LOOKING EAST:
WAREHOUSING IN KOLKATA
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Executive Summary

Demand Drivers

- The gateway to the entire north-eastern provinces, Kolkata’s well-connected transport corridors and strategic location, that abet port-related activities as well, have facilitated it to serve several important consumption centres in the region.
- Besides its location advantage, factors such as GST, higher penetration of e-commerce and an active ‘hub and spoke’ distribution model have led developers and PE funds to look towards the eastern region.
- While industries such as FMCG, cement, pharma and 3PL players traditionally led warehousing demand in the region, the recent rise in demand could largely be attributed to the fast paced growth of the e-commerce segment.
- The development of the Eastern Dedicated Freight Corridor (EDFC) Project has provided a strong enabling environment for intermodal logistics and warehousing - its impending completion holding significant economic potential.

Market Trends

- The overall inventory of organized warehousing space across Kolkata and adjoining areas is recorded at approximately 17.2 million sqft, accounting for 10% of the total warehousing stock in the top 8 cities of the country.
- The region witnessed an absorption of nearly 3.1 million sqft in 2019, depicting a slight YoY decline of 3%.
- The year 2020, being adversely impacted by the COVID-19 crisis, would largely remain an aberration before the warehousing sector regains momentum in the next few quarters with the pandemic subsiding and the economy improving.
- The average rental trend across the warehousing clusters in the region have remained mostly steady, the current values recorded in the range of INR 17-22/sqft per month. The CAGR for rents for the period 2016-2019 was recorded at 4-7% amongst the various warehousing clusters.
- Planned warehousing space supply will be constricted for at least a few quarters on account of delay in project delivery, induced by labour shortage. Rent escalation is also expected to remain muted for the next 8-12 months.
- Key leading e-commerce firms such as Flipkart and Amazon are progressively increasing their footprint. In a recent development, Amazon logistics centre phase I was inaugurated at the Uluberia Logistics Park in Howrah, that would lead to the generation of over 20,000 direct and indirect employment in the region.

Future Growth Potential

- The clusters along NH-19 encompassing Dankuni and its neighbouring areas will continue to be a preferred warehousing destination on account of the region’s accessibility to labour and raw materials, relatively lower rental values and its connectivity with the city centre.
- Key infrastructure projects such as the EDFC, development of Tajpur Port, Kaladan Multi-modal Transit Transport Project and other important growth factors will act as supply chain facilitators to major cities in the eastern and north-eastern region of India as well as securing cross country distribution advantage in the near future, thereby strengthening the warehousing sector in Kolkata.
Kolkata

Overview

Kolkata is the crux of commercial and financial activities of eastern and north-eastern India. Its urban agglomeration comprises the Kolkata Metropolitan Area, the satellite township of Rajarhat, Howrah and parts of 24 Parganas (North and South). Formerly the capital of India during the British rule, the city is famed for its rich cultural heritage and distinct socio-political set up. The primary fiscal drivers for Kolkata have traditionally been the service and manufacturing sector, with various industrial set-ups including engineering products, leather, steel, automobile and pharmaceutical companies. In the past decade, the IT/ITeS sector has made strong in-roads to the region’s economy as well.

The gateway to the entire north-eastern provinces, Kolkata lies on the golden quadrilateral of logistics and is a key hub for the import and export of goods in the eastern zone. Its well-connected transport corridors and strategic location, that abet port-related activities as well, have facilitated it to serve several important consumption centres in the region. In addition to its location advantage, factors such as GST, higher penetration of e-commerce and an active ‘hub and spoke’ distribution model have led developers and PE funds to look towards the eastern region.

Kolkata Metropolitan Area

1886.67 sq km

Population

14.11 million

Population Density

7,480 person/sq km

Literacy Rate

86.31%

Key Industries

IT/ITeS & Manufacturing (engineering products, electronics, steel, leather)

Source: Census 2011
At present Kolkata and its neighbouring region like Durgapur and Haldia is home to many industrial units including steel, mining, heavy industries, food processing, agriculture, electronics, textiles and jute. Extensive activities in these sectors were responsible for generating conventional demand for warehousing spaces in and around the region. In the last couple of years, manufacturing and consumer goods leaders such as Shoppers Stop, Manyavar, Philips, Linc, etc. were observed to have acquired around 10 lakh sqft of warehousing space. The increase in warehousing demand could largely be attributed to the development of the Eastern Dedicated Freight Corridor Project (EDFC) – an 1839-km freight corridor currently under construction between Ludhiana in Punjab and Dankuni in West Bengal, towards the port of Kolkata, exclusively for rail freight transport. The Dedicated Freight Corridor Project envisages shifting 70% of India’s good trains to the eastern region (through EDFC) and the western region (through the Western Dedicated Freight Corridor Project). Its impending completion holds significant economic potential as it provides a strong enabling environment for intermodal logistics and warehousing, proving to be a game changer for the sector in the region.

Moreover, West Bengal being the gateway to the north-eastern part of the country, the region has immense prospect and demand for development of warehousing spaces. Major industries that have created demand for warehouse space in West Bengal - specifically in and around Kolkata, are auto components, FMCG, cement, pharmaceutical and 3PL firms. Presently, the e-commerce segment, particularly e-retail, has emerged as having a major role in augmenting the demand for warehousing in Kolkata and its neighbouring suburban areas. As more customers rely on online portals for buying goods, demand has been progressively shifting from traditional retail space to the virtual mode – encompassing supermarkets and fashion brands alike, thereby boding well for the growth of warehouses.

While industries such as FMCG, cement, pharma and 3PL players traditionally led warehousing demand in the region, the recent rise in demand could largely be attributed to the fast paced growth of the e-commerce segment. Further, the development of the Eastern Dedicated Freight Corridor Project has provided a strong enabling environment for intermodal logistics and warehousing - its impending completion holding significant economic potential.
The locations for warehousing spaces are largely concentrated around the major roads that have access to the city and also near the key transportation hubs like docks and the airport area. The existing warehousing clusters are thus located in the vicinity of major highways such as NH-16 (Dhulagarh, Alampur, Uluberia) and along NH-19 (Dankuni and Old Delhi Road).

Dankuni is a popular destination for warehousing spaces and is one of the most sought-after regions primarily on account of it being well connected to Kolkata and the north-eastern region. Both the Durgapur Expressway from Dankuni as well as Old Delhi Road/NH-19 (Old NH-02), are peppered with industrial parks and warehouses catering to the demand of industries such as steel, coal and cement as well as the e-commerce segment. Further, the stretch along BT Road (Chiriamore to Sodepur) has seen warehouses mushrooming as it lies in proximity to the airport region, while Hide Road in Garden Reach owes its warehousing cluster to its nearness to Kolkata Port.

Thus, the key warehousing locations around Kolkata are:

- NH-19 (Dankuni, Old Delhi Road)
- BT Road (Chiriamore-Sodepur)
- Taratala – Maheshtala region (Hide Road) & Diamond Harbour Road
- NH-16 (Dhulagarh, Sakrail, Uluberia)

Map of Key Warehousing Clusters

Note: Map not to scale. For representation purpose only.
Currently the overall inventory of organized warehousing space across Kolkata and adjoining areas is recorded at approximately 17.2 million sqft, accounting for 10% of the total warehousing stock in the top 8 cities of the country. Several prominent warehousing projects such as Srijan Industrial Logistics park, Sankrail Industrial Park, and Aarjavv Industrial & Logistics Park compose the warehousing stock in the region. Going forward, nearly 2.5-3 million sqft of warehousing space is likely to come up across the state in the next 18-36 months at an approximate investment of INR 750 crore. Out of the upcoming supply, more than 80% of total upcoming supply will be concentrated in and around the Kolkata clusters.

Absorption Trends

Despite lagging behind other key cities in the country such NCR, Mumbai, Chennai, Pune and Bengaluru, in the context of operational warehousing space, absorption of warehousing space in Kolkata and its peripheral region has seen significant growth in the last few years. The CAGR during the period 2016-2018 was recorded at a whopping 63%, as the year 2018 saw the absorption of around 3.2 million sqft of warehousing space. The region witnessed an absorption of nearly 3.1 million sqft in 2019, depicting a slight decline of 3% when compared to previous year’s figure. More than 70% of total absorption took place in the Dankuni cluster and the clusters along NH-16.
Land and Rental Values

Land values prevalent in the warehousing clusters in the region vary with distance from the city, infrastructure development as well as the extent/interest of occupiers in these clusters. BT Road, being well connected to the city centre and a preferred warehousing destination, has the highest land values whereas clusters located in stretches such as Madhyamgram-Barasat have relatively lower land values. Meanwhile, the average rental trend across the warehousing clusters in the region have remained largely steady during the last few years, the current values recorded in the range of INR 17-22/sqft per month. The CAGR for rental values for the period 2016-2019 was recorded at a healthy 4-7% amongst the various warehousing clusters. In line with the land values, BT Road commands the highest warehousing rentals, the stretch witnessing an increase of 7% CAGR during the period 2016-2019.

Average Land Values in Warehousing Clusters

<table>
<thead>
<tr>
<th>Micro-Market</th>
<th>INR Crore/Acre</th>
</tr>
</thead>
<tbody>
<tr>
<td>NH-19 (Dankuni-Old Delhi Road)</td>
<td>2.40 - 4.20</td>
</tr>
<tr>
<td>NH-16 (Dhulagarh, Uluberia, Bagnan)</td>
<td>2.10 - 3.60</td>
</tr>
<tr>
<td>Taratala-Maheshtala</td>
<td>4.20 - 7.25</td>
</tr>
<tr>
<td>BT Road</td>
<td>4.90 - 8.50</td>
</tr>
<tr>
<td>Madhyamgram-Barasat</td>
<td>1.50 - 2.50</td>
</tr>
</tbody>
</table>

Source: Vestian Research

The average rental trend across the warehousing clusters in the region have remained largely steady, the current values recorded in the range of INR 17-22/sqft per month. The CAGR for rents for the period 2016-2019 was recorded at 4-7% amongst the various warehousing clusters.
Key Warehousing Stakeholders in the Region

Some of the prominent national and Kolkata-based developers present in the eastern region in warehousing space include names such as ESR, Embassy Industrial Park, Jalan Industrial Park, Srijan Logistic Park, Frontier Warehousing, Apeejay Group, Manas Group, etc. Several logistics-focused global PE funds and developers have been actively exploring opportunities in the eastern region, particularly in and around Kolkata, and are in different stages of discussions. Mention could be made of interested parties such as Morgan Stanley, Indospace, Ascendas Firstspace, Allcargo Logistics, et al. Another major national developer, the Hiranandani group has already acquired land within Durgapur Aerotropolis for warehousing purposes.

A number of leading occupiers who have taken up warehousing space in the region are FMCG companies, while e-commerce firms such as Flipkart and Amazon are progressively increasing their footprint as well. These apart, a host of 3PL players, like Mahindra Logistics, are also taking up space in existing as well as upcoming logistics parks. In a recent development, Amazon logistics centre phase I was inaugurated at the Uluberia Logistics Park in Howrah, bringing forth cheer amidst the gloom of the COVID-19-induced economic slowdown. This centre would lead to the generation of over 20,000 direct and indirect employment in the region.

Select transactions during 2016-2019

<table>
<thead>
<tr>
<th>Location</th>
<th>Tenant</th>
<th>Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>NH-19, Dankuni</td>
<td>American Tourister</td>
<td>80,000</td>
</tr>
<tr>
<td>NH-19, Dankuni</td>
<td>Aditya Birla Group</td>
<td>60,000</td>
</tr>
<tr>
<td>NH-19, Dankuni</td>
<td>TATA Group</td>
<td>50,000</td>
</tr>
<tr>
<td>NH-16</td>
<td>CVC</td>
<td>44,000</td>
</tr>
<tr>
<td>Shalimar</td>
<td>TATA Group</td>
<td>30,000</td>
</tr>
<tr>
<td>Bypass</td>
<td>Grofers</td>
<td>30,000</td>
</tr>
<tr>
<td>NH-16</td>
<td>Jalan Group</td>
<td>27,000</td>
</tr>
<tr>
<td>Old Delhi Road</td>
<td>Amazon</td>
<td>83,000</td>
</tr>
<tr>
<td>NH-19, Dankuni</td>
<td>Flipkart</td>
<td>150,000</td>
</tr>
<tr>
<td>NH-19, Dankuni</td>
<td>Snapdeal</td>
<td>35,000</td>
</tr>
<tr>
<td>NH-16</td>
<td>Bajaj Electrics</td>
<td>75,000</td>
</tr>
<tr>
<td>NH-16</td>
<td>Bigbasket</td>
<td>70,000</td>
</tr>
<tr>
<td>Kona Expressway</td>
<td>Ranbaxy</td>
<td>40,000</td>
</tr>
<tr>
<td>Hide Road</td>
<td>Fedex</td>
<td>20,000</td>
</tr>
<tr>
<td>NH-16</td>
<td>Blue Dart</td>
<td>40,000</td>
</tr>
<tr>
<td>BT Road</td>
<td>Asian Paints</td>
<td>60,000</td>
</tr>
<tr>
<td>NH-16</td>
<td>Jubilant Logistics</td>
<td>25,000</td>
</tr>
</tbody>
</table>
The eastern region, comprising the state of West Bengal, has immense potential to be developed as one of the major logistics and warehouse hubs of the country, having presence of large scale infrastructure developments like Eastern Dedicated Freight Corridor, Multi-Modal Logistics Parks, Sagarmala Project and other key projects that aim to integrate multiple modes for a seamless logistics and distribution process. Kolkata being the core of the state not only caters to the 14-million consumption base of the Kolkata Metropolitan Area but also to the 46-million north-eastern population.

While new demand is emanating essentially from e-commerce and 3PL players, the consolidation of space is also creating substantial demand. The recent emphasis on developing its transport corridors has provided the required impetus for its growing warehousing prospects. With the government rolling out the GST regime, the demand for warehousing has rapidly risen especially in the warehouse clusters in the fringes of the city.

Going forward, the following factors, besides the Eastern Dedicated Freight Corridor, would play a greater role in augmenting the growth of warehousing in the eastern region:

- **Cross-country distribution advantage:** Asian Highway 2 and Asian Highway 48 to improve the cross-country distribution positioning of West Bengal.

- **Inland Waterway Distribution Advantage:** Proposed 1,620 kms long National Waterway 1 (NW-1) on Ganga from Haldia to Allahabad is expected to add additional logistics distribution model.

- **Tajpur Port:** Tajpur to be developed as a major port by Bhor Sagar Port Ltd, an SPV formed by the central government-owned Kolkata Port Trust and the state government at Sagar Island. It will be developed as a landlord port, in which the basic infrastructure will be funded by the government while private firms will set up the super-structure to handle cargo.

- **Kaladan Multi-modal Transit Transport Project:** India and Myanmar to create multi-modal mode of transport for shipment of cargo from the eastern ports of India to Myanmar as well as to the north-eastern part of India through Myanmar. It will connect Sittwe Port in Myanmar to the eastern Indian seaport of Kolkata.
# Market Summary & Outlook

## Summary

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Warehousing Stock</td>
<td>17.2 million sqft</td>
</tr>
<tr>
<td>Absorption (2019)</td>
<td>3.1 million sqft (YoY decline of 3%)</td>
</tr>
<tr>
<td>Current Rental Value</td>
<td>INR 17-22/sqft per month</td>
</tr>
<tr>
<td>Existing Clusters</td>
<td>- NH-19 (Dankuni, Old Delhi Road)</td>
</tr>
<tr>
<td></td>
<td>- BT Road (Chiriamore-Sodepur)</td>
</tr>
<tr>
<td></td>
<td>- Taratala - Maheshtala stretch (Hide Road) &amp; Diamond Harbour Road</td>
</tr>
<tr>
<td></td>
<td>- NH-16 (Dhulagarh, Sakrail, Uluberia)</td>
</tr>
<tr>
<td>Major Warehousing Projects</td>
<td>Srijan Industrial Logistics Park, Anmol Southcity Infra Park, ESR Uluberia Industrial &amp; Logistics Park</td>
</tr>
<tr>
<td>Key Sectors Occupying Space</td>
<td>E-commerce, FMCG, 3PL firms, Pharmaceuticals, Electronics, Auto ancillary firms</td>
</tr>
<tr>
<td>Key Occupiers</td>
<td>Amazon, Flipkart, Snapdeal, Big Basket, Grofers, Delhivery, Asian Paints, et al</td>
</tr>
<tr>
<td>Upcoming Supply (by 2022)</td>
<td>Approx. 2.5 million sqft</td>
</tr>
</tbody>
</table>
The warehousing sector in Kolkata and its adjoining region has witnessed significant turn of events in the past few years, growing from a largely unorganised sector to observing the advent of organised players, thus reflecting the change in the mindset of occupiers to use the services offered by organised segments. While the COVID-19 crisis has presently slowed down economic activity in the region, the region holds vast prospects of scaling new heights once the crisis is over and the economy receives a kick-start.

Thus, the year 2020, being adversely impacted by the COVID-19 crisis, would largely remain an aberration before the warehousing sector regains momentum in the next few quarters with the pandemic subsiding and the economy improving.

With the gradual lifting of the lockdown, it is expected that the industrial and logistics asset class will have a faster recovery amongst other real estate asset classes. With the COVID-19 outbreak shifting consumption activity to online mode, this will lead to the further growth of e-commerce sector in the region, which, in turn, would translate as increased demand for warehousing.

Due to the lockdown, panic buying had been on the higher side that led to increased home delivery services. 3PL players had a prominent role in managing the delivery of essential materials. The warehousing sector is expected to gain as a result of the growth of the 3PL segment.

Meanwhile, planned warehousing space supply will be constricted for at least a few quarters on account of delay in project delivery, induced by labour shortage. Rent escalation is also expected to remain muted for the next 8-12 months.

The clusters along NH-19 encompassing Dankuni and its neighbouring areas will continue to be a preferred warehousing destination on account of the region’s ease of access to labour, relatively lower rental values and its connectivity with the city centre.

Key infrastructure projects such as the Eastern Dedicated Freight Corridor and other important growth factors (see Growth Potential chapter) will act as supply chain facilitators to major cities in the eastern and north-eastern region of India as well as securing cross country distribution advantage in the near future, thereby strengthening the warehousing sector in Kolkata.

With significant investor interest, the warehousing sector in the region is envisaged to witness more traction in the forthcoming period, leading Kolkata to emerge as one of the major warehousing hubs of the country and establishing the eastern region firmly on the warehousing map.
About Vestian

Vestian, is a contemporary workplace solutions firm that specializes in providing occupier-focused solutions for commercial, residential, industrial, retail and hospitality sectors. Our service portfolio includes Integrated Service Delivery, Project Services, Investment & Consultancy Services, Transaction Advisory Services, Retail Business Solutions & Integrated Facilities Management Services.

We align and measure our key deliverables based on clients' strategic business goals. Our commitment to achieve excellence and consistency in our service delivery models has helped us attain high standards of quality and raise the bar for the industry. Our experienced team has the required expertise and exposure in different sectors. Combining global best practices and local knowledge, the team provides an integrated solution for all real estate requirements. Moreover, the belief in our corporate philosophy - Delivering Measurable Results - helps us to provide solutions, in keeping with global delivery standards.

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Investment & Consultancy Services (ICS) is the Research, Consultancy and Investment solutions arm of Vestian. We provide value-added end-to-end investment advisory and consultancy services. Our clients include multinational and Indian corporations, investors, private equity (PE) funds, global and national financial institutions, government organizations, international, national and local real estate developers and landlords in tier I, II and III cities across the country.

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