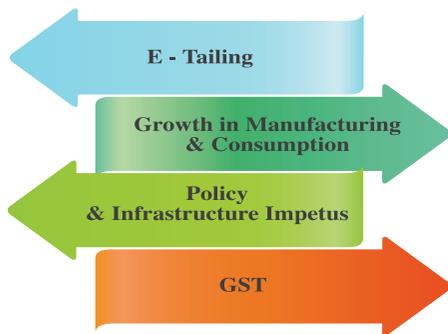


Warehousing

- an attractive alternate investment opportunity

Structural changes in the economy, regulatory reforms and market forces make warehousing an attractive investment bet

We have seen over the last year aggressive foray in warehousing by investors as well as developers. Milestone Capital, has been one of the earliest funds in this segment, when nine years ago, it made its first foray into warehousing in Bhiwandi, a warehousing hub in Mumbai Metropolitan Region. Milestone has managed and exited three warehousing investments and been part of entire life cycle of the investment from development to tenant management to exit.



Warehousing, today, is in a sweet spot for both developers and investors and is aided by many drivers. On the regulatory front, government policies, implementation of GST and the infrastructure push is creating a sound structural framework for development and management of warehouses by organized players.

Arguably no other industry has benefitted more by GST than the warehousing and logistics industry. Since the advent of GST, the warehouse selection has become agnostic to location which is now being selected on the basis of optimum logistics route.

We foresee a significant change in the logistics network including moving towards hub and spoke model thus creating a demand for large centralized warehouses and distribution centres. Herein, with these fundamental changes being effected, is the opportunity for organized developers and institutional investors to develop large format warehouses.



Ms Rubi Arya, Executive Vice Chairperson,
Milestone Capital Advisors Limited

Milestone Warehousing Experience

- Experience of 5 mn sqft
- Full cycle capability - Build, Operate & Transfer
- Branded warehousing platform
- Pan India relationships with developers, land owners and tenants

Warehousing is expected to grow at more than 8% - 10% for the medium term. But this growth will not be uniform across geographies and segments. There is a clear cut focus of FMCG, e - commerce and electronics industry players to move towards consolidation. Other growing industries continue to depend on third party logistic players, who in turn are trying to build long term relationships to de-risk their business model. Investments in warehousing shall be done keeping in mind the long term business requirements of users.

Institutional investors have a natural advantage to participate in this growth story.

Back in 2007 - 2009, in the earlier investment cycle, there was an increased demand for better quality warehouses and large format logistics parks as opposed to the then existing godowns. This allowed institutional players such as Milestone to move into this space. Today, the quality standards of tenants have become more stringent and the bar has moved to customized built to suit (BTS) warehouses. With strong fundamentals of governance, optimum corpus and expert technical management, role of asset managers like Milestone who have exposure to this asset class is even more relevant today.

For an investor looking at diversification into and within real estate, warehousing is an asset class offering natural downside protection to the capital since demand is robust and established warehouse locations with experienced developer partners will always be the first to get absorbed. Another important factor is that BTS structures go hand in hand with longer leases and this contributes to stability in yields.

With high quality tenants signing up long term leases, the business offers stabilized yields over investment horizons of four to six years. Importantly, warehouse development offers the inherent upside of land value appreciation. With warehouses continuing to be developed on the borders of urban areas, the present day warehouse locations will see appreciation in capital values of underlying land. As a combination of growing average yields and capital appreciation, it is possible to achieve IRRs of 18% to 20% over five to seven years.

The sector looks promising which is evident with the increased institutional participation in this sector. Milestone, with its expertise in warehousing, is actively looking at opportunities to generate healthy returns for its investors.

Key Segments		Identified Warehousing Destinations	
Industrial / Retail Warehousing	Key growth driver for organized warehousing	Mumbai MMR : Bhiwandi, Panvel	Hyderabad : Medchal
		NCR : Jhajjar, Dharuhera	Bangalore : Nelmangala
Cold Storage	For mainly perishable goods	Pune : Chakan	Chennai : Sri Perumbadur
		Ahmedabad : Kheda	Kolkata : Burdwan