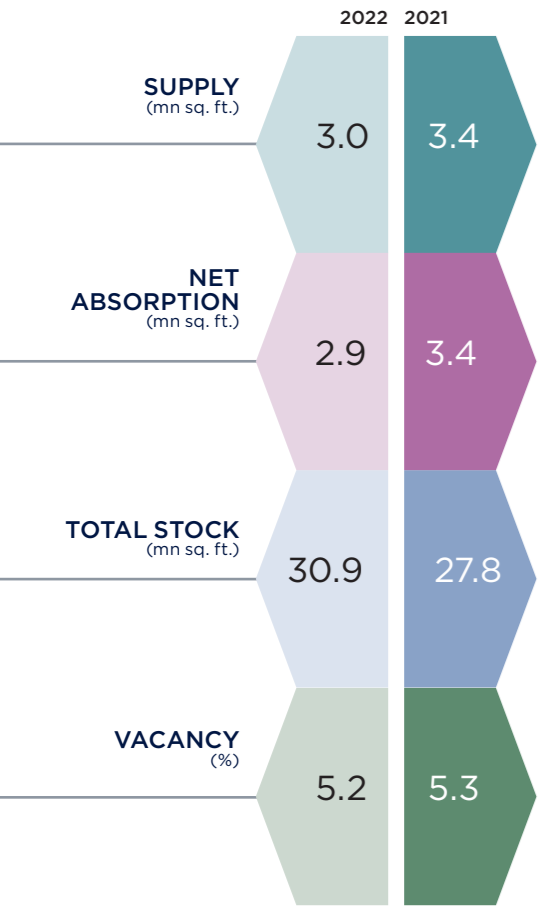
FMCG/FMCD
4%

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

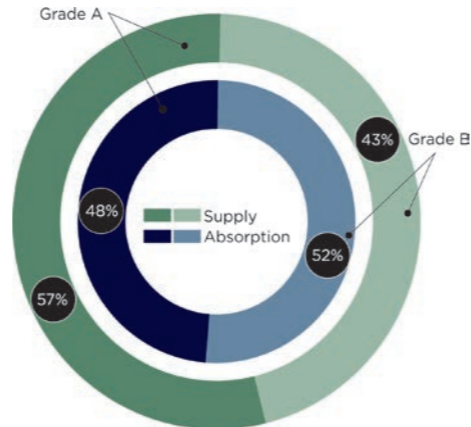
Supply, Absorption, and Vacancy

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

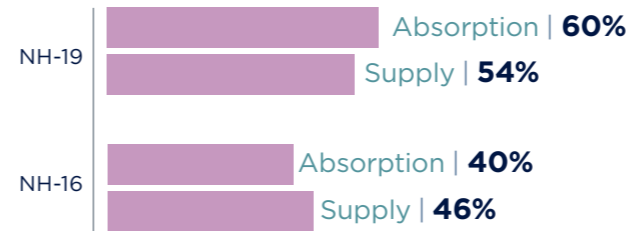


Major Transactions

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

Category	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

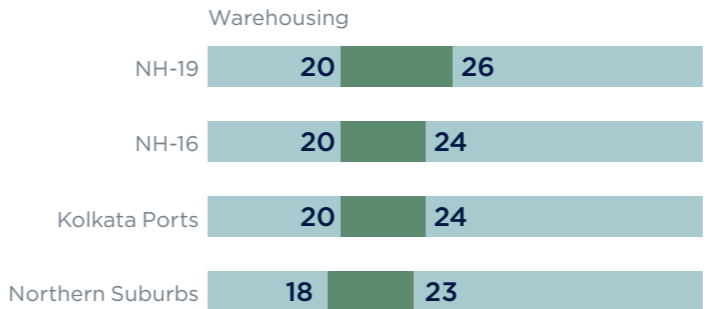
Supply & Absorption by Micro-Market



Source: Savills India Industrial Research

Rental Values

Rental Value Range (INR psf pm)



Source: Savills India Industrial Research

Note: Rental Values on Carpet Area

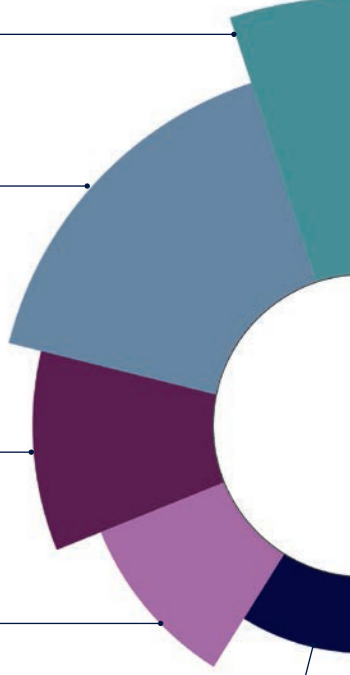
Absorption by Sector

Others
11%

Retail
32%

E-Commerce
21%

3PL
20%



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.

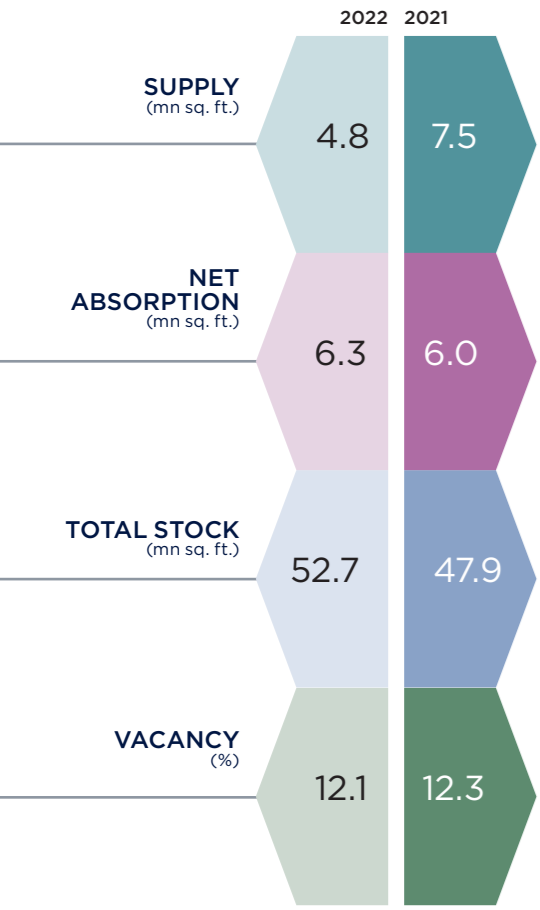
FMCG/FMCD
17%

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

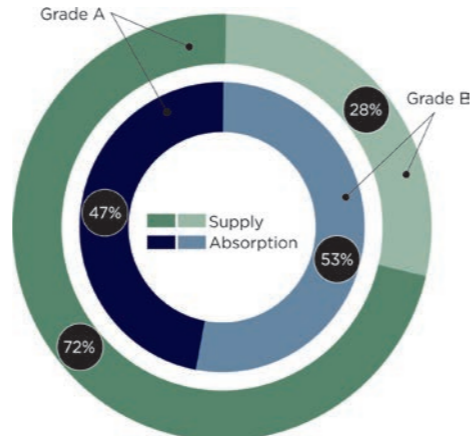
In 2022, Mumbai Metropolitan Region (MMR) witnessed an absorption of 6.3 million sq. ft. of industrial and warehousing space against 6.0 million sq. ft. in 2021.

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.

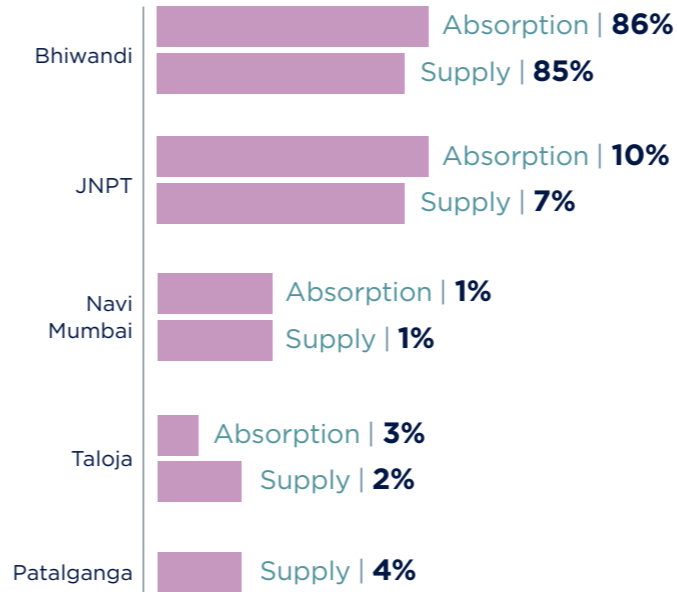
Supply & Absorption by Grade



Major Transactions

OCCUPIER	Micro-Market	Area Leased (sq. ft.)
3PL	MANUFACTURING	
Bhiwandi	Taloja	
288,000	150,000	
RETAIL	E-COMMERCE	
Patalganga	Bhiwandi	
250,000	150,000	
3PL		
Bhiwandi		
225,000		

Supply & Absorption by Micro-Market



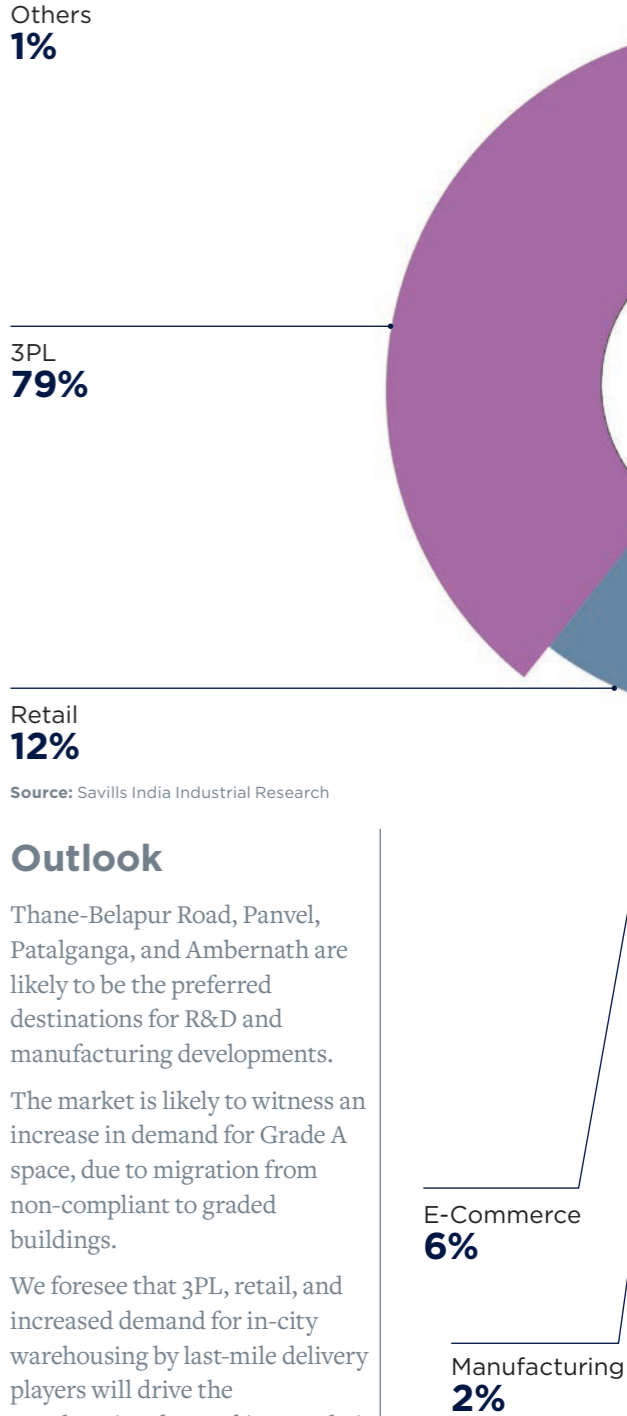
Source: Savills India Industrial Research

Rental Values

	Manufacturing	Warehousing
Bhiwandi	21	31
Navi Mumbai	23	44
TTD MIDC	72	54
Thane	78	54
Taloja	38	31
Ambarnath, Kalyan and Dombiville	38	34

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 Ambarnath 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.

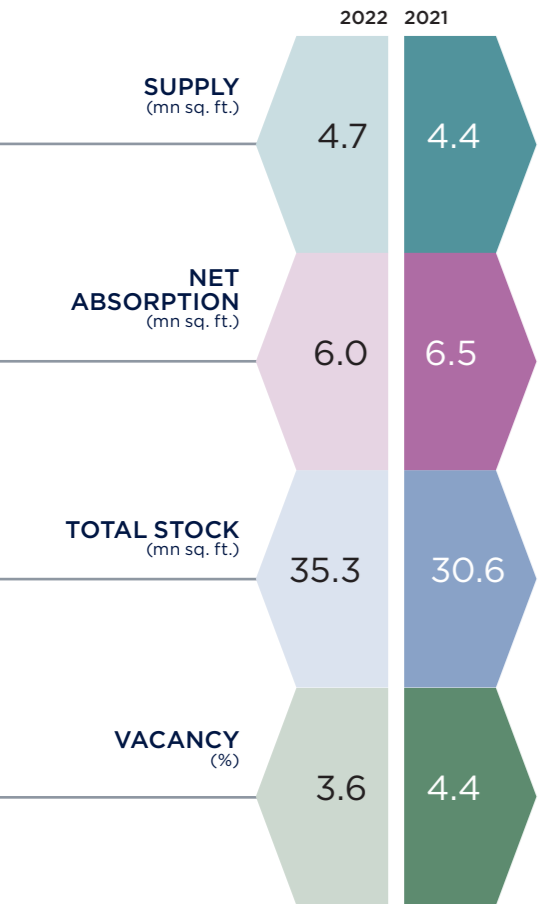
We foresee that 3PL, retail, and increased demand for in-city warehousing by last-mile delivery players will drive the warehousing demand in Mumbai in 2023.

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

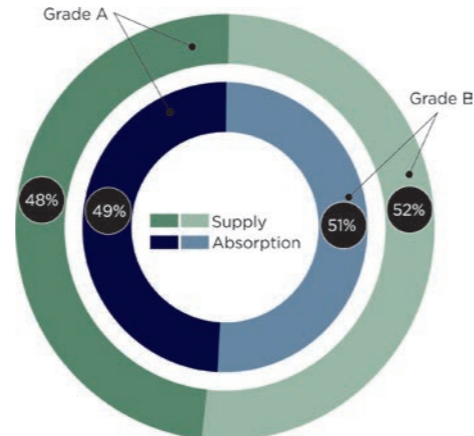
Supply, Absorption, and Vacancy

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%.

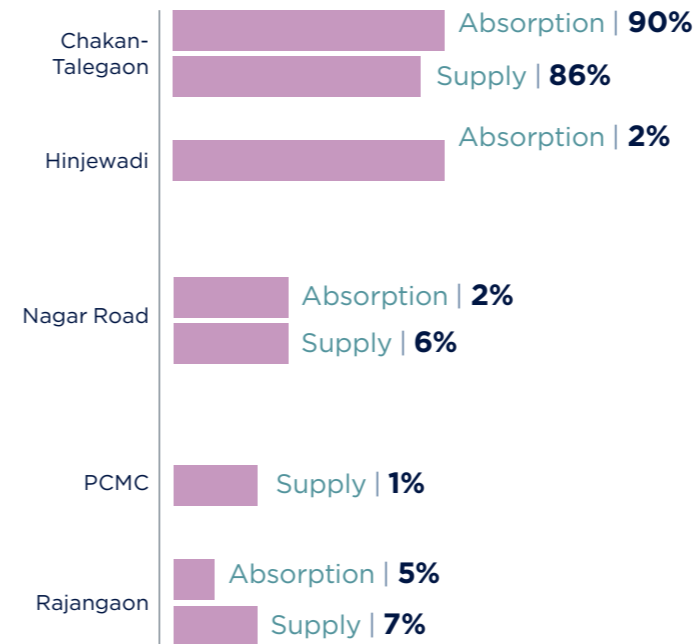
Supply & Absorption by Grade



Major Transactions

OCCUPIER	Micro-Market	Area Leased (sq. ft.)
MANUFACTURING	Chakan-Talegaon	259,861
MANUFACTURING	Nagar Road	116,000
3PL	Chakan-Talegaon	155,000
MANUFACTURING	Nagar Road	55,000
MANUFACTURING	Ranjangaon	151,623

Supply & Absorption by Micro-Market



Source: Savills India Industrial Research

Rental Values

	Manufacturing			Warehousing	
Chakan-Talegaon	30	22		20	28
PCMC	35	28		28	33
Hinjewadi	38	30		30	35
Nagar Road	26	22		18	22
Shirwal	22	18		18	20

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

Absorption by Sector



Source: Savills India Industrial Research

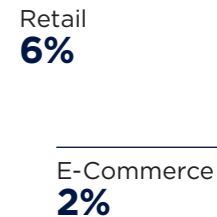
Outlook

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.



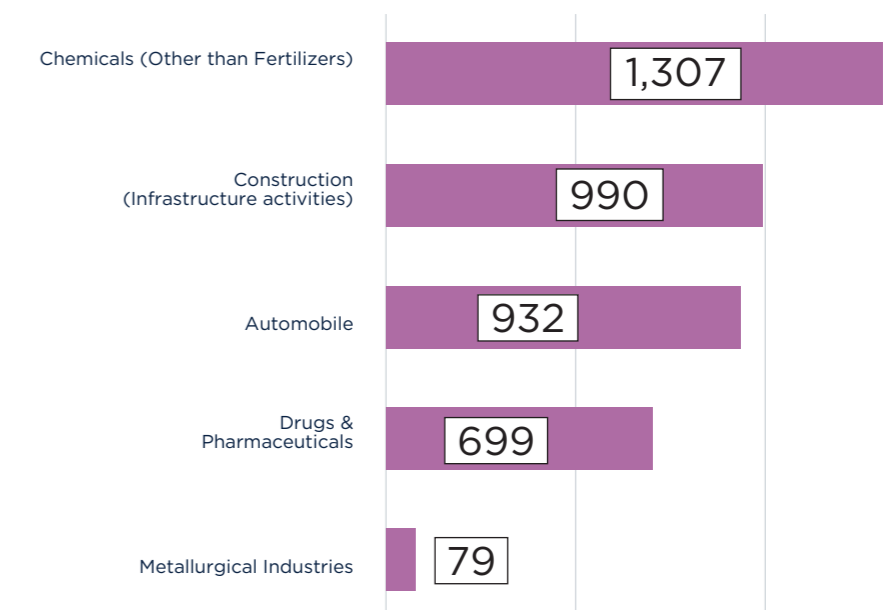
The inflow of FDI into manufacturing surged, backed by Make-in India and government initiatives. During Apr-Sep 2022, automobiles, drugs and pharmaceuticals, metallurgical industries and chemicals (other than fertilizers) together attracted FDI of \$ 3,017 million.



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

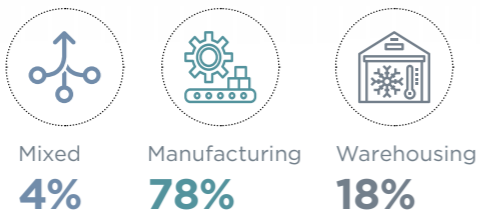
Zone-wise land transactions in 2022

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

Source: Savills India Industrial Research

Land transactions by occupier type 2022

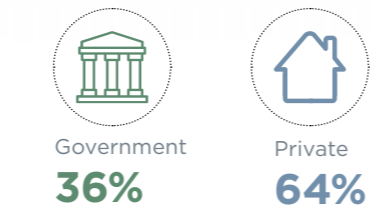
Property Type | % Share



Source: Savills India Industrial Research

Land transactions by ownership type 2022

Property Type | % Share



Source: Savills India Industrial Research



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.



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