India Warehousing Market Report

H1 2026

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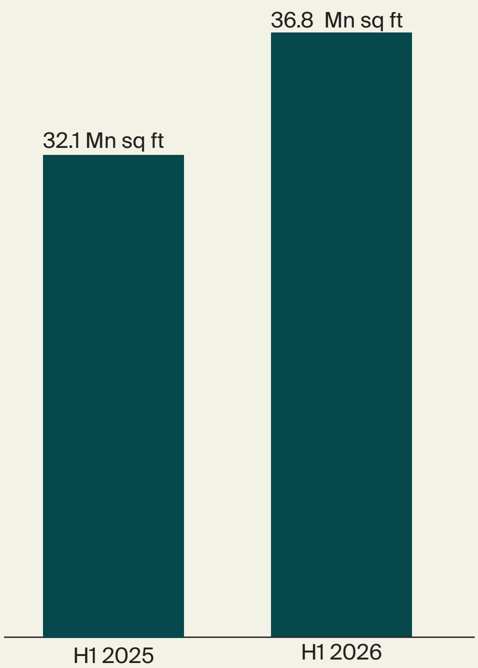
Summary of the period

H1 2026 unfolded against the most severe global supply chain disruption since the pandemic. The war between the United States, Israel and Iran, which began in late February, forced the effective closure of the Strait of Hormuz, the route for around a fifth of the world's seaborne oil and LNG trade, with major carriers including Maersk, CMA CGM and Hapag-Lloyd suspending transits through the strait entirely. An April ceasefire proved fragile, and it took a peace framework signed in mid-June for Brent crude to retreat from levels above USD 90 per barrel to below USD 80. The rupee bore much of the strain, depreciating close to 9% over the fiscal year to around INR 94/ USD and briefly breaching INR 95 in early June, which raised landed costs for USD-denominated freight, racking and machinery procurement and compressed margins across the logistics sector. India's underlying growth held firm through this. Real GDP expanded 7.7% in FY 2026, and while the Reserve Bank of India has since trimmed its FY 2027 growth forecast to 6.7% and lifted its inflation estimate to 5.1% on account of the conflict, the domestic economy entered the second half of the year from a position of comparative strength.

Set against this backdrop, industrial and warehousing activity remained resilient, led by Manufacturing and Third-Party Logistics (3PL) occupiers and reinforced by the completion of the Western Dedicated Freight Corridor in March, which finally gave India's ports and manufacturing belts uninterrupted high-capacity rail connectivity. Leasing volumes reached 3.4 mn sq m (36.8 mn sq ft) in H1 2026, a 15% increase over the same period last year, underscoring the extent to which occupiers continued to commit to Indian supply chains even as the geopolitical backdrop remained unsettled.

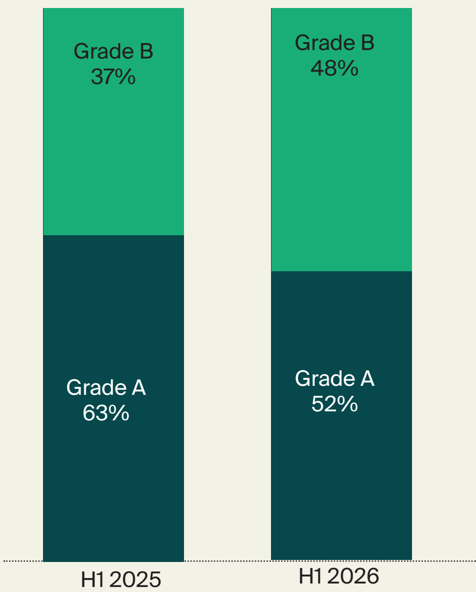
The preference for high-quality space sustained in H1 2026 with Grade A spaces accounting for 52% of the total volume transacted. However, Grade A leasing fell 6% YoY in absolute terms to 1.8 mn sq m (19.0 mn sq ft), even as the overall market grew 15%, while Grade B volumes surged 51% YoY to 1.6 mn sq m (17.8 mn sq ft). The shift can be largely attributed to the change in the geography of demand as Mumbai and NCR, the two markets with the lowest share of Grade A stock nationally, together accounted for a growing proportion of overall leasing, while Chennai and Pune, where Grade A stock dominates, both saw transaction volumes contract.

Transaction Volumes



Source: Knight Frank Research

Transaction Share by Grade



Source: Knight Frank Research

Industry split of transaction volumes

Manufacturing occupiers, excluding FMCG and FMCD, remained the largest source of demand in H1 2026, accounting for 46% of total volumes on leasing of 1.6 mn sq m (17.0 mn sq ft), up 17% YoY. It was the 3PL segment, however, that continued to gain share of the overall pie, expanding to 30% of transacted area from 27% a year earlier as the sector leased 1.0 mn sq m (11.1 mn sq ft), a 27% YoY increase. The gain reflects a continuing structural shift as Indian manufacturers and retailers increasingly hand distribution and fulfilment to specialist logistics operators such as Maersk, Safexpress and Xpressbees rather than completely managing their warehousing activity in-house.

Within Manufacturing, Mumbai, Pune, Ahmedabad and Bengaluru together accounted for the bulk of leasing, consistent with the automotive, heavy engineering and energy occupiers that have anchored the segment through the year. This concentration of demand is likely to receive a further structural boost following the completion of the Western Dedicated Freight Corridor in March, which links JNPT to Dadri and improves freight connectivity across Gujarat, Maharashtra and the National Capital Region. Chennai was the clear exception, as the market's persistently tight vacancy has increasingly left occupiers with few large, contiguous options to transact, capping the volumes the city can register even as underlying manufacturing interest remains intact.

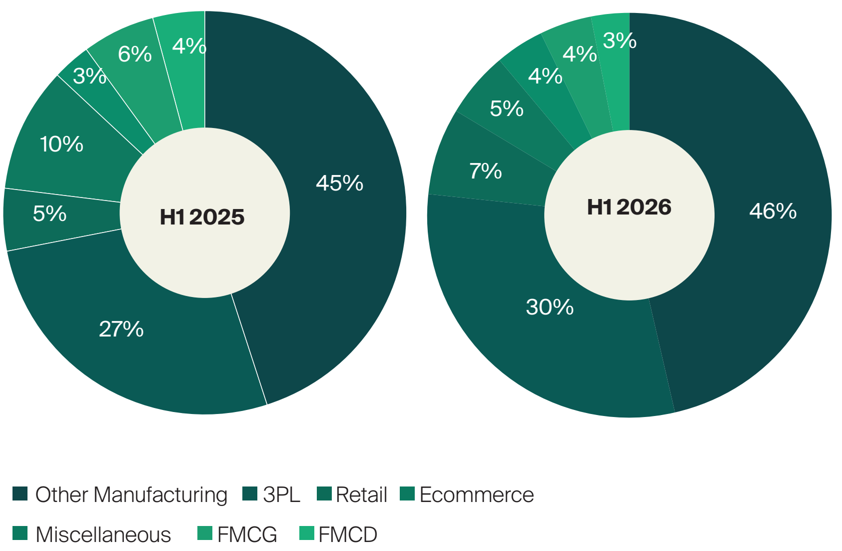
Retail occupiers expanded their footprint sharply, with the segment's share nearly doubling to 7% on 70% YoY growth, led by hypermarket and organised grocery chains continuing their store network expansion. The E-commerce segment did not fare as well, with volumes down 44% YoY, consistent with several large platforms consolidating existing distribution footprints rather than adding new space after the aggressive capacity build-out of prior years. Miscellaneous occupiers, spanning telecom, real estate and allied services, grew 51% YoY, while FMCG leasing contracted 13% YoY and FMCD rose a modest 5% YoY.

Industry-Split of Transaction Volume in mn sq m (mn sq ft)

	H1 2026 in mn sq m (mn sq ft)	YoY % change
Other Manufacturing	1.6 (17.0)	17%
3PL	1.0 (11.1)	27%
Retail	0.2 (2.5)	70%
E-commerce	0.2 (1.9)	-44%
Miscellaneous	0.1 (1.5)	51%
FMCG	0.1 (1.5)	-13%
FMCD	0.1 (1.3)	5%
Total	**3.4 (36.8)**	**15%**

Source: Knight Frank Research

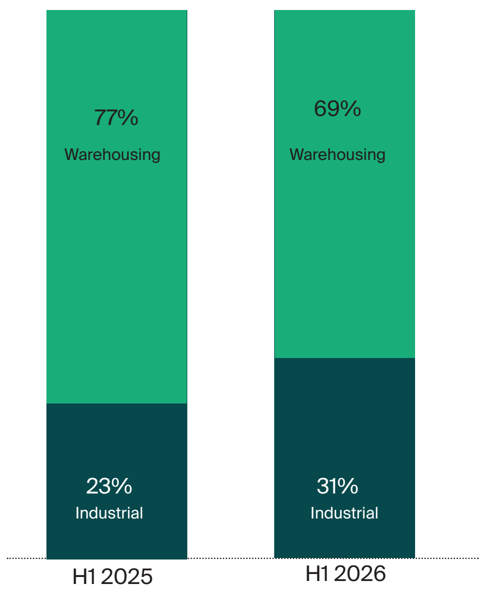
Industry Split of Transaction Share



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 ware-housing and publishing.

Transaction Share: Industrial vs Warehousing



Source: Knight Frank Research

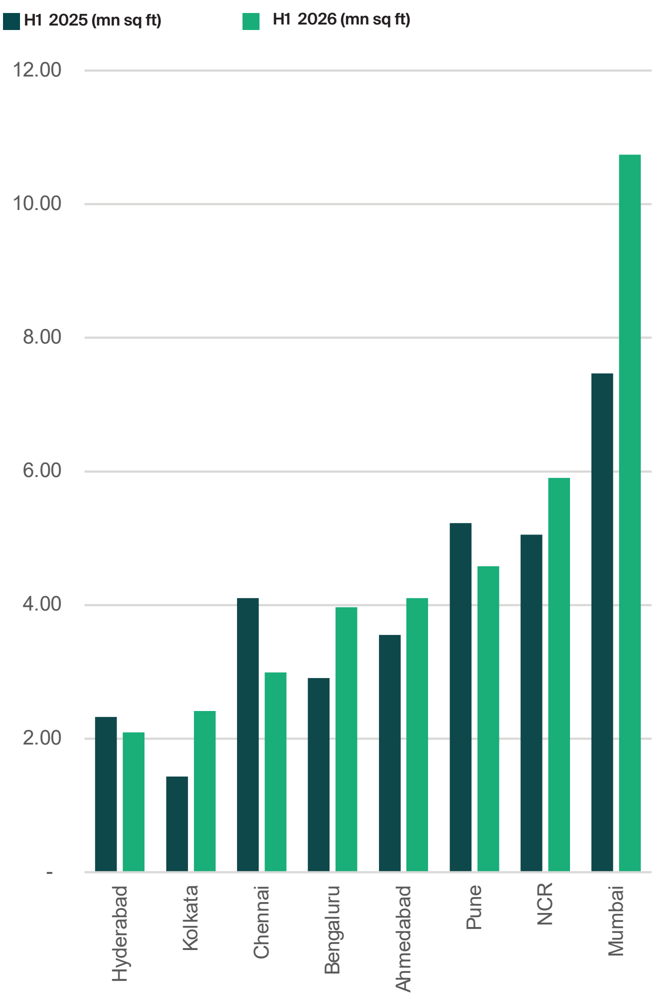
Notes:
- Industrial space relates to the area taken up for core manufacturing/ engineering activities
- Warehousing space relates to space taken up for storage, and includes light manufacturing/ assembling activities

Market performance (city-level transaction volumes)

Transaction volumes rose across five of the eight major markets in H1 2026. Mumbai was the standout performer, its leasing volumes climbing 44% YoY to 1.0 mn sq m (10.7 mn sq ft), the largest half-yearly total of any Indian market and a rising share of national demand, now approaching 29% of the total compared with 23% a year earlier. The market's lower Grade A stock base, together with its position as the southern terminus of the newly completed Western Dedicated Freight Corridor, continued to draw both Manufacturing and 3PL occupiers seeking scale and connectivity to JNPT.

Kolkata recorded the sharpest growth in percentage terms, up 69% YoY off the smallest base among the eight markets, while Bengaluru grew a by a robust 36% YoY, with manufacturing occupiers taking around 60% of the city's leasing and 3PL operators a further 30%, leaving its growth resting on two distinct demand pillars rather than a single spike. NCR, the northern terminus of the Western Dedicated Freight Corridor, grew a steadier 17% YoY to remain the second-largest market. Ahmedabad grew in line with the national average at 15% YoY. Pune and Chennai told a different story. Pune volumes fell 12% YoY as the market normalised after an unusually strong prior period and continued to work through one of the tightest vacancy rates nationally, while Chennai fell a sharper 27% YoY, a function of persistently low vacancy leaving occupiers with little available Grade A space to transact. Hyderabad, where vacancy remains the highest in the country, saw volumes decline 10% YoY.

Market-Split of Transaction Volumes



Source: Knight Frank Research

Transaction volumes in mn sq m (mn sq ft)

	H1 2026 in mn sq m (mn sq ft)	YoY % change
Mumbai	1.0 (10.7)	44%
NCR	0.5 (5.9)	17%
Pune	0.4 (4.6)	-12%
Ahmedabad	0.4 (4.1)	15%
Bengaluru	0.4 (4)	36%
Chennai	0.3 (3)	-27%
Kolkata	0.2 (2.4)	69%
Hyderabad	0.2 (2.1)	-10%
Total	**3.4 (36.8)**	**15%**

Source: Knight Frank Research

Rent

Warehousing rents rose steadily across all eight markets in H1 2026. Chennai again recorded the sharpest increase, up 7% YoY to INR 25.7 per sq ft per month, a direct consequence of the vacancy constraints already evident in its transaction volumes, with some rationalisation likely as new supply is delivered through the remainder of the year. Pune, Ahmedabad and Bengaluru each grew 6% YoY, with Pune retaining its position as the highest-rent market nationally at INR 28.7/sq ft/month. NCR and Mumbai grew a more moderate 5% YoY, while Kolkata and Hyderabad brought up the rear at 4% YoY each. Rising land costs, together with the pass-through of higher construction and financing costs, continued to underpin the broader upward trend even in markets where vacancy was less constrained.

Average rent (in INR/sq ft/ month)

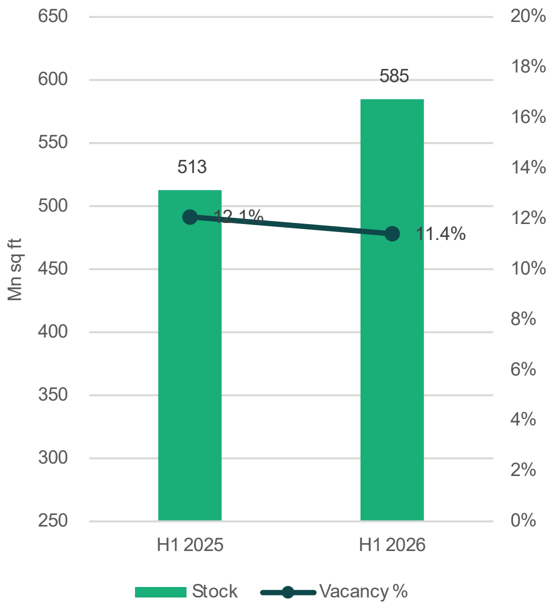
Market	H1 2025	H1 2026	% Change
Chennai	24.1	25.7	7%
Pune	27.0	28.7	6%
Ahmedabad	18.3	19.4	6%
Bengaluru	22.7	24.0	6%
NCR	21.5	22.6	5%
Mumbai	24.7	26.0	5%
Kolkata	24.9	26.0	4%
Hyderabad	21.1	22.0	4%

Source: Knight Frank Research

Stock and Vacancy

India's eight primary industrial and warehousing markets together held a total stock of 54.3 mn sq m (584.9 mn sq ft) as at H1 2026, up 14% YoY, as developers continued to deliver for sustained occupier demand. Mumbai remained dominant with a 33% share of national stock, with NCR a distant second at 20%. Vacancy tightened to 11.4% from 12.1% a year earlier, as absorption broadly exceeded the expansion in stock. Grade A vacancy stands at 12.3%, higher than Grade B at 10.6%, reflecting the concentration of speculative development in the premium segment over the past several years.

Stock and Vacancy



Source: Knight Frank Research

Market-Split of Stock and Vacancy in H1 2026

Market	Existing Stock mn sq m (mn sq ft)	Vacancy
Mumbai	17.9 (192.1)	15.3%
NCR	10.9 (117.8)	13.4%
Bengaluru	5.8 (62.2)	17.3%
Pune	4.6 (49)	9.5%
Ahmedabad	4.4 (47.9)	12.6%
Chennai	4.3 (46.5)	9.6%
Kolkata	3.9 (42.4)	7.8%
Hyderabad	2.5 (26.9)	17.9%
Total	**54.3 (584.9)**	**11.4%**

Source: Knight Frank Research

Share of Grade A stock

Market	H1 2026
Chennai	78%
Pune	70%
Kolkata	55%
Hyderabad	52%
Bengaluru	50%
Ahmedabad	49%
NCR	39%
Mumbai	35%
Total	**47%**

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. Grade A assets now account for 47% of total stock across the eight primary markets, extending a multi-year climb as developers respond to the same forces pulling occupiers toward higher-specification space, namely automation readiness, sustainability compliance and the need for scalable, well-connected distribution nodes. Manufacturing, 3PL, e-commerce and retail occupiers have all contributed to this shift, reinforced by the entry of larger institutional occupiers who typically specify Grade A construction as a baseline requirement.

The share of Grade A stock varies considerably across markets depending on maturity and historical development patterns. Mumbai and NCR continue to carry the lowest proportions, at 35% and 39% respectively, as a significant share of their existing stock predates the sector's shift toward institutional-quality construction. Chennai and Pune sit at the other extreme, with Grade A assets accounting for 78% and 70% of stock respectively, underpinned by sustained demand from automotive and auto ancillary occupiers whose operations require larger floor plates and higher technical specifications. Kolkata, Hyderabad, Bengaluru and Ahmedabad occupy the middle of the range, with Grade A shares between 49% and 55%, broadly in line with the national average of 47%.

Developer priorities are also evolving beyond core functionality. Alongside 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.

Outlook

India's industrial and warehousing sector enters the second half of 2026 from a position of structural strength. The disruption to global shipping lanes across H1 has, if anything, reinforced rather than undermined the case for India, as multinationals reassess supply chain concentration risk and look to India's scale, consumption base and improving logistics infrastructure, underlined by the completion of the Dedicated Freight Corridor network, as a compelling destination for manufacturing relocation and regional distribution. The GDP growth of 7.7% in FY 2026 provides a strong platform, even as the Reserve Bank of India's more cautious FY 2027 projection of 6.7%, down from 6.9% in April, signals that the conflict's economic effects have not fully unwound.

Manufacturing occupiers continue to deepen their footprint across established corridors, supported by sustained government commitment to production-linked incentives and by improving trade policy clarity, following February's tariff framework with the United States, the FTA signed with the European Union the same month, and the UK FTA due to enter force in July. The 27% YoY growth in 3PL leasing recorded in H1 2026 reflects the continuing shift of Indian corporates toward outsourced, specialist-run supply chains.

The institutionalisation of the sector is equally significant. Grade A stock now accounts for 47% of the total, and continued interest from global platforms such as GIC, Blackstone and Prologis signals that the market has reached the depth required to attract core institutional capital at scale. The dip in Grade A leasing during H1 2026 is best read as a function of city mix rather than waning occupier appetite, given the structural pull toward higher-specification stock remains intact. The principal constraint remains supply creation, as viable land continues to be scarce, with fragmented ownership, unresolved title chains and inconsistent zoning regulations slowing project approvals and compressing the investible pipeline. Resolving these frictions remains the central condition for translating India's demand into commensurate supply.

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