Market in Minutes

Industrial & Logistics
Q1 2024

savills

Key Trends

The industrial and logistics real estate segment started the year on an impressive note, with a strong absorption of 13.5 mn sq. ft. in Q1 2024 compared to 11.0 mn sq. ft. in Q1 2023, representing 22.7% Y-o-Y growth. This further builds the confidence for India's economic prospects.

The overall absorption during Q1 2024 is led by sustained demand from the 3PL and manufacturing sectors as well as a surge in demand from the FMCG sector. 3PL and manufacturing sectors together contributed 61% of the total absorption.

The uptake of manufacturing warehouses has significantly contributed to the overall absorption, supported by various government incentive schemes, which have played a significant role in driving demand.

The market witnessed a fresh supply of 12.9 mn sq. ft. in Q1 2024, indicating a 4% growth rate from Q1 2023 levels, of which 9.8 mn sq. ft. (76%) was from tier I cities and 3.1 mn sq. ft. (24%) was from tier II and III cities.

In Q1 2024, Delhi-NCR remained at the top, contributing the highest percentages to total supply (23%) and total absorption (21%) witnessed.

Key Statistics

Q1 2024 vs Q1 2023: Absorption vs Supply

	Absorption mn sq. ft. and %		Y-o-Y change (%)	Supply mn sq. ft. and %		Y-o-Y change (%)
	Q1 2024	Q1 2023		Q1 2024	Q1 2023	
Overall	13.5	11.0	22.7% ↑	12.9	12.4	4.0% ↑
Tier I	10.5	8.4	25% ↑	9.8	9.2	6.5% ↑
Tier II & III	3.0	2.5	20% ↑	3.1	3.2	-3.1% ↓
Tier I *(% of total)*	78%	77%		76%	74%	
Tier II & III *(% of total)*	22%	23%		24%	26%	

Note: Tier I cities include Ahmedabad, Bengaluru, Chennai, Hyderabad, Kolkata, Mumbai, Delhi-NCR, and Pune. Tier II and Tier III cities include Guwahati, Bhubaneshwar, Patna, Hosur, Coimbatore, Rajpura, Lucknow, Jaipur, Nagpur, Surat and Indore.

Grade-Wise Supply & Absorption (%)

Q1 2024 vs Q1 2023

Q1 2024

	Grade A	Grade B
Supply	45%	55%
Absorption	41%	59%

Q1 2023

	Grade A	Grade B
Supply	52%	48%
Absorption	52%	48%

Grade A ■ Grade B

Sector-Wise Absorption (%)

Q1 2024 vs Q1 2023

	Q1 2024	Q1 2023
3PL	36%	40%
E-Commerce	7%	5%
Manufacturing	25%	23%
Retail	5%	11%
FMCG/FMCD	13%	7%
Others	14%	14%

Note: Others include manufacturing warehousing, cold storage, chemical storage, FTWZs, ICDs, and urban warehousing

City-Wise Supply and Absorption (%)

Q1 2024 vs Q1 2023

	Supply Q1 2024	Supply Q1 2023	Absorption Q1 2024	Absorption Q1 2023
Ahmedabad	4%	9%	5%	7%
Bengaluru	12%	6%	12%	9%
Chennai	9%	11%	6%	8%
Hyderabad	2%	4%	6%	7%
Kolkata	10%	10%	9%	6%
Mumbai	8%	7%	7%	14%
Delhi-NCR	23%	21%	21%	19%
Pune	8%	6%	12%	7%
Tier II & III Cities	24%	26%	22%	23%

Outlook

1. Tier II & III cities witnessed a surge in 3PL absorption, as growing supply chain outsourcing creates avenues for more warehousing spaces.
2. The manufacturing sector continues to account for over 25% of the total absorption, with improved manufacturing activities likely to drive increased uptake of manufacturing warehouses as well.
3. The e-commerce sector is likely to witness a surge in activity going forward. The sector is amplifying its urban distribution and extending its reach to tier II & III cities.
4. Tier II and III cities are likely to witness significant growth as prominent hubs for sourcing, consumption, and distribution.

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