

Real Estate Strategic Outlook: India

Demographics and Services to drive Growth

Resilient Growth with Inflation Cooling

India's economy is projected to grow at 6.3% in FY2024–25, reflecting resilient domestic consumption and public investment, though tempered by global trade tensions, recent U.S. tariffs, and regional geopolitical concerns. Retail inflation eased to 3.2% in April 2025, the lowest since July 2019, driven by moderating food prices. Since January 2025, the RBI has cut the repo rate thrice to 5.5% and adopted an accommodative stance, aiming to bolster growth amid global uncertainties, with inflation projected at 4.0% for FY2025–26.

Logistics: Flight to quality and ESG driven by rising institutional demand

Grade A warehouses in India command significantly higher rents, with ESG-compliant facilities fetching an additional premium due to rising demand for sustainable infrastructure. The share of Grade A warehouse absorption has increased from 50% pre-2021 to over 65% by 2024¹, showing occupiers' preference for quality infrastructure which should continue in the medium term.

Net absorption is projected to remain strong, with vacancy rates anticipated to stay stable as supply aligns with demand in the coming years. Alongside rising land prices and construction costs, this should help underpin healthy rental growth of 5-6% annually while NOI yields are expected to hover around 7-7.5%, making Grade A warehousing attractive for institutional investors.

Office: GCCs continue to drive Demand

Despite global headwinds, India's office market hit record net absorption levels in 2024², fueled by strong demand from global companies expanding their workforce and real estate footprint in the country. Additionally, flex spaces, prominent in gross leasing since the pandemic, will likely boost office market growth by meeting modern business adaptability needs.

Mumbai is expected to maintain low vacancy levels, driven by sustained demand and limited new supply, supporting steady

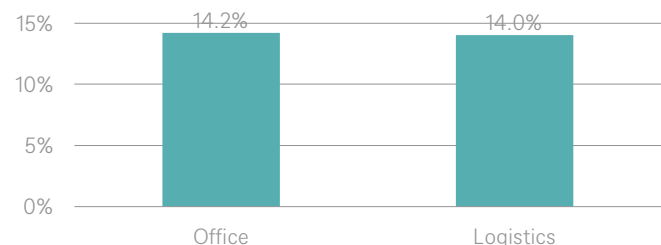
rental growth of 5–6% annually. Bangalore is likely to remain balanced, with moderate vacancy and stable rents, underpinned by a strong IT sector. In the NCR, particularly Gurgaon and Noida, vacancy may remain elevated in the near term due to new completions, but absorption is expected to improve over time. Overall, Grade A/A+ office markets are projected to stabilize, with supply aligning more closely with demand, fostering a healthy and sustainable growth environment.

Data Center: Undersupplied Market, High Return Potential

India contributes 15% of global data traffic but holds only 6% of global data center capacity³, highlighting a significant supply-demand gap. Cushman & Wakefield estimates current capacity at 1 GW, with a 3.3 GW pipeline underway (including under-construction and planned projects), and an additional 2–3 GW needed to meet demand by 2030. This persistent undersupply presents strong return potential though development risks must be carefully managed.

While India real estate may offer the potential for higher returns, investors should pay attention to avoid potential pitfalls through selecting appropriate local partners and carrying out due diligence checks as the market continues to evolve.

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



Source: DWS, June 2025

¹ JLL, January 2025

² JLL, CBRE, Cushman & Wakefield data, 2025

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³ DWS estimates from Care Rating, Biswagner Anarock, May 2024

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