

Real Estate Strategic Outlook: India

Demographics and Services to drive Growth

Strong Fundamentals, External Risks

India remains among the fastest-growing major economies, with GDP growth projected in the mid-6% range over the medium term, supported by domestic consumption, structural reforms, infrastructure investment, and continued bank credit expansion. However, the outlook is increasingly influenced by external factors, particularly oil prices and global trade dynamics.

Inflation remains within the Reserve Bank of India's target band, supporting a balanced policy stance and favorable financial conditions. While robust FX reserves, services exports, and remittances support the external position, sensitivity to crude oil prices exposes the economy to imported inflation and current account pressures, with energy price volatility and geopolitical risks posing key downside risks.

Office: GCCs continue to Drive Demand

India's Office market remains robust, supported by strong occupier confidence and corporate expansion. At the same time, AI is increasingly reshaping the workforce with Global Capability Centres (GCCs) transitioning towards higher-value innovation, though this may moderate volume-driven IT/BPO demand, particularly in peripheral Office corridors while prime technology hubs are likely to remain resilient

Office vacancy rates in Mumbai and Bengaluru declined to multi-year lows below 11% in Q1 2026, supported by strong leasing demand. In NCR (National Capital Region), especially Gurgaon and Noida, vacancies may stay high in short term due to new completions, though absorption should improve. Overall, Grade A/A+ Office markets are expected to stabilize as supply aligns with demand, underpinning healthy rental growth averaging 4.8% over the next 5 years.

Logistics: Structural Demand, Modernization & Infill

India's Logistics growth is expected to be driven by corridor-led development and evolving consumption patterns, with rental outperformance concentrated in supply-constrained, last-mile

and gateway markets. The sector should remain one of the most resilient real estate segments, supported by sustained expansion in 3PL, e-commerce and manufacturing. Occupiers are increasingly consolidating into Grade A/A+ facilities to enhance efficiency and sustainability.

Over the next five years, Grade A vacancies are likely to stabilize near ~5%, with rents growing 4%-5% annually. Supply-constrained markets such as Mumbai are expected to lead, followed by high-growth corridors including e-commerce hubs in East Bengaluru and key manufacturing hubs across Pune and Chennai.

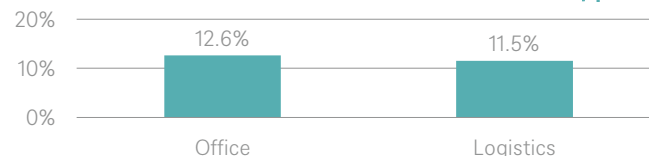
Data Center: Undersupplied Market, High Return Potential

India accounts for almost 20% of global data traffic¹ but only 6% of global data center capacity, highlighting a major supply-demand gap. Current capacity stands at 1.6 GW, with 3.1 GW in the pipeline and 2-3 GW more needed by 2030.² Policy support through essential infrastructure status, data localization, and production linked incentives is improving project viability. DCs offer potential for strong returns, though development risks around power, timelines and capex must be carefully managed.

Balancing High Returns and Key Risks

FX volatility remains a key consideration, particularly for foreign investors, requiring active hedging strategies to manage INR depreciation risk and protect USD returns. Most importantly, investors should remain mindful of operational and market-specific risks, where strong local partner selection and robust due diligence processes are essential as the market continues to evolve.

Total Return Forecast (2026-20230F) in India Tier 1, p.a.



Source: DWS, June 2026

¹ Turner & Townsend Insights, February 2026

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² Cushman & Wakefield: Global Data Center Market Comparison 2026

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