

Trends in Private Equity Investment in India: H2 2025

2025

Knight Frank's comprehensive handbook showcasing trends in Private Equity (PE) investments within the Indian real estate sector across various asset categories.

knightfrank.co.in/research



Mumbai (HO)

Knight Frank (India) Pvt. Ltd.
 Paville House, Near Twin Towers,
 Off. Veer Savarkar Marg, Prabhadevi,
 Mumbai 400 025, India
 Tel: +91 22 6745 0101

Ahmedabad

Knight Frank (India) Pvt. Ltd.
 Unit No. 407 & 408, 4th Floor, Block-C
 'The First', Behind ITC Hotel, Near Keshav Baug
 Party Plot, Vastrapur, Ahmedabad 380 015, India
 Tel: +91 79 6813 1501

Bengaluru

First Floor, Pinnacle Tower
 Embassy One, #8 Bellary Road
 Ganganagar, Bengaluru 560 032, India
 Tel: +91 80 6818 5600

Chennai

Knight Frank (India) Pvt. Ltd.
 1st Floor, Centre block, Sunny Side,
 8/17, Shafee Mohammed Road,
 Nungambakkam, Chennai 600 006, India
 Tel: +91 44 4296 9000

Gurugram

Knight Frank (India) Pvt. Ltd.
 1505-1508, 15th Floor, Tower B,
 Signature Towers South City 1,
 Gurugram 122 001, India
 Tel: +91 124 4782700

Hyderabad

Knight Frank (India) Pvt. Ltd.
 Part of 10th Floor, Atria Block, ITPH, Plot no.17,
 Hitech City Rd, Software Units Layout, Madhapur,
 Hyderabad, Telangana 500 081, India
 Tel: +91 40 4455 4141

Indore

Knight Frank (India) Pvt. Ltd.
 Unit No. 1601, 16th Floor, Skye Corporate Park,
 Near Satya Sai Square, Vijay Nagar, A B Road,
 Indore, Madhya Pradesh 452 010, India
 Tel: +91 79 6813 1501

Kolkata

Knight Frank (India) Pvt. Ltd.
 PS Srijan Corporate Park
 Unit Number - 1202A, 12th Floor,
 Block - EP & GP, Plot Number - GP 2,
 Sector - V, Salt Lake, Kolkata 700 091, India
 Tel: +91 33 6652 1000

Pune

Knight Frank (India) Pvt. Ltd.
 Unit No.701, Level 7, Pentagon Towers P4,
 Magarpatta City, Hadapsar,
 Pune 411 013, India
 Tel: +91 20 6749 1500

Contents

01	Foreword	Page no. 03
02	2025 in Review: From Tightening to Transition	Page no. 04
03	Trends in Private Equity Investment in India in 2025	Page no. 05
04	What Drove the Pullback in Private Equity Investment in 2025	Page no. 07
05	Private Equity Investments in Real Estate Sectors	Page no. 11

	Office	Page no. 12
	Residential	Page no. 13
	Warehousing	Page no. 14
	Retail	Page no. 15
05	Outlook	Page no. 16

Foreword

The year 2025 marked a period of recalibration for global real estate capital markets. Globally, inflation moderated while economic growth remained sluggish. This combination led central banks to signal the end of the tightening cycle and initiate a gradual move toward policy easing. Financial conditions started to stabilise, but the pass-through to asset-level financing remained uneven. For real estate investors, 2025 was a transition year defined by higher return thresholds, slower capital rotation, and increased scrutiny of execution and exit risk.

India continued to stand out amid this global reset. Economic growth remained resilient, inflation stayed broadly anchored, and domestic financial markets provided depth and liquidity. Even so, real estate capital flows moderated over the year. This slowdown reflected a global repricing of risk and returns rather than any deterioration in underlying market fundamentals.

Private equity investors remained cautious in 2025. Slower valuation adjustment constrained deal execution, even as operating performance in office and retail remained robust. Capital therefore shifted toward downside-protected, income-focused structures rather than large-scale deployment.

The Knight Frank Capital Market Report 2025 seeks to decode this recalibration phase. It offers a comprehensive view of sector-wise investment patterns, evolving investor strategies, and the structural forces shaping capital allocation decisions.

We hope this Report supports real estate investors, fund managers, and developers in navigating this high-threshold capital environment with clarity, conviction, and competitive edge.



Shishir Baijal

*Chairman and Managing Director
Knight Frank India*

2025 in Review: From Tightening to Transition

2025 was a pivotal year of recalibration across global capital markets. Inflation eased without triggering a hard landing, central banks pivoted toward easing, and financial conditions improved materially. India stood out for macro stability despite external headwinds, reinforcing its appeal in global capital allocation.

Monetary policy globally turned the corner. The US Federal Reserve cut rates thrice, taking the Fed Funds target to 3.50–3.75%, as inflation moderated to around 3.0% YoY and labour market momentum softened. The Eurozone saw inflation slow to ~2.1%, though the ECB remained cautious given tepid growth. India's inflation remained well below the RBI's 4–6% tolerance band through January–August, before easing further in September on favourable base effects. With the annual average still well-anchored, the RBI delivered a measured 125 bps of cuts rather than a larger shift. The rate environment became broadly supportive, compressing global yields and tightening credit spreads.

Bond markets responded swiftly. The US 10-year yield fell to ~4.1%, and India's 10-year G-sec held steady near 6.6%, supported by robust domestic demand. US AAA corporate spreads tightened to ~35 bps, underscoring improved liquidity and investor comfort with credit risk. These conditions helped revive risk appetite and set the stage for a bottoming out in real asset repricing.

Currencies remained a pressure point for emerging markets. The Indian rupee depreciated ~7% YTD, its weakest level to date. The move was driven by trade imbalances and modest FPI outflows. While the RBI stepped in selectively to curb volatility, INR weakness increased hedging costs for offshore capital, although it did not materially impact long-term capital flows.

Commodity prices added nuance to the disinflation narrative. Precious metals surged, with gold crossing USD 4,300/oz and silver hitting USD 66.7/oz, both at their all-time high, buoyed by safe-haven demand and expectations of further Fed cuts.

Equity markets broadly outperformed. The S&P 500 touched a record 6,700, up ~14% YTD, while the Nasdaq gained ~17%. India's Nifty 50 touched 25,800, also up ~8% YTD, driven by sustained domestic flows, stable growth, and improving risk sentiment.

Global capital flows rebalanced toward economies offering policy credibility and growth visibility, with India consistently attracting attention across debt and equity channels.

In summary, 2025 delivered macro stabilization, a turn in policy direction, and improving risk appetite. Real assets benefited from yield compression and reduced uncertainty, while India reinforced its positioning as a structurally stable and growth-oriented market in a diversifying global allocation basket.

Trends in Private Equity Investment in India in 2025

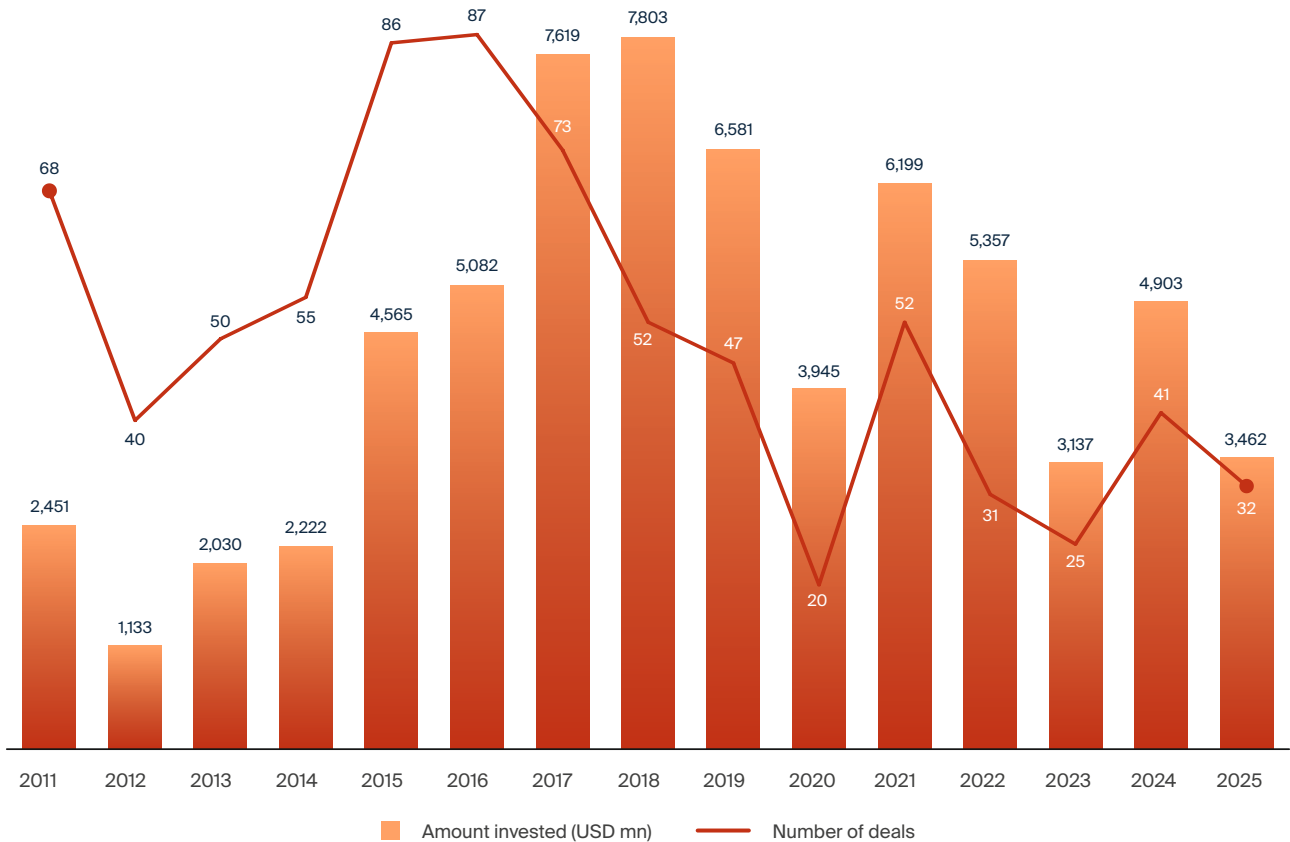
Capital Deployment Entered a Normalisation Phase

Private equity investments in Indian real estate moderated in 2025, marking a clear departure from the elevated activity levels witnessed during the immediate post-pandemic years. After a phase of excess liquidity and accelerated deal-making between 2021 and 2022, capital deployment entered a period of normalisation, shaped by higher return thresholds and tighter execution discipline.

Over the long term, private equity investments in Indian real estate have followed a cyclical pattern, closely aligned with global liquidity conditions, cost of capital, and exit visibility. The surge in investment volumes during 2021 was driven by historically low interest rates, aggressive yield compression, and strong risk appetite for income-generating real assets. As interest rates began rising sharply through 2022 and financial conditions tightened, these tailwinds reversed, and investment volumes adjusted accordingly.

In 2025, both investment volumes and deal activity declined, reflecting a conscious slowdown rather than a withdrawal of capital. Investors remained active in evaluating opportunities but adopted a more selective approach, prioritising pricing discipline and asset quality over transaction velocity.

PE Investments in Indian Real Estate: Investment Volume and Deal Count (2011–2025)

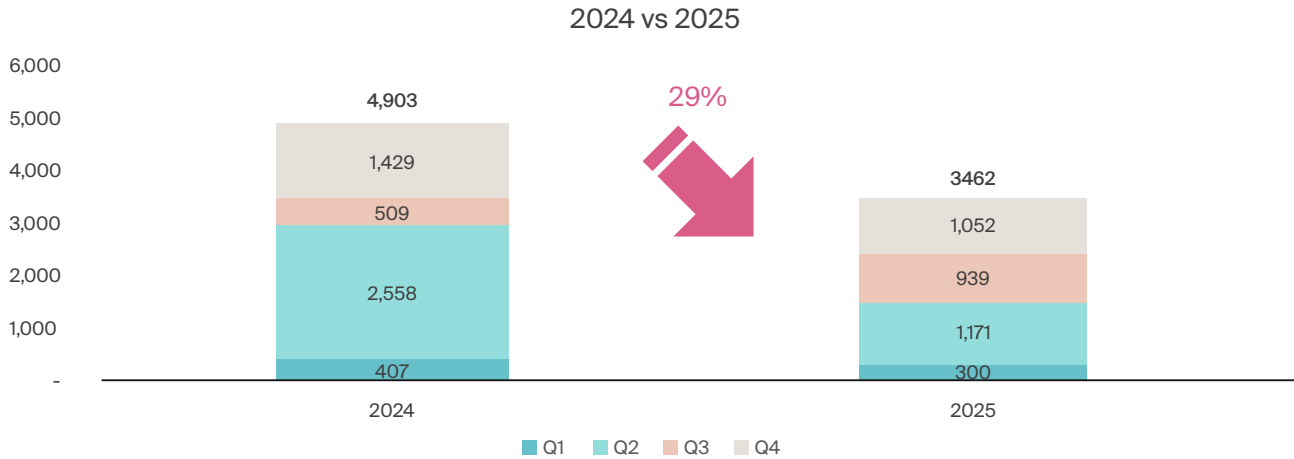


Source: Knight Frank Research, Venture Intelligence

*Investments considered till 20th Dec 2025

Note: Report tracks only capital deployed by PE investors across core real estate asset classes. Platform-level investments are included solely for warehousing, while transactions in other segments are recorded only once capital is deployed. The analysis does not include REITs, InvITs, hospitality and data centre transactions, ensuring a clear, comparable view of private equity activity across Office, Residential, Retail and Warehousing sector.

PE investments in Indian Real Estate decline 29% YoY in 2025

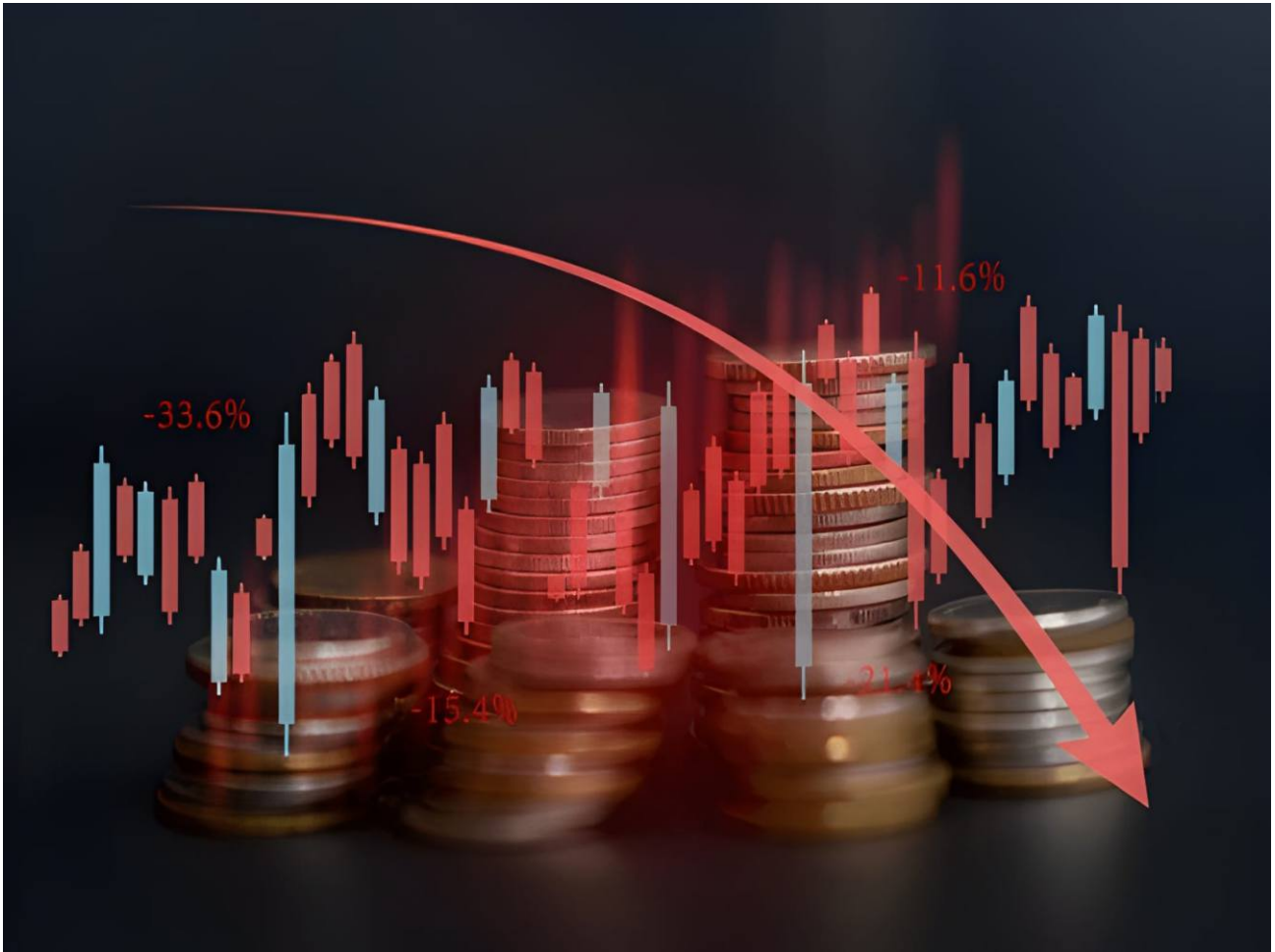


Source: Knight Frank Research, Venture Intelligence

What changed from the previous cycle

A key shift during this phase has been the reorientation of investor expectations. Capital is no longer driven by the prospect of near-term yield compression or rapid capital appreciation. Instead, underwriting has become more conservative, with greater emphasis on durable cash flows, downside protection, and exit certainty.

Importantly, India continued to remain part of global allocation strategies. The decline in investment volumes was not India-specific but mirrored a broader reassessment across global real estate markets.

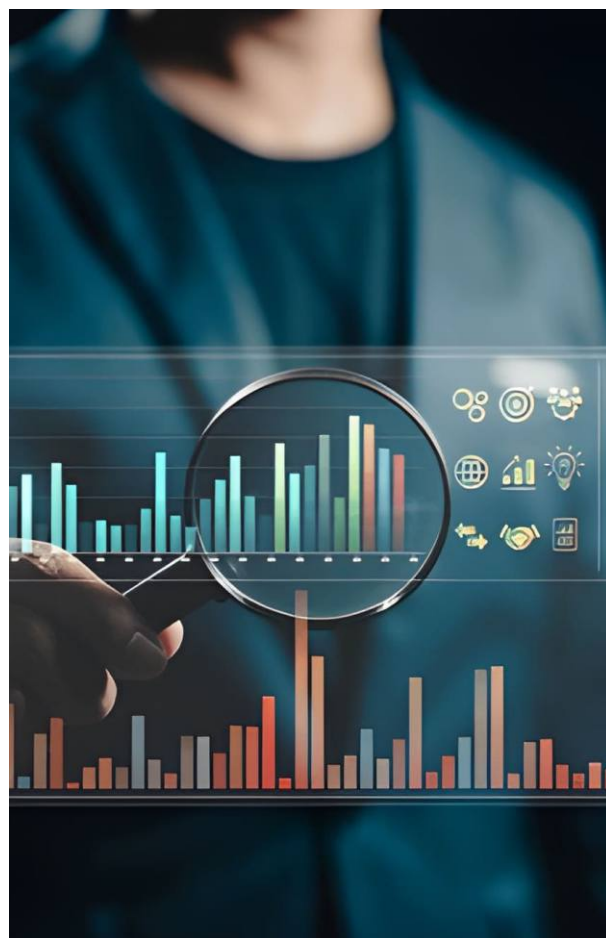


What Drove the Pullback in Private Equity Investment in 2025

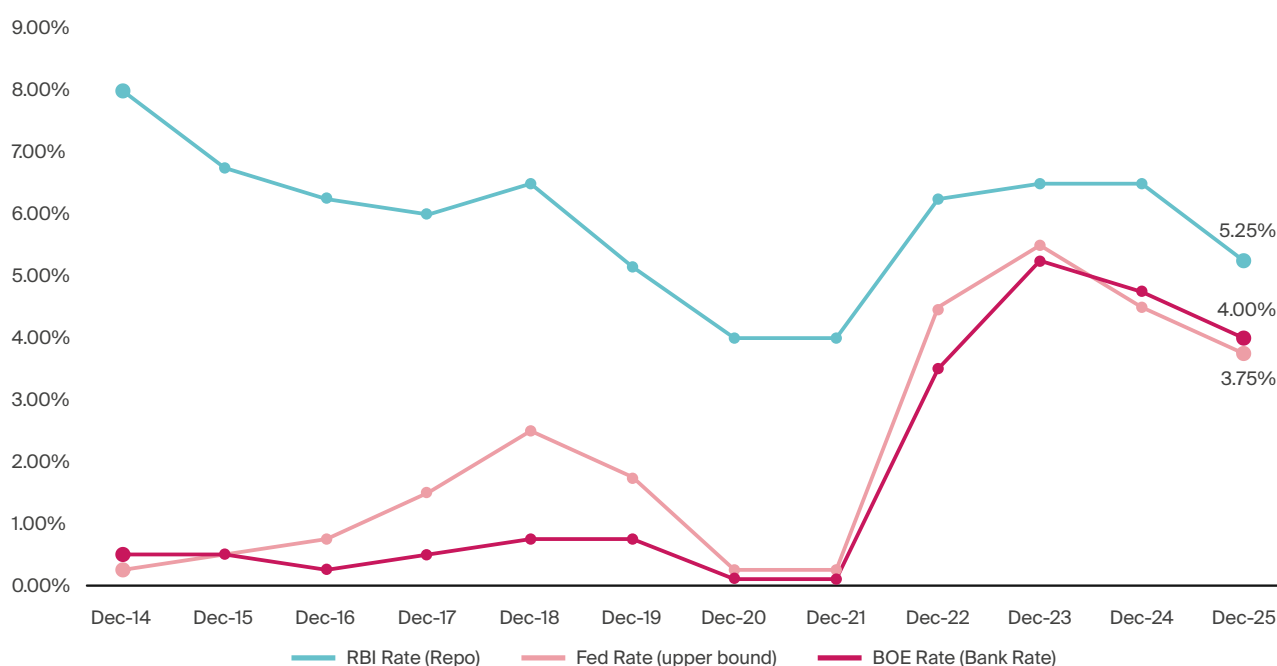
The slowdown in private equity investments in Indian real estate during 2025 was not driven by a weakening of underlying demand or asset performance. Instead, it reflected a sharp recalibration across three interconnected dimensions: the effective cost of capital, exit visibility, and valuation alignment. While macro conditions stabilised, these three variables failed to realign quickly enough to support sustained capital deployment.

1. Policy Easing Began, but Financial Conditions Did Not Normalise

Global monetary policy turned accommodative in 2025, with central banks in major economies initiating rate cuts as inflation moderated. On the surface, this appeared supportive for real assets. However, for private equity investors, policy direction mattered less than the behaviour of long-term yields and asset-level borrowing costs.



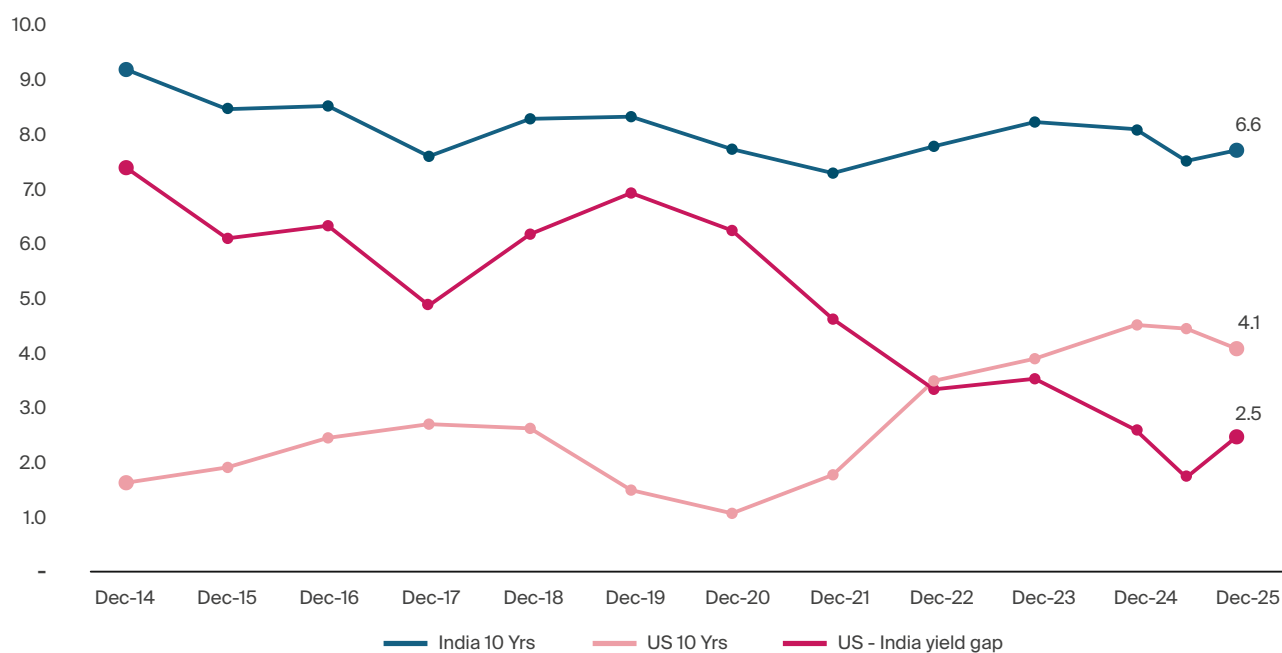
Global Policy Rates – Fed, ECB, RBI (2014–2025)



Source: US Fed, BOE, RBI

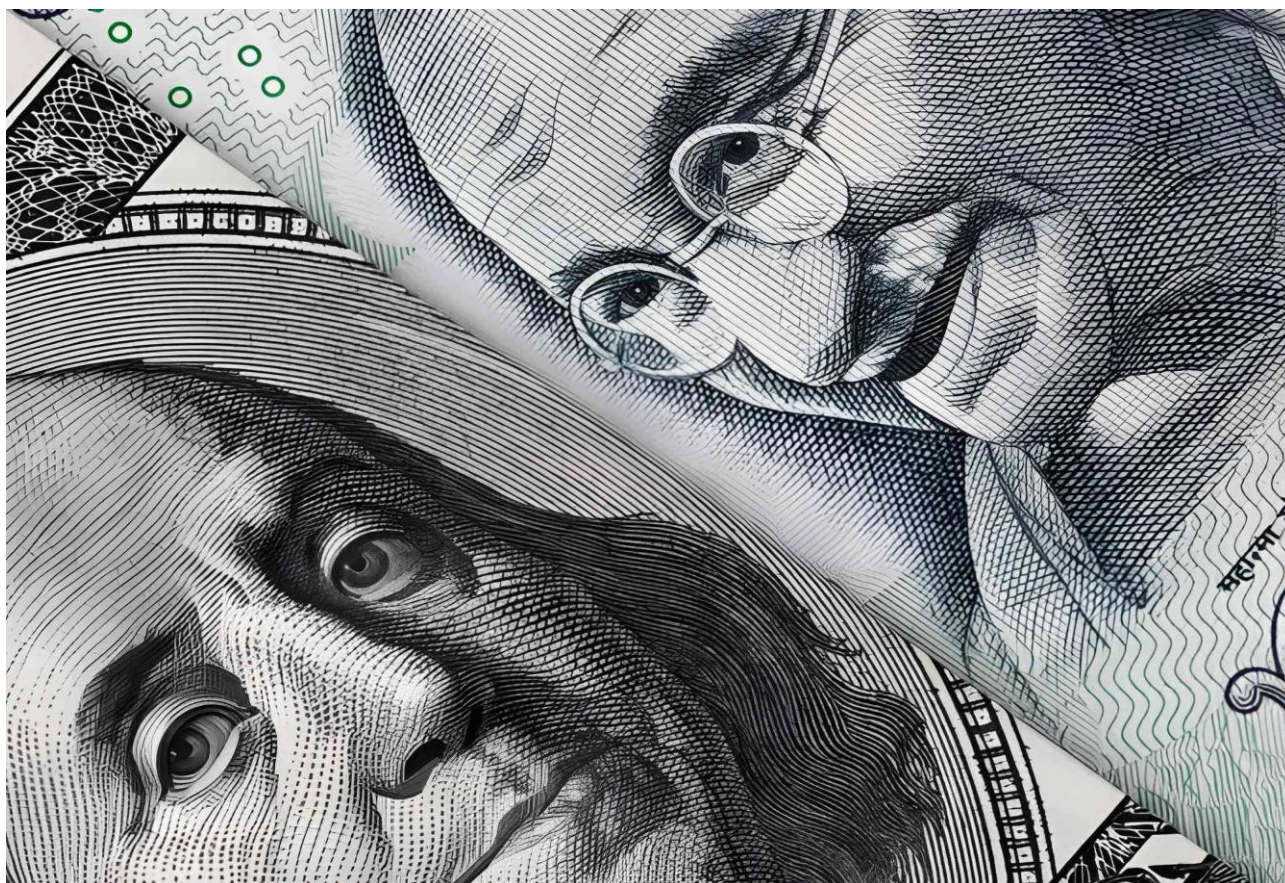
This chart above establishes that the tightening cycle had clearly ended, with rate cuts underway across key economies in 2025, ~75 bps each in the US and UK, and around 125 bps in India. However, policy easing alone was not sufficient to reset real estate return expectations.

The Shrinking India-US Yield Premium



Source: Knight Frank Research




Despite the start of rate cuts in 2025, long-term government bond yields in both the US and India declined only modestly. Since real estate investments are priced off long-term yields rather than policy rates, this meant that the effective cost of capital did not fall meaningfully. As a result, financial conditions for real estate investors remained tight, even as monetary policy turned more supportive.



2. The Cost-of-Capital Squeeze at the Asset Level

Even as policy rates eased, financing conditions for real estate remained tight through 2025. The spread between policy rates and lending rates stayed wide, especially in India, limiting the pass-through of monetary easing to asset-level borrowing costs. Debt was available, but on conservative terms, keeping borrowing costs high and reducing the effectiveness of leverage. As a result, higher financing costs offset stable asset cash flows and constrained capital deployment, particularly for development stage assets.

Policy rates VS Prime lending rates (US, UK, India)

	 US			 UK			 India		
Period	Fed Rate	US Prime Lending Rate	Spread	BOE Rate	UK Prime Lending Rate	Spread	RBI Rate	SBI Prime Lending Rate	Spread
Dec-14	0.06%	3.25%	3.19%	0.50%	7.81%	7.31%	8.00%	14.75%	6.75%
Dec-15	0.20%	3.50%	3.30%	0.50%	7.81%	7.31%	6.75%	14.05%	7.30%
Dec-16	0.55%	3.75%	3.20%	0.25%	7.46%	7.21%	6.25%	14.05%	7.80%
Dec-17	1.33%	4.50%	3.17%	0.50%	7.07%	6.57%	6.00%	13.70%	7.70%
Dec-18	2.40%	5.50%	3.10%	0.75%	6.75%	6.00%	6.50%	13.80%	7.30%
Dec-19	1.55%	4.75%	3.20%	0.75%	6.85%	6.10%	5.15%	13.20%	8.05%
Dec-20	0.09%	3.25%	3.16%	0.10%	6.55%	6.45%	4.00%	12.05%	8.05%
Dec-21	0.07%	3.25%	3.18%	0.25%	6.47%	6.22%	4.00%	12.30%	8.30%
Dec-22	4.33%	7.50%	3.17%	3.50%	7.00%	3.50%	6.25%	14.15%	7.90%
Dec-23	5.33%	8.50%	3.17%	5.25%	7.88%	2.63%	6.50%	15.00%	8.50%
Dec-24	4.33%	7.50%	3.17%	4.75%	8.48%	3.73%	6.50%	15.15%	8.65%
Dec-25	3.63%	6.75%	3.13%	4.00%	8.58%	4.58%	5.25%	14.75%	9.50%

Source: Knight Frank Research, US Fed, JP Morgan, RBI

3. Valuation Reset Lagged the Shift in Required Returns

The yield spread between prime office assets and the 10-year government bond has narrowed significantly across NCR, Mumbai, and Bengaluru over the past decade. While office yields declined during the low-interest-rate period, they did not rise meaningfully when risk-free rates increased.

By 2023-2025, yield spreads had compressed to roughly 1.0-1.3 percentage points, well below the 2.0-3.0 percentage point cushion seen earlier in the cycle. This meant investors received a much thinner premium over the risk-free rate.

During the interest-rate tightening phase of 2022-23, government bond yields rose sharply while prime office yields across major cities remained broadly stable. This compressed yield spreads to historically low levels, leaving limited room for prices to adjust smoothly. Any meaningful increase in required returns would have implied sharp value cuts, which sellers were hesitant to accept. As a result, pricing adjusted gradually, widening the gap between buyer and seller expectations and slowing deal execution. Although bond yields eased in 2024-25 and yield spreads began to normalise, the earlier repricing shock continued to weigh on transaction momentum.

Limited Cap-Rate Compression Reduced Upside for Investors

Prime Yields Spread to 10 yr G-Sec



Why Capital Waited

Taken together, the evidence points to a clear conclusion. In 2025, policy easing improved macro stability but did not restore the conditions required for strong real estate capital deployment. Financing costs remained elevated, and valuation adjustment progressed gradually.

Capital did not exit Indian real estate; it waited for pricing, financing, and exit conditions to realign.

This pause, reflected in lower investment volumes, represents a cyclical recalibration within the capital cycle rather than a structural break.

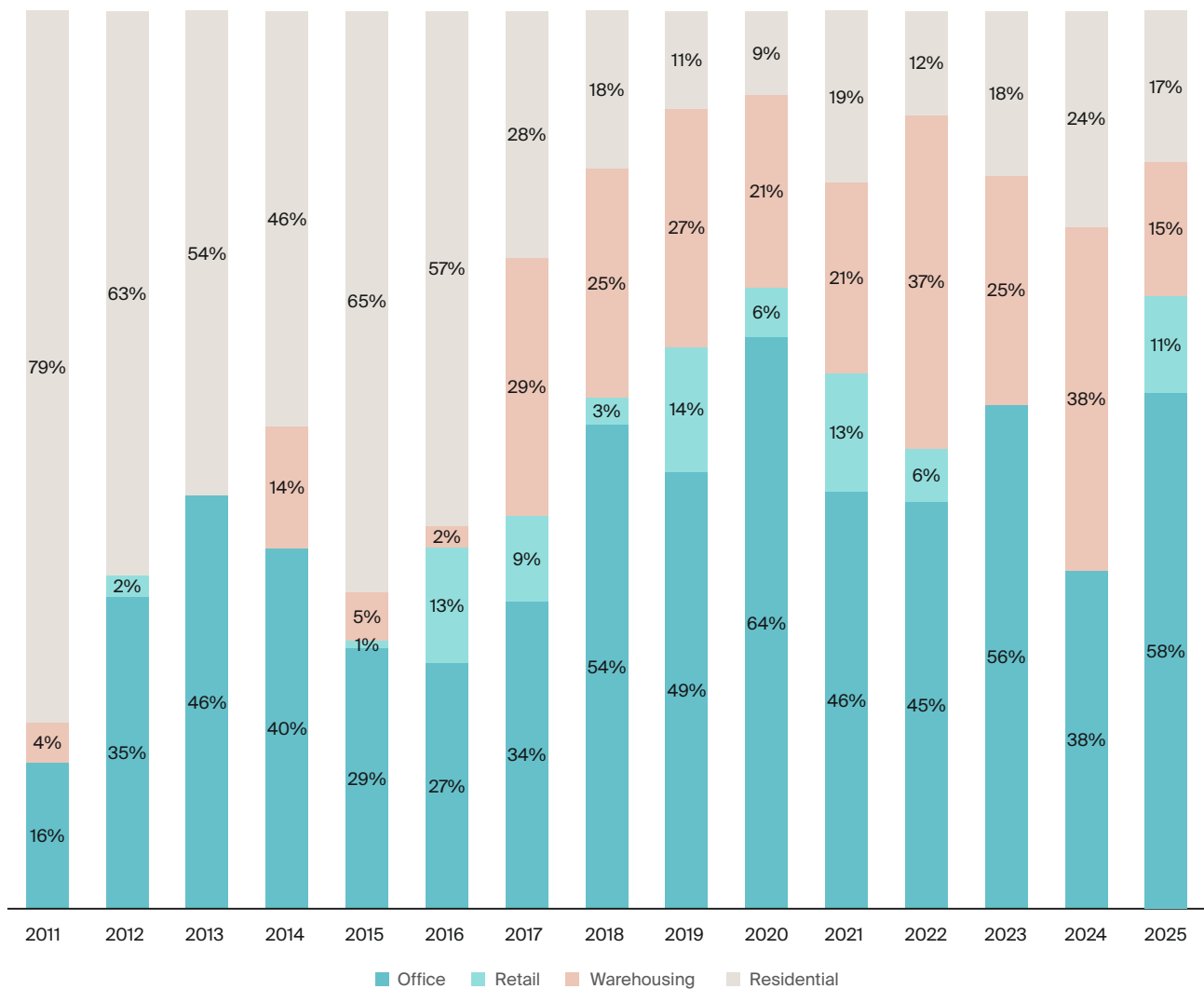


Private Equity Investments in Real Estate Sectors

Overall private equity investments in Indian real estate moderated in 2025 with capital allocation across asset classes reflecting selective deployment under tighter financial conditions, rather than a broad-based loss of confidence.

Asset-Class Allocation Snapshot

PE Investments by Asset Class – 2025



Source: Knight Frank Research, Venture Intelligence

*Investments considered till 20th Dec 2025

Office assets continued to account for the largest share of private equity investments during the year, reflecting their scale, institutional depth, and income stability. Residential emerged as the second-largest segment, driven primarily by structured capital deployments.

Retail attracted a moderate share of capital, with investments concentrated to a single dominant, income-stable asset.

Warehousing recorded dip in investment volumes in 2025, despite strong underlying demand fundamentals, underscoring that the slowdown was driven by capital market constraints rather than sectoral demand weakness.

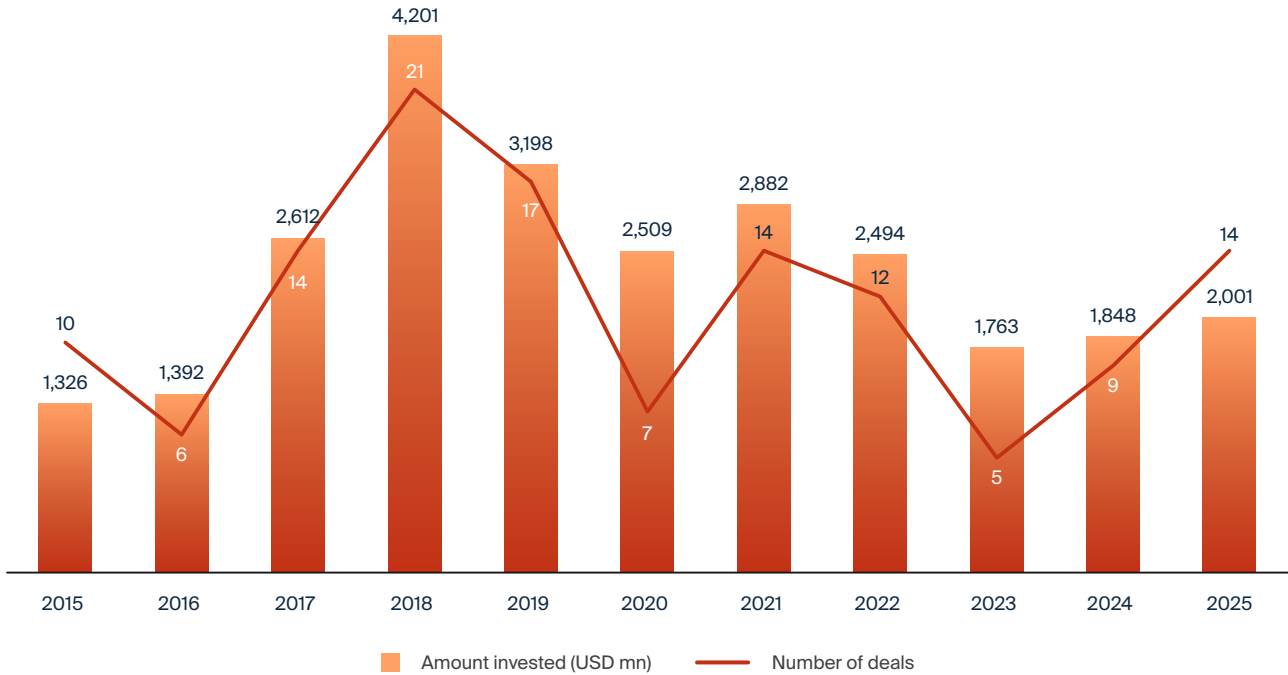
Overall, the asset allocation pattern highlights a clear investor preference for segments offering capital protection and execution visibility.

OFFICE

Scale Remains,
Momentum Softens

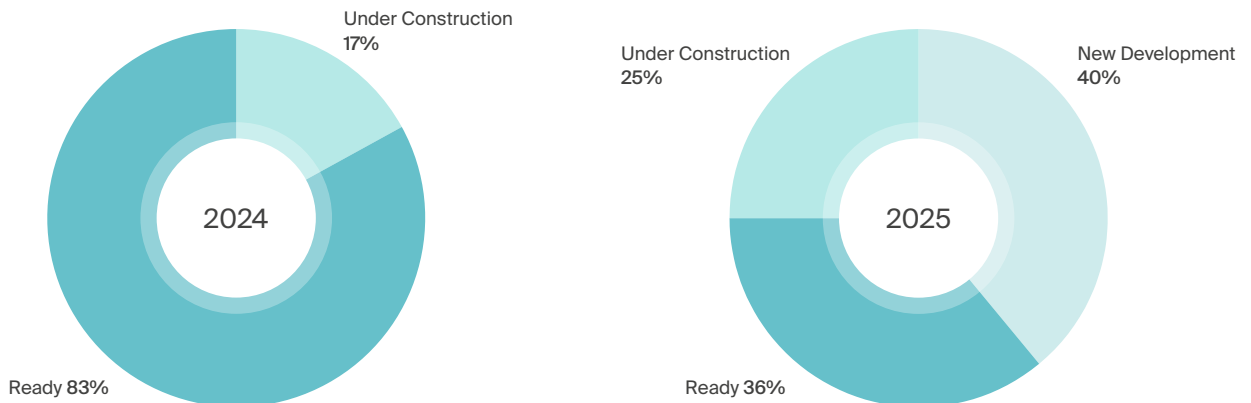
Office real estate remained the largest recipient of private equity capital in 2025, although investment volumes declined meaningfully from peak-cycle levels, it remained in-line to last 3-years average. The moderation occurred despite relatively strong leasing activity across key office markets, reinforcing that capital deployment was constrained more by financial conditions than by occupier demand.

Office PE Investments – Volume and Deal Count (2015–2025)



Source: Knight Frank Research, Venture Intelligence
 *Investments considered till 20th Dec 2025

Office Investments by Construction Stage



Source: Knight Frank Research, Venture Intelligence

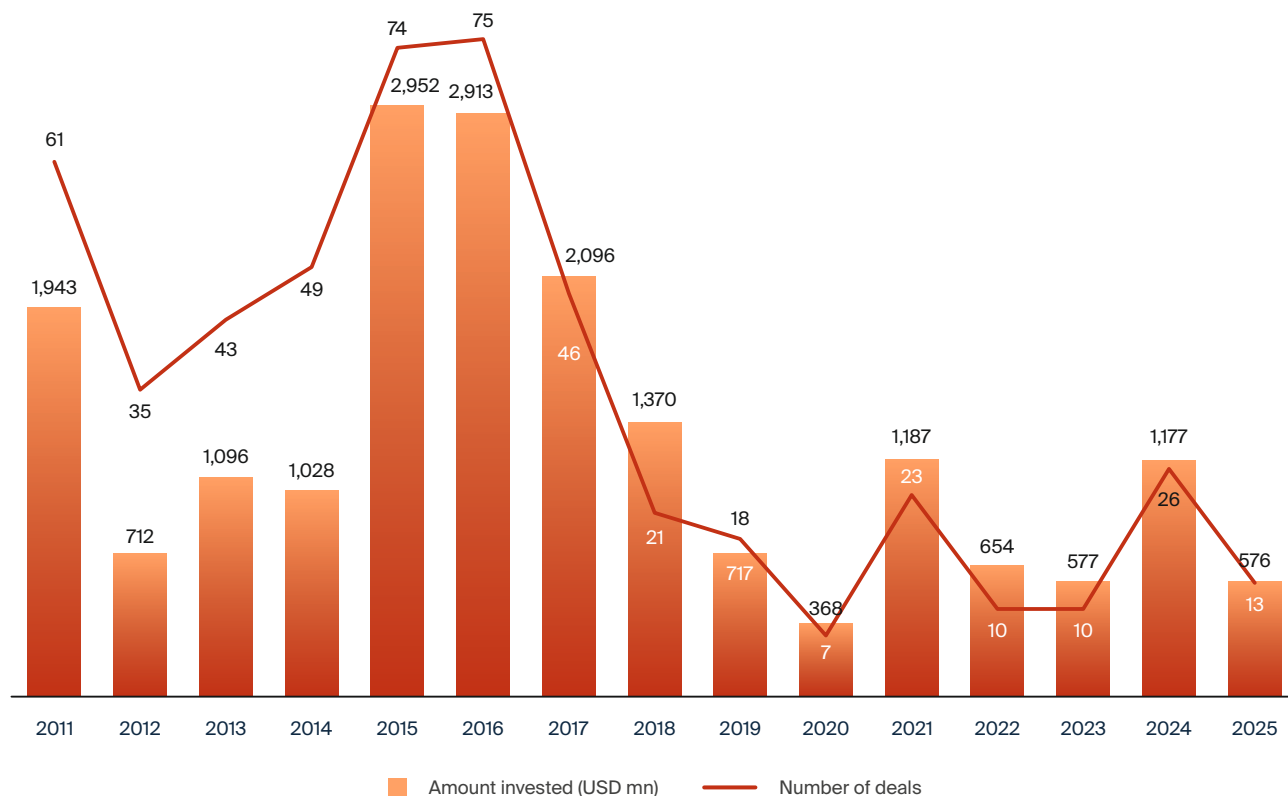
The investment-stage mix of office investments shifted in 2025, with the share of ready assets declining from 83% in 2024 to 36%. Under-construction assets and new developments together accounted for 65% of office PE investments, compared to 17% a year earlier, with new development re-emerging after being absent in 2024.

This shift reflects selective re-entry into development, largely confined to projects backed by strong sponsors and clear execution visibility. Despite the change in mix, ready assets continued to command the largest share, indicating that income stability remained the primary anchor for office capital.

RESIDENTIAL

Capital Protection Over Pure Equity

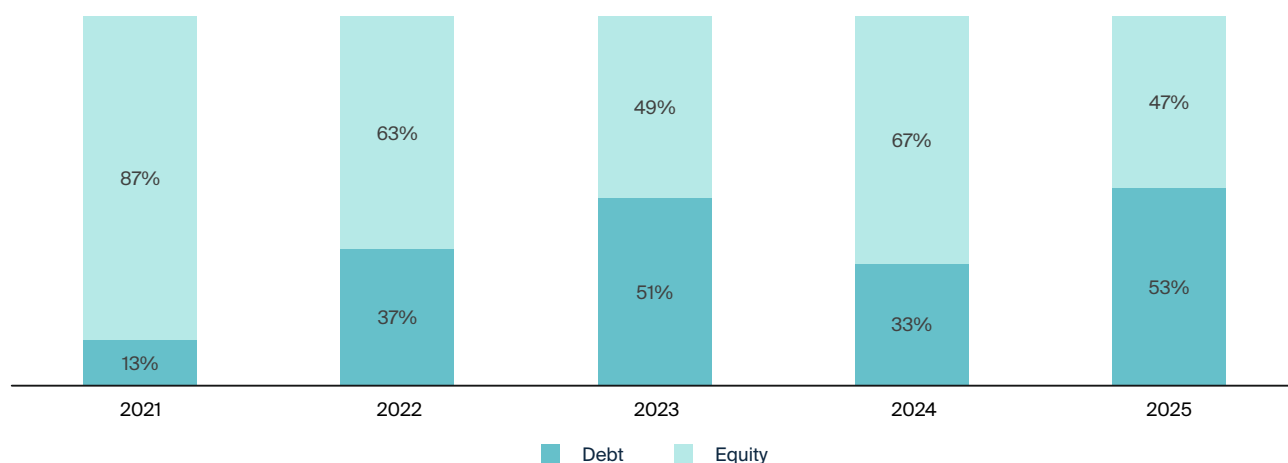
PE investments in residential sector



Source: Knight Frank Research, Venture Intelligence

*Investments considered till 20th Dec 2025

Residential Capital Inflows – Equity vs Debt



Source: Knight Frank Research, Venture Intelligence

In 2025, residential funding tilted back toward structured and credit-led instruments, marking a shift in how investors chose to participate. Investors increasingly preferred positions that offered contracted cash flows and priority claims, while remaining exposed to the underlying residential growth story.

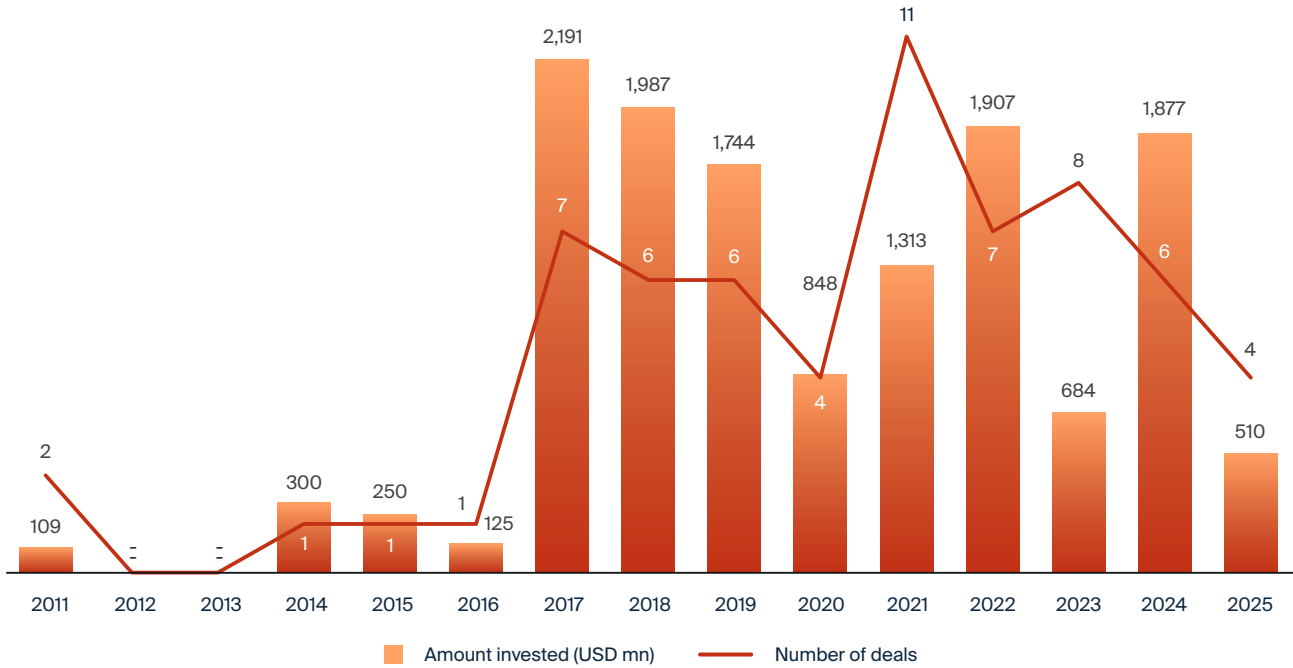
Equity participation remained selective and focused on de-risked projects, where execution visibility was higher.

WAREHOUSING

Structural Demand, Limited Investable Supply

Warehousing investments moderated in 2025, but the slowdown should not be interpreted as a weakening of the sector's demand fundamentals. Occupier demand remained robust, supported by e-commerce growth, supply chain formalisation, and manufacturing expansion.

Warehousing PE Investments by Year



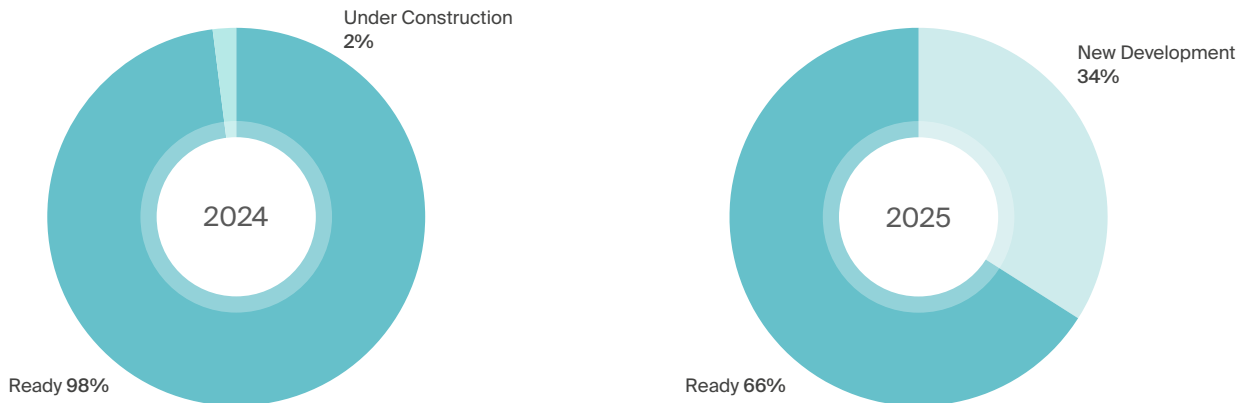
Source: Knight Frank Research, Venture Intelligence
*Investments considered till 20th Dec 2025

The decline in investment activity was driven largely by supply-side and capital market constraints, rather than demand weakness.

Key factors included:

- Limited availability of stabilised, institutionally owned assets suitable for immediate deployment
- A smaller pool of large, single-asset or portfolio transactions compared to earlier years.
- More conservative underwriting for build-to-core strategies amid higher financing costs

Warehousing Investments by Deal Type

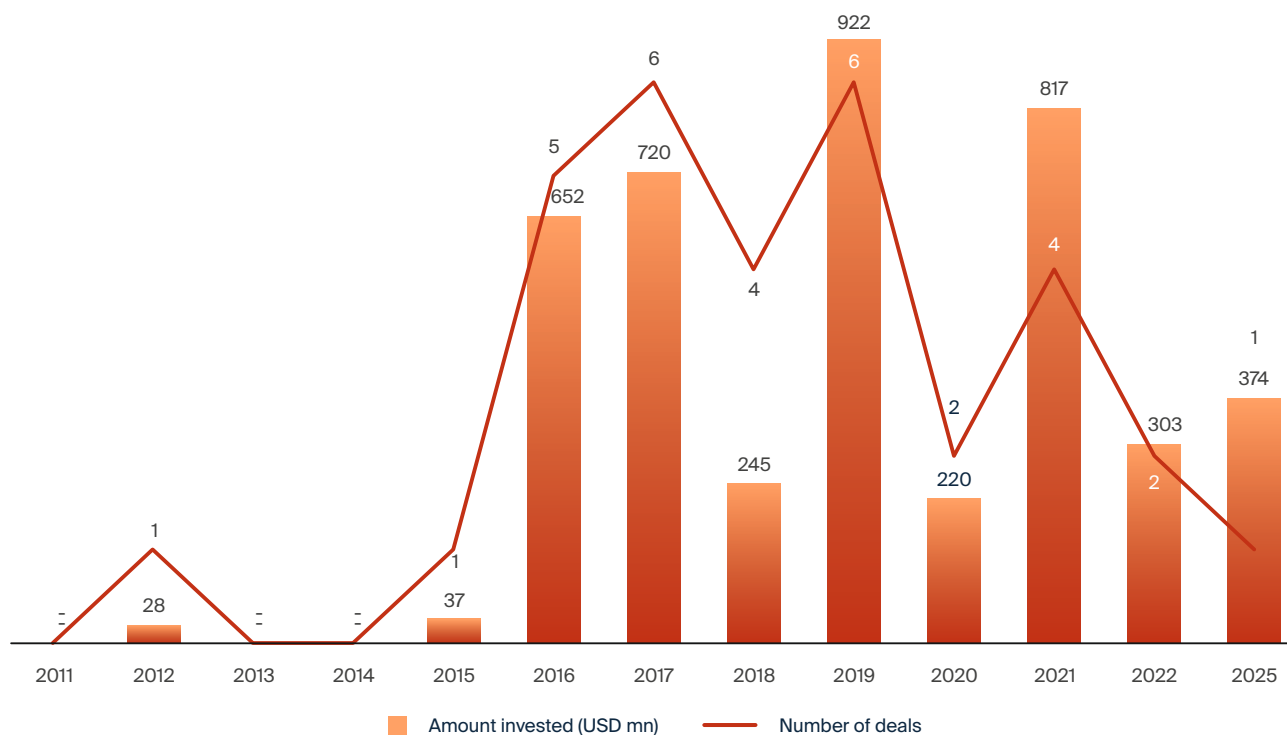


Source: Knight Frank Research, Venture Intelligence
*Investments considered till 20th Dec 2025

RETAIL

Fewer Deals, Higher Quality Threshold

Retail PE Investments – Deal Count and Value



Source: Knight Frank Research, Venture Intelligence
 *Investments considered till 20th Dec 2025

Retail real estate investments in 2025 were limited to a one large transactions, following a near two-year gap in meaningful private equity activity in the segment. Capital deployment resumed only for assets that met strict criteria on scale, operating performance, and exit visibility.

Beyond these assets, investor interest remained muted. Secondary malls, discretionary retail formats, and assets requiring repositioning or operational turnaround continued to attract limited capital, reflecting sensitivity to valuation and exit outcomes in a high-rate environment.

Overall, retail capital in 2025 was not volume-driven but conviction-led, returning selectively after a prolonged pause rather than broad-based re-engagement with the sector.

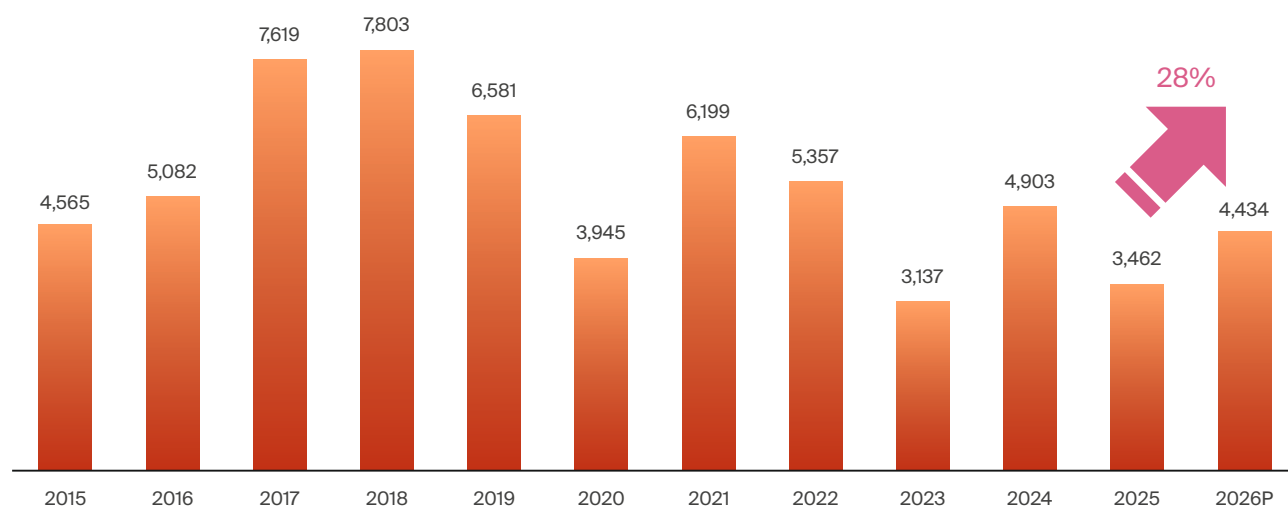
Outlook

Investment activity in Indian real estate is entering a transition phase shaped by improving macro visibility rather than a sudden shift in risk appetite. While global capital remained selective through the recent tightening cycle, the forward outlook is turning more constructive as interest rates stabilise and policy uncertainty recedes.

Knight Frank's investment forecasting framework links private equity flows into Indian real estate to a defined set of drivers: government capital expenditure, currency movement, inflation, interest rates, and incremental office supply. The forward assumptions embedded in the model point to a more supportive environment over the medium term. Government capex is expected to remain elevated; inflation is projected to stay contained, and policy rates are likely to trend lower in a calibrated manner. At the same time, a steady increase in institutional-grade supply supports deployment visibility across core segments.

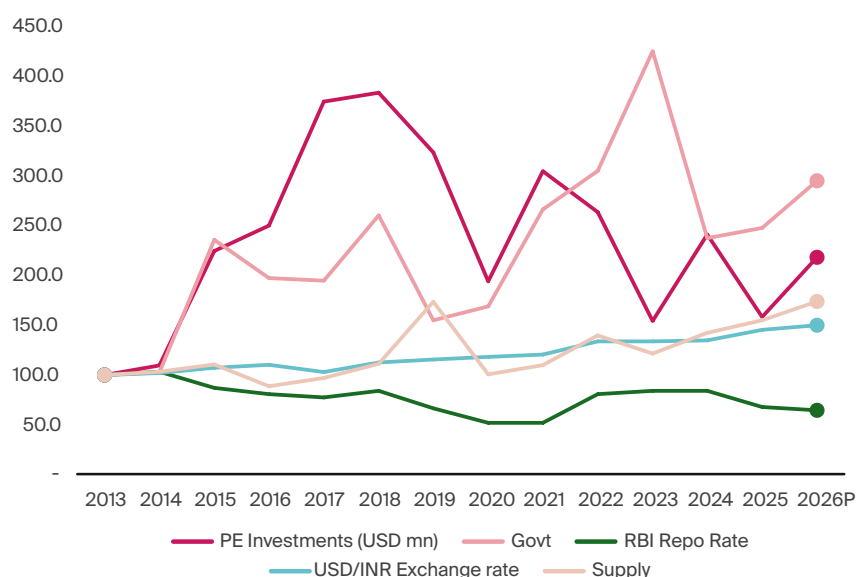
Based on these inputs, the model indicates a recovery in PE investment momentum from 2026 onwards, with inflows projected at approximately USD 4.4 bn in 2026, up 28% YoY. This reflects a shift from capital preservation towards selective growth, as financing costs ease and underwriting confidence improves, supporting foreign capital inflows without introducing excessive volatility.

Indian real estate PE investments projected to increase by 28% YoY to USD 4.4 bn in 2026



Source: Knight Frank Research

Factors impacting PE investments in India



Source: Knight Frank Research

The expected upturn is not a broad-based return of risk capital, but a measured re-engagement focused on assets with clearer execution pathways, resilient cash flows, and exit visibility. Office and logistics-led strategies are likely to remain the primary beneficiaries, while residential and retail investments are expected to be driven by structured and project-specific opportunities rather than large platform bets.

What this points to is a re-normalisation of investment conditions rather than a cyclical spike. As macro headwinds continue to ease, and domestic growth drivers remain intact, Indian real estate is positioned for a steady, more sustainable phase of institutional capital deployment.

KEY CONTACTS

Shishir Bajjal
International Partner
Chairman and Managing Director
shishir.bajjal@in.knightfrank.com

CAPITAL MARKETS

Viral Desai
International Partner
Senior Executive Director
Occupier Strategy & Solutions,
Industrial & Logistics,
Capital Markets and Retail Agency
viral.desai@in.knightfrank.com

Harry Chaplin-Rogers
Director of International Capital Markets –
India
harry.cr@in.knightfrank.com

OCCUPIER STRATEGY AND SOLUTIONS

Viral Desai
International Partner
Senior Executive Director
Occupier Strategy & Solutions,
Industrial & Logistics,
Capital Markets and Retail Agency
viral.desai@in.knightfrank.com

INDUSTRIAL & LOGISTICS SERVICES

Viral Desai
International Partner
Senior Executive Director
Occupier Strategy & Solutions,
Industrial & Logistics,
Capital Markets and Retail Agency
viral.desai@in.knightfrank.com

Balbirsingh Khalsa
Executive Director
balbirsingh.khalsa@in.knightfrank.com

Pinkesh Teckwani
National Director
pinkesh.teckwani@in.knightfrank.com

LAND AND RESIDENTIAL SERVICES

Reshmi Panicker
Executive Director
reshmi.panicker@in.knightfrank.com

ADVISORY & VALUATION

Gulam Zia
International Partner
Senior Executive Director
gulam.zia@in.knightfrank.com

Saurabh Mehrotra
Executive Director - Valuation & Advisory
saurabh.mehrotra@in.knightfrank.com

Rajeev Vijay
Executive Director
Government and Infrastructure - Advisory
rajeev.vijay@in.knightfrank.com

PROJECT MANAGEMENT SERVICES

Deben Moza
International Partner
Senior Executive Director
deben.moza@in.knightfrank.com

FACILITIES & ASSET MANAGEMENT SERVICES

Ramadutta Devagiri
Senior Executive Director
ramadutta.devagiri@in.knightfrank.com

Pawan Koyal
Executive Director and Head of Facilities &
Asset Management Services
pawan.koyal@in.knightfrank.com

RESEARCH

Ankita Sood
National Director
ankita.sood@in.knightfrank.com

Vivek Rathi
National Director
vivek.rathi@in.knightfrank.com

REPORT AUTHOR

Naresh Sharma
Vice President - Research
Naresh.Sharma@in.knightfrank.com

GRAPHICS & DESIGN

Nitin More
Assistant Vice President - Design and Graphics
Nitin.More@in.knightfrank.com

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

Knight Frank Research Reports
are available to download at
knightfrank.com/research

India Real Estate Office and
Residential Market H1-2025



Beyond Bricks: The Pulse of Home
Buying 2025



Regional Rapid Transit System:
Testing the Commuters Pulse - 2025



Global Universities Eye India
Opportunity 2025



RESEARCH

Ankita Sood

National Director - Research
ankita.sood@in.knightfrank.com

Vivek Rathi

National Director - Research
vivek.rathi@in.knightfrank.com

CORPORATE - MARKETING & PUBLIC RELATIONS

Piyali Dasgupta

National Director - Corporate Marketing &
Public Relations
piyali.dasgupta@in.knightfrank.com



The statements, information, data and opinions expressed or provided herein are provided on "as is, where is" basis and concerned parties clients are required to carry out their own due diligence as may be required before signing any binding document. Knight Frank (India) Private Limited (KFPL) makes no warranties, expressed or implied, and hereby disclaims and negates all other warranties, including without limitation, implied warranties or conditions of merchantability, fitness for a particular purpose, or non-infringement of intellectual property or other violation of rights including any third party rights. Further, KFPL does not warrant or make any representations concerning the accuracy, likely results, or reliability of the use of the statements, information and opinions as specified herein. The statements, information and opinions expressed or provided in this presentation / document by KFPL are intended to be a guide with respect to the purpose for which they are intended, but in no way shall serve as a guide with regards to validating title, due diligence (technical and financial), or any other areas specifically not included in the presentation. Neither KFPL nor any of its personnel involved accept any contractual, tortious or other form of liability for any consequences, loss or damages which may arise as a result of any person acting upon or using the statements, information, data or opinions in the publication, in part or full. The information herein shall be strictly confidential to the addressee, and is not to be the subject of communication or reproduction wholly or in part. The document / presentation is based on our understanding of the requirement, applicable current real estate market conditions and the regulatory environment that currently exists. Please note: Any change in any one of the parameter stated above could impact the information in the document/presentation. In case of any dispute, KFPL shall have the right to clarify.