Real Estate Research

December 2025

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 forecast at 7% in 2025, fueled by strong consumption, capital investment, and resilient corporate balance sheets. Inflation has eased and is within the Reserve Bank of India's 2-6% target band, allowing a more accommodative policy stance and supportive financial conditions. The external position is stable, with a manageable current account deficit and healthy FX reserves. Bank credit growth appears healthy, underpinning capex and occupier expansion. Key uncertainties stem from a fragile global geopolitical backdrop, shifting trade alignments and volatile energy markets, any of which could briefly test otherwise resilient macro trajectory.

Logistics: Structural demand, modernization & Infill

India's logistics sector remains one of the most resilient real estate segments, which appear on track for record leasing driven by a secular trend of growth in 3PL, e-commerce, and manufacturing. Grade A/A+ facilities continue gaining share as occupiers consolidate into compliant, efficient, and tech-enabled spaces to enhance sustainability and operational performance.

Over the next five years, Grade A+ vacancies in major cities should stabilize near 5%, with rents projected to grow 4–6% annually. Supply-constrained markets like Mumbai may lead, followed by 3PL/e-commerce hubs such as the Nelamangala logistics corridor in Bangalore and manufacturing corridors in Pune and Chennai.

Office: GCCs and return to office continue to drive demand

Despite global headwinds, including U.S. trade and visa policy shifts, India's office market remains robust, supported by strong occupier confidence and expansion by domestic and multinational firms. The sector is projected to grow at a 10%[1] CAGR in asset value as global companies scale their workforce and real estate footprint. Flexible workspaces, a major contributor to leasing since the pandemic, are expected to further drive growth by meeting evolving business needs.

Mumbai is expected to maintain relatively low vacancy levels, supported by strong demand and limited new supply, which could drive rental growth of 5–6% annually, with Bandra-Kurla Complex as a key hotspot. Bengaluru, the most liquid market, should remain balanced with moderate vacancies and stable rents, anchored by its strong IT sector. 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, fostering sustainable growth.

Data Center: Undersupplied Market, High Return Potential

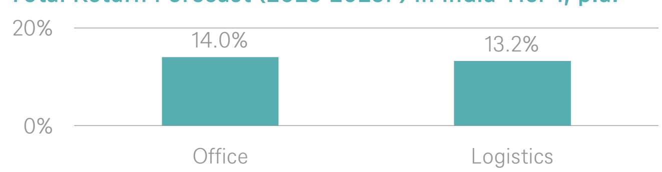
India accounts for 15% of global data traffic but only 6% of global data center capacity[2], highlighting a major supply-demand gap. Current capacity stands at 1.3 GW, with 2.9 GW in the pipeline and 2–3 GW more needed by 2030[3]. Policy support through essential infrastructure status, data localization, and production linked incentives (PLI) 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

The proposed U.S. HIRE Act, which aims to tax outsourced services, remains a low-probability yet material tail risk, with potential implications for India's IT sector and GCC-driven office demand. Also, AI introduces a structural headwind for volume driven IT/BPO demand in peripheral corridors, but prime tech hubs should remain strong as GCCs scale AI and digital functions, reinforcing flight-to-quality.

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 (2025-2029F) in India Tier 1, p.a.



Source: DWS, December 2025

[1] Mordor Intelligence, August 2025
[2] DWS estimates from Care Rating, Biswagner Anarock, May 2024
[3] Cushman & Wakefield, October 2025

Real Estate Research Team

Office Locations

Frankfurt
Mainzer Landstrasse 11-17
60329 Frankfurt am Main
Germany
Tel: +49 69 71909 0

London
45 Cannon Street
London, EC4m 5SB
United Kingdom
Tel: +44 20 754 58000

New York
875 Third Avenue
26th Floor
New York
NY 10022-6225
United States
Tel: +1 212 454 3414

San Francisco
101 California Street
24th Floor
San Francisco
CA 94111
United States
Tel: +1 415 781 3300

Singapore
One Raffles Quay
South Tower
15th Floor
Singapore 048583
Tel: +65 6538 7011

Tokyo
Azabudai Hills Mori JP Tower
1-3-1 Azabudai
Minato-ku
16th Floor
Tokyo
Japan
Tel: +81 3 6730 1300

Sydney
Level 16, Deutsche Bank Place
Corner of Hunter and Phillip Streets
Sydney NSW 2000
Australia
Tel: +61 2 8258 1234

Teams

Global

Kevin White, CFA
Global Co-Head of Real Estate Research

Simon Wallace
Global Co-Head of Real Estate Research

Americas

Brooks Wells
Head of Research, Americas

Liliana Diaconu, CFA
Office & Retail Research

Ross Adams
Industrial Research

Sharim Sohail
Self-Storage Research

Europe

Ruben Bos, CFA
Head of Real Estate Investment Strategy, Europe

Tom Francis
Property Market Research

Siena Golan
Property Market Research

Rosie Hunt
Property Market Research

Carsten Lieser
Property Market Research

Martin Lippmann
Head of Real Estate Research, Europe

Asia Pacific

Koichiro Obu
Head of Real Estate Research, Asia Pacific

Seng-Hong Teng
Property Market Research

Hyunwoo Kim
Property Market Research

Matthew Persson
Property Market Research

Authors

Koichiro Obu
Head of Real Estate Research, Asia Pacific
koichiro-a.obu@dws.com

Saeesh Kakodkar
Strategic Portfolio Management, Europe & Asia Pacific
saeesh.kakodkar@dws.com

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