

HNI, PE Funds Bet Big on Warehousing, Logistics

Interest in the sector due to strong consumption, rapid growth of ecommerce businesses and impending roll-out of GST

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New Delhi: Private equity fund Milestone Capital has sold a leased-out warehouse on the outskirts of Gurgaon at Dharuhera to an ultra HNI for around ₹110 crore. In Chakan near Pune, Embassy Industrial Parks, which is a joint venture between Bengaluru-based Embassy group and PE firm Warburg Pincus, has just concluded a transaction to buy 52 acres of land for ₹60-65 crore to build a 1.1 million sq ft state-of-the-art warehouse.

Riding the strong wave of consumption in the country, the rapid growth of Indian ecommerce businesses and also the impending roll-out of GST, private equity funds, real estate developers and private high networth individuals are starting to focus on the warehousing and logistics segment.

In the last one year, Milestone has exited all its three large format warehousing spaces that it acquired and developed in Bhiwandi-Thane (32 acres) on the outskirts of Mumbai, Kheda-Gujarat near Ahmedabad (56 acres) and

Dharuhera-NCR (66 acres).

Rubi Arya, executive vice president of Milestone Capital Advisors, said the fund has fully exited all its investments in the warehousing space and it will now look at more investments in the segment as demand for warehousing spaces is strong. “We will look at different models now to get back into warehousing. This could be buying land on our own or getting into joint ventures with existing landowners,” she said.

In the current deal, Milestone has sold 66 acres of land in Dharuhera, out of which it had built a warehouse on 14 acres. Sotheby’s International Realty North India was the transaction advisor to the deal.

“We are talking to international logistics park developers who are keen to build warehousing spaces in India and are looking for local partners,” Arya said.

Last year, ecommerce became the second largest driver for demand for warehousing space in India, after third-party logistics operators that had a 30% share, according to data from property advisory firm CBRE. Around 22% of the demand for warehousing came



FILE PHOTO

from ecommerce in 2015.

“With ‘Make in India’, a lot more manufacturing, ecommerce and retail firms will need quality warehousing spaces. What is currently available is mostly unorganized,” said Ram Chandnani, managing director-advisory and transaction services at CBRE South Asia. “To cater to this demand, these organized players and private equity funds are showing interest.”

Earlier, Embassy group had entered into a \$250 million joint venture with Warburg Pincus to build industrial and warehousing spa-

ces in India. Embassy also has a joint venture with Brookfield Asset Management for building warehousing on 170 acres of land in Chennai in which the two will infuse ₹220 crore of equity. Here, it can build close to 4 million sq ft of warehousing space.

“We prefer doing greenfield projects where risk might be higher but the returns are also better,” said Anshul Singhal, CEO of Embassy Industrial Parks.

He pointed out that demand for warehouses is not a question mark today. “While the biggest dri-

ver for warehousing space has been ecommerce in the last two years, it is still only 5% of the Indian retail market. 95% comes from offline players,” he said.

Embassy Industrial Parks has set itself a target of reaching 15 million sq ft of leasing capability in the next five years.

“GST will change the scenario for warehousing in India. People will start to look for better, cleaner spaces with safety for their employees, everything legal. Demand will only grow from here,” he said.

The largest player in the organized Indian warehousing scene is Indo-Space, which is backed by PE firm Everstone Capital and Realterm Global. It currently has 11 projects across the NCR, Mumbai, Bengaluru, Pune and Chennai with a total target built-up area of 15 million sq ft, according to its website.

Mahindra Logistics manages close to 5 million sq ft of warehousing space across the country.

Amit Goyal, CEO of Sotheby’s International Realty North India, said compared to leased retail and office space today, there is more certainty of a warehousing client remaining put for much longer.