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Why M&A king Blackstone is building industrial realty assets from scratch | Company Business News



Bengaluru: Of late, one corner of Chakan, an automobile and manufacturing hub, has been seeing a burst of construction activity. On crossing the factories and manufacturing plants of some of the world's largest automakers, including Mercedes, Volkswagen and Mahindra & Mahindra, the New MIDC Road leads to a 100-acre site. There, on the outskirts of Pune, Chakan V, a sprawling mega logistics park covering 2.6 million sq. ft, is coming up. While the size of the industrial facility is impressive in itself, the project has another unusual feature in the involvement of Blackstone, the world's biggest real estate investor.

Renowned the world over for its acquisition skills, the New York-headquartered global asset manager's many successes in India's office and retail real estate sectors over the years have mostly taken the inorganic path. The logistics park in Chakan, however, is an instance of Blackstone building something from the ground up. Horizon Industrial Parks, the Blackstone entity handling logistics and warehousing projects, recently delivered another 52-acre park, 'Chakan II'. More such projects are underway in Bengaluru and Chennai.

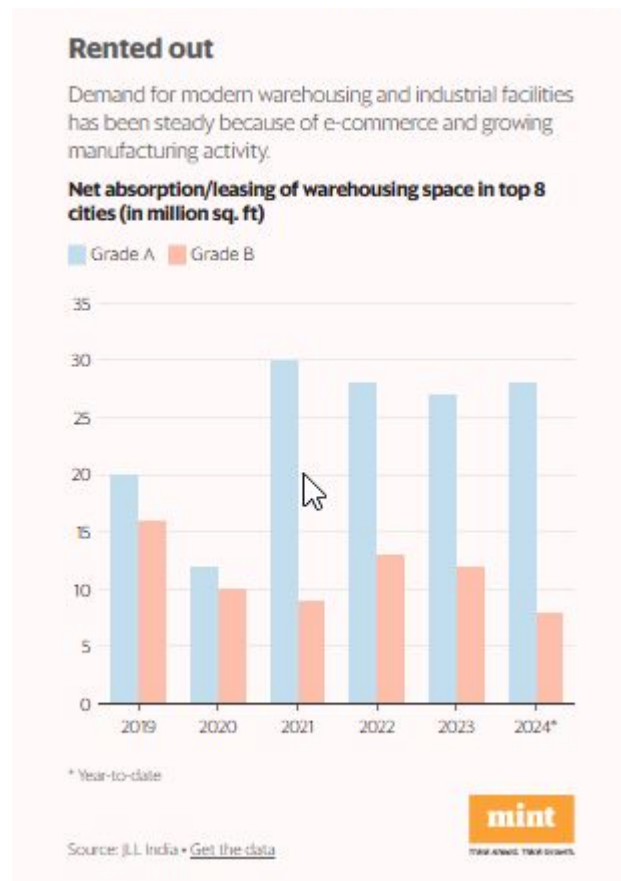
Since Blackstone opened its real estate division in India in 2007, its focus has entirely been on the office and mall segments. A little over a decade and a half later, it has acquired ready assets steadily to become the [largest office space owner](#) in the country, and owns the second largest portfolio of shopping malls today. Those acquisitions have helped make India its third biggest investment market after the US and the UK.

Logistics is one of the biggest asset classes for Blackstone globally, and it owns more than 1.2 billion sq. ft of logistics and warehousing space world over. But it is a relatively new line of business for the asset manager in India, one it entered only five years ago. In a sense, the logistics park in Chakan, one of a number that it intends to construct, signifies its confidence in the growth prospects of the business.

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“As a real estate investor, Blackstone has always scouted for good quality rental assets. Industrial and logistics is its first real estate platform in India where it has taken on the risk to buy land and construct,” Shobhit Agarwal, managing director and chief executive at advisory firm Anarock Capital, said.

While the recent gross domestic product (GDP) numbers were disappointing, the country’s long-term economic prospects remain bright. Demand for modern warehousing and industrial facilities has been steady, thanks to an expansion in manufacturing activity, e-commerce and quick commerce, as well as other sectors. All of this has led to a solid appetite among institutional investors for ready and good quality industrial assets.



And so, warehousing and logistics parks have taken centre stage for Blackstone as it looks to expand its \$20 billion real estate portfolio in India.

Rapid scale-up

Blackstone made its entry into the industrial real estate space in December 2019, through a joint venture with Greenbase Industrial and Logistics Parks, a new company founded by Niranjan Hiranandani, cofounder and chairman of realty firm Hiranandani Group. The 50:50 joint venture (JV) will invest ₹2,500 crore to develop industrial and warehousing facilities in cities across India.

Greenbase started with 450 acres in Talegaon and Nashik in Maharashtra, and Oragadam in Chennai. The strategy was to construct warehouses and built-to-suit or custom-built industrial facilities for companies.



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A Greenbase facility at Oragadam, Chennai.

“As a partner, Blackstone is very involved in the industrial real estate business. Our aim is to build a 20 million sq. ft portfolio in five years,” said N. Shridhar, CEO, Greenbase. “So, we will be acquiring more land and developing assets. We aim to have 500 acres of industrial parks each in Chennai and Pune.”

The JV is buying land in new markets such as Mumbai Metropolitan Region (MMR), Kolkata and Bengaluru. So far, it has invested around ₹1,700 crore but as it expands, it will invest around ₹4,500 crore to buy more land and develop it.

After testing the waters with a joint venture, a strategy it had copied from its commercial office playbook, where it scaled up over the years via partnerships with the likes of Embassy group, Panchshil Realty and [K Raheja Corp](#), it was ready to build a portfolio of industrial assets that it owned fully.

In 2021, a couple of years after forming the JV with Hiranandani, it bought Embassy Industrial Parks, a large, multi-city portfolio of Grade A logistics and warehousing assets, valued at \$700 million. Grade A warehousing facilities are larger in size than other grades; they are well located and are superior in terms of amenities and construction quality.

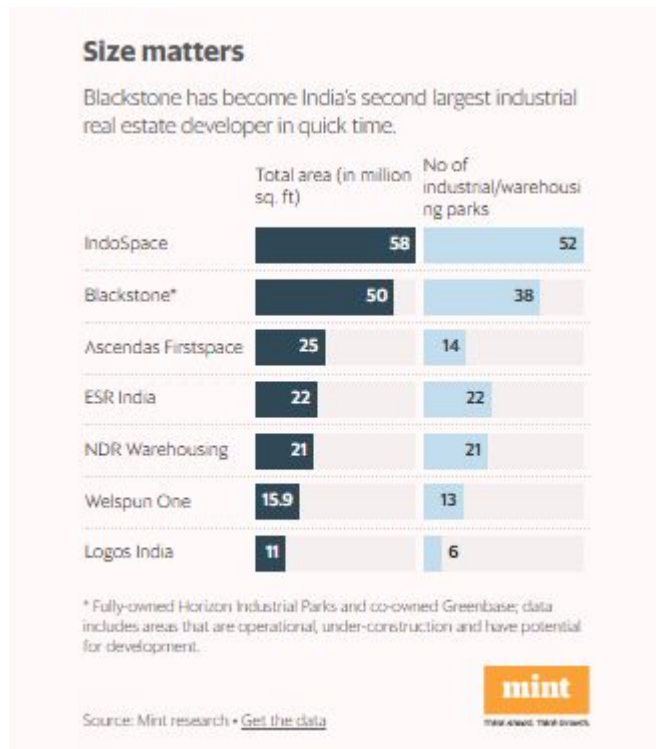


Less than a year later, it launched Horizon Industrial Parks. The logistics parks business will grow faster than the office portfolio has over the last decade in India, Asheesh Mohta, senior managing director and head of acquisitions, Blackstone India, had told Mint in an interview at the time. That prediction seems to be playing out; in just three years, Horizon has built a large footprint, in sharp contrast with the commercial office vertical, which took nearly a decade to build a portfolio of 100 million sq. ft.

Blackstone India did not comment for this story.

"Globally, Blackstone is one of the leading players in the logistics and industrial domain. In India, though a late entrant into industrial real estate, Horizon has aggressively expanded and is probably the most active player today," said Chandranath Dey, India head of operations, business development, industrial consulting and integrated logistics at property advisory JLL.

Today, Horizon and Greenbase together have a portfolio of around 50 million sq. ft, spanning 1,800 acres and 38 parks, making Blackstone the second largest developer in this segment after [market leader IndoSpace](#). They cater to clients across sectors such as manufacturing, third-party logistics and e-commerce.



The asset manager's top management, too, is bullish about the growth prospects of the new vertical. Blackstone may boost its warehouse space to 100 million sq. ft in India in two-three years, Kathleen McCarthy, co-head of the global real estate business, had told *Bloomberg*, earlier this year.

In an ongoing transaction, Blackstone has emerged as the highest bidder to buy warehouse developer Logos India's three logistics parks—two in Chennai and one in Luhari, Haryana. While around a dozen global institutional players participated, Blackstone's offer, at a little over ₹1,700 crore, outbid the likes of [Singapore's GIC](#) and Japan's Mitsui OSK Lines. If the bid is finalised, it will add around 5 million sq. ft of ready assets to Horizon's portfolio.

Deal with CWC

In September, Horizon Industrial Parks was selected as the lead partner by the government-owned Central Warehousing Corporation (CWC), a public warehouse operator, to manage its portfolio of 13 last-mile logistics assets for a 45-year period. With a development potential of 2.4 million sq. ft, this will be the largest portfolio of last-mile assets managed by an institutional developer in India. Horizon will invest around ₹700 crore in the assets and is free to redevelop and upgrade the properties for tenants.

"It's the first time a global investor has tied up with a government of India undertaking. It's a unique opportunity, where Horizon has the option of upgrading, pulling down and redeveloping the assets, or bringing in new occupiers," said Gulam Zia, executive director, Knight Frank India, an advisory. It's a build-operate-transfer model, where Horizon will earn revenue from the assets during the tenure of the deal.

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The deal gives Horizon an opportunity to access city-centric assets in Mumbai, Pune, Bengaluru, Chennai and National Capital Region (NCR). Last-mile logistics in cities, typically smaller storage spaces close to end users of goods, have become important to address the growing demand from quick commerce and e-commerce firms.

While high land costs in city-centric areas have restricted the development of last-mile warehousing facilities for most developers, demand is huge. In particular, the [boom in quick commerce](#) has Blackstone drawing up plans to set up last-mile logistics facilities in other markets as well.

The deal with CWC is like an acquisition of a ready portfolio of last-mile assets in great locations, said an analyst, requesting anonymity. "Blackstone-Horizon gets access to land, which, if they had to buy it at current market prices, would cost much more. They have the freedom to build and monetize the portfolio, giving them a big advantage over other players."

A deep-pocket game

Land prices of industrial real estate have almost doubled over the last five years, noted Prateek Jhavar, managing director and head, infrastructure and real assets investment banking, Avendus Capital. With construction costs, too, [going up sharply](#), it has become tough for small developers to thrive. It is no surprise then that large institutional players with deep pockets and patient capital, such as Blackstone and GIC, are shopping for industrial assets.

"Large players such as Blackstone have been actively aggregating warehousing assets through a dual-pronged approach, where they are acquiring ready assets as well as building out a large portfolio to eventually monetize it," said Jhavar.

Blackstone has made both greenfield (land) and brownfield acquisitions for its industrial real estate business. Besides acquiring Embassy Industrial Parks and 50% stake in Greenbase, it has made multiple acquisitions, including a majority stake in Allcargo Logistics' industrial parks.

"The key differentiator is that the land and asset ownership, and management control lies with Horizon. This is not the case with some of the other leading developers and operators, whose investor partners have equal control," said a person familiar with the company's plans, who did not want to be identified.

Paucity of assets on sale

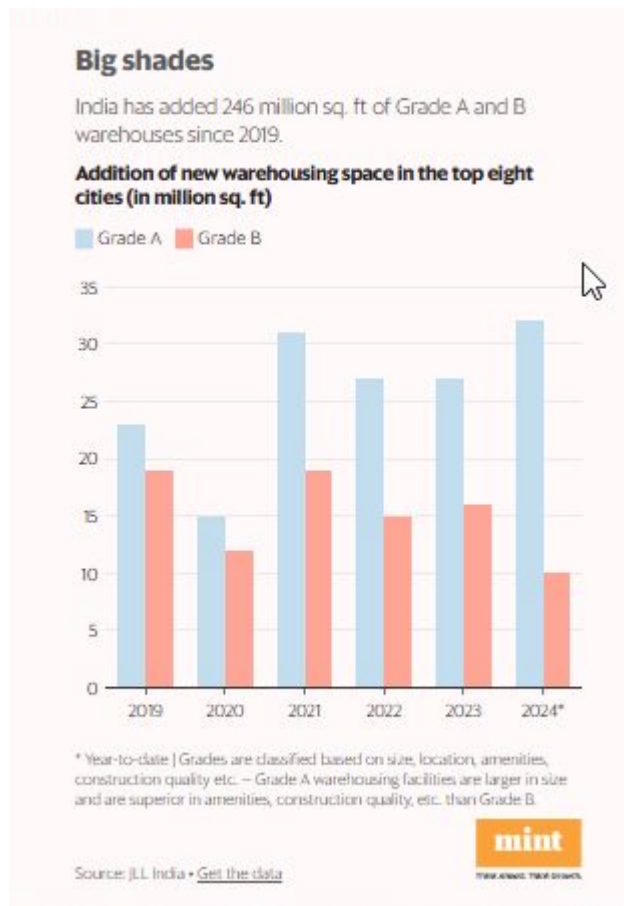
Blackstone is planning to combine the Horizon platform, which it fully owns, with the Greenbase portfolio for a public listing of its industrial real estate business in India, said multiple people. So, for now, the focus is on aggressively expanding both Horizon and Greenbase.

For Horizon, 2024 has been a good year. It started operations at five new sites in Chennai, Bengaluru, Nagpur and Pune, and has already signed 4 million sq. ft of new

tenant leases. But in the larger scheme of things, Blackstone's pursuit of rapid growth may face some hiccups because of the paucity of Grade A assets.

"Industrial real estate is a game of scale, and Blackstone understands scale very well. The problem is that today, most Grade A assets are already owned by institutional players, so the options to buy ready portfolios are getting limited," said Anarock's Agarwal.

As of September, the overall warehousing stock, including Grade A and B warehouses, in the top eight cities stood at 418 million sq. ft, according to estimates by property advisory JLL India. This is expected to touch 700 million sq. ft by 2028.



Without many good quality acquisition opportunities and growing competition among well-funded players, Blackstone will have to actively acquire land and build assets, which is time-consuming and involves construction risks. So, to breach the 100 million sq. ft milestone in industrial real estate, Blackstone will need to both acquire assets and buy land to build on it.