

7%

Y-O-Y AND Q-O-Q GROWTH IN WAREHOUSING RENT IN PEENYA

0.2 msf

WAREHOUSING SPACE LEASED BY DELHIVERY (H1 2020)

0.5 msf

WAREHOUSING SPACE LEASED BY FIRSTCRY (H1 2020)

## ECONOMIC INDICATORS Q2 2020

	2019	2020	2021 Forecast
GDP Growth	4.2%	-3.0%	6.2%
CPI Growth	3.4%	4.1%	4.2%
Consumer Spending	5.0%	-0.5%	5.8%
Govt. Final Expenditure Growth	13.2%	12.8%	11.5%

Source: Oxford Economics, IMF, RBI

## Short term requirement for space drives demand

Like other sectors of the economy, warehousing and industrial/manufacturing sector in the city too has been affected by the COVID 19 outbreak and the subsequent lockdown. However, short term and mid-sized space requirements has helped this asset class get going. While demand for large warehouse or industrial space has been limited during the first half of the year, mid-sized space requirements of 40,000-100,000 sf in warehouses and even smaller of 10,000-40,000 sf in case of industrial/manufacturing sheds has been quite prevalent. Few deals which were already in their final stages of negotiation, before the outbreak in March, got closed during the course of the lockdown. However, with global travel on hold and domestic travel restricted, a few other transactions got deferred with expectation of getting finalised by H2 2020. Number of space enquiries in the sector, though slightly down during the last six months, are still ongoing with a strong likelihood of an increase during the course of the year. While Tumkur Road in the north-western part of the city continues to be an emerging hotspot, the southern corridor along Hosur Road and eastern belt near Hoskote are also witnessing traction with occupiers looking for warehousing space in these quadrants. The proposed Bommasandra – RV Road metro route is further expected to enhance connectivity in the southern corridor thereby attracting higher investments going forward.

## FMCG and E-commerce sectors remain the major contributors

Despite a temporary slowdown in demand being observed in the asset class, occupiers have been showing interest for Grade A warehousing space in the city and demand is expected to rise further with space take-up being driven by FMCG and manufacturing companies even under such uncertain market conditions. Followed by a surge in online shopping of both essential and non-essential commodities and with demand for FMCG products on a constant rise, these occupiers are looking for mid-sized warehouse spaces across locations within the city as well for quick, last mile distribution facilities. E-commerce operators, are opting for short span space take-ups for a period of 6 months and landlords are also being quite flexible to offer the same on the back of reduced demand. With demand for pharmaceutical goods rising as well, some engineering companies have plans to diversify into the medical equipment industry, which will give a further boost to industrial space demand.

## Rentals likely to remain stable as demand picks up going forward

With occupier exits being witnessed mostly in smaller Grade B warehouses, developers owning grade A spaces are not very willing to accommodate the requests of existing occupiers for reduction in rents, as warehousing space requirements have not stopped. A deep rent reduction is hence not anticipated, though occupiers are requesting for re-negotiations. However, in the short-term scenario with demand levels yet to pick up and occupiers demanding lower rents, developers are showing flexibility and willingness to negotiate for new space take-ups. However, the degree of negotiation is dependent on the occupier size and scale and the developer-occupier relationship. With limited 2<sup>nd</sup> generation space coming up in these grade A warehouses, and with steady demand for quality space among occupiers, even for a shorter time span, big rental corrections are unlikely to be expected in the coming months as well.

## INDUSTRIAL RENT / Y-O-Y GROWTH



## WAREHOUSING RENT / Y-O-Y GROWTH



## LAND RATES - JUNE 2020

SUBMARKET	INR MN/ACRE	US\$ MN/ACRE	EURO MN/ACRE	Y-O-Y Change
KIADB Hitech Zone	26 - 28	0.34 - 0.37	0.30 - 0.33	4.0%
Narsapura	15*	0.20	0.18	0.0%
Bommasandra, Attibele, Jigani	45 -152**	0.60 - 2.01	0.53 - 1.78	0.0%#
Bidadi, Kumbalgodu	35-45	0.46 - 0.60	0.41 - 0.53	0.0%##
Dabaspet	25^	0.33	0.29	0.0%
Harohalli	15^^	0.20	0.18	0.0%
Peenya	152 - 196	2.01 - 2.59	1.78 - 2.30	0.0%

Note: Land rates in Bommasandra and Peenya are provided in a range due to difference in rates along the highway and interiors.

Percentage growth are in local currency; Y-O-Y – Year on Year

Conversion Rate: US\$1= INR 75.6 and Euro 1 = INR 85.3

KIADB allotment rate: \*INR 13.1 mn/acre

\*\* Emerging micro-markets between Bommasandra and Jigani included

^KIADB allotment rate: \*INR 15 mn/acre

^^KIADB allotment rate, freehold rate is INR 25 mn/acre

# no change in y-o-y land rates, since lower price range reduced due to inclusion of newer micro-markets

## no change in y-o-y land rates, since higher price range increased due to inclusion of newer micro-markets

## SIGNIFICANT TRANSACTIONS H1 2020

Buyer/Lessee	Seller/Lessor	Type	Submarket	Sale/Lease	Area (sf)
Delhivery	Individual Landlord	Warehousing	Sidlagatta Road	Lease	200,000
FirstCry	Individual Landlord	Warehousing	Chintamani Road-Hoskote	Lease	500,000
Yusen Logistics	Individual Landlord	Warehousing	Sidlagatta Road	Lease	150,000
E-com Express Private Limited	Individual Landlord	Warehousing	Chintamani Road-Hoskote	Lease	100,000
Flipkart	Individual Landlord	Warehousing	Soukya Road	Lease	120,000

## KEY SALES TRANSACTIONS H1 2020

Buyer	Seller	Type	Submarket	Area
Local Developer	MNC	Industrial	Peripheral East	5.75 acre

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