

PRESS RELEASE

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Warehousing supply in the eight primary markets estimated to grow by 13-14% YoY in FY2025: ICRA

- **Manufacturing and third-party logistics (3PL) sectors to support warehousing demand**
- **Occupancy expected to remain at 90% in FY2025**

ICRA estimates the industrial and warehouse logistics park (IWLP) supply to grow by 13-14% YoY in FY2025 in the eight primary markets¹ to around 424 million sq. ft. Moreover, the absorption is estimated to increase to 47 million sq. ft. in FY2025 (90% of incremental supply addition) from 37 million sq. ft. in FY2024, supported by strong consumption-led demand. The vacancy in the eight primary markets stood at 10% in FY2024 and is likely to remain at a similar level in FY2025. Conferring the 'infrastructure' status to the logistics and warehousing sector, the rapid expansion of new-age sectors like e-commerce and allied services, the growing needs of the massive consumption market, and the Government's focus on making India a manufacturing hub, have resulted in a steep uptick in warehousing demand.

Giving more insights, **Tushar Bharambe, Assistant Vice President and Sector Head – Corporate Ratings, ICRA**, said: *“Over the last five years, the Grade A warehouse stock in the eight primary markets has grown at a healthy CAGR of 21% to 183 million sq. ft. in FY2024 and is estimated to increase further by 19-20% YoY in FY2025. For the incremental Grade A supply addition of 35 million sq. ft. in FY2025, the absorption is likely to be around 29 million sq ft. Consequently, the share of grade-A stock in the total warehousing supply is expected to expand to 51% as of March 2025 from 49% as of the previous fiscal-end. Over 50-55% of the current Grade A stock in India is backed by global operators /investors such as CPPIB, GLP, Blackstone, ESR, Allianz, GIC, and the CDC Group etc. The long-term growth prospects for the Grade A warehouses are supported by the growing preference of the tenants for modern, efficient, and ESG-compliant warehouses.”*

The sector continues to witness a sustained demand from the third-party logistics (3PL) and manufacturing sectors, which together accounted for ~65% of the total leased area in ICRA's sample set² as of March 2024 while the share of e-commerce stood at 15%.

Among the eight primary markets, around 42% of the warehousing stock as of March 2024 was contributed by the two largest cities, Mumbai and Delhi-NCR, while the overall occupancy remained healthy at around 90%. Notwithstanding the favourable growth prospects, the steep increase in land prices poses a challenge for the players. The rentals across the key markets remain competitive, a result of the presence of many domestic and global players and the emergence of new micro markets, and thus, land cost remains a critical factor in deciding the profitability of a warehousing project. With significant increase in land prices in Tier-1 cities in recent years, Tier-II and Tier-III are emerging as more cost-effective destinations for new Grade A warehousing developments.

Commenting on the outlook for FY2025, **Bharambe** added: *“ICRA expects the credit profile of the operators to remain stable, driven by healthy occupancy levels, expected rental escalations leading to increased rental income, and comfortable leverage metrics. For ICRA's sample set, the occupancy levels are estimated to remain high at 93-95% in FY2024. The rental income and net operating income (NOI) are expected to expand by 30-32% YoY each in FY2025, supported by the commencement of rentals from newly added capacities and realisation of scheduled escalations for existing capacities. ICRA projects the gross debt to increase by*

¹ The eight primary markets comprise of Mumbai, NCR, Pune, Chennai, Bengaluru, Kolkata, Hyderabad, and Ahmedabad

² ICRA rated-portfolio includes 58 entities across 17 cities having total leasable area of around 34 mn sq ft

11-13% in FY2025 due to debt availed for the under-construction capacities. However, the leverage measured by Debt/NOI is likely to be comfortable in the range of 5.3-5.5x as of March 2025, improving from 6.3x as of March 2024 on the back of healthy growth in NOI. The coverage indicators measured by DSCR for ICRA's sample is forecast to remain at 1.5-1.6 times in FY2025, increasing from 1.4 times in FY2024."

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For further information, please contact:

Media Contacts:

Naznin Prodhani

Head – Group Corporate Communications & Media Relations
ICRA Ltd
Tel: + (91 124) 4545300,
Dir - 4545860
Email:
naznin.prodhani@icraindia.com

Shreya Bothra

Manager - Corporate Communications & Media Relations
ICRA Ltd
Tel: + (91 022) 61693300,
Dir - 61693367
Email:
shreya.bothra@icraindia.com

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