



REAL ESTATE - INDUSTRIAL WAREHOUSING AND LOGISTICS PARKS

**Warehousing supply estimated to
grow by 13-14% in FY2025**

JUNE 2024





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The warehousing stock is expected to grow by 13-14% in FY2025, supported by sustained consumption-led demand from 3PL and manufacturing sectors.

ICRA's outlook on the warehousing sector for FY2025 is Stable backed by healthy occupancy, comfortable leverage and healthy DSCR levels.



ICRA expects the warehousing stock in the eight primary markets to increase by 13-14% to 424 msf in FY2025, supported by strong consumption led demand. The grade-A stock is estimated to grow at a higher rate of 19-20% in FY2025 from 183 msf as of March 2024, supported by growing preference of tenants for modern, efficient and ECG-compliant warehouses. Among the eight major cities, around 42% of the warehousing stock as of March 2024 is contributed by the two largest cities, Mumbai and Delhi-NCR.



3PL (third-party logistics) and manufacturing (comprising automotive, industrial/ engineering) sectors are expected to remain the key growth drivers for warehousing demand. In FY2024, 3PL and manufacturing accounted for 31% and 34% of the total leased area, respectively, in ICRA's portfolio of operational warehousing assets, while the share of e-commerce stood at 15%. The trend in sector diversification is expected to continue in the future.



The occupancy levels for operational assets under ICRA's sample set remained strong at 97% in FY2024 and are expected to continue at similar levels in FY2025. The rent rates grew by ~4% in FY2024 and expected to increase by 4-5% in FY2025, supported by realisation of contractual escalations in lease agreements.



ICRA's outlook on the warehousing sector is Stable. The overall occupancy levels for operational assets in ICRA's sample set are estimated to remain high at 97% for FY2025. The rental income and net operating income (NOI) are expected to grow by ~30-32% in FY2025, supported by rentals from newly-added capacities during the year and realisation of scheduled escalations for existing capacities. The leverage measured by Debt/NOI is expected to remain comfortable in the range of 5.3-5.5x as on March 2025, improving from 6.3x as of March 2024 on the back of healthy growth in NOI. The DSCR for ICRA's sample is forecast to be 1.50-1.55x in FY2025, improving from 1.43 in FY2024.

Agenda

1 Strong demand aided by Government initiatives



2 Overview of key markets



3 Major warehousing operators in India



4 Demand drivers



5 Impact of land prices on project return metrics



6 Analysis of ICRA-rated portfolio





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