

Commercial

Impact of COVID-19 second wave on Indian warehousing

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May 05, 2021

Similar to other businesses, the Indian warehousing segment is reeling under the effect of the COVID-19 crisis. While cash flow disruptions and the unavailability of workers have indeed posed certain challenges, the long-term prospects of the industry do not seem to be grim. As a matter of fact, several experts predict the demand in the segment to rise manifold, especially following the growth in e-commerce.

Despite the challenges posed by the global pandemic, the demand for warehousing is likely to remain robust in 2021 due to accelerated adoption of e-commerce and higher inventory levels. Logistics experts and analysts are convinced about the sector's performance as they believe that the e-commerce firms would continue to push for cost-efficient and swift last-mile delivery even as the second wave of the deadly virus hits India. Besides, the augmenting demand for cold chains and organised retail is expected to drive the demand for large warehouses and omnichannel logistic solutions in 2021 and beyond. Driven by the growth in e-commerce and manufacturing, the industrial and warehousing space absorption is likely to grow by 83 percent, YoY, to 47.7 million sq ft in 2021, says a report by Savills India.

In sync with the predictions, Abhishek Bharadwaj, Chief Marketing Officer, Shristi Infrastructure, avers, "The pandemic and the issues it would perpetuate would help the Indian warehousing sector grow in the medium to long-term. As exposure to the virus is a great cause of worry, more consumers are shifting to online portals to purchase goods. Resultantly, the warehousing sector has already been witnessing a rise in the demand. The second wave will further add to this momentum. During the first wave, the industry has understood the need to increase its capacity. As we move into the second wave, the players are ready to serve their customers through well-formulated plans."

In addition to the increased demand from e-commerce and third-party logistics sectors, strong macro-economic fundamentals and policy support from the government are likely to fuel the growth of [warehousing in India](#). As several countries are considering moving their manufacturing facilities from China, India is touted to become the next manufacturing destination for the world's leading economies. As per a recent report by JLL India, the warehousing sector gained momentum with the highest supply and absorption in 2020 post the lockdown. The demand is further expected to increase in 2021 and reach close to 35 million sq ft, almost similar to the pre-COVID-19 levels.

"The second wave of the pandemic will have a negative pandemic on the real estate sector. However, taking cognisance of the last year trends, the warehousing sector is likely to witness heightened demand for storage spaces, especially for agricultural warehousing. Albeit the unpredictability caused by the COVID-19 second wave, the players in this sector are focusing on improving their in-house innovation and standards so as to meet the consumer preferences amidst the new normal."

Malini Saba
Founder and Chairman, Saba Group

Tier 2 and Tier 3 cities likely to gain strength in warehousing

Restricted movement due to the nationwide lockdown and reform-led policy measures have brought smaller cities into the limelight to emerge as the preferred destinations for the warehousing industry. The majority of these clusters are in line with the industrial and freight corridors being developed across the country. Some of the Tier 2 and 3 cities that have emerged as mini warehousing clusters amid the global crisis include Ambala, Lucknow, Siliguri, Guwahati, Indore, Jaipur, Ludhiana, Kochi, Dholera, and Vishakhapatnam. Factors such as the booming e-commerce market, optimisation of costs, space constraints in bigger cities, and the need to strengthen retail supply chains across industries have fueled the [growth of quality warehousing](#) spaces in these cities. Third-party logistics (3 PL) lead in warehousing demand, with a share of 36 percent in FY2020, followed by e-commerce and manufacturing sectors.

The Indian warehousing segment is likely to expand further, despite the short-term issues posed by the COVID-19 pandemic. Thanks to the government's push towards manufacturing and policy reforms, such as the launch of Goods and Services Tax (GST) regime, Make in India movement, grant of infrastructure status to the logistics segment, and relaxed international trade norms, including 100 percent FDI in logistics; the warehousing segment is all set to witness a boom.

While the majority of experts are optimistic about the future of warehousing, some also opine that there could be a short-term dip in consumption over the next few months. Then, there are also a few who have mixed opinions. For instance, Jitendra Khaitan, Managing Director, Pioneer Property Management Ltd, avers, "We believe that the supply chain might face a big challenge because of the restricted movement across different cities in the country. Smaller warehouses are likely to be impacted more. Traders with limited finance are expected to vacate the premises while renowned players, dealing with giant e-commerce, FMCG, or electronic giants will be required to retain larger spaces to meet high-end consumer demands. Overall, it is very difficult to predict any numbers regarding the demand and supply of warehouses in India, particularly under the present circumstances."

Conclusion

With e-commerce likely to gain prominence in the post-COVID-19 regime, the demand for warehousing is expected to flourish, along with the rising trend of multi-level warehouses within the city limits. Though there could be a short-term disruption due to unknown complications, the sector has bright prospects, especially in the medium to long term. As the dust of the pandemic starts settling in, investors are also expected to return to the market with renewed vigour.

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