

## 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%<sup>1</sup> 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

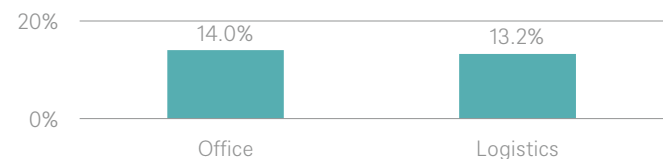
India accounts for 15% of global data traffic but only 6% of global data center capacity<sup>2</sup>, highlighting a major supply-demand gap. Current capacity stands at 1.3 GW, with 2.9 GW in the pipeline and 2-3 GW more needed by 2030<sup>3</sup>. Policy support through essential infrastructure status, 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

<sup>1</sup> Mordor Intelligence, August 2025

<sup>2</sup> DWS estimates from Care Rating, Biswagner Anarock, May 2024

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<sup>3</sup> Cushman & Wakefield, October 2025

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