

Developers shift focus from housing, commercial realty to warehousing

Amid a retail boom, builders are finding a new market in industrial logistics hubs for e-commerce, FMCG, retail and apparel.



Retail and real-estate are finding more meeting ground as developers venture into warehousing and industrial logistics. Lodha, Shapoorji Pallonji, Raheja Universal and Hiranandani in Mumbai, and Brigade, Prestige Group and Assetz Property Group in Bengaluru are among the largest groups launching their own warehouse projects. Some are also collaborating with international warehousing firms.

“The residential sector, with huge inventory and relatively low demand, is pushing local developers towards this new sector, which is showing growing demand,” says Balbirsingh Khalsa, national director for industrial and warehousing asset services and branch director for Ahmedabad, at realty consultancy Knight Frank India.

State governments in Maharashtra, West Bengal, Uttar Pradesh, Haryana and Chhattisgarh are also focusing on the warehousing and logistics sector, Khalsa says. “The status of industrial and infrastructure development is now given to these sectors. The ‘Make in India’ push is another key reason for growth in this segment. Banks have also opened up funding for this sector at attractive rate of interests, after the implementation of GST. Funding is easier to obtain for this segment than for residential and commercial projects.”

“This industry has wide scope amid sustained growth in organised retail, and improving transport infrastructure which provides last-mile connectivity as governments,” says Niranjan Hiranandani, chief managing director of Hiranandani Communities. “Governments are also easing regulations to attract more foreign investment.”

Hiranandani forayed into logistics in December, with a warehousing facility called Green Base. The group currently holds vast parcels of land in Maharashtra, including 250 acres in Pune, 75 acres in Nashik and 115 acres in Chennai, which they plan to develop as warehousing hubs. Land is also being acquired in Gurugram, Bhiwandi and Bengaluru, for more such hubs, as the group anticipates growing demand from the e-commerce, retail and apparel, FMCG and light engineering segments.

In 2015, meanwhile, Prestige Group began work on its first logistics centre, in Kolar district, Karnataka. The project was completed in May 2018 and part of it has been leased to Flipkart and Dhoot Transmission. “We want to capitalise on the potential of this sector,” says Nandakumar OP, vice-president of leasing at Prestige Group.

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The number of developers investing in this sector will go up further in the next two to three years, says Jasmine Singh, senior executive director for advisory and transaction services at realty advisory CBRE. “As e-commerce grows, demand for efficient supply chain systems has been growing too. With revised GST, there is an increase in the number of renowned developers entering this space, and they are backed by institutional funding, which has become easier to acquire, Singh says.

Even developers like the Raheja Universal (not to be confused with the K Raheja Group), which have traditionally focused exclusively on residential and commercial real-estate, say they do not want to be left behind when it comes to this growing segment.

“We have set up a 5.5-lakh-sq-ft warehouse and industrial logistics facility in Juinagar, in Navi Mumbai, and a second phase is now under construction,” says Anita Kataria, senior vice-president of sales at Raheja Universal. “Our target industries will be textiles, apparel, engineering and electricals, as well as industrial logistics service providers who deal in transport and sea freight services.”

Among the new models emerging as realty developers get into the warehousing space are joint ventures and partnerships with international warehousing chains. Bengaluru’s residential developer Assetz Property Group, for instance, partnered with the Australian warehousing and logistics company Logos in 2017. Their joint venture aims at developing warehouse and logistics spaces in Chennai, Gujarat and Hyderabad.

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