India Warehousing Market Report

Q3 2026

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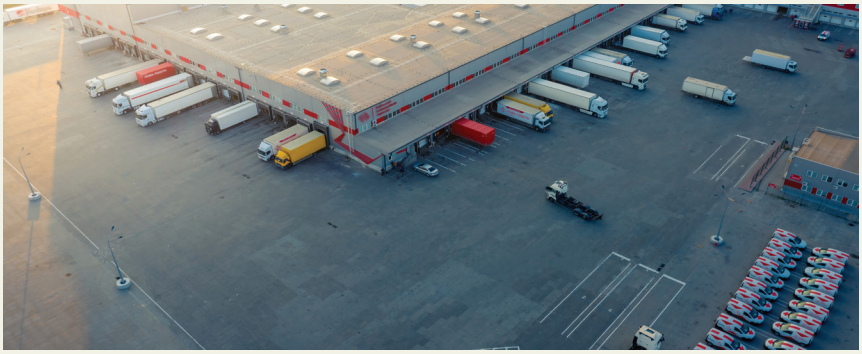
Summary of the period

India entered the third quarter facing a returning energy and supply chain shock. The June truce between the United States and Iran collapsed in July and fighting escalated again from late August, leaving shipping through the Strait of Hormuz heavily disrupted. As a major importer of crude oil, India felt the impact directly. According to the US Energy Information Administration (EIA), Brent averaged USD 96 per barrel over the quarter and rose above USD 100 in September, while tanker rates reached record highs as insurance costs rose. India's oil import bill in September was 31% higher than a year earlier, according to the Ministry of Commerce and Industry. The Indian Rupee ended September at INR 95.9 per USD, 7.4% weaker in YoY terms. Retail inflation rose to 5.54% in the same month, according to the Ministry of Statistics and Programme Implementation (MoSPI), and in October the Reserve Bank of India (RBI) raised the repo rate by 25 basis points to 5.50%, its first increase since 2023. Industrial and warehousing leasing nevertheless kept growing, so the quarter's performance came despite these challenges.

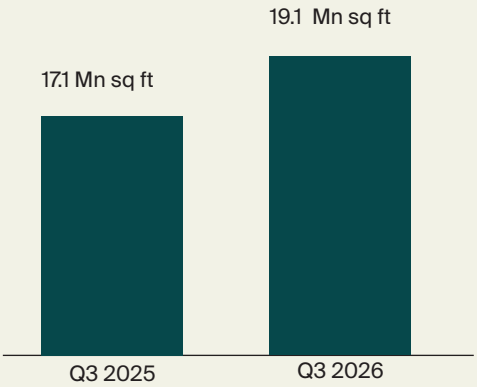
Demand held up for three reasons. Domestic production stayed strong, with real GDP up 7.8% YoY and manufacturing value added up 9.2% in Q2 2026, according to MoSPI. India's access to the US market was also far better than a year earlier, when many of its goods faced a 50% tariff. A 10% duty has applied since 24 July, with 45% of India's US-bound exports exempt, according to the Ministry of Commerce and Industry. Consumer businesses, meanwhile, expanded storage ahead of the festive season. Because leases recorded in the quarter were typically agreed months earlier, the full effect of higher costs is more likely to show in the quarters ahead.

Leasing across the eight primary markets rose 12% YoY to 1.78 mn sq m (19.1 mn sq ft) in Q3 2026, recovering from a softer Q2, and year-to-date (YTD) volumes grew 14% to 5.19 mn sq m (55.9 mn sq ft). Manufacturing and third-party logistics (3PL) occupiers accounted for 76% of Q3 leasing. Growth was concentrated in Mumbai and NCR, while manufacturing demand spread beyond the traditional automotive hubs of Pune and Chennai to Mumbai, Bengaluru, Hyderabad and Kolkata.

Grade A facilities accounted for 57% of the area leased in YTD Q3 2026, down from 61% a year earlier, but this is largely due to Mumbai's record volumes in Q1 2026. Grade B spaces constituted 59% of leasing in Q1 2026, 53% of it in Mumbai, where Grade A makes up only 37% of stock. Grade A then recovered to 63% of leasing in Q2 and 66% in Q3, compared to the 56% recorded in Q3 2025. The shift reflects where demand is concentrated, not a move away from modern facilities.

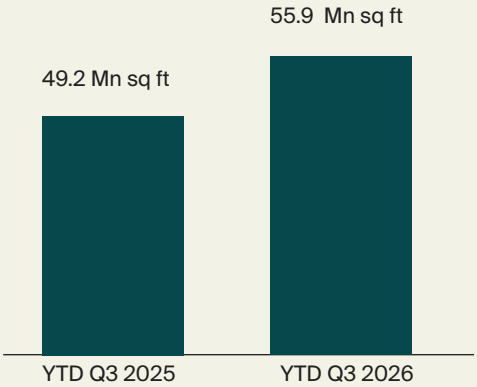


Transaction Volumes



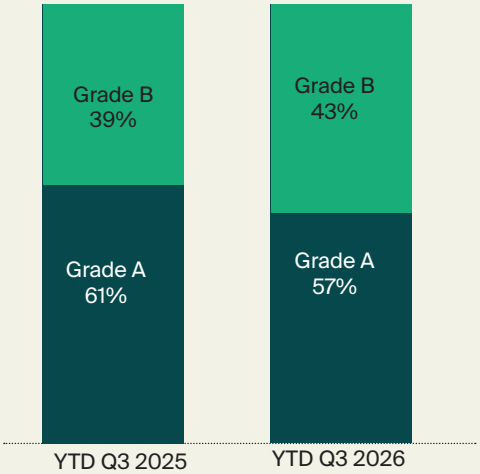
Source: Knight Frank Research

Transaction Volumes



Source: Knight Frank Research

Transaction Share by Grade



Source: Knight Frank Research

Industry split of transaction volumes

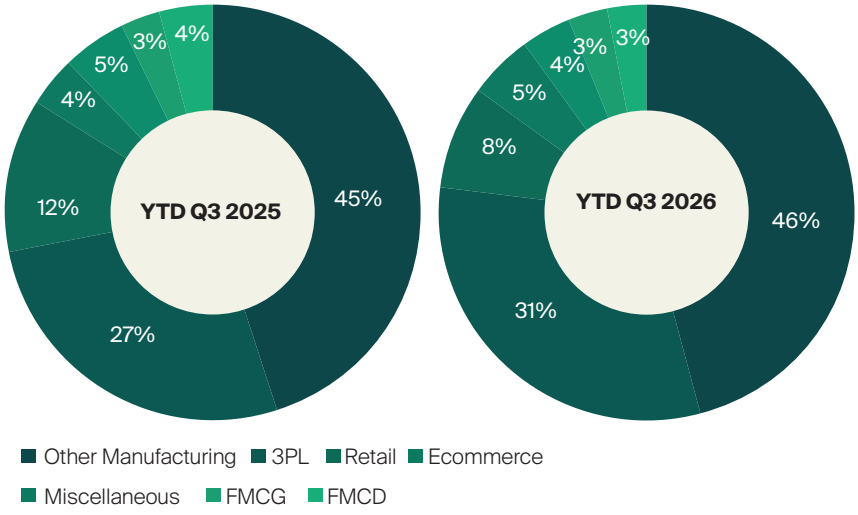
Manufacturing occupiers, excluding FMCG and FMCD, remained the largest source of demand with 46% of YTD leasing, while 3PL operators raised their share to 31% from 27% a year earlier. Together the two segments offset a 23% YoY fall in e-commerce leasing and a 9% decline among miscellaneous occupiers. The pattern held in Q3, when manufacturing leasing rose 11% YoY and 3PL leasing 27%. Growth this year has therefore come from companies expanding production and outsourcing their supply chains, more than from consumer-facing distribution.

The geography of manufacturing demand has also widened. Manufacturing leasing rose 15% YoY to 2.37 mn sq m (25.5 mn sq ft) in the first nine months, but Pune and Chennai, the traditional automotive hubs, accounted for 32% of it, down from 45% a year earlier. Mumbai, Bengaluru, Hyderabad and Kolkata together added 0.41 mn sq m (4.4 mn sq ft) of manufacturing leasing. The wider spread is consistent with manufacturing industry growth that now extends beyond automotive. Knight Frank's transaction data show automotive and component makers accounting for approximately a third of the manufacturing industry occupier activity, while occupiers from engineering, consumer durables and electrical equipment segments have been increasingly active during the year. Industrial end-use accounted for 32% of transactions in YTD Q3 2026, against 26% in YTD Q3 2025, in line with manufacturing's dominant share of demand.

3PL leasing grew 27% YoY to 1.59 mn sq m (17.1 mn sq ft) in the first nine months, and at the same pace in Q3. Part of this growth is consumer demand handled by specialist operators. Amazon said in September that its festive-season expansion added 20 fulfilment centres and lifted its storage capacity in India by 50%, with the new facilities run by logistics partners. More companies are choosing to buy warehousing as a service instead of running it themselves, an option that becomes more attractive when fuel, freight and financing costs are uncertain.

E-commerce leasing fell 23% YoY to 0.42 mn sq m (4.5 mn sq ft) in the first nine months, cutting its share to 8% from 12%, but the trend has turned. Quarterly volumes rose from 0.06 mn sq m (0.6 mn sq ft) in Q1 to 0.25 mn sq m (2.7 mn sq ft) in Q3, 5% higher than a year earlier, although a single large transaction in Pune accounted for 20% of the Q3 total. Platforms stocked up for a festive season beginning in October, and Flipkart said it had added 14 mn cubic ft of storage. FMCG leasing rose 101% YoY in Q3 and FMCD leasing 43%, consistent with festive preparation by consumer goods companies. Retail leasing rose 42% YoY, with 89% of the year's volume signed in H1. Consumption-linked demand is recovering, though from a low base and increasingly through 3PL operators.

Industry Split of Transaction Share



Source: Knight Frank Research

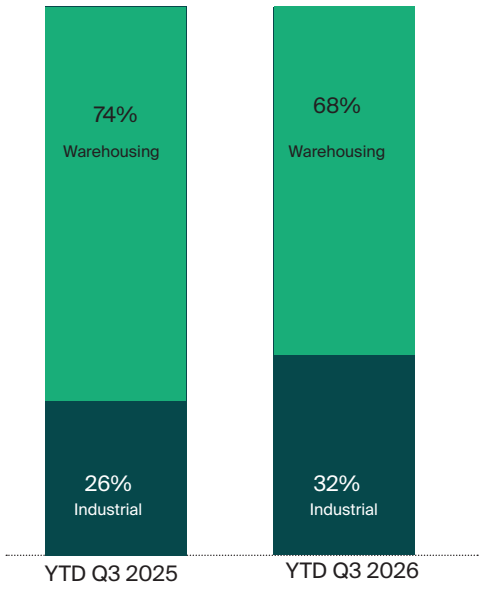
Notes:
- Other Manufacturing – These include all manufacturing sectors (automobile, electronics, pharmaceuticals, etc.) except FMCG and FMCD.
- Miscellaneous – These include services such as telecom, real estate, document management, agricultural warehousing and publishing.

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

	YTD Q3 2026 in mn sq m (mn sq ft)	YoY % change
Other Manufacturing	2.37 (25.5)	15%
3PL	1.59 (17.1)	27%
E-commerce	0.42 (4.5)	-23%
Retail	0.26 (2.8)	42%
FMCG	0.23 (2.5)	12%
FMCD	0.17 (1.8)	14%
Miscellaneous	0.16 (1.7)	-9%
Total	**5.19 (55.9)**	**14%**

Source: Knight Frank Research

Transaction Share: Industrial vs Warehousing



Source: Knight Frank Research

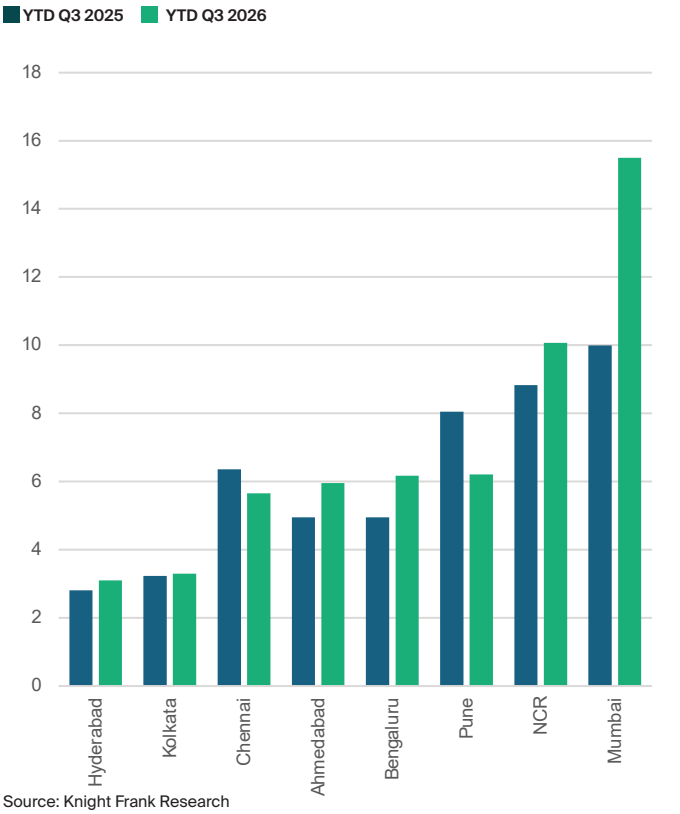
Notes:
- Industrial space relates to the area taken up for core manufacturing/ engineering activities
- Warehousing space relates to space taken up for storage, and includes light manufacturing/ assembling activities

Market performance (city-level transaction volumes)

Mumbai and NCR accounted for 99% of the 0.63 mn sq m (6.8 mn sq ft) increase in YTD volumes, while leasing across the other six markets matched the previous period's volumes. Mumbai alone contributed 81% of the increase, with volumes up 55% YoY to 1.44 mn sq m (15.5 mn sq ft), and its growth was broad-based, as manufacturing leasing rose 46% and other occupiers, including 3PL operators, took 60% more space. The city has the largest pool of vacant space in the country, 2.7 mn sq m (29.4 mn sq ft), which lets the dominant Bhiwandi cluster absorb large requirements quickly, while Panvel, close to the Jawaharlal Nehru Port, serves consumer as well as port-linked demand. Container volumes at the port grew 17.6% YoY in April-September, according to the Jawaharlal Nehru Port Authority. Non-manufacturing occupiers (3PL, e-commerce, retail and consumer goods) accounted for 85% of NCR's 14% growth, with their leasing up 18% YoY in YTD terms and 24% in Q3, consistent with the region's role as a distribution base for consumer markets across northern India.

The other markets moved in different directions. Pune's 23% YoY decline in YTD 2026 reflects a pause after a record Q4 2025, when the city accounted for 53% of all manufacturing leasing and almost equaled the total volume transacted in the preceding three quarters. Manufacturing made up 67% of Pune's Q3 leasing and e-commerce constituted the remaining 33%, with manufacturing volumes 57% lower than a year earlier. Chennai is recovering. Its volumes rose steadily from 0.08 mn sq m (0.9 mn sq ft) in Q1 to 0.25 mn sq m (2.7 mn sq ft) in Q3, up 18% YoY, and it attracted the largest share of national manufacturing leasing in Q3 at 22%, which suggests its H1 weakness was temporary. Manufacturing accounted for 98% of Bengaluru's 25% YoY rise, with manufacturing leasing up 51%, while Ahmedabad's 20% growth was evenly spread, with manufacturing up 19% and non-manufacturing occupiers up 21%. Manufacturing leasing rose 159% YTD in Kolkata and 99% in Hyderabad, in YoY terms.

Market-Split of Transaction Volumes in mn sq ft



Source: Knight Frank Research

Transaction volumes in mn sq m (mn sq ft)

	YTD Q3 2026 in mn sq m (mn sq ft)	YoY % change
Mumbai	1.44 (15.5)	55%
NCR	0.94 (10.1)	14%
Pune	0.58 (6.2)	-23%
Bengaluru	0.58 (6.2)	25%
Ahmedabad	0.55 (5.9)	20%
Chennai	0.53 (5.7)	-11%
Kolkata	0.31 (3.3)	2%
Hyderabad	0.29 (3.1)	10%
Total	**5.19 (55.9)**	**14%**

Source: Knight Frank Research

Rent

Average rents rose 3-5% YoY across all eight markets. Growth in Chennai and Pune was held to 4%, mainly by a higher base. Kolkata's rent rose 4% YoY despite the lowest vacancy in the country, which suggests that rents there, already among the highest nationally, are close to what occupiers will pay currently. Mumbai and Bengaluru recorded 5% growth even with vacancy above 14%, which points to rising land and construction costs along with a dearth of Grade A spaces in the right locations. Hyderabad, where vacancy is 17.4%, saw the smallest rise at 3%.

Average rent (in INR/sq ft/ month)

Market	Q3 2025	Q3 2026	% Change
Mumbai	24.9	26.2	5%
Kolkata	24.9	26.0	4%
Bengaluru	23.0	24.2	5%
NCR	21.7	22.7	5%
Ahmedabad	18.5	19.5	5%
Pune	27.8	28.9	4%
Chennai	24.9	25.9	4%
Hyderabad	21.5	22.2	3%

Source: Knight Frank Research

Stock and Vacancy

Industrial and warehousing stock across the eight primary markets stood at 55.5 mn sq m (597.7 mn sq ft) in Q3 2026, with overall vacancy at 11.5%. Mumbai and NCR hold 53% of this stock, so occupier activity in these two markets has the largest bearing on national absorption.

Vacancy differs widely across markets, from 8.7% in Kolkata and 10.3% in Chennai to 17.4% in Hyderabad and 18.5% in Bengaluru. Occupiers looking for large, ready facilities have fewer options in Kolkata and Chennai, while those in Bengaluru and Hyderabad have more room to negotiate on terms.

Stock and Vacancy



Source: Knight Frank Research

Market-Split of Stock and Vacancy in Q3 2026

Market	Existing Stock mn sq m (mn sq ft)	Vacancy
Mumbai	18.6 (199.7)	14.7%
NCR	10.9 (117.2)	12.8%
Bengaluru	6 (64.5)	18.5%
Pune	4.7 (50.9)	11.6%
Ahmedabad	4.5 (48.8)	12.5%
Chennai	4.3 (46.5)	10.3%
Kolkata	4 (42.7)	8.7%
Hyderabad	2.5 (27.4)	17.4%
Total	**55.5 (597.7)**	**11.5%**

Source: Knight Frank Research

Share of Grade A stock

Market	Q3 2026
Chennai	78%
Pune	69%
Kolkata	55%
Hyderabad	53%
Bengaluru	52%
Ahmedabad	50%
NCR	39%
Mumbai	37%
Total	**48%**

Source: Knight Frank Research

Grade A facilities make up 48% of stock, ranging from 37% in Mumbai and 39% in NCR to 69% in Pune and 78% in Chennai, where automotive and engineering occupiers have long required larger, higher-specification buildings. Grade A accounted for 66% of Q3 leasing, well above its share of stock, so occupiers continue to choose modern facilities where they are available. Institutional ownership is also deepening. Blackstone-backed Horizon Industrial Parks listed on the stock exchanges in August after raising INR 2,600 crore, according to its offer document, with a network of 5.4 mn sq m (58 mn sq ft).

Outlook

Growth in 2026 rests on investment in manufacturing activity and supply chain outsourcing, which follow long-term plans rather than quarterly events, and manufacturing demand is now reaching more markets. To exceed the 6.74 mn sq m (72.5 mn sq ft) leased in 2025, Q4 volumes need to reach 1.55 mn sq m (16.6 mn sq ft), below each of the three preceding quarters. However, Q4 2025 was a record quarter, so if activity stays at its 2026 quarterly average, full-year growth would be 3%, a slower pace that reflects the high base more than weaker demand.

The risks have shifted since H1. Continued conflict in the Gulf, higher energy and freight costs and tighter monetary policy are more likely to delay leasing decisions in Q4 and early 2027 than to cancel them, with exporters and import-dependent manufacturers the most exposed, and a lasting settlement would remove the biggest downside risk. Trade access is improving through the lower US tariff tier, the UK agreement that entered into force on 15 July and progress towards signing the EU agreement, but the US duty has no end date and the US-China truce runs only to January 2027, leaving Chinese rare earths and components open to disruption. With vacancy of 18.5% in Bengaluru and 17.4% in Hyderabad, rent growth in those markets is likely to stay moderate. Land availability and approval timelines remain the main constraint on new development, especially where demand is concentrated.

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

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REGIONAL RAPID TRANSIT SYSTEM

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