



REAL ESTATE - INDUSTRIAL WAREHOUSING AND LOGISTICS PARKS

**Warehousing supply expected to
witness 10-12% growth in FY2026**

JUNE 2025



1 Strong demand aided by manufacturing momentum and logistics advancements



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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The warehousing supply is estimated to increase by 10-12% in FY2026, supported by sustained consumption-led demand from manufacturing and 3PL sectors.

ICRA's outlook on the warehousing sector for FY2026 is Stable, backed by strong occupancy and comfortable debt protection metrics.



ICRA expects the warehousing supply in the eight primary markets to increase by 10-12% to 480-490 million square feet (msf) in FY2026, supported by sustained consumption-led demand. The grade-A stock is projected to grow at a higher rate of 13-15% in FY2026 to 255-265 msf, supported by growing preference of tenants for modern, efficient and ECG-compliant warehouses. Among the eight major cities, around 41% of the warehousing stock as of March 2025 is accounted for by 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 ICRA's portfolio of operational warehousing assets, 3PL and manufacturing accounted for 32% and 36% of the total leased area in FY2025, respectively, while the share of retail and FMCG/FMCD stood at ~11%. The trend in sector diversification is likely to continue in the future.



The occupancy levels for operational assets under ICRA's sample set remained strong at 93-94% as of March 2025 and are estimated to improve to 96-97% levels by March 2026. Rental rates increased by 3.5-4% in FY2025 and a similar growth trend is likely to sustain in FY2026, supported by the realisation of contracted escalations in lease agreements.



ICRA's outlook on the warehousing sector is Stable. The occupancy levels for ICRA's operational warehousing portfolio are estimated to be strong at 96-97% by March FY2026. The rental income and net operating income (NOI) are set to grow by 12-13% each in FY2026, supported by rentals from newly-added capacities during the year and realisation of scheduled escalations for existing capacities. The leverage, as measured by Debt/NOI, is likely to remain comfortable in the range of 3.9-4x as on March 2026, improving from 4.4x as of March 2025 on the back of healthy growth in NOI and occupancy. The DSCR for ICRA's sample is forecast to be 1.35-1.40x in FY2026, similar to FY2025 levels of 1.38x.



ICRA Analytical Contact Details

Name	Designation	Email	Contact Number
Ashish Modani	Senior Vice-President and Group Head	ashish.modani@icraindia.com	022 – 6169 3300
Anupama Reddy	Vice-President and Co-Group Head	anupama.reddy@icraindia.com	040 – 6939 6427
Pulkit Varshney	Assistant Vice-President and Sector Head	pulkit.varshney@icraindia.com	080 – 4332 6427
Mihir Gada	Senior Analyst	mihir.gada@icraindia.com	022 – 6169 3326
Riddham Agarwal	Senior Analyst	riddham.agarwal@icraindia.com	080 – 4332 6405





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development – Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – East	vinita.baid@icraindia.com	033-65216801
Shivam Bhatia	Head Business Development – Corporate Sector – North & South	shivam.bhatia@icraindia.com	0124-4545803
Sanket Kulkarni	Head Business Development – Corporate Sector – West	sanket.kulkarni@icraindia.com	022-6169 3365
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860





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