MARKETBEAT

INDIA

CAPITAL MARKETS Q4 2025

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

YOY Chg | Outlook* (12 Months)

USD 3.4 Bn
Total Institutional Investment Volume

80%
Domestic Investor's Share

75%
Share of Office sector

89%
Share of Equity Investments

ECONOMIC INDICATORS

YOY Chg | Outlook

8.2%
GDP Growth Q2 FY26

1.3%
CPI Inflation December 2025

6.59%
Country 10-Yr Treasury Yield December 2025

Source: MoSPI, RBI.
10-year Treasury Yield as on 31st December 2025

ECONOMIC ACTIVITY SURGE; POLICY RATE CUT TO SUPPORT MOMENTUM

India's GDP grew by 8.2% (higher-than-expected) in the Sept-25 quarter – marking a six-quarter high – picking up from 7.8% growth in the previous quarter. The construction sector registered 7.2% YOY growth in Q2-FY26, whereas the Financial, Real Estate & Professional Services sector expanded by 10.2% during the same period. CPI inflation accelerated to 1.3% as of Dec-25 month, partly attributed to higher food prices. In Dec-25, the Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) voted to cut the policy repo rate by 25 bps to 5.25%, while raising the growth forecast for the current fiscal year to 7.3%.

2025 INSTITUTIONAL INVESTMENT VOLUME AT ALL-TIME HIGH

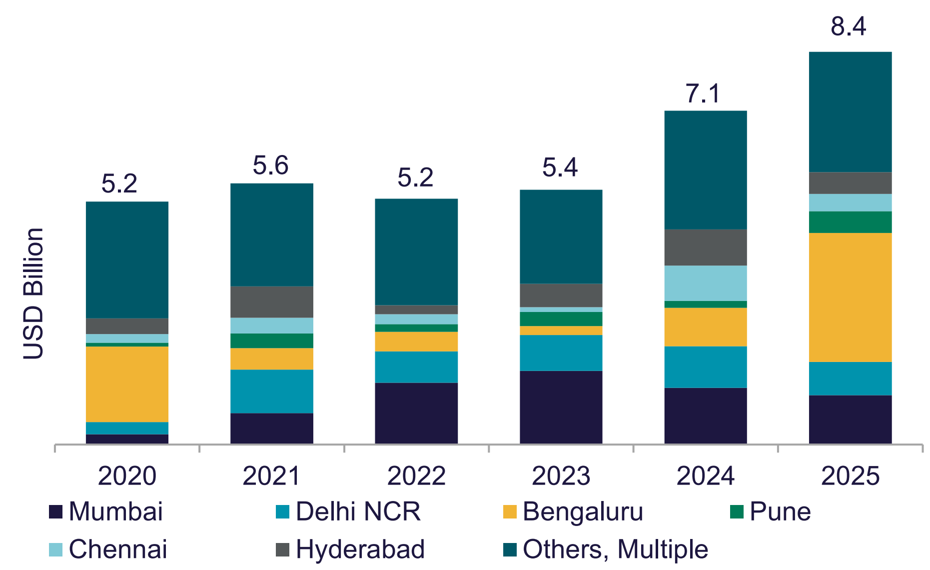
In Q4-25, institutional investments in real estate stood at USD 3.4 Bn, up 93% QOQ and 79% YOY. Bulk of the investments were made by domestic institutions (~80%), as depreciating INR and volatile capital flows remained a concern for foreign institutions.

The office sector was the most attractive in Q4-25, having received 75% share of inflows, followed by the Residential (14%) and Logistics & Industrial (9%) sectors. At a city level, Bengaluru garnered 52% of quarterly investment in Q4-25, followed by Delhi NCR at 10%. Core asset acquisition accounted for a 77% share in Q4-25, followed by 12% for early-stage investments and 11% for under-construction projects.

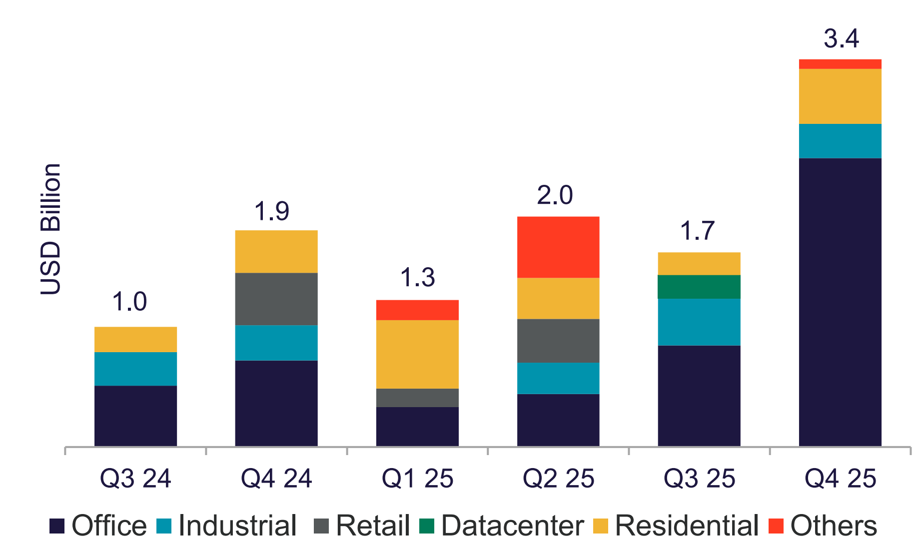
For the full year, institutional investment stood at USD 8.4 Bn – up 18% YOY. Domestic institutions had a 62% share, while foreign funds accounted for the balance. Deployment by domestic funds in 2025 grew by 2x, while acquisition by REITs grew 3x as compared to last year. Rising domestic share is seen positive as it would provide stability at a time when global uncertainties affect capital flows.

The Office sector – which witnessed 70% YOY growth in annual deployment during 2025 – had a 50% share in annual inflows, followed by the Residential (19%) and Logistics & Industrial (12%) sectors. Bengaluru took the top spot in annual investment deployment, with a 33% share, followed by Mumbai and the Delhi NCR with 13% and 9% shares, respectively. Institutional investments from the USA surpassed the USD 1.6 billion mark during the year, whereas they were USD 700 million in calendar year 2024. Significant growth was observed in capital inflows from Japan during the year, primarily due to the diversification benefits that India offers and the buoyant commercial real estate sector. In the annual investment deployment during 2025, core asset acquisition accounted for a 60% share, followed by 29% for early-stage investments and 11% for under-construction projects.

INSTITUTIONAL INVESTMENT VOLUME BY CITY

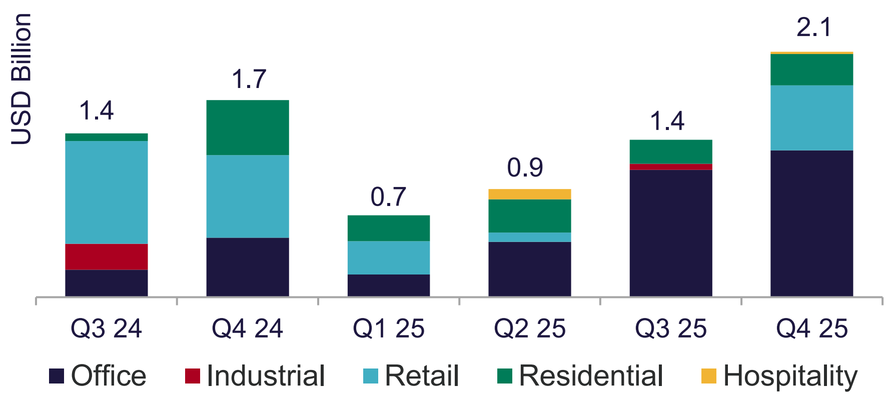


INSTITUTIONAL INVESTMENT VOLUME BY SECTOR

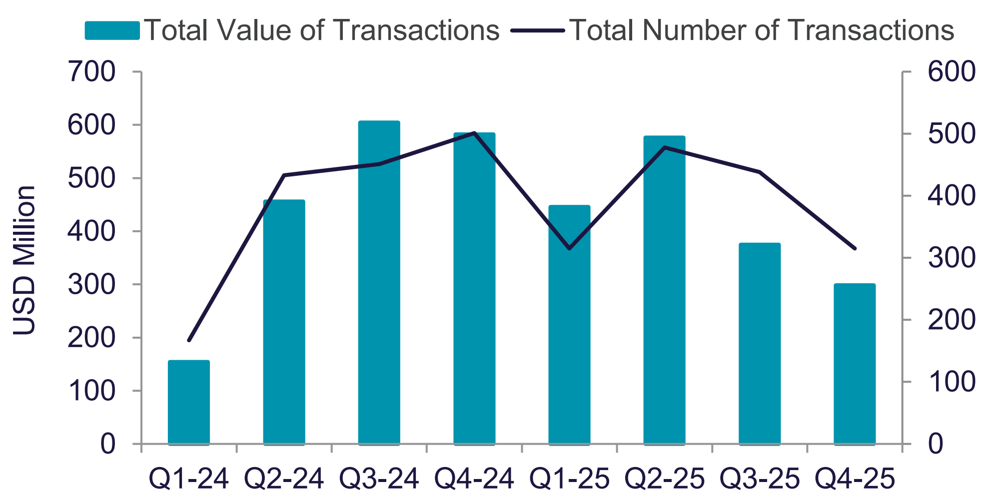


Source: (added 3rd party data source if used)

FUND RAISE VOLUME SHARE BY SECTOR



OFFICE SALE TRANSACTIONS



Source: (added 3rd party data source if used)
1 USD = 89 INR

FUND RAISE AIF CAT-II, REITS AND QUALIFIED INSTITUTIONAL PLACEMENT

The fourth quarter recorded total fundraising of USD 2.1 Bn, up 24% YOY and 56% QOQ. Office-focused funds/REIT had a 60% share in Q4-25 fund raise, while the Residential sector attracted a 13% share. Fundraising activity in 2025 reached USD 5.1 Bn, up 15% YOY. With the reduction of key policy rate by 125 bps by the RBI through 2025, some of the REITs and developers have raised fresh debt by issuing non-convertible debentures (NCDs) to retire costly debt and reduce interest expenses.

REITs

According to the Indian REITs Association (IRA), the five listed real estate investment trusts (REITs) in India as on 30th September 2025 distributed a total dividend of INR 23.31 Bn in the Sept-25 quarter of the financial year 2025-2026 (or Q2FY26). At the end of Q2FY26, total gross assets under management (AUM) stood at approximately USD 26.48 Bn.

Over the past year, Indian REITs have delivered mid-30% returns, while NIFTY Realty remained negative and NIFTY50 was near 10%, underscoring the superior risk-adjusted performance of REITs as a listed real-estate vehicle. As of mid-November 2025, Indian REITs managed over 176 MSF of completed grade A office and retail space across India, with a market capitalization exceeding USD 18 Bn.

COMMERCIAL OFFICE PURCHASE BY CORPORATES

Q4 2025 recorded sale transaction volumes of USD 298 Mn in commercial office sector, down 49% and 20% on a YOY and QOQ basis, respectively. Mumbai continued to drive transactions with a 61% share in value terms, followed by Hyderabad (20%) and Pune (18%). Average deal count in Q4-25 was 27% lower than that observed in the last four quarters. For the full year, sale transactions stood at USD 1.7 bn, down 6% YOY.

OUTLOOK

Despite relatively weak performance of foreign funds, overall institutional investments for 2025 stood at USD 8.4 bn, a record high. Domestic institutions stood tall – first time in recent history – accounting for >60% share, suggesting that the domestic instuitions are gearing-up for increased capital allocation to real estate that is increasingly becoming organised and broad-based.

Asset-class diversification story continues to play-out with sectors such as residential, L&I and data centre attracting sizeable volume over the years. India's economic outlook continues to look promising with GDP growth anticipated at 7.3% for the current fiscal year FY26. Strengthening demand for commercial real estate along with a healthy supply anticipated in 2026 provides hope that year 2026 will likely attract equally strong capital inflows from institutions.

OUTLOOK

- For FY26, the RBI has projected India's real GDP growth at 7.3 per cent, with risks evenly balanced.
- RBI projects inflation for FY26 at 2.0 per cent, with risks evenly balanced.
- Private Equity investment activity in Indian real estate is expected to remain steady.
- Exceptional performance of the Indian office and retail REITs has made investments in these attractive. Positive sentiment likely to prevail in 2026.
- Year 2026 is likely to see further asset purchases by REITs, as they enter multi-year expansion cycle.
- SEBI's re-classification of REITs as equity for mutual fund norms comes into effect from January 2026, raising expectation of higher investor interest and better price discovery over time.

KEY INVESTMENT ACTIVITY (USD MILLION)

PROPERTY TYPE	INVESTOR	INVESTEE/ SELLER	CITY	INVESTMENT
Office	Brookfield REIT	BSREP III New York FDI I (DIFC)	Bengaluru	1474.7
Office	Mindspace REIT	Pramaan Properties and Sundew Real Estate	Mumbai and Pune	327.6
Logistics & Industrial	Blackstone	Casagrand	Chennai	78.7
Residential	Alta Capital	Isprava Group	Multiple	100.0
Office	Embassy REIT	Xander	Bengaluru	92.7

OFFICE SALE TRANSACTIONS (USD MILLION)

BUYER	Buyer's Sector	INVESTMENT	Area (Sq. ft.)	CITY
MG Estate Holdings	Real Estate	11.35	13,990	Mumbai
Centaurus SPAV Ventures	Real Estate	9.65	125,049	Hyderabad
DKJ Shelters	Real Estate	4.76	35,464	Pune

FIRST CLOSE / AMOUNT RAISED (USD MILLION)

Fund / REIT / Company	Sector	Amount Raised	Target Fund Size
Mount K Capital	Residential	450.0	-
360 One	Multiple	230.0	-
Sundaram Alternates Real Estate Fund V	Office	112.0	225.0

***Outlook**: the outlook represents our forward-looking view of key market indicators over the next 12 months, based on current market trends, economic conditions, policy developments, and available data. Projections are indicative and may be adjusted as market dynamics evolve*

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