

# India Industrial and Logistics MarketView, H1 2015

## Demand strengthens in H1 2015; e-commerce and 3PLs drive warehousing demand

▲ Logistics Rent  
15 Markets

▶ Logistics Rent Stable  
12 Markets

▲ Absorption (Y-o-Y)  
Up

▶ Industrial Land Values  
Stable

\*Arrows indicate change over H2 2014

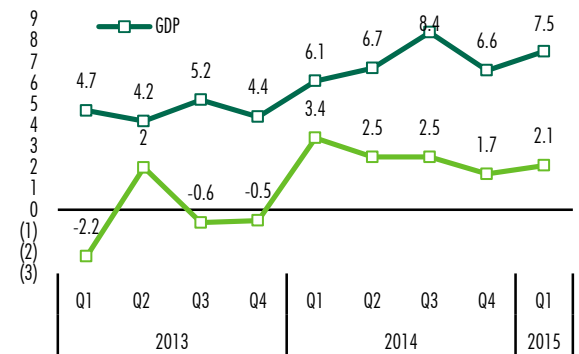
### ECONOMIC GROWTH ACCELERATED IN MARCH TO A 4-YEAR HIGH; ON RECOVERY MODE

The Indian economy witnessed a gradual recovery on the back of investment-friendly policies initiated over the past year. The gross domestic product (GDP) expanded by 7.3% in FY 2015, marginally higher than the 6.9% recorded in the previous fiscal. Furthermore, India's economic growth accelerated to 7.5% during the January–March 2015 period, putting us ahead of China (7%) as the world's fastest growing large economy. This improvement was spearheaded by the manufacturing as well as the finance, insurance and real estate services segments that performed strongly, growing by 7.1% and 11.5%, respectively. The International Monetary Fund (IMF) has forecasted India's growth to strengthen to 7.5% in 2015 as well as in 2016. The World Bank has also projected economic growth to accelerate to 7.5% in 2015, reaching 8% by 2017, on the back of a spurt in investment activity.

### LEGISLATIVE MEASURES AND IMPLICATIONS

The real estate and construction sector saw a spate of legislative initiatives from the Government over the past few months, many of which are currently being debated in Parliament. The Government approved the Real Estate Regulatory Bill, wherein the scope of the amended Bill was expanded to cover residential and commercial real estate segments.

Figure 1: Gross Domestic Product (GDP) & Index of Industrial Production (IIP)



\*IIP is an abstract number (with base 2004-05), the magnitude of which represents the status of production in the industrial sector for a given period of time as compared to a reference period of time.

Source: MOSPI, CSO, CBRE Research, H1 2015.

Meanwhile, the lower house of Parliament approved the Goods and Services Tax (GST) regulation that is likely to bring uniformity in taxation across the country. With inflation under control, the Reserve Bank of India (RBI) reduced the repo rate by 25 bps (for the third time since January) to 7.25% in June 2015.

Additionally, the Minimum Alternate Tax (MAT) exemption paved the way for the launch of Real Estate Investment Trusts (REITs) by clarifying that it would be levied only on actual transfer of shares on listings and that Foreign Direct Investment (FDI) norms would be allowed in rent-yielding commercial assets, thereby removing a key investment related restriction by the Foreign Exchange Management Act (FEMA).

**ROBUST LEASING ACTIVITY, E-COMMERCE DRIVES WAREHOUSING DEMAND**

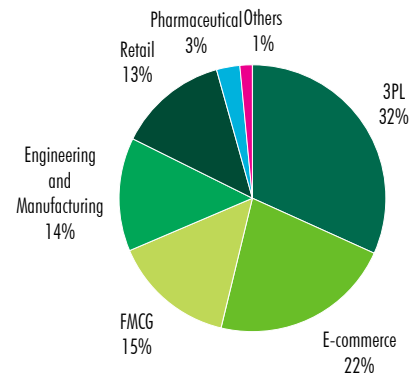
Demand for warehousing space strengthened in the first six months of the year; nearly 6 million sq. ft. of space was absorbed—a growth of approximately 75% (compared to H2 2014) and about 60% on an annual comparison. The demand was supported by an increase in leasing activity by third party logistics (3PLs) companies (32% share) and e-commerce firms (22% share).

Interestingly, select 3PLs and express transportation companies such as Gojivas and Delhivery took up spaces exclusively to cater to online retailers, indicating the prominence of e-commerce as a dominant driver of warehousing / logistics demand across the country. E-retailers such as Amazon and Flipkart also accounted for a significant share of the overall demand and leased significant space in Delhi NCR, Mumbai, Hyderabad, Kolkata, Ludhiana and Ahmedabad. In addition, online firms such as Snapdeal, Big Basket, Pepperfry and Firstery, among others, also blocked spaces in Delhi NCR, Bangalore, Mumbai, Chennai, Hyderabad and Kolkata. In terms of transaction sizes, nearly 50% of the total transaction closures were noted in larger format spaces (100,000–250,000 sq. ft.) during the review period.

**TRANSACTION ACTIVITY IN LOGISTICS SPACE DRIVEN BY LEADING CITIES**

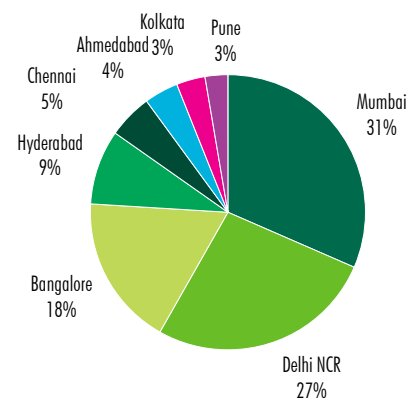
Demand for logistics and warehousing spaces was primarily concentrated in Mumbai (31%), Delhi NCR (27%) and Bangalore (18%); while other cities observed restricted transaction activity. Close to 4.5 million sq. ft. of space was absorbed in these three cities, which is an increase of approximately 111% (over H2 2014) and around 103% on a y-o-y

Figure 2: Segment Wise Leasing Activity



Source: CBRE Research, H1 2015.

Figure 3: City Wise Leasing Activity



Source: CBRE Research, H1 2015.

basis. On an annual comparison, all cities observed an increase in absorption rates—barring Pune and Chennai, where transaction activity witnessed a drop.

The e-commerce, 3PLs, retail and fast moving consumer goods (FMCG) sectors were the principle demand drivers of warehousing space. Prominent companies that leased large spaces during the first half of the year included Abbot Healthcare India, V Mart, Luminous Batteries, Big Bazaar, APM IAC Automotive Systems, Bosch, WS Retail, Kuehne + Nagel, Ceat Tyre and Flipkart.

**INCREASING INTEREST FROM FOREIGN COMPANIES TO ENTER INDIA**

An improving domestic economy and legislative reforms are encouraging more foreign companies to setup their manufacturing base in the country. Warehousing and food storage service providers have also expressed keen interest to serve the growing industry. In the recent past, companies such as Xiaomi Mobiles and the US-based warehousing solutions provider, Blumberg Grain, had proposed to establish their manufacturing base and warehousing facilities in the country. The entry of more such global brands may help the existing technological know-how in the field here in India to improve to global standards, and create more employment opportunities in the sector.

**RENTALS INCREASED IN MOST WAREHOUSING MARKETS**

Sustained demand, coupled with limited

quality supply, led to a steep rental appreciation (22–24%) in micro-markets such as Gurgaon / NH-8 and Kundli / Murthal NH-1 (Delhi NCR) when compared to H2 2014. In addition, locations such as Delhi and Chandogar (Ahmedabad) also witnessed rental appreciation of 14–16% over H2 2014.

Additionally, enhanced demand / enquiry levels for warehousing and logistics facilities amid the non-availability of quality supply in locations such as Sriperumbudur, Oragadam, and Irungattukottai (Western Corridor) in Chennai, Ansali and Aslali Extension (Bareja) in Ahmedabad, and NH-2 (Dankuni, Old Delhi Road) in Kolkata, resulted in rental appreciation of 2–5% (over H2 2014). However, rental values in locations such as Bhiwandi (Mumbai), North Chennai (Manali, Redhills, Periyapalayam and Karanodai) along with Chakan, Sanaswadi and Pimpri (Pune) remained largely stable.

**Table 1: Major Logistics / Industrial Developments Across Leading Cities**

Project / Developer	Location	City	Type	Area (in acres)	Expected Date of Completion
Indospace Logistics	Vallam	Chennai	Logistics	18	2016
KSH Distri Parks	Chakan	Pune	Logistics	34	2016
INA Developers	Old Madras Road	Bangalore	Logistics	10	2017
PMI Infrastructure	Bidadi	Bangalore	Logistics	22	2015
Casa Grande Logistics	Outer Ring Road	Chennai	Logistics	50	2015
Anmol Laxmi Warehouse	Kanera	Ahmedabad	Logistics	-	2016
Pinnacle Logistics Park	Sanand	Ahmedabad	Logistics	-	2016
Indospace Logistics	Oragadadam	Chennai	Industrial	62	2015
Indospace Logistics	Pallivakkam	Chennai	Industrial	46	2016
Indospace Logistics – Phase II	Luhari	Gurgaon	Logistics	33	2016

Source: CBRE Research, H1 2015.

**MARKET SUMMARY**

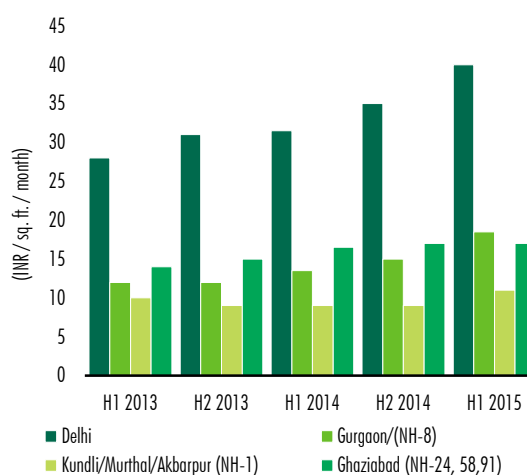
The first half of the year witnessed a marginal increase in warehouse demand from FMCG and e-commerce players across **agricultural / Lal Dora** areas of **Alipur** and **Kapashera**. Whilst the deemed industrial areas of **Mundka** and **Mandoli** along with the industrial micro-markets of **Okhla, Mohan Cooperative Industrial Estate, Mayapuri, Naraina, Lawrence Road** and **Jhilmil** witnessed steady demand from e-commerce firms for their ‘Last Mile Distribution Centres’. Few prominent transactions witnessed during the review period in Delhi included Snapdeal leasing about 47,000 sq. ft. at Mundka and Firstcry.com leasing about 15,000 sq. ft. at Bamnoli.

Leasing activity remained stable in **Kundli / Akbarpur NH-1 (Haryana)** and **Ghaziabad (NH-24 / NH-91 / NH-58)**. Few instances of prominent transactions included V Mart and Luminous Batteries leasing about 150,000 sq. ft. and 100,000 sq. ft., respectively on Taru Road, while TCI (Snapdeal) leasing about 45,000 sq. ft. at Dharuhera.

In terms of supply, around 800,000 sq. ft. was added at Luhari (NH-8) with completion of the first phase of a development by Realterm Global. Other project completions included a 350,000 sq. ft. independent development at Dasna (NH-24).

Sustained demand levels along with limited supply across most micro-markets in Delhi and NH 8 Haryana led to a rental increment of 14–24% to touch about INR 30–50/sq. ft./month and INR 15–22/sq. ft./month, respectively. However, rental values continued to remain stable in Ghaziabad during the review period.

Figure 4: Rental Value Movement



Source: CBRE Research, H1 2015.

Table 2: Selected Leading Transactions

Property	Location	Size (sq. ft.)	Tenant
PEB Structure	Raliawas, Gurgaon	155,000	Suzuki
PEB Structure	Taru Road, Gurgaon	150,000	V Mart
PEB Structure	Taru Road, Gurgaon	100,000	Luminous
PEB Structure	Jurasi, Gurgaon	90,000	Safex

Source: CBRE Research, H1 2015.

Table 3: Sub-market Key Stats

Micro-Market	Rental Values in H1 2015 (INR / sq. ft. / month)	Rental Values in H2 2014 (INR / sq. ft. / month)	Half Yearly Change (%)	Y-O-Y Change (%)
Delhi	30-50	25-45	14.2	26.9
Gurgaon/ NH-8 (Haryana)	15-22	12-18	23.3	37.0
Kundli / Murthal / Akbarpur NH-1 (Haryana)	10-12	8-10	22.2	22.2
Ghaziabad (NH-24, NH-58, NH-91)	15-19	15-19	0.0	3.0

Source: CBRE Research, H1 2015.

**MARKET SUMMARY**

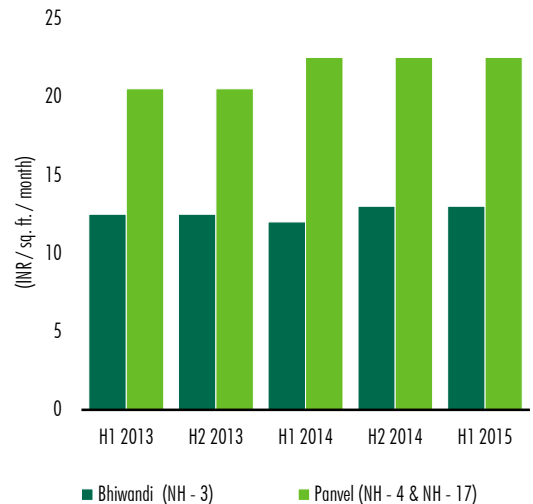
**Bhiwandi** has been finding favor with occupiers owing to its proximity to the Jawaharlal Nehru Port and easy connectivity to the commercial and manufacturing hubs. This region witnessed steady demand for warehousing space, with approximately 1.8 million sq. ft. taken up by corporate firms in H1 2015. Nearly 47% of the total transacted space was by 3PLs players such as JM Warehousing, Holisol Logistics, Delhivery, DB Schenker, and Drive India, among others. The 3PLs were followed by FMCG companies (21% share) and e-commerce firms (16% share) taking up warehousing space during the period.

Warehousing activity in **Panvel** continued to remain subdued during the first half of the year.

Among the notable transactions concluded in H1 2015 were Holisol Logistics leasing around 150,000 sq. ft. and Future Supply Chain leasing around 22,000 sq. ft. in Sumeet Logistics; while FMCG companies such as PepsiCo took up around 180,000 sq. ft. at Indian Corporation and Panasonic about 200,000 sq. ft. in Richland Commercial Hub. At Anatriksh Logitech LLP, D Mart leased 150,000 sq. ft., while DB Schenker leased close to 170,000 sq. ft. Additionally, Best Deal TV (100,000 sq. ft.) and Drive India (200,000 sq. ft.) at Indian Corporation were among the other notable transactions concluded during the review period.

The micro-markets did not witness any addition of new warehouses/logistics space during the period. Rental values continued to remain stable across markets. Since most of the existing developments in Bhiwandi have potential for future supply addition, developers deferred a revision in the quoted rental values.

**Figure 5: Rental Value Movement**



Source: CBRE Research, H1 2015.

**Table 4: Selected Leading Transactions**

Property	Location	Size (sq. ft.)	Tenant
Richland Commercial Hub	Bhiwandi	200,000	Panasonic
Sumeet Logistics	Bhiwandi	150,000	Holisol Logistics
Angel Warehousing	Bhiwandi	150,000	Abbott Healthcare India
Indian Corporation Logistics	Bhiwandi	100,000	Best Deal TV

Source: CBRE Research, H1 2015.

**Table 5: Sub-market Key Stats**

Micro-Market	Rental Values in H1 2015 (INR / sq. ft. / month)	Rental Values in H2 2014 (INR / sq. ft. / month)	Half Yearly Change (%)	Y-O-Y Change (%)
Bhiwandi (NH-3)	11 - 15	11 - 15	0.0	8.3
Panvel (NH - 4 & NH - 17)	20 - 25	20 - 25	0.0	0.0

Source: CBRE Research, H1 2015.

**MARKET SUMMARY**

The Eastern, Western and Southern Corridors of Bangalore witnessed encouraging transaction activity and interest from retailers, 3PLs, FMCG, engineering and manufacturing companies. Warehousing space absorption was recorded at more than a million square feet in H1 2015. At a micro-market level, the **Western Corridor** witnessed close to 52% of the total leasing activity, followed by the **Eastern Corridor** at 42% and **Southern Corridor** at 5%. On the other hand, transaction activity was negligible along the **Northern Corridor** due to the limited supply of modern warehouses.

Bulk of the leasing activity was observed from retailers, followed by 3PL companies which contributed nearly 28% to the total warehouse space absorbed in the city during this review period. Due to the paucity of modern warehousing facilities, e-commerce companies constituted meagre 3% of the total warehouse demand in Bangalore.

Prominent transaction closures included Big Bazaar leasing approximately 150,000 sq. ft. and Access Biz Solutions leasing around 60,000 sq. ft., Redington India leasing around 70,000 sq. ft., and ABB leasing about 50,000 sq. ft. in the Western Corridor. Demand in the Eastern Corridor was largely observed from retail firms such as Hardigan Furniture leasing around 50,000 sq. ft., Max Hypermarket taking up around 120,000 sq. ft. and Decathlon leasing around 80,000 sq. ft. In the Southern Corridor, demand was limited with a few smaller format transaction closures by Flipkart and Vulcan

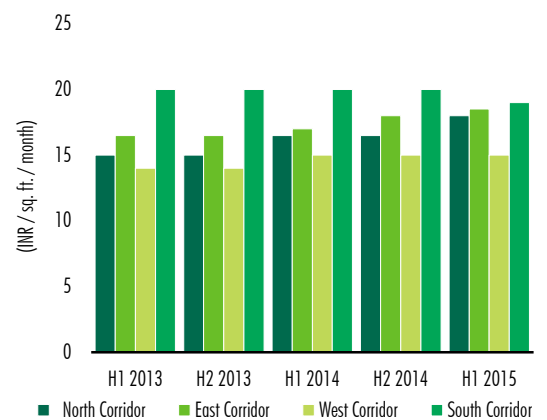
**Table 7: Sub-market Key Stats**

Micro-Market	Rental Values in H1 2015 (INR / sq. ft. / month)	Rental Values in H2 2014 (INR / sq. ft. / month)	Half Yearly Change (%)	Y-O-Y Change (%)
North Corridor	16-20	15-18	9.1	9.1
East Corridor	17-20	16-20	2.8	8.8
West Corridor	12-18	14-16	0.0	0.0
South Corridor	16-22	18-22	-5.0	-5.0

Source: CBRE Research, H1 2015.

Express at the Bommasandra–Jigani Industrial area. In terms of supply, approximately 1.5 million sq. ft. of warehousing space is ready /under-construction, primarily towards South (Jigani–Bommasandra), East (Soukya Road, Hoskote) and West (Tumkur Road). However, there is negligible planned / under-construction supply towards North Bangalore (Bellary Road) and Whitefield. This has led to a marginal increase in rental values in the existing old warehousing developments in the Northern Corridor.

**Figure 6: Rental Value Movement**



Source: CBRE Research, H1 2015.

**Table 6: Selected Leading Transactions**

Property	Location	Size (in sq. ft.)	Tenant
Independent building	Golahalli, Makli Deviation Road	150,000	Big Bazaar
Independent building	Hosakote Industrial Area	130,000	Honda Two Wheelers & Scooters India
Independent building	Sidlaghatta Road (Hosakote)	120,000	Max Hypermarket
Independent building	Soukya Road	80,000	Decathlon

Source: CBRE Research, H1 2015.

**MARKET SUMMARY**

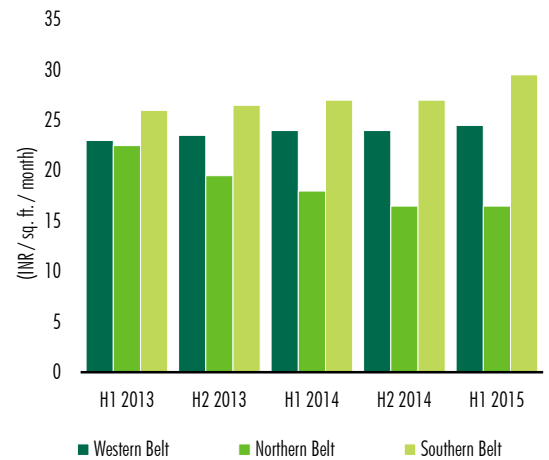
The **Western Industrial Belt** of Oragadam, Sriperumbudur, Vallam, Mannur and Irungattukottai continued to remain the most preferred location for leasing space due to the large presence of automobiles and electronics manufacturing companies. Additionally ready availability of medium to larger format built-to-suit (BTS) developments further helped in overall leasing activity in this region. In other micro-markets, leasing activity was concentrated in locations such as Red Hills, Puzhal, Periyapalayam and Karanodai in **Northern Industrial Belt**. The **Southern Industrial Belt** along with **GST Road** witnessed healthy enquiries from OEMs and auto ancillary companies keen on expanding their footprint in the city, however transaction closures remained low during this review period.

Prominent transactions included Vestas leasing approximately 75,000 sq. ft. at Kailash Logistics Park and YCH Logistics leasing about 100,000 sq. ft. at Indospace, Oragadam, in the **Western Industrial Belt** and Tafe leasing approximately 103,000 sq. ft. at Zympex Warehouse, Periyapalayam, in **Northern Chennai**.

No new project completions were witnessed in Chennai during the review period. Rental values in the **Western Industrial Belt** appreciated by

around 4–5% (over H2 2014), owing to strong demand from e-commerce firms exploring options to set up their warehouses in the region. In **Northern Chennai**, rental values remained largely stable on a half yearly comparison; while on an annual comparison, rental values declined by approximately 8% due to increased occupier interest towards the Western and Southern micro-markets.

Figure 7: Rental Value Movement



Source: CBRE Research, H1 2015.

Table 8: Selected Leading Transactions

Property	Location	Size (in sq. ft.)	Tenant
Simplex Warehouse	Periyapalayam, North Belt	103,000	Tafe
Indospace	Oragadam, Western Belt	100,000	YCH Logistics
Kailash Logistics Park	Oragadam, Western Belt	75,000	Vestas
Independent Warehouse	Poonamallee, Western Belt	10,000	Snapdeal

Source: CBRE Research, H1 2015.

Table 9: Sub-market Key Stats

Micro-Market	Rental Values in H1 2015 (INR / sq. ft. / month)	Rental Values in H2 2014 (INR / sq. ft. / month)	Half Yearly Change (%)	Y-O-Y Change (%)
Western Belt (Sriperumbudur, Oragadam and Thiruvallur)	23-27	22-26	4.2	4.2
North Chennai (Madavaram, Manali, Redhills)	15-18	15-18	0.0	-8.3
South Chennai (GST Road and OMR Road)	27-32	25-29	9.3	9.3

Source: CBRE Research, H1 2015.

**MARKET SUMMARY**

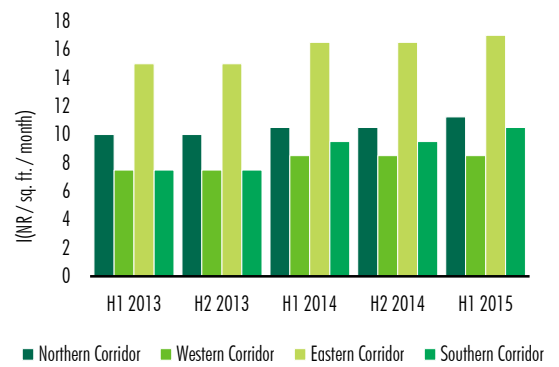
Hyderabad witnessed encouraging transaction activity and interest from e-commerce firms, with absorption recorded at around 0.5 million sq. ft. in H1 2015.

**Kompally and Medchal in the Northern Corridor (NH – 44)** witnessed strong leasing activity from e-commerce and 3PL companies due to its good connectivity and proximity to the city centers. The Karimnagar Highway in Northern Hyderabad is also emerging as the preferred destination owing to presence of numerous pharmaceuticals, biotechnology, engineering and agro-based firms operating in this region. Of late, companies such as Celkon Mobile and ITC have planned to set up manufacturing facilities at the Medchal Industrial Area and Gajwel in Medak district, respectively. Also, locations such as **Shamshabad and Kothur in the Southern Corridor** observed healthy enquiries from e-commerce firms, however transaction closures remained low during this period. Supply in this micro-market is largely concentrated in the form of built-to-suit (BTS) options.

In the **Western Corridor**, locations such as **Patancheru, Pashamylaram, Sanga Reddy and Zaheerabad** located along the Mumbai Highway (NH-65) witnessed subdued transaction activity owing to lack of quality warehouse supply. The **Eastern Corridor** comprising of **Uppal, Nacharam, Cherlapally and Autonagar**

witnessed steady demand for warehouse space from e-commerce firms for their ‘Last Mile Distribution Centres’. Prominent companies which took up space during the review period included Flipkart, Dabur India, Amazon, amongst others. No new project completions were witnessed in Hyderabad during the review period. Owing to steady demand levels, rental values in the **Northern and Southern Corridors** appreciated by 7–10% on a half yearly comparison. However, subdued demand in the Western Corridor, led to stability in rental values in H1 2015.

Figure 8: Rental Value Movement



Source: CBRE Research, H1 2015.

Table 10: Selected Leading Transactions

Property	Location	Size (in sq. ft.)	Tenant
Srikanth Reddy Estates	Kompally	232,000	Amazon
Venkat Raju Warehouses	Ayodhya Cross Roads	200,000	Flipkart
Independent Structure	Kandlakoya	70,000	Dabur India
Srikanth Reddy Estates	Kompally	23,000	Uninor

Source: CBRE Research, H1 2015.

Table 11: Sub-market Key Stats

Micro-Market	Rental Values in H1 2015 (INR / sq. ft. / month)	Rental Values in H2 2014 (INR / sq. ft. / month)	Half Yearly Change (%)	Y-O-Y Change (%)
North Corridor	8.5 - 14.0	8.0 - 13.0	7.1	7.1
Western Corridor	8.0 - 9.0	8.0 - 9.0	0.0	0.0
Eastern Corridor	16.0 - 18.0	15.0 - 18.0	3.0	3.0
Southern Corridor	8.5 - 12.5	8.0 - 11.0	10.5	10.5

Source: CBRE Research, H1 2015.



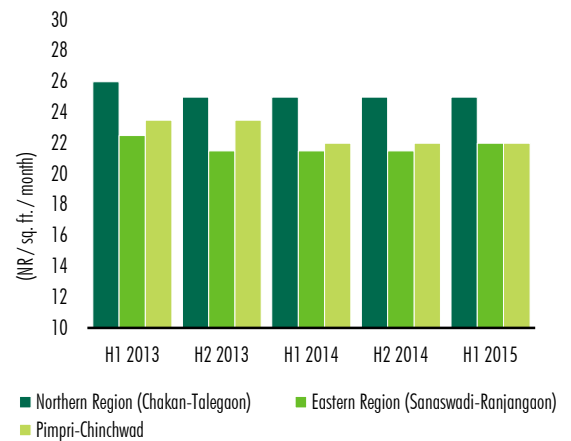
**MARKET SUMMARY**

Pune witnessed sluggish transaction activity resulting in low absorption levels in the first half of 2015. The city witnessed absorption of around 160,000 sq. ft. compared to about 260,000 sq. ft. during H2 2014. The micro-markets of **Chakan and Talegaon (Northern Region)** witnessed healthy enquiries by manufacturing and engineering firms. Efficient infrastructure, the presence of a large number of Original Equipment Manufacturers (OEMs), and its proximity to the Maharashtra Industrial Development Corporation (MIDC) area continued to drive demand for warehousing space in this region.

On the other hand, **Eastern Pune (Sanaswadi and Ranjangaon)** and **Pimpri / Chinchwad** witnessed limited occupier interest, resulting in sluggish demand levels during the first half of the year. Amongst the notable transactions, Bosch leased approximately 60,000 sq. ft. and APM IAC Automotive Systems leased approximately 100,000 sq. ft. at Indo Space Logistics in Chakan during the review period.

The **Northern Region** did not witness completion of any warehouse development, while rental values remained stable during the review period. Stagnant demand/supply dynamics in Eastern Pune and Pimpri / Chinchwad led to rental stability in this micro-market in H1 2015.

Figure 7: Rental Value Movement



Source: CBRE Research, H1 2015.

Table 12: Selected Leading Transactions

Property	Location	Size (in sq. ft.)	Tenant
Indo Space Logistics	Chakan	100,000	APM IAC Automotive Systems
Indo Space Logistics	Chakan	60,000	Bosch

Source: CBRE Research, H1 2015.

Table 13: Sub-market Key Stats

Micro-Market	Rental Values in H1 2015 (INR / sq. ft. / month)	Rental Values in H2 2014 (INR / sq. ft. / month)	Half Yearly Change (%)	Y-O-Y Change (%)
Northern Region (Chakan-Talegaon)	24-26	24-26	0.0	0.0
Eastern Region (Sanaswadi-Ranjangaon)	20-23	20-23	0.0	0.0
Pimpri-Chinchwad	20-24	20-24	0.0	0.0

Source: CBRE Research, H1 2015.

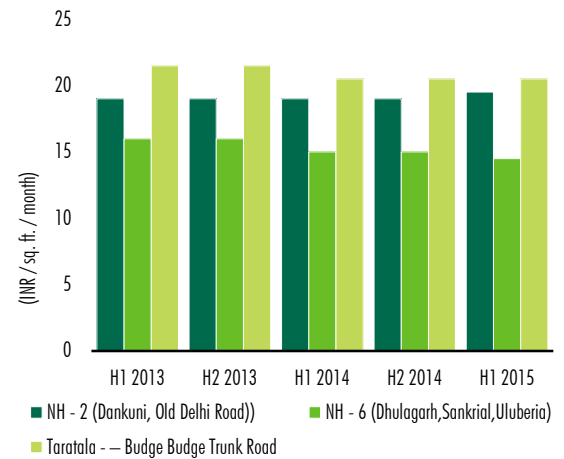
**MARKET SUMMARY**

Kolkata witnessed a slowdown in demand with absorption recorded at around 200,000 sq. ft. in H1 2015, compared to about 343,000 sq. ft. in H2 2014. Transaction activity was largely concentrated across locations such as **Dhulagarh, Sankrail and Uluberia along NH-6**. Also, **Dankuni and Old Delhi Road along NH-2** continued to witness healthy enquiries (largely for medium sized warehouses), however transaction closures remained low. On the other hand, **Taratata-Budge Budge Trunk Road** witnessed restrained demand owing to lack of quality supply and higher rental values. Notable transactions concluded during H1 2015 included Ceat Tyres leasing approximately 35,000 sq. ft. and Panasonic India leasing around 25,000 sq. ft. at Sankrail Industrial Park, and Neo Seamless leasing around 45,000 sq. ft. on NH-6.

The city also witnessed completion of few warehouse developments such as Bengal Ambuja (100,000 sq. ft.) by Bengal Ambuja at New Road, and Finvest Warehousing (57,000 sq. ft.) by A. Kocher and Neo Seamless Tubes Ltd. by Jalan Group at Dhulagarh. Rental values exhibited mixed trends during H1 2015. Strong demand and limited availability of Grade A supply led to rental appreciation

of 4–5% in locations such as Dankuni/Old Delhi Road on NH-2. Conversely, owing to low demand levels, values corrected by 3–4% at Dhulagarh/Sankrail on NH-6. Rental values, meanwhile, remained largely stable across Taratata-Budge Budge Trunk Road.

Figure 9: Rental Value Movement



Source: CBRE Research, H1 2015.

Table 14: Selected Leading Transactions

Property	Location	Size (in sq. ft.)	Tenant
Keola associates	NH-2	82,000	Kuehne + Nagel
Neo Seamless	NH-6	45,000	ITC
Sankrail Industrial Park	NH-6	35,000	Ceat Tyres
Sankrail Industrial Park	NH-6	25,000	Panasonic India

Source: CBRE Research, H1 2015.

Table 15: Sub-market Key Stats

Micro-Market	Rental Values in H1 2015 (INR / sq. ft. / month)	Rental Values in H2 2014 (INR / sq. ft. / month)	Half Yearly Change (%)	Y-O-Y Change (%)
NH - 2 (Dankuni, Old Delhi Road)	16-24	16 – 22	5.3	5.3
NH - 6 (Dhulagarh, Sankrail, Uluberia)	14-15	14 -16	-3.3	-3.3
Taratata - Budge Budge Trunk Road	17-24	17 – 24	0.0	0.0

Source: CBRE Research, H1 2015.

**MARKET SUMMARY**

An established manufacturing base with its strategic location between Delhi NCR and Mumbai have led to strong occupier demand for warehousing space in Ahmedabad during the review period. Approximately 240,000 sq. ft. of space was leased across locations such as Bhayala in **Changodar** and Kheda in **Aslali Extension**. Majority of the leasing activity was observed from domestic and global e-commerce companies.

**Aslali**, which falls outside the city octroi limit and lies in proximity to the city’s central business district (approximately 15 km) on the Mumbai–Delhi national highway has remained the preferred location over the past few years. However, owing to limited supply availability, warehouse demand has now percolated to modern warehouse developments at **Aslali Extension**. Other locations such as **Odhav, Naroda and Narol** witnessed limited transaction activity during the period. Some prominent transactions concluded during the period include Amazon leasing approximately 50,000 sq. ft., Snapdeal leasing around 20,000 sq. ft. WS Retail around 100,000 sq. ft. at Crystal Logistics Park, Bhayala at Changodar and Asian Paints leasing around 70,000 sq. ft. at Kheda in Aslali Extension.

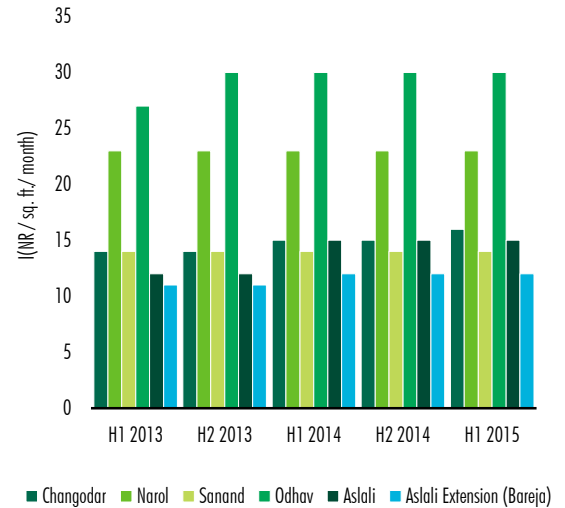
**Table 17: Sub-market Key Stats**

Micro-Market	Rental Values in H1 2015 (INR / sq. ft. / month)	Rental Values in H2 2014 (INR / sq. ft. / month)	Half Yearly Change (%)	Y-O-Y Change (%)
Changodar	13-20	12-17	13.8	13.8
Narol	21-25	21-25	0.0	0.0
Sanand	12-16	12-14	7.7	7.7
Odhav	15-20	15-20	0.0	0.0
Aslali	7-20	6-20	3.8	3.8
Aslali Extension (Bareja)	10-14	9-14	4.3	4.3

Source: CBRE Research, H1 2015.

Strong demand and limited availability of modern warehousing options led to rental appreciation of 7–14% at Changodar and Sanand; and around 3–4% at Aslali and Aslali Extension (Bareja) when compared to H2 2014.

**Figure 10: Rental Value Movement**



Source: CBRE Research, H12015.

**Table 16: Selected Leading Transactions**

Property	Location	Size (in sq. ft.)	Tenant
Crystal Logistics Park	Bhayala, Changodar	100,000	W.S. Retail
Crystal Logistics Park	Bhayala, Changodar	50,000	Amazon

Source: CBRE Research, H12015.

State	Market Highlights	Demand	Rents
Punjab	<ul style="list-style-type: none"> <li>▪ Demand for warehousing space increased over H2 2014</li> <li>▪ Most leasing activity concentrated at old industrial sheds in locations such as Zirakpur and Ludhiana</li> <li>▪ Approximately 87,000 sq. ft. of Grade A space was added at Ludhiana with the completion of Nahar Logistics Park</li> </ul>	▲	▶
Rajasthan	<ul style="list-style-type: none"> <li>▪ Jaipur continued to remain the preferred warehousing markets for corporates looking for warehousing space in Rajasthan</li> <li>▪ Demand was primarily driven by growth in industrial activity in the state</li> </ul>	▲	▶
Bihar	<ul style="list-style-type: none"> <li>▪ Patna continued to be the most preferred market for warehousing</li> <li>▪ Supply of modern warehousing was concentrated towards the Patna–Gaya Road</li> </ul>	▶	▶
Assam	<ul style="list-style-type: none"> <li>▪ Guwahati, the state capital of Assam, continued to remain the preferred warehousing market.</li> <li>▪ Locations such as Beltola, Lakhra–Pamohi, Gauripur and Changsari offer strategic advantages in terms of low occupation and transportation costs and excellent connectivity.</li> </ul>	▶	▶
Odisha	<ul style="list-style-type: none"> <li>▪ Bhubaneswar and Cuttack are considered important warehousing markets due to locational advantages and connectivity</li> <li>▪ Bhubaneswar–Cuttack Road (NH-5), especially Mancheswar Industrial Estate, Pahala and Phulnakhara were the most preferred warehousing zones in the state.</li> </ul>	▶	▶

Note: Demand and rental arrows represent change over H2 2014.

The Goods and Services Tax (GST) and the booming e-commerce industry is expected to play a pivotal role in shaping future warehousing trends over the forthcoming quarters. Driven by cost savings, instances of consolidation activity have already been witnessed; and it is anticipated that this trend is likely to gain further momentum across cities. Large urban centres such as the Delhi NCR, Mumbai and Bangalore are likely to continue to remain as major hubs for retail distribution centres; while Pune and Chennai are likely to observe healthy demand for industrial warehousing. Furthermore, with the implementation of GST, certain locations may witness a spill over in demand due to the sheer cost advantage. One such example could be Bhiwandi (Mumbai) which enjoys a clear cost advantage with an average rental of INR 13/sq. ft./month compared to warehousing locations in Pune (average rental of INR 22/sq. ft./month). This may drive companies to establish Bhiwandi as their warehousing hub, and lease smaller space in Pune for their fulfilment centres.

The coming months are likely to witness supply addition across Delhi NCR (NH-8 / Dadri NH-91) and Kolkata. Development activity is likely to pick up in Gujarat as well. The advent of a new automobile manufacturing hub at Becharaji in the Mehsana district is anticipated to propel

industrial warehousing demand in and around Sanand and the northern regions of the city and areas of Changodar. Warehousing activity in Bangalore is likely to be driven by consolidation activity. Currently, due to the limited availability of Grade A facilities, a few tenants are evaluating options in Grade B developments to meet their immediate requirements for warehousing in the city. This has prompted developers to launch modern warehousing projects in the region. Proposed infrastructure projects will improve the movement of goods in and around the city, further supporting development activity in the region.

In the newly formed state of Telangana, the Government recently passed the Telangana State Industrial Project Approval and Self Certification System (TS-IPASS) Bill. The bill provides speedy processing and issue of various licenses, clearances and certificates required for setting up industries through a single window system.

Going forward, this is likely to result in increasing demand for industrial space, especially from electronics manufacturing companies. In Chennai, private developers have forayed into the industrial warehousing segment and have already started construction work on a few of projects.

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**CONTACTS****Abhinav Joshi***Associate Director, India CBRE*

+91 124 465 9700

abhinav.joshi@cbre.co.in

**Sunaina Malhotra***General Manager, India CBRE*

+91 11 4239 0200

sunaina.malhotra@cbre.co.in

**Swapnil Pillai***Assistant Manager, India CBRE*

+91 22 4069 0100

Swapnil.pillai@cbre.co.in

**Jasmine Singh***Senior Director, National Head – Industrial & Logistics Services, Transaction Management Group, India CBRE*

19th Floor, DLF Square, M Block,

Jarcanda Marg, DLF City Phase II,

Gurgaon 122 002

+91 124 465 9700

Jasmine.singh@cbre.co.in

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