



REAL ESTATE - INDUSTRIAL WAREHOUSING AND LOGISTICS PARKS

**New-age economy drives absorption
amid pandemic: ICRA**

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1 Growth in the Sector Driven by Various Government Initiatives



2 Overview of key markets



3 Major warehousing operators in India



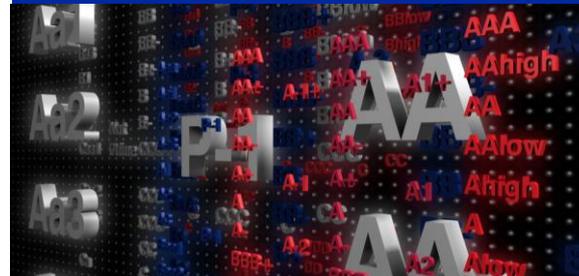
4 Demand Drivers



5 Trend in input costs and its impact on project return metrics



6 Analysis of ICRA rated Portfolio



Despite the pandemic-induced disruptions, the industry has seen a healthy traction in demand from service sectors such as e-commerce and 3PL.

Long-term growth prospects for the sector are supported by demand for Grade A space and significant interest from global operators and institutional investors.



Over the last five years, Government-led reforms such as GST implementation and grant of infrastructure status have attracted larger and more organised global operators and institutional investors.



During 2017-2022 period, the warehousing sector attracted investment of around Rs. 26,500 crore. Various global logistics operators and private equity funds, such as CPPIB, GIC, GLP and ESR, have set up investment platforms that have raised significant capital from institutional investors, including pension funds and wealth funds.



E-commerce and third-party logistics (3PL) sectors have been the key demand drivers over the last two years, as these segments witnessed growth even during the Covid period.



The eight primary markets* of India are estimated to have over 330 million square feet (mn sq ft) of warehousing inventory at the end of CY2023 with nearly 50% Grade A capacity.



For the eight primary markets, the absorption is estimated to record a CAGR of ~10% over next two years led by the e-commerce and 3PL sectors. Further, with the success of Production Linked Incentive (PLI) Scheme 2020, the demand from the manufacturing sector is likely to pick up.



Leverage, as measured by Debt/Net Operating Income (NOI), for ICRA's rated universe, is expected to be maintained in the range on 4x-5x in FY2023, translating into LTVs of less than 40%. The sector has witnessed healthy equity commitment which has resulted in low debt-equity mix in project funding, translating into healthy credit metrics.

* The eight primary markets comprise of Mumbai, NCR, Pune, Chennai, Bengaluru, Kolkata, Hyderabad, and Ahmedabad



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