

Ascendas-Firstspace buys warehousing assets in Chennai for \$120 million

Ascendas-Firstspace plans to invest up to \$600 million to develop logistics facilities across warehousing manufacturing hubs

Singapore-based Ascendas-Singbridge Group, through its logistics and warehousing joint venture with Firstspace Realty, has acquired two assets in Chennai amid a boom in India's industrial real estate.

The two assets include a greenfield project—a piece of land in Oragadam, Chennai, for an industrial and logistics park of 2.8 million sq. ft and an over 120-acre industrial park at Periyapalayam, of which 1.2 million sq. ft has already been developed.

The total commitment in these two assets is estimated at \$120-130 million.

In 2017, Ascendas-Singbridge, which is jointly owned by Temasek Holdings and JTC Corp., partnered with Indian industrial real estate firm Firstspace, to jointly invest up to \$600 million over the next 5-6 years to develop logistics and industrial facilities across major warehousing and manufacturing hubs.

Earlier this year, Ascendas-Singbridge had said that along with Temasek, it will jointly commit around \$300 million in logistics and industrial real estate projects.

"We are looking at both brownfield and greenfield assets and should have 5-6 projects in the next two years. The investments will be a combination of equity and debt," Alope Bhuniya, chief executive officer, Ascendas-Firstspace said in a telephone interview.

Besides Chennai, the joint venture is looking at Mumbai, the National Capital Region (NCR), Pune, Bengaluru and Ahmedabad, and aims to develop a portfolio of 15 million sq. ft.

Bhuniya said the demand is largely triggered by the e-commerce sector, given that it is the largest in terms of absorption of space in major markets, followed by organised retail and third-party logistics companies.

Industrial real estate is fast emerging as the go-to asset class for investors and developers, with the consumption and e-commerce sectors being aided by the government's Make in India initiative and the roll out of the goods and services tax (GST).

Global investors have expressed great interest in the last two years, resulting in billion-dollar commitments to build modern industrial and logistics parks. Asia Pacific-focused logistics developer e-Shang Redwood (ESR) entered a partnership with Allianz Real Estate to invest around \$1 billion, including debt.

Sydney's LOGOS Group and Assetz Property Group, along with homegrown firms such as Embassy Industrial Parks Pvt. Ltd, also formed a joint venture.

Last year saw the absorption of around 19-20 million sq. ft of warehousing and logistics space across eight cities, while the January-September period this year has already clocked 17.5 million sq. ft, said Chandranath Dey, senior vice-president, head-industrial consulting, JLL India.

“Given the kind of demand, 2018 is expected to see absorption of 22.23 million sq. ft, Dey said.

“This is a golden period for the warehousing sector in India, and post goods and services tax, or GST, implementation, most occupiers are relocating and moving to large, organized warehouses. With several foreign investors and developers coming in, the organized warehousing space will see significant growth," he added.

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