



SOTI
Title Partner



Industrial and Warehousing Report

Q1 2026

Warehousing demand demonstrates resilience amid global uncertainty

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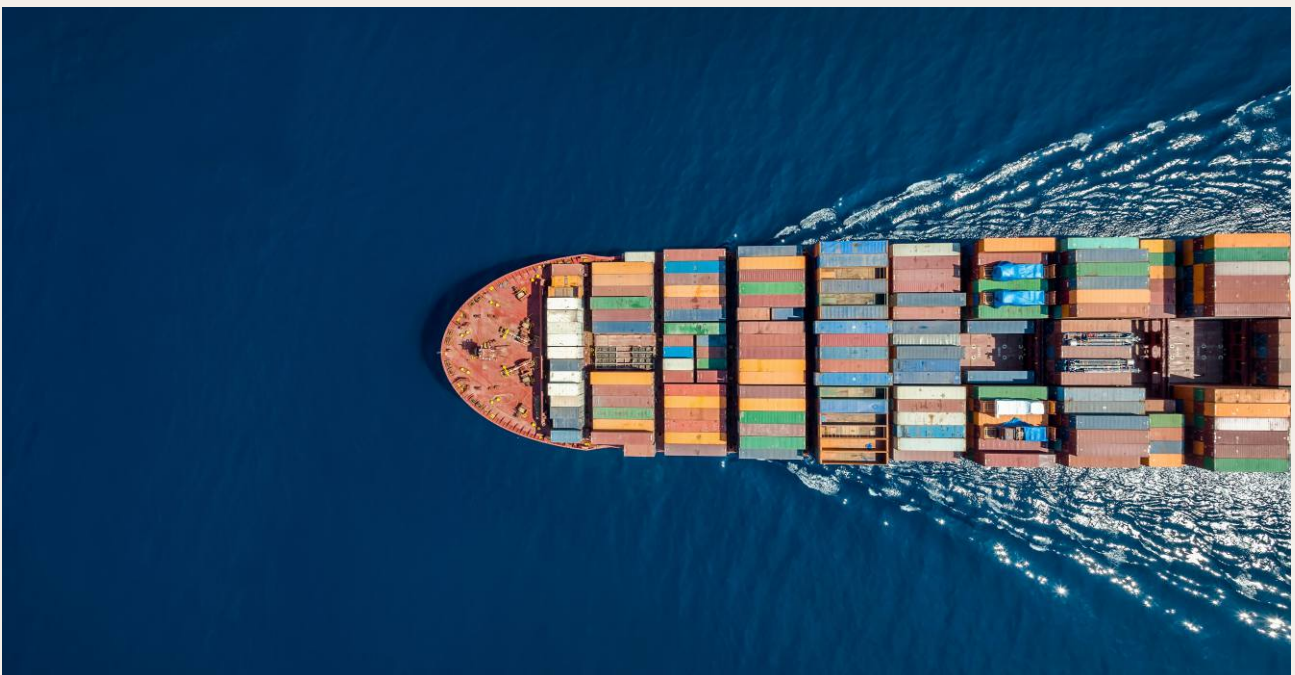
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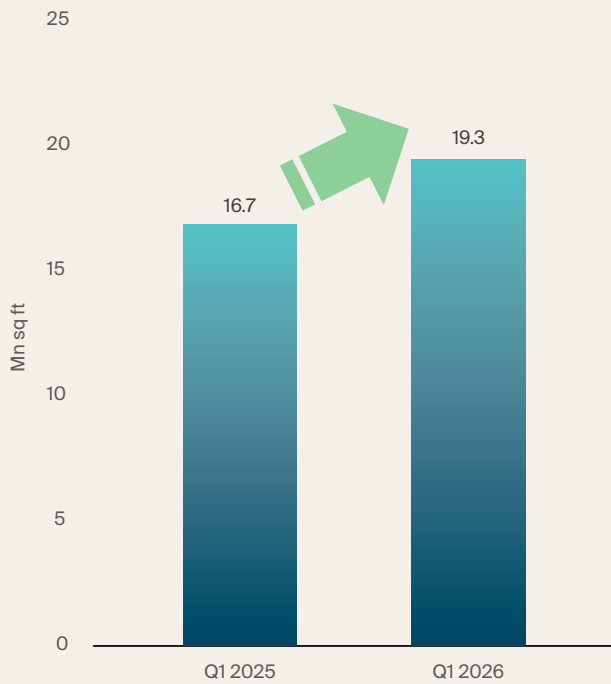
Summary of the period

Q1 2026 opened against one of the most severe global supply chain disruptions in recent memory. The US-Israel military campaign against Iran, launched in late February, triggered the effective closure of the Strait of Hormuz, through which roughly 20% of the world's seaborne oil and LNG volumes transit, with major carriers including Maersk, CMA CGM and Hapag-Lloyd suspending operations through the strait entirely. Shipping companies were forced to reroute vessels, delay deliveries or suspend operations, causing a slower and materially more expensive global supply chain. Against this backdrop, the Indian rupee depreciated approximately 9% over FY 2026, reaching around INR 93.88 per USD. Sustained dollar demand from oil importers widened the current account deficit and raised landed costs for USD-denominated freight and equipment procurement, compressing margins across the logistics sector. Yet India's macroeconomic foundations held firm. FY 2026 real GDP growth forecast came in at 7.6%, outperforming expectations, and the RBI has projected FY 2027 growth at 6.9%, supported by strong services sector activity, robust domestic consumption and ongoing GST rationalisation benefits, even as the RBI flagged downside risks from further geopolitical escalation.

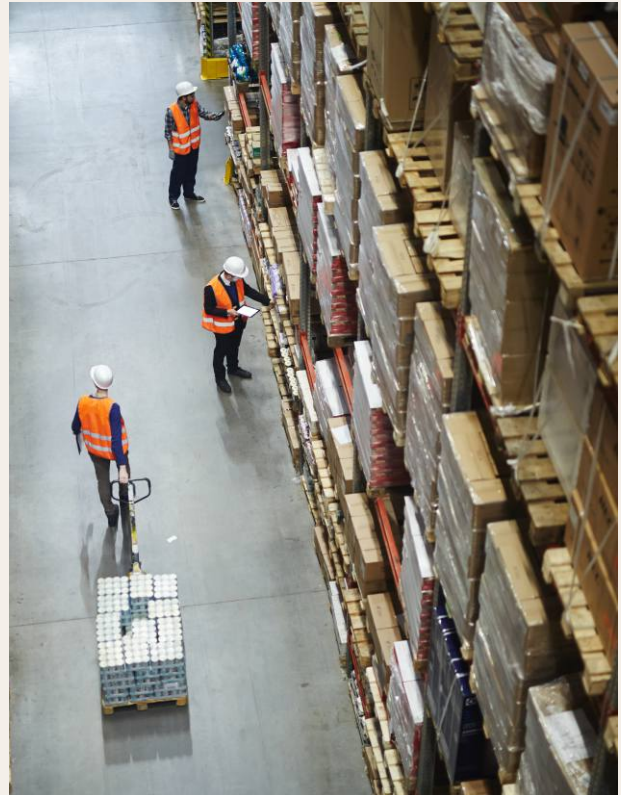
Against this backdrop, industrial and warehousing activity remained buoyant, driven primarily by Manufacturing and Third-Party Logistics (3PL) occupiers, reinforcing India's position as a resilient and strategically located hub for regional supply-chain diversification. Occupier activity continued to strengthen despite the volatile macroeconomic environment, with leasing volumes reaching 1.8 mn sq m (19.3 mn sq ft) in Q1 2026, reflecting a 15% YoY increase. Notably, this marks the second-highest quarterly transaction volume recorded since the beginning of 2023, underscoring sustained occupier confidence and strong underlying market momentum.



Transaction volumes

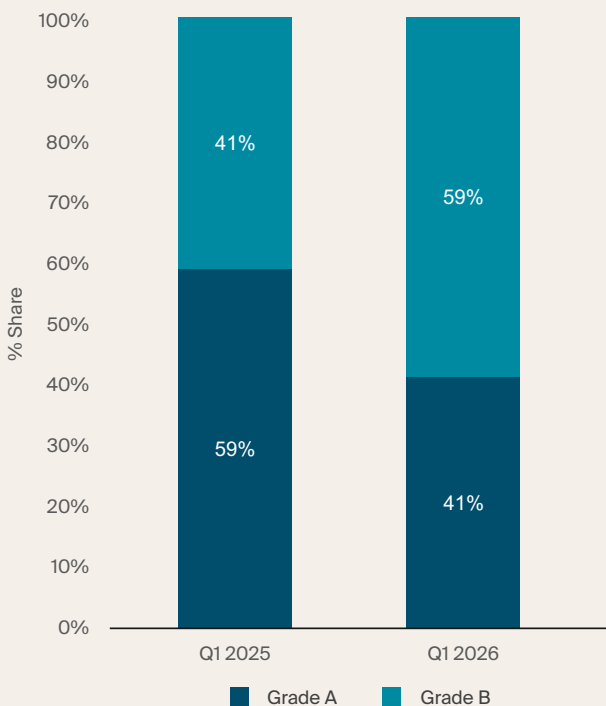


Source: Knight Frank Research

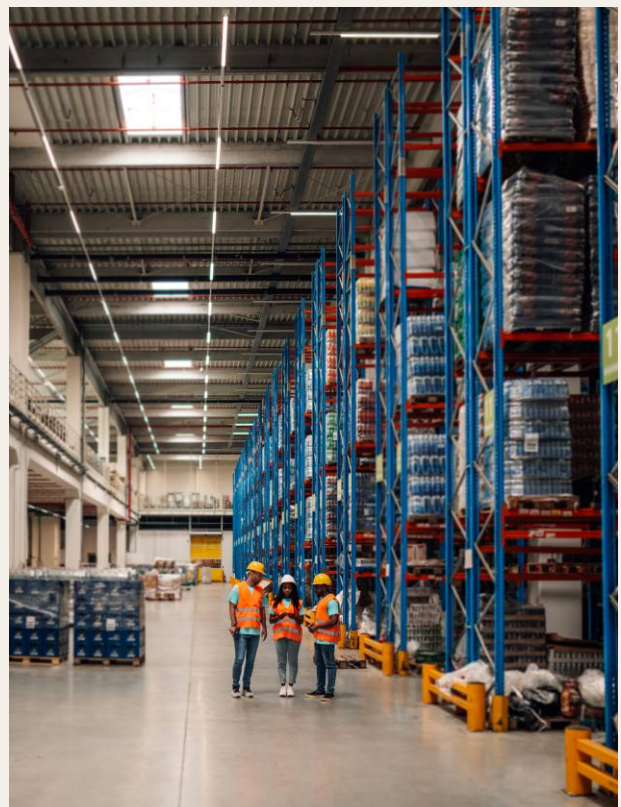


The increasing preference for high-quality spaces that enhance supply-chain efficiency and improve throughput has remained a defining trend in the Indian industrial and warehousing market. However, the current quarter represented an exception to this pattern, with Grade B assets accounting for 59% of the total transacted area. This was largely driven by the outsized contribution of Mumbai to overall leasing activity, with the city alone contributing more than 53% of the total Grade B transaction volumes recorded during the quarter.

Transaction share by grade



Source: Knight Frank Research

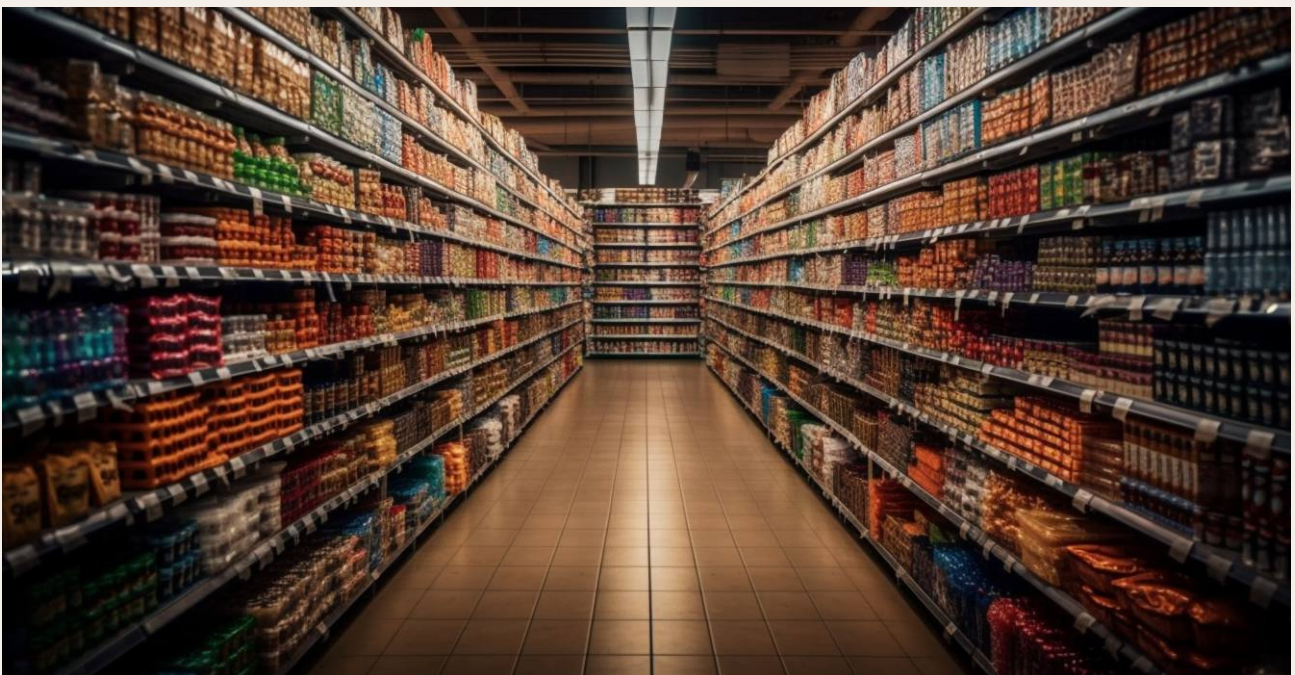


Industry split of transaction volumes








While overall transaction growth remained healthy and Manufacturing occupiers (excluding FMCG and FMCD) continued to dominate leasing activity with a 48% share of total volumes, it was the 3PL segment that drove incremental growth during Q1 2026. The sector leased 0.6 mn sq m (6.4 mn sq ft) during the quarter, reflecting a robust 64% YoY increase and accounting for 33% of the total area transacted. Nearly 64% of the segment's leasing volumes were concentrated in Mumbai and NCR, with Mumbai alone contributing 45% of the overall 3PL take-up. Prominent occupiers during the quarter included Maersk, Safexpress, Xpressbees and Transystem Logistics.

The Manufacturing sector leased 0.9 mn sq m (9.3 mn sq ft) in Q1 2026, registering a 17% YoY growth and reaffirming its position as the dominant occupier segment in the market. Mumbai accounted for 30% of the sector's transacted volumes, while Pune, Ahmedabad and Bengaluru each contributed 13%. Notably, Chennai, which typically ranks among the prominent destinations for manufacturing occupiers, saw muted activity during the quarter as limited availability of viable supply constrained overall transaction volumes in the market. Occupiers from the automotive, heavy engineering and energy sectors were key contributors to the strong leasing momentum recorded by the Manufacturing segment during the period.

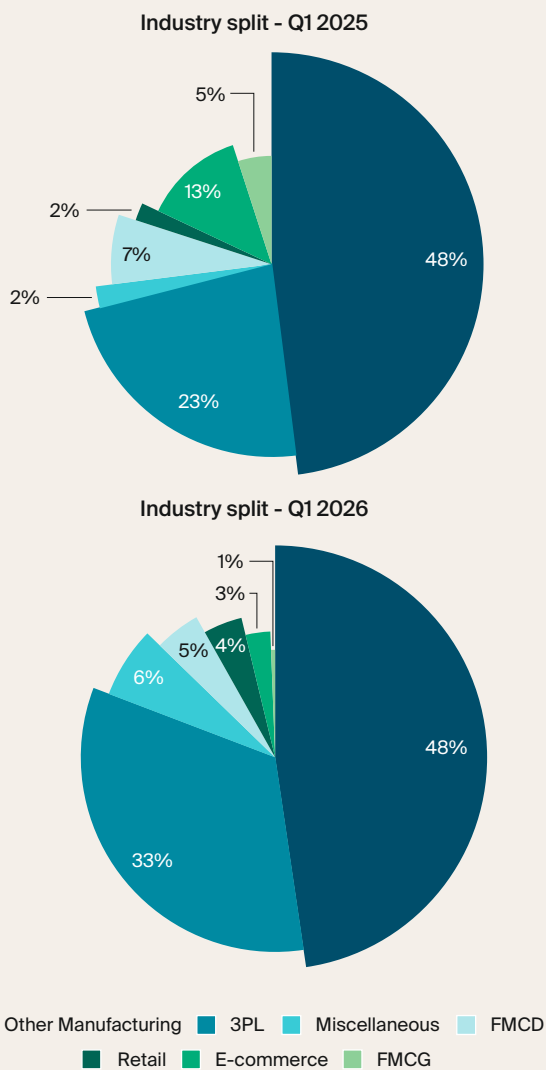
The Retail segment increased its share of overall transaction volumes to 4% in Q1 2026, up from 2% in the corresponding period of Q1 2025, with occupiers such as More Retail and Trent Hypermarket featuring prominently during the quarter. Meanwhile, telecommunications companies including Bharti Airtel and Jio, along with real estate firms such as YSR Realty, Ratan Realty and Providential Properties, classified under the Miscellaneous category, drove the segment's share to 6% during the period.



Industry-split of transaction volume in mn sq m (mn sq ft)

	Q1 2026 in mn sq m (mn sq ft)	YoY % change
 Other Manufacturing	0.9 (9.3)	17%
 3PL	0.6 (6.4)	64%
 Miscellaneous	0.1 (1.1)	225%
 FMCD	0.1 (0.9)	-20%
 Retail	0.1 (0.8)	115%
 E-commerce	0.1 (0.6)	-71%
 FMCG	0 (0.1)	-87%
Total	1.8 (19.3)	15%

Source: Knight Frank Research

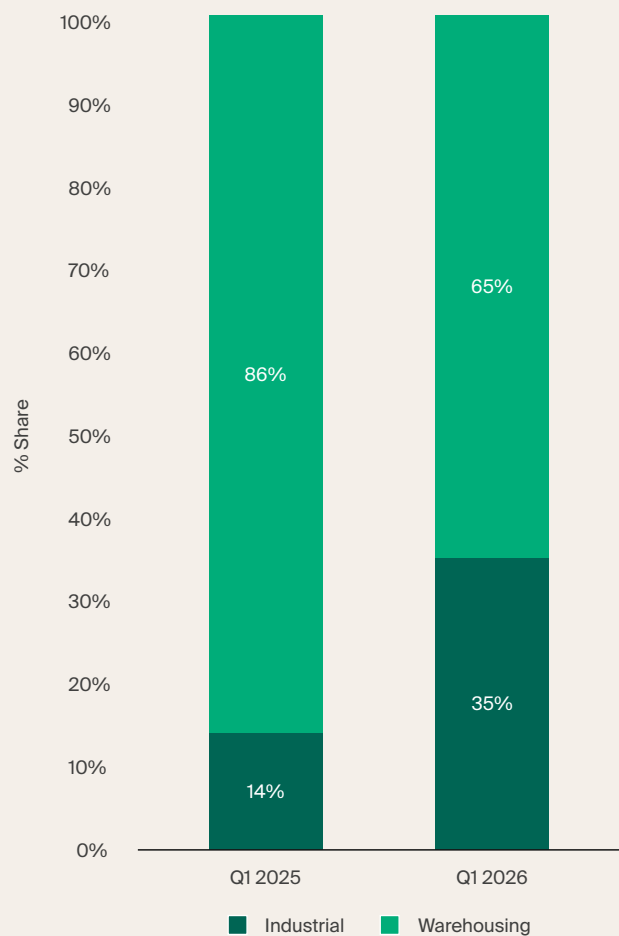


Source: Knight Frank Research

Notes:

- **Other Manufacturing** – These include all manufacturing sectors (automobile, electronics, pharmaceuticals, etc.) except FMCG and FMCD.
- **Miscellaneous** – These include services such as telecom, real estate, document management, agricultural warehousing and publishing.

Transaction share: Industrial vs warehousing



Source: Knight Frank Research

Notes:

- **Industrial space** relates to the area taken up for core manufacturing/engineering activities
- **Warehousing space** relates to space taken up for storage, and includes light manufacturing/assembling activities.

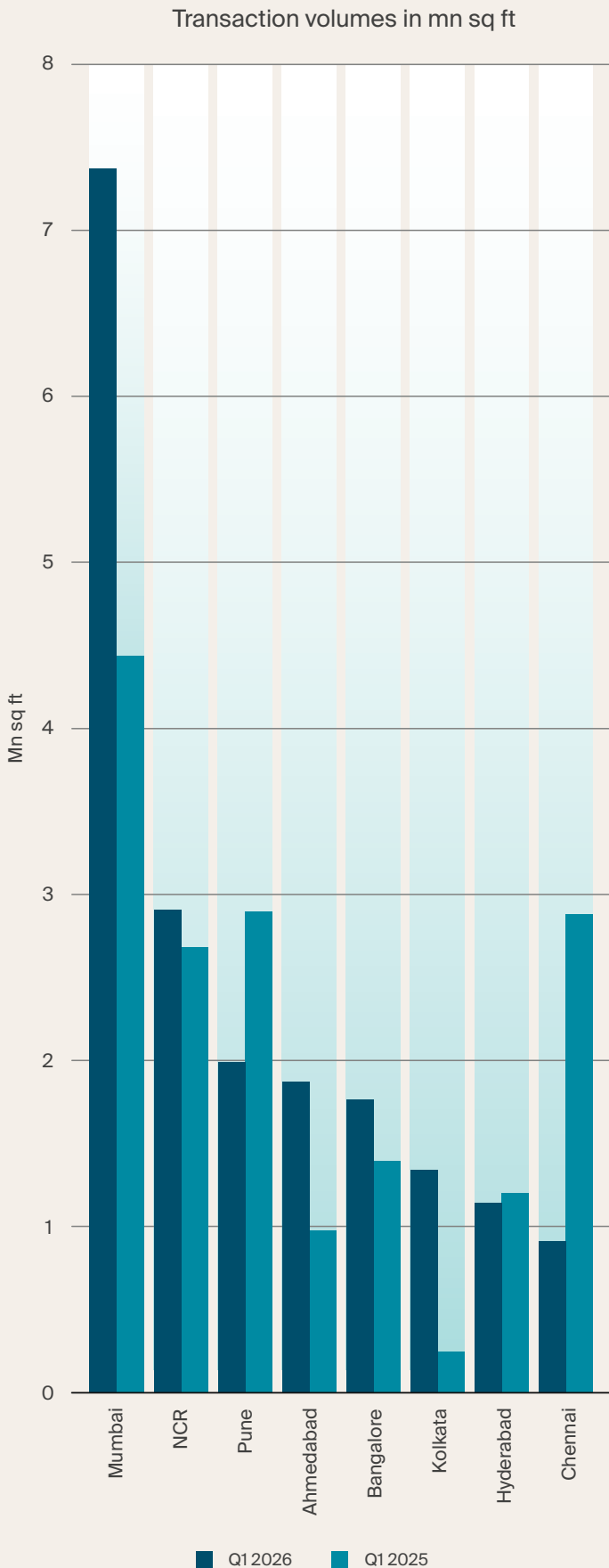
Market performance (city-level transaction volumes)

Transaction volumes increased across five of the eight major markets in Q1 2026. Mumbai emerged as the standout performer, accounting for 38% of the total transacted volume during the quarter, with strong occupier activity driving a 66% YoY increase in leasing. The market recorded 0.7 mn sq m (7.4 mn sq ft) of transactions in Q1 2026, marking its highest-ever quarterly volume. 3PL and Manufacturing occupiers accounted for 39% and 38% of the market's leasing activity respectively, collectively driving the bulk of demand during the quarter.

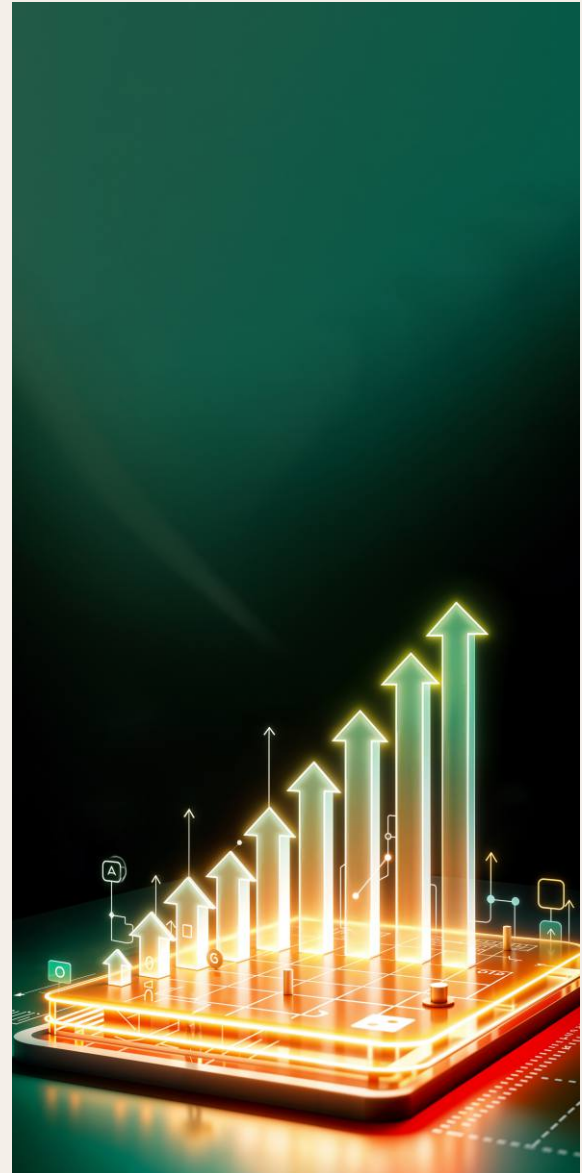
Kolkata and Ahmedabad also recorded strong growth, although this was partly due to the relatively low base in the corresponding period last year. In contrast, the manufacturing-led markets of Chennai and Pune witnessed a moderation in volumes during Q1 2026. Chennai faces a persistent shortage of quality warehousing stock and the market should see volumes improve as development activity ramps up over subsequent quarters. In addition to a pronounced base effect, the Pune market also appeared to be normalising following a record Q4 2025 and is expected to see activity strengthen again as upcoming supply is gradually absorbed by occupiers evaluating opportunities in the market.



Market-split of transaction volumes



Source: Knight Frank Research



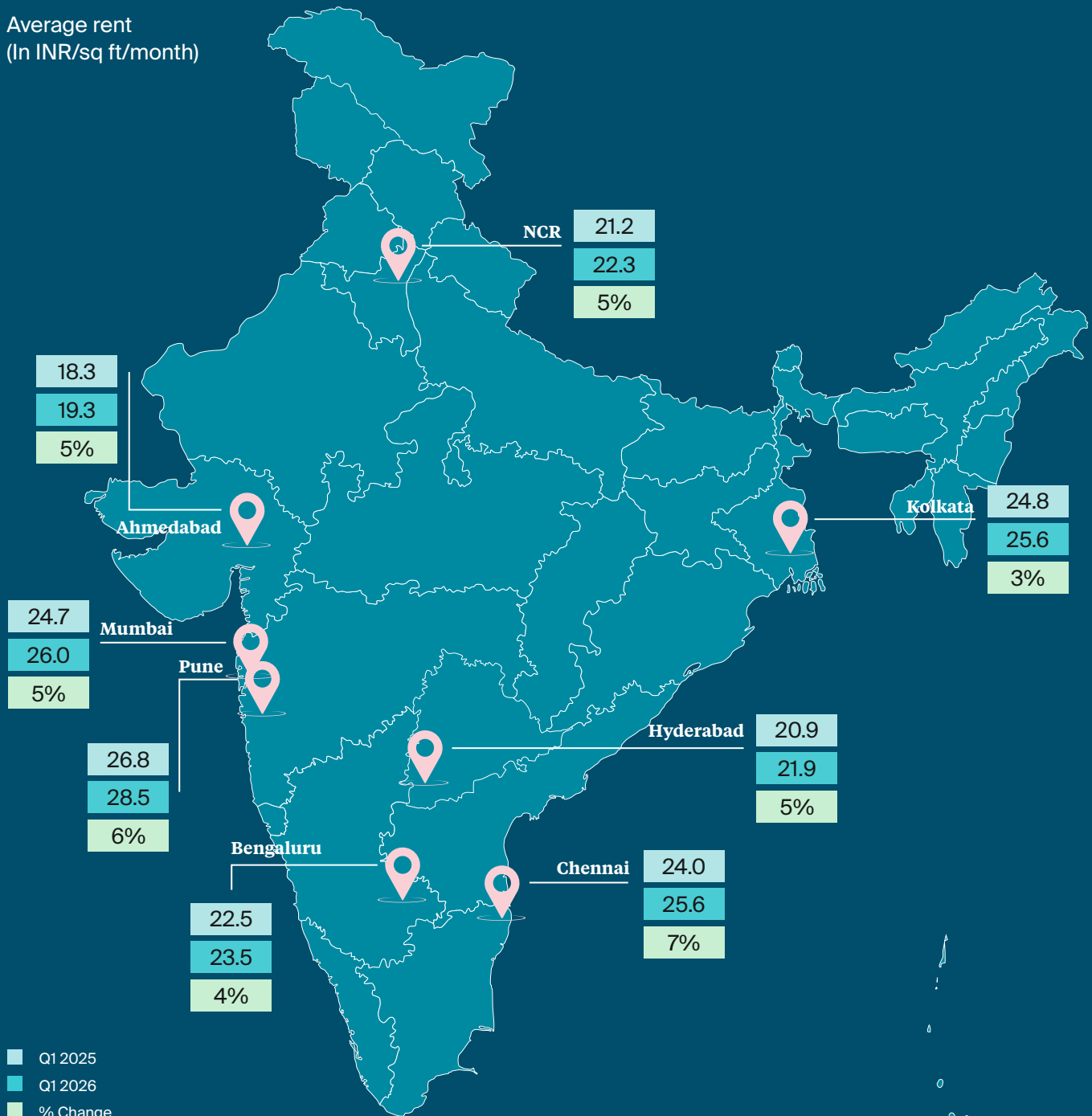
	Q1 2026 in mn sq m (mn sq ft)	YoY % change
Mumbai	0.7 (7.4)	66%
NCR	0.3 (2.9)	8%
Pune	0.2 (2.0)	-31%
Ahmedabad	0.2 (1.9)	92%
Bengaluru	0.2 (1.8)	27%
Kolkata	0.1 (1.3)	440%
Hyderabad	0.1 (1.1)	-5%
Chennai	0.1 (0.9)	-68%
Total	1.8 (19.3)	15%

Source: Knight Frank Research

Rent

Warehousing rents across India's key logistics markets recorded steady YoY growth in Q1 2026, with all eight cities registering positive momentum. While occupier demand has been healthy, rising land prices have also been driving rents higher across markets. Chennai led the pack with the sharpest appreciation of 7%, rising to INR 25.6 per sq ft per month, reflecting the tight conditions in this supply constrained market. It could see some rationalization as significant deliveries are expected over the year. Pune followed with 6% growth to INR 28.5, retaining its position as the highest-rent market. Ahmedabad, Mumbai, NCR and Hyderabad

Average rent
(In INR/sq ft/month)



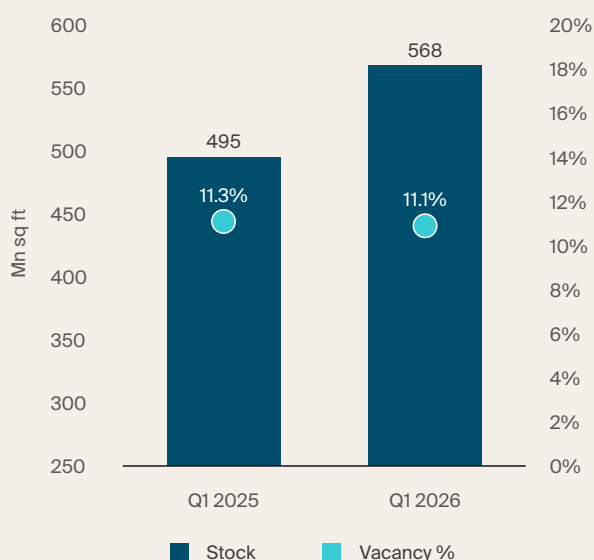
Source: Knight Frank Research

Stock and vacancy

India's eight primary industrial and warehousing markets together account for a total stock of 52.8 mn sq m (568 mn sq ft), underscoring the scale and maturity of the sector. Mumbai continued to dominate the landscape with a 32% share of the overall stock, while NCR ranked a distant second with a 21% share. Strong occupier activity during Q1 2026, combined with relatively measured supply additions, kept overall vacancy levels stable at 11.1%. Vacancy in Grade A assets remained higher at 12.7%, compared to 9.8% for Grade B facilities, largely reflecting the substantial share of speculative Grade A supply added in recent years to cater to rising demand for premium warehousing infrastructure.

Stock and vacancy

Overall stock and vacancy



Source: Knight Frank Research

Market-split of stock and vacancy in Q1 2026

Market	Existing stock mn sq m (mn sq ft)	Vacancy
Mumbai	16.7 (179.4)	13.5%
NCR	10.9 (117.3)	14.7%
Bengaluru	5.7 (60.9)	17.6%
Pune	4.5 (48.8)	12.3%
Chennai	4.3 (46.5)	9.8%
Ahmedabad	4.2 (45.6)	11.0%
Kolkata	3.9 (42.4)	8.0%
Hyderabad	2.5 (26.9)	17.7%
Total	52.8 (567.9)	11.1%

Source: Knight Frank Research

The quality profile of India's industrial and warehousing stock continues to improve as occupier preferences increasingly shift toward modern, compliant and operationally efficient facilities. Across the eight primary markets, Grade A assets now account for 46% of the total warehousing stock, reflecting a steady increase from 42% in the corresponding period last year. This transition has been driven by sustained demand from Manufacturing, 3PL, E-commerce and retail occupiers, all of whom are placing greater emphasis on scalability, automation readiness, sustainability standards and supply-chain efficiency.

The share of Grade A stock varies considerably across markets depending on the maturity and historical evolution of each location. Established markets such as Mumbai and NCR continue to have a comparatively lower proportion of Grade A inventory, as a significant share of their existing stock was developed prior to the sector's shift toward institutional-quality warehousing infrastructure. In contrast, newer and manufacturing-led markets such as Chennai and Pune have emerged with a substantially higher concentration of Grade A facilities, where such assets account for 78% and 69% of total stock respectively. This has been supported by sustained demand from automotive and auto ancillary occupiers, whose operations typically require larger floor plates, higher technical specifications and integrated industrial ecosystems.

Developer priorities are also evolving beyond core functionality. In addition to sustainability and compliance considerations, newer warehousing parks are increasingly being designed with improved aesthetics, better workforce amenities and enhanced operational environments, reflecting the rising institutionalisation of the sector and changing occupier expectations.

Share of Grade A stock



■ Q1 2026

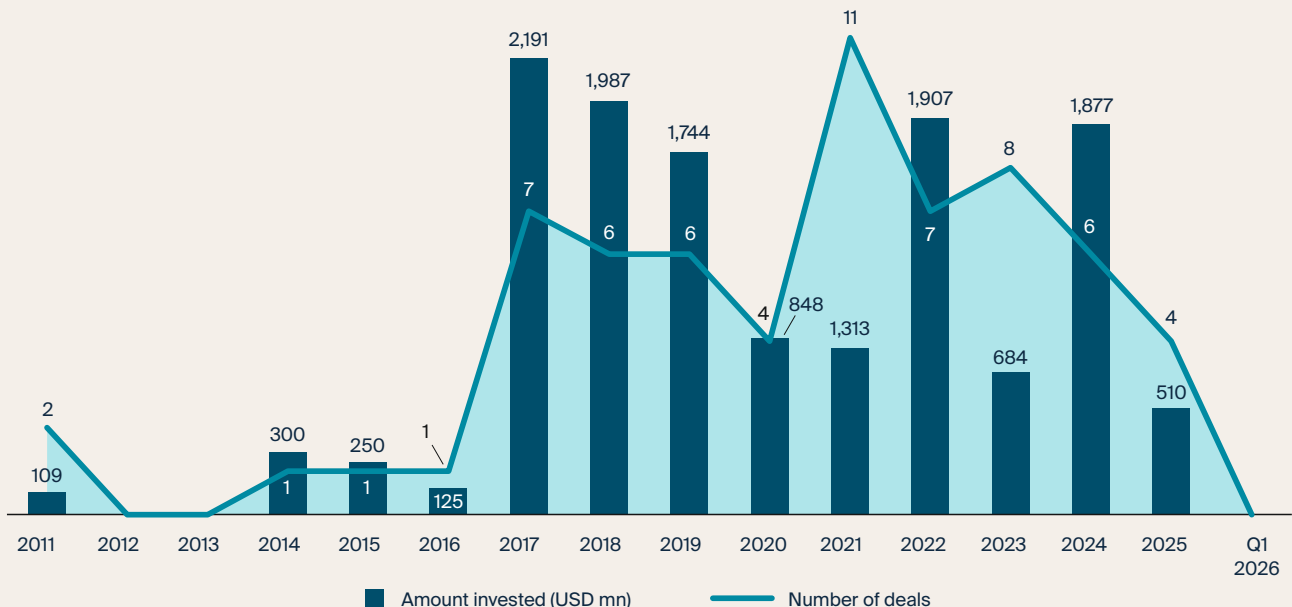
Source: Knight Frank Research

Private equity investments in warehousing

Rising 3PL consolidation and surging manufacturing demand along with accelerating cold-chain build-out have tightened vacancy rates materially across key corridors, with occupier demand consistently outpacing the addition of institutional-grade supply. The binding constraints are by far the availability of viable land and lack of deployment opportunities available for capital waiting to enter this growing market. Fragmented ownership structures, unresolved title chains and inconsistent zoning classifications across state jurisdictions delay project commencement, inflate holding costs and narrow the investible pipeline. Bridging this gap will require deeper capital formation and more patient, differentiated investment structures capable of navigating India's complex land and regulatory environment.

Against this backdrop, private equity flows into the sector have grown considerably. Inflows were limited through the early part of the decade before the GST rollout in 2017 proved a structural catalyst, collapsing the fragmented multi-state warehousing model in favour of consolidated, Grade-A hubs. Annual inflows crossed USD 2 bn for the first time that year and have remained broadly elevated since, with the sector attracting over USD 17 bn across 60+ transactions between 2011 and 2025. The investor base has broadened in parallel, from early movers taking opportunistic stakes in nascent platforms to a mature ecosystem that today includes REITs/InvITs, AIFs and institutional platforms, deploying at scale across Tier I and select Tier II markets. While regulatory norms permit allocations of up to ~5% of AUM and familiarity with the asset class continues to strengthen, allocations from sovereign wealth and pension funds remain relatively modest. This indicates a clear under penetration and highlights the significant headroom for further institutional capital inflows into Indian real estate.

PE investments in warehousing



Source: Knight Frank Research, Venture Intelligence
 *Investments considered till 20th March 2026

Outlook

India's industrial and warehousing sector enters the remainder of 2026 from a position of structural strength. Ongoing disruptions to global shipping lanes have reinforced, rather than undermined, the strategic case for India: as multinationals reassess supply chain concentration risk, India's scale, domestic consumption base and improving logistics infrastructure make it a compelling destination for both manufacturing relocation and regional distribution. With FY 2026 real GDP growth tracking at 7.6% and FY 2027 projected at 6.9%, the macroeconomic foundation supporting occupier expansion remains intact.

Manufacturing occupiers are deepening their footprint across established corridors, supported by sustained government commitment to production-linked incentives and infrastructure investment. The 64% YoY growth in 3PL leasing recorded in Q1 2026 reflects the structural shift in how Indian corporates are increasingly outsourcing supply chains to specialists, a necessary step which catalyses the transition to a maturing market.

The rapid institutionalisation of the sector is equally significant. Grade A assets now account for 46% of total stock, up from 42% a year ago, and the entry of global platforms such as GIC, Blackstone and Prologis signals that the market is reaching the depth and maturity required to attract core institutional capital at scale. The principal challenge ahead remains supply creation as viable land continues to be the binding constraint, with fragmented ownership, unresolved title chains and inconsistent zoning regulations slowing project commencement and compressing the investible pipeline. Addressing these issues is the central condition for translating India's formidable warehousing demand into commensurate supply growth.

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The Jewar - Turning Point



India Warehousing Market Report



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