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Warehousing demand remains robust despite global disruptions; leasing grows 15% YoY in Q1 2026: Knight Frank India

- Second-highest quarterly warehousing transactions since 2023
- Manufacturing occupiers account 48% of total transactions
- Mumbai dominates with record 7.4 mn sq ft leasing, up 66% YoY
- Chennai leads rental appreciation with 7% YoY increase
- Pune remained the most expensive market at INR 28.5 per sq ft per month

Mumbai, May 14, 2026: Knight Frank India’s report titled ‘India Industrial and Warehousing Market Report – Q1 2026’ noted that warehousing transactions across the eight primary markets¹ of India was recorded at **19.3 million square feet (mn sq ft)** in **Q1 2026 (January – March 2026)**, registering a 15% year-on-year (YoY) growth. This marked the second-highest quarterly transaction volume recorded since 2023 backed by sustained occupier confidence and strong underlying market momentum despite geopolitical challenges.

The first quarter of 2026 opened against the backdrop of significant global supply chain disruptions, which led to increased logistics costs and delays across shipping networks. However, India’s macroeconomic resilience, supported by strong GDP growth, helped sustain industrial and warehousing activity. Occupier preference for efficient supply chain networks and India’s growing prominence as a manufacturing and distribution hub continued to drive demand across key markets.

TRANSACTIONS DURING Q1 2026 (Area in mn sq ft)

	Q1 2025 (mn sq ft)	Q1 2026 (mn sq ft)	% Change YoY
Mumbai	4.4	7.4	66%
NCR	2.7	2.9	8%
Pune	2.9	2.0	-31%
Ahmedabad	1.0	1.9	92%
Bangalore	1.4	1.8	27%
Kolkata	0.2	1.3	440%
Hyderabad	1.2	1.1	-5%
Chennai	2.9	0.9	-68%
Grand Total	16.7	19.3	15%

Source: Knight Frank India

Warehousing transactions witnessed a healthy expansion in Q1 2026 with Mumbai leading the market during the quarter with a 66% increase to 7.4 mn sq ft, reinforcing its dominance as the primary warehousing hub. Ahmedabad and Kolkata registered sharp increases of 92% and 440% respectively, largely attributable to a pronounced base effect. Bengaluru and NCR posted steady growth of 27% and 7%, indicating stable occupier demand. In contrast, Pune and Chennai witnessed moderations in transaction volumes, largely due to supply-side constraints and the normalization of activity following strong performances in the previous quarters. Notably, even as volumes softened, **Pune remained the most expensive warehousing market in India**, underpinned by sustained demand for high-quality assets and its strategic importance as a manufacturing and logistics hub, while Hyderabad remained largely stable with a marginal 5% decline.

¹Ahmedabad, Bengaluru, Chennai, Hyderabad, Kolkata, Mumbai, NCR, Pune

Rents rise across all markets on strong occupier demand

Warehousing rents recorded steady growth across all eight markets supported by healthy occupier demand and rising land costs. Chennai led rental appreciation with a 7% YoY increase, driven by supply constraints, while Pune remained the most expensive market at INR 28.5 per sq ft per month. Other key markets such as Mumbai, NCR, Ahmedabad and Hyderabad recorded rental growth of around 5%, while Bengaluru and Kolkata witnessed more moderate increases. The continued rise in rents highlights the sustained demand-supply imbalance in key warehousing clusters.

Average rent (in INR/sq ft/month)

Market	Q1 2025	Q1 2026	% Change
Chennai	24.0	25.6	7%
Pune	26.8	28.5	6%
Ahmedabad	18.3	19.3	5%
Mumbai	24.7	26.0	5%
NCR	21.2	22.3	5%
Hyderabad	20.9	21.9	5%
Bangalore	22.5	23.5	4%
Kolkata	24.8	25.6	3%

Source: Knight Frank India

Shishir Bajjal, International Partner, Chairman and Managing Director, Knight Frank India, said, “The strong performance of the warehousing sector in Q1 2026 highlights the structural resilience of India’s logistics ecosystem despite heightened global supply chain disruptions. Manufacturing continues to anchor demand, supported by sustained diversification of global supply chains and India’s growing role as a production hub. At the same time, the sharp acceleration in 3PL leasing reflects the shift in how companies are optimising their logistics operations through outsourcing and consolidation. While demand fundamentals remain robust, the sector’s next phase of growth will hinge on the timely creation of high-quality supply, particularly in the face of persistent land and regulatory constraints.”

Manufacturing anchors demand with 48% share of total leasing

The volume transacted by the manufacturing sector companies continued to exceed that of the third-party logistics (3PL) sector in Q1 2026, reinforcing its position as the dominant demand driver in the Indian warehousing market. This trend is particularly noteworthy given that the 3PL segment has traditionally anchored the sector. Manufacturing occupiers, including those from the automotive, heavy engineering and the energy sectors, accounted for a substantial 48% of the total transacted volume during the quarter, with leasing activity reaching 9.3 mn sq ft, registering a 17% YoY growth. India continued to benefit from the ongoing diversification of global supply chains and the steady expansion of manufacturing capabilities across key corridors, further strengthening the sector’s contribution to warehousing demand.

Second to manufacturing, the 3PL sector accounted for 33% of the total transacted volume, with leasing activity of 6.4 mn sq ft in Q1 2026. The segment recorded a sharp 64% YoY growth, emerging as the primary driver of incremental demand during the quarter. A significant share of this activity was concentrated in Mumbai and NCR, highlighting the growing importance of these markets as logistics and distribution hubs.

Among other sectors, the retail segment witnessed a notable increase in activity, with transaction volumes growing by 115% YoY and its share rising to 4% of the total volume, indicating continued expansion of organized retail supply chains. The miscellaneous category, comprising telecom, real estate and other service-oriented occupiers, also saw strong traction, accounting for 6% of the overall transactions and registering a sharp increase during the quarter. In contrast, the e-commerce segment experienced a decline of 71% YoY, while FMCG demand remained subdued, reflecting a temporary slowdown in these segments. Despite their relatively smaller share, the evolving participation of these sectors underscores the gradual broad-basing of occupier demand in India’s warehousing market.

Industry-split of transaction volume

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

Source: Knight Frank India

Notes:

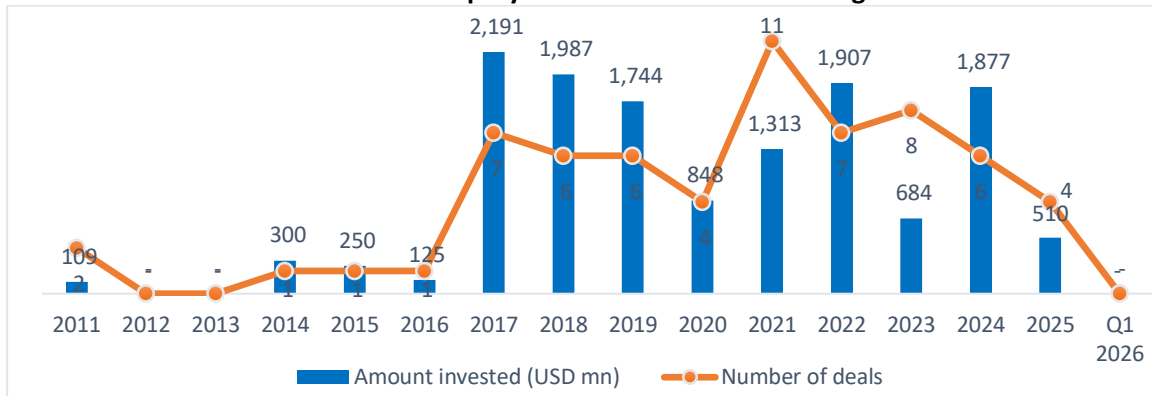
- *Other Manufacturing* – These include all manufacturing sectors (automobile, electronics, pharmaceuticals, etc.) except FMCG and FMCD.
- *Miscellaneous* – These include services such as telecom, real estate, document management, agricultural warehousing and publishing.

Total warehousing stock reaches 568 mn sq ft across top cities

India’s industrial and warehousing stock across the top eight cities stood at 568 mn sq ft in Q1 2026, underscoring the scale and maturity of the sector. Mumbai remained the largest market with a 32% share of the total stock, followed by NCR at 21%. Strong leasing activity, coupled with measured supply additions, kept vacancy levels stable at 11.1% during the quarter. Vacancy levels in Grade A assets remained higher than Grade B due to the significant addition of institutional-grade supply in recent years. Notably, Grade A stock has increased to 46% of total inventory, up from 42% in the previous year, reflecting a continued shift towards high-quality, compliant and efficient warehousing infrastructure.

Private Equity investments in the warehousing sector have remained strong over the years, with over USD 17 billion deployed across more than 60 transactions between 2011 and 2025. The sector has witnessed increasing participation from REITs, InvITs, AIFs and global institutional investors, highlighting its growing maturity and attractiveness as an asset class. However, participation from sovereign wealth funds and pension funds remains relatively limited, indicating significant headroom for future capital inflows.

Private Equity Investment in Warehousing



India's industrial and warehousing sector is expected to maintain its growth trajectory through the remainder of 2026, supported by strong domestic consumption, ongoing supply chain realignments and policy support for manufacturing. The rapid growth in 3PL leasing reflects a structural shift towards outsourcing logistics operations, while manufacturing occupiers continue to expand their footprint across key corridors. However, constraints related to land availability, regulatory complexities and fragmented ownership structures remain critical challenges that could impact the pace of supply addition in the sector.

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