Knight Frank

Investments in Real Estate

Trends in Private Equity investments in India - H1 2026

2026	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

Kochi
No. 66/4966, SPAZEONE MG Road,
2nd floor, Alapatt Heritage,
Mahatma Gandhi Road, Padma Junction,
Kacheripady, Kochi, Ernakulam,
Keralam 682 035, India

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

Shishir Baijal
International Partner
Chairman and Managing Director
Knight Frank (India) Pvt. Ltd.

Foreword

For much of the past decade, India has remained a promising destination for institutional real estate capital. Strong economic growth, rapid urbanisation, the expansion of Global Capability Centres (GCCs) and the increasing institutionalisation of real estate have strengthened the country's investment appeal. The emergence of REITs and a deeper domestic capital market further broadened the avenues available to investors.

However, the global investment landscape has changed significantly over the past few years. Higher interest rates across developed markets, tighter financial conditions and changing return expectations have altered the way capital is allocated globally. Investors today have a wider set of competing opportunities and are placing greater emphasis on risk-adjusted returns, liquidity and execution certainty.

These shifts are visible in investment trends across Indian real estate. While occupier fundamentals have remained healthy across most asset classes, private equity (PE) investments have moderated from the levels seen during the post-pandemic recovery period. The moderation reflects changes in global capital markets rather than any weakening of the underlying real estate story in India.

As capital becomes more selective, the focus is increasingly shifting from growth potential alone to realised returns. Factors such as taxation, currency movements, financing costs and relative yield spreads are playing a larger role in shaping investment decisions. In this environment, a market's ability to attract and retain capital depends not only on its long-term fundamentals but also on how it performs in comparison to alternate investment destinations.

The Knight Frank Capital Market Report 2026 examines these changing investment dynamics and their implications for Indian real estate. The report analyses the factors influencing capital allocation decisions and evaluates the factors that will influence India's ability to attract long-term institutional capital.

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

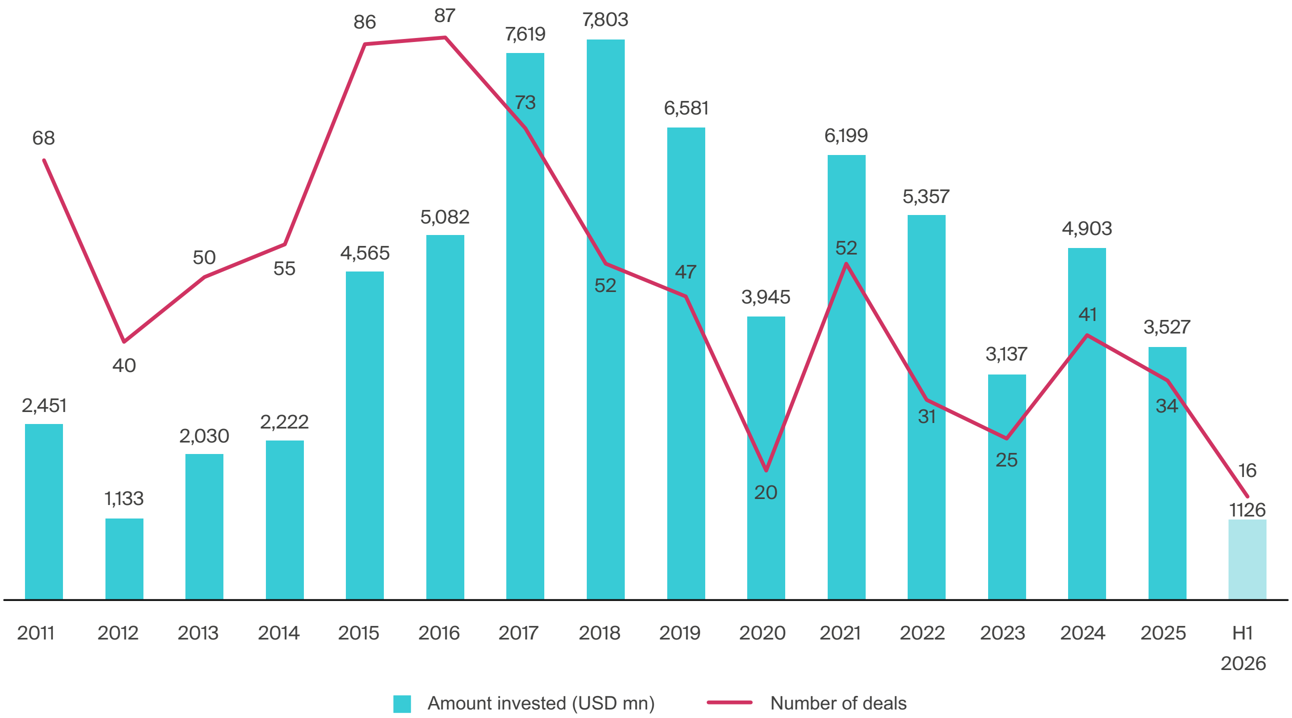
Contents

Private Equity Investments in Real Estate Decline in H1 2026

Private equity investments in Indian real estate declined 23% YoY in H1 2026, falling from USD 1,471 mn in H1 2025 to USD 1,126 mn in H1 2026, as capital allocation across asset classes reflected selective deployment under tighter financial conditions.

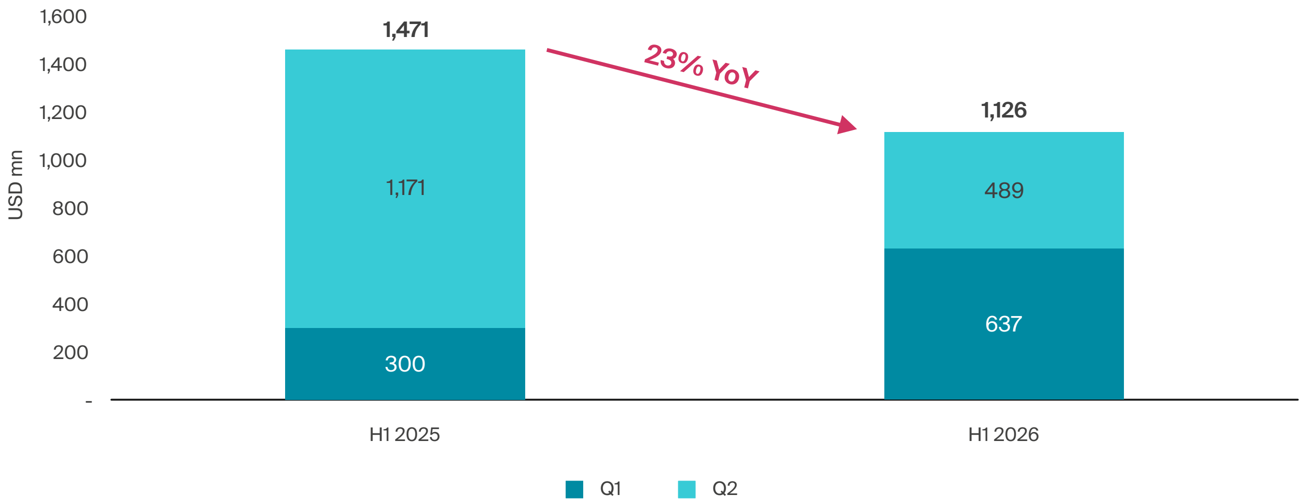
Asset-Class Allocation Snapshot

PE Investments in Indian Real Estate: Investment Volume and Deal Count (2011–H1 2026)



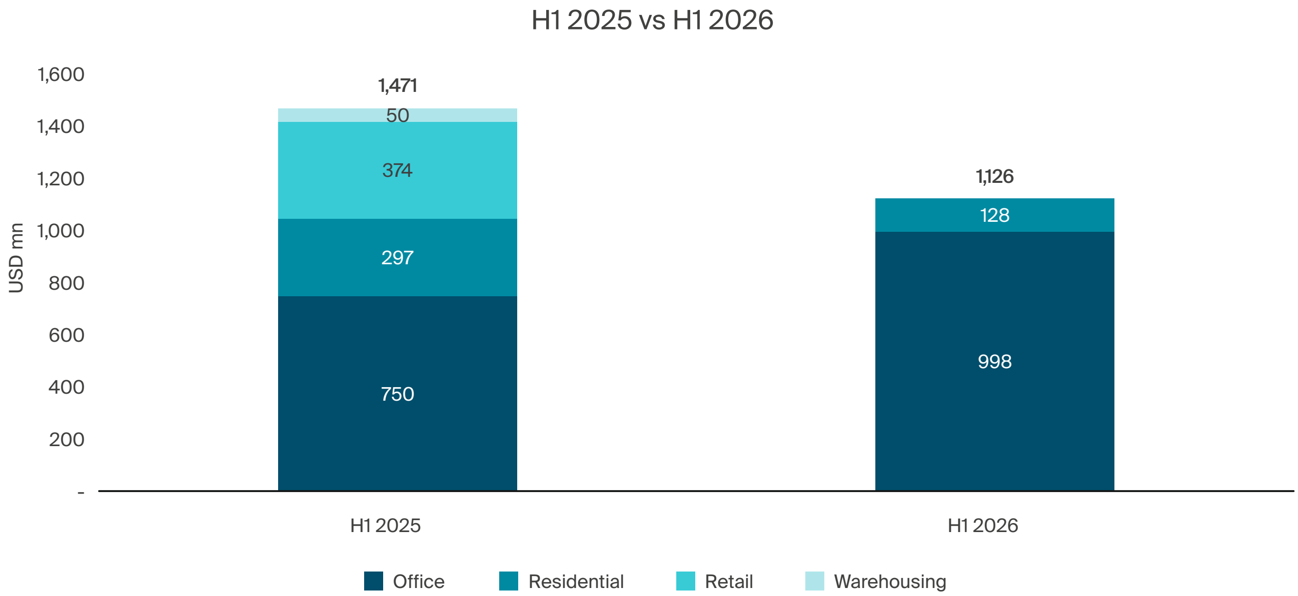
PE investments in Indian Real Estate decline 23% in H1 2026

H1 2025 vs H1 2026



Source: Knight Frank Research, Venture Intelligence
*Investments considered till 20th June 2026

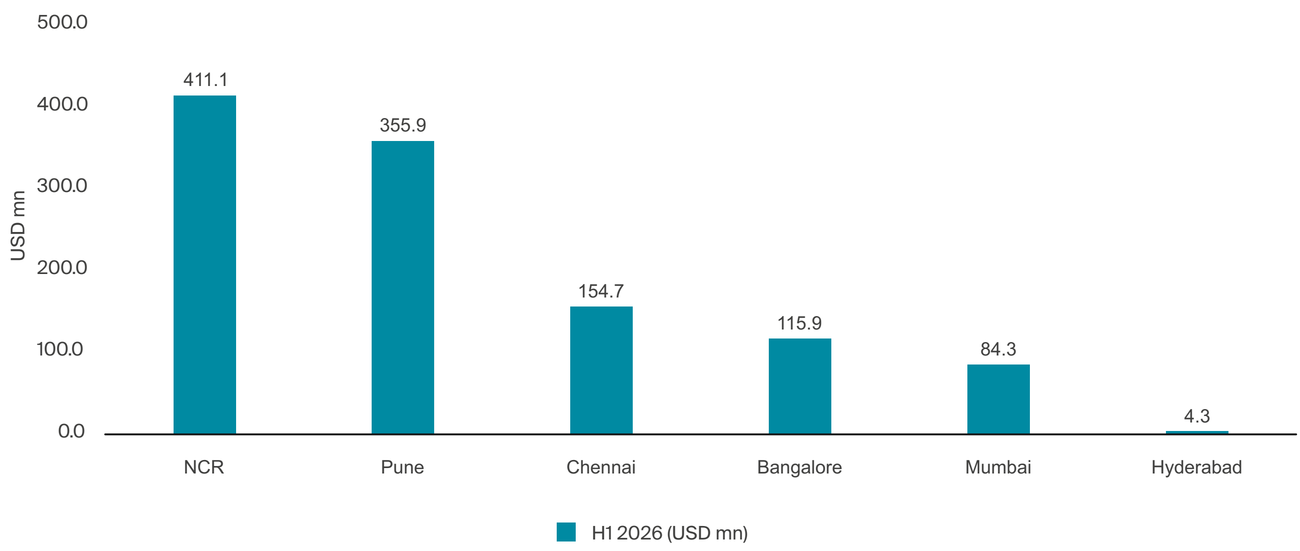
PE Investments by Asset Class - H1 2026



Source: Knight Frank Research, Venture Intelligence
*Investments considered till 20th June 2026

The moderation was not uniform across sectors. Office assets continued to attract institutional capital, supported by strong occupier fundamentals and stable income profiles, while residential investments softened as investors adopted a more selective approach towards development-led opportunities. The absence of large platform transactions further weighed on activity in the warehousing and retail segments.

NCR leads Investments in H1 2026



Source: Knight Frank Research, Venture Intelligence
*Investments considered till 20th June 2026

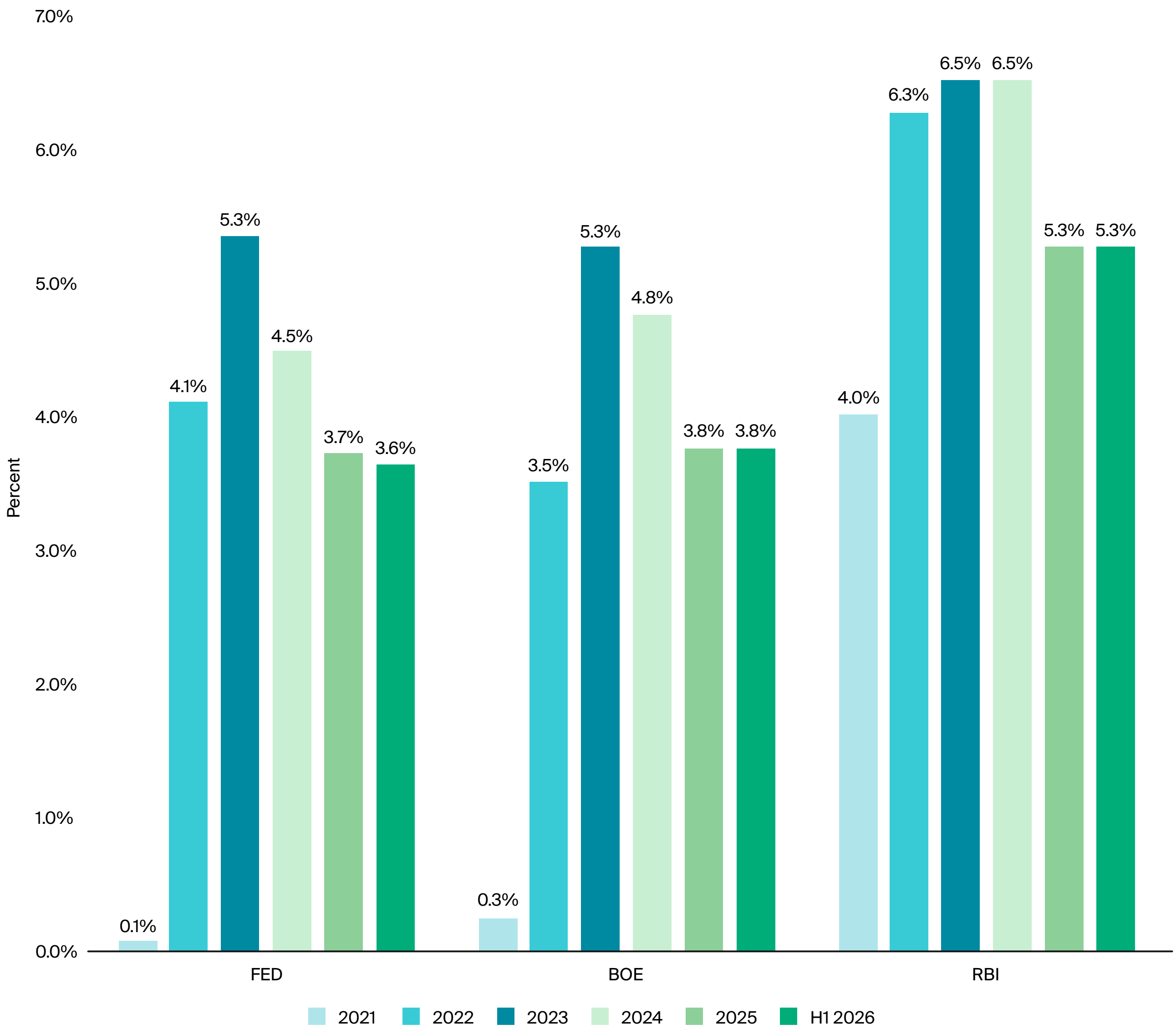
NCR emerged as the leading destination for private equity investments in H1 2026, supported by a combination of office and residential transactions. The region continues to benefit from strong occupier demand, expanding infrastructure and the availability of institutional-grade assets. Investor interest remained concentrated in established markets with proven demand fundamentals, reflecting the broader preference for assets offering visibility of cash flows and execution certainty.

Why Investment Slowed: The Global Capital Reset

The years following the pandemic represented one of the most accommodative capital market environments in modern history. Interest rates were at historic lows, liquidity was abundant and investors were willing to move further along the risk spectrum in search of returns. Emerging markets, including India, benefited significantly from this environment.

That backdrop has changed materially since then. Central banks across developed markets embarked on one of the most aggressive monetary tightening cycles in decades, and 2026 has added a further layer of caution on top of it: the escalation of tensions between the United States and Iran and broader instability in the Middle East have increased volatility across global financial markets. The tightening cycle did most of the structural work in raising the bar for emerging-market capital; this year's geopolitical uncertainty has compounded that caution rather than caused it, pushing institutional investors to prioritise asset quality, income visibility and execution certainty over growth potential alone.

Policy Rate Comparison: FED, BOE and RBI

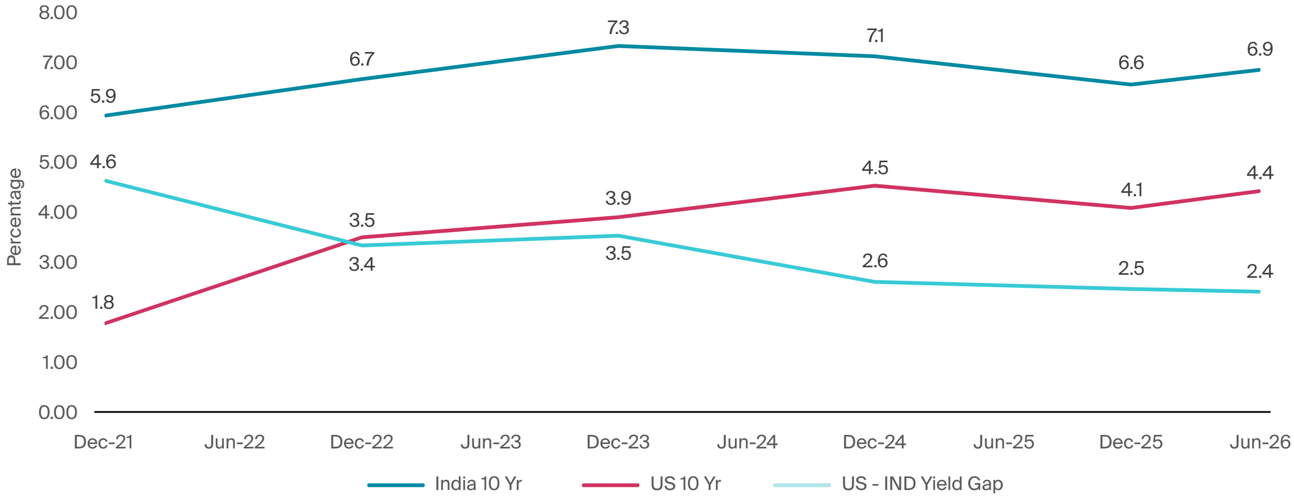


Source: Knight Frank Research

The Eroding Yield Cushion

International investors evaluate opportunities relative to the return available from risk-free assets. Historically, India has offered a meaningful yield advantage over developed markets like the USA. The tightening cycle by the US Federal Reserve fundamentally altered this equation. By H1 2026, the spread narrowed to around 240 bps, roughly half the levels seen during 2020-21. Markets that once benefited from a substantial risk premium must increasingly compete on the overall efficiency with which returns are generated and realised.

The Shrinking India–US Yield Premium

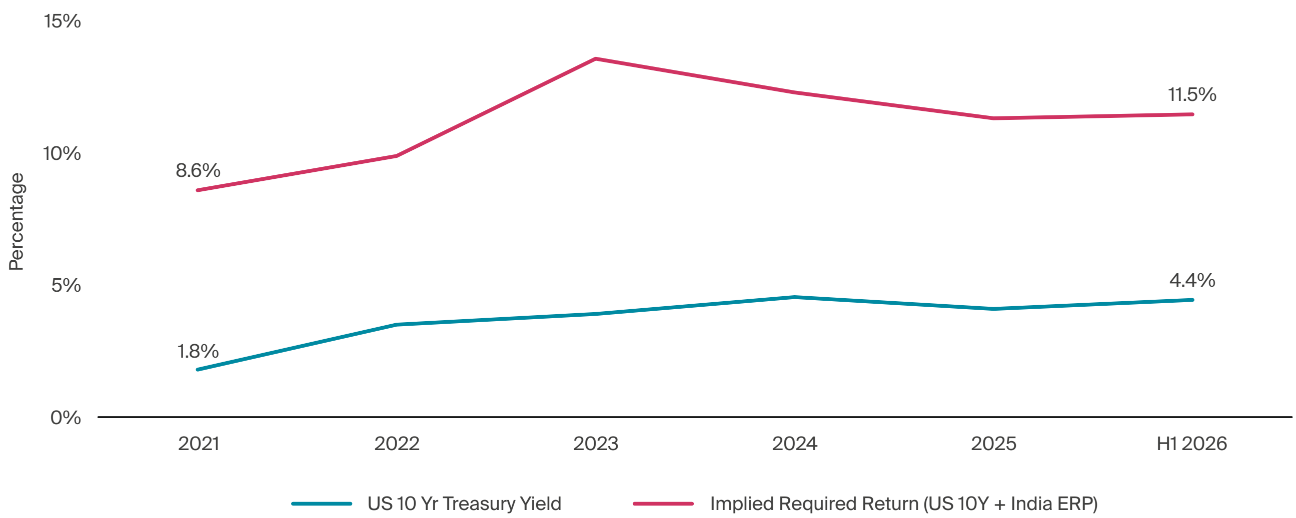


Source: Knight Frank Research

Rising Hurdle Rates: Why the Same Return No Longer Looks the Same

During the low-rate environment of 2020-21, exceptionally low US Treasury yields allowed investors to achieve target returns even when spreads above the risk-free rate were relatively modest. By 2024-26, with the average 10-year Treasury yield around 4.5% and hurdle rates higher across the board, that margin had narrowed considerably. The same frictions, currency movements, taxation, exit execution, now carry far more weight in determining whether an investment clears the bar than they did when the starting hurdle rate was lower.

Required Returns Have Increased Materially Since 2021



Source: US Federal Reserve FRED Database. India Equity Risk Premium per Aswath Damodaran, NYU Stern School of Business, Country Risk Update, held constant at approximately 7.1% over the period shown.
Implied required return is illustrative and does not represent any single investor's stated target.

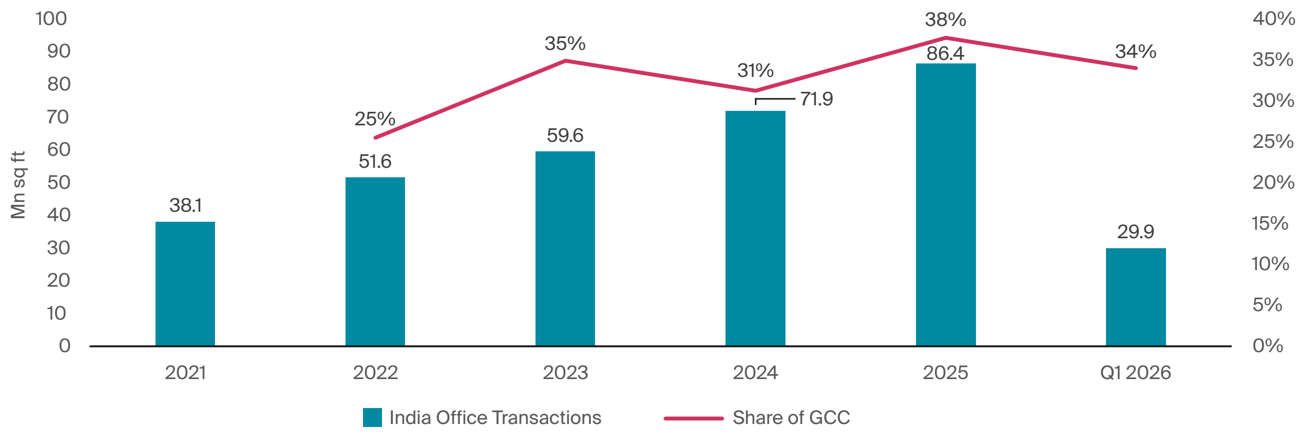
India's Real Estate Fundamentals Remain Intact

The moderation in PE investments has occurred despite broadly resilient market fundamentals, not because of weakening ones. Sector-level performance through H1 2026 bears that out.

Office: Strong Fundamentals Continue to Support Capital Flows

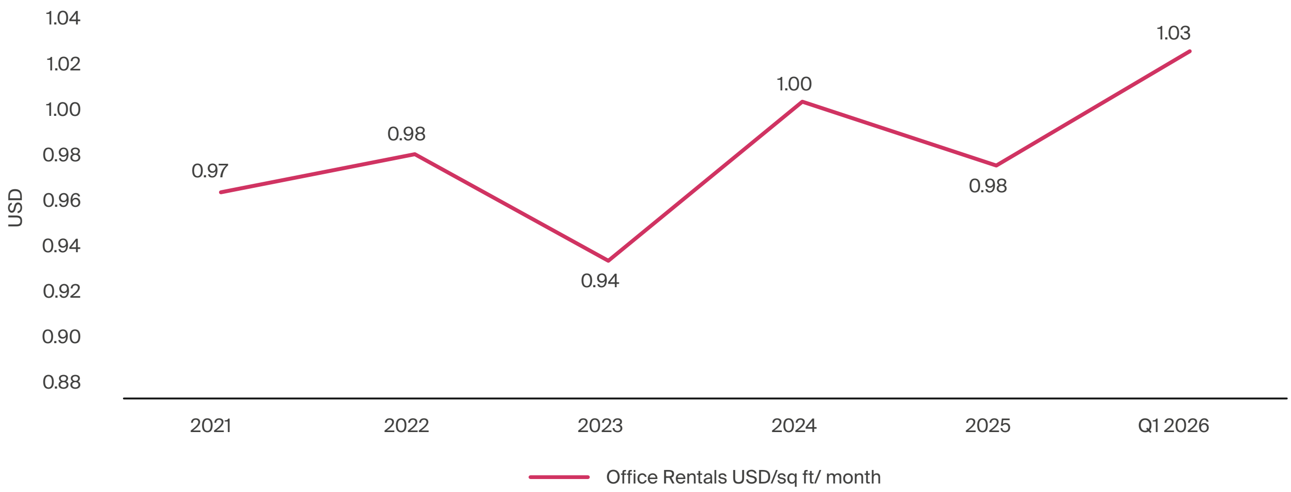
India's office market remains resilient, supported by sustained leasing activity across major markets. GCCs remain a key demand driver, supported by India's large skilled workforce, cost competitiveness and growing strategic importance within global corporate operations. Leasing activity has remained elevated across major office markets, while the inventory of institutional-grade assets continues to rise.

India Office Leasing Continues to Be Strong, with GCCs Maintaining a Significant Share



Source: Knight Frank Research

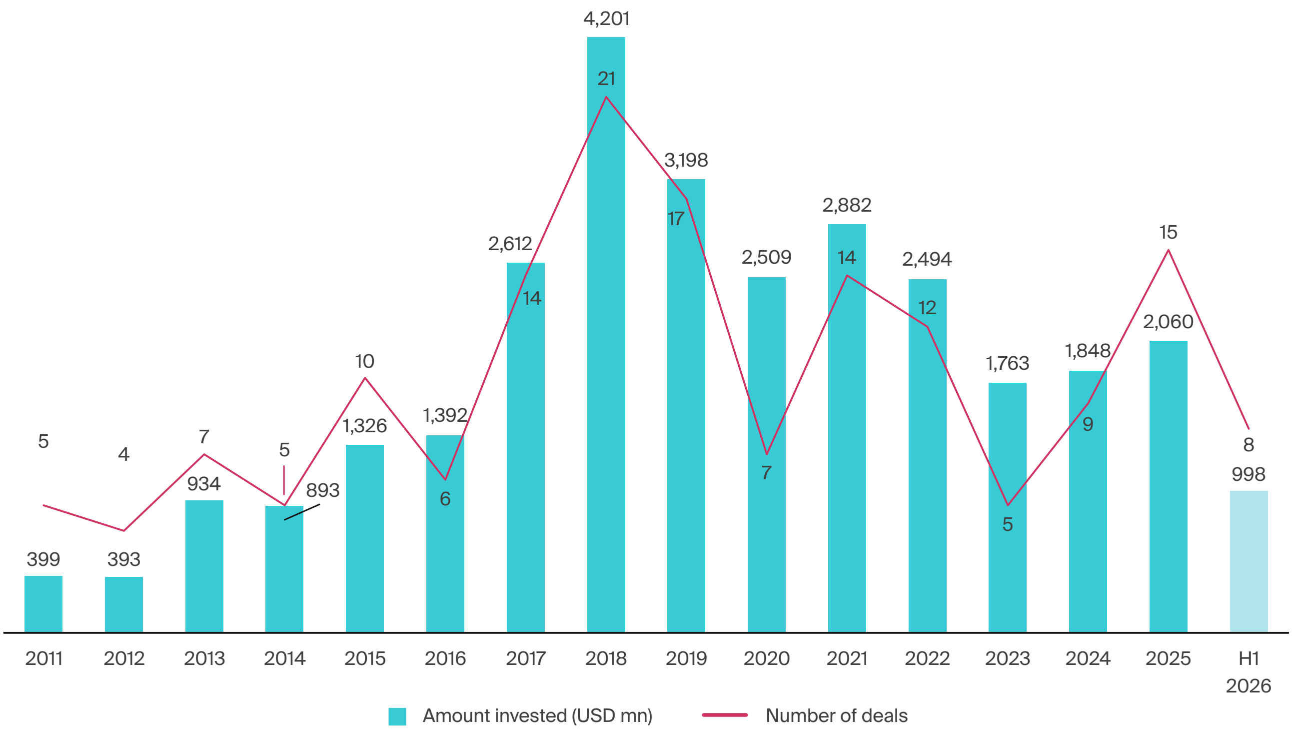
India's Sub-Dollar Office Rent Advantage



Source: Knight Frank Research

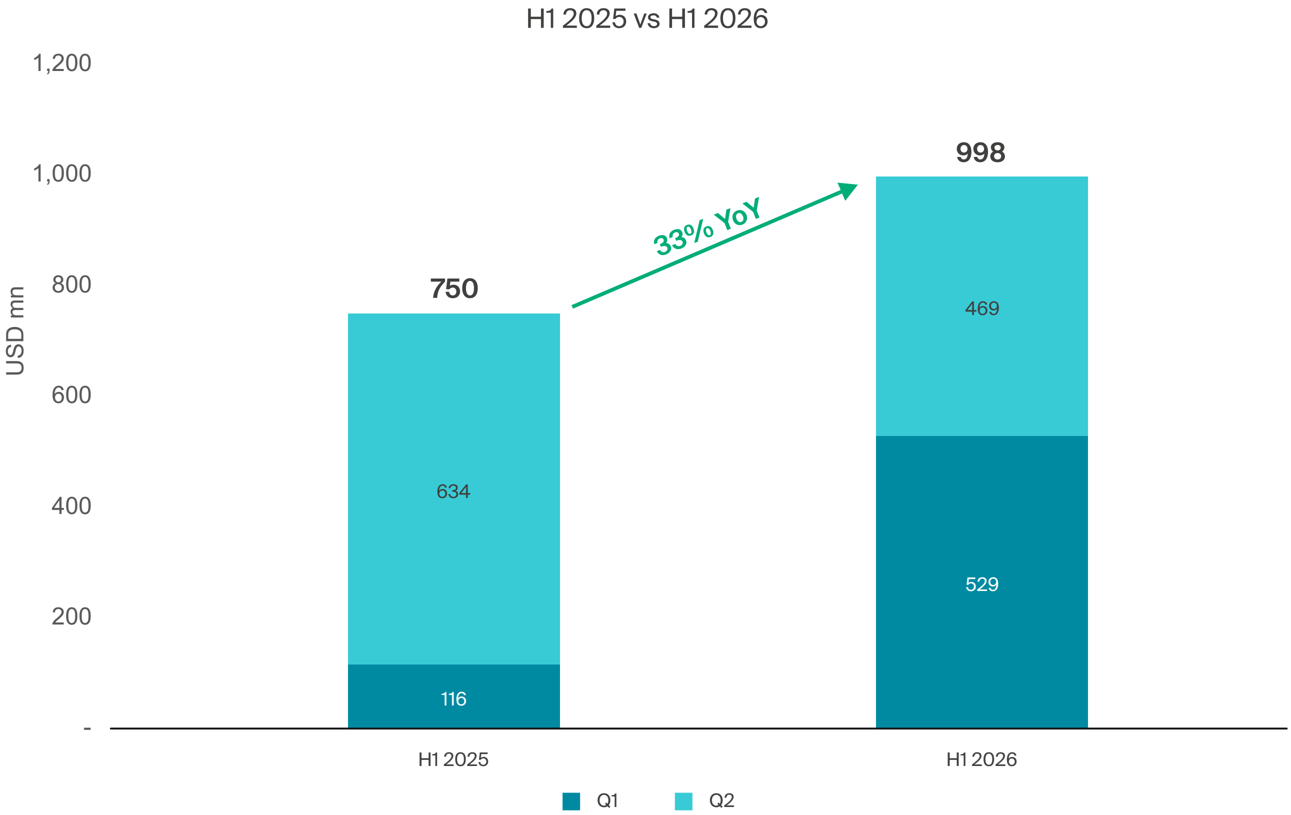
That demand strength shows up in capital allocation too. Office PE investment rose 33% YoY in H1 2026, the strongest performance across asset classes, with ready assets accounting for 75% of total office investment as investors prioritised visibility of cash flows and lower execution risk.

Office sector PE investment



Source: Knight Frank Research, Venture Intelligence
*Investments considered till 20th June 2026

PE investments in Office Sector rise by 33% in H1 2026



Source: Knight Frank Research, Venture Intelligence
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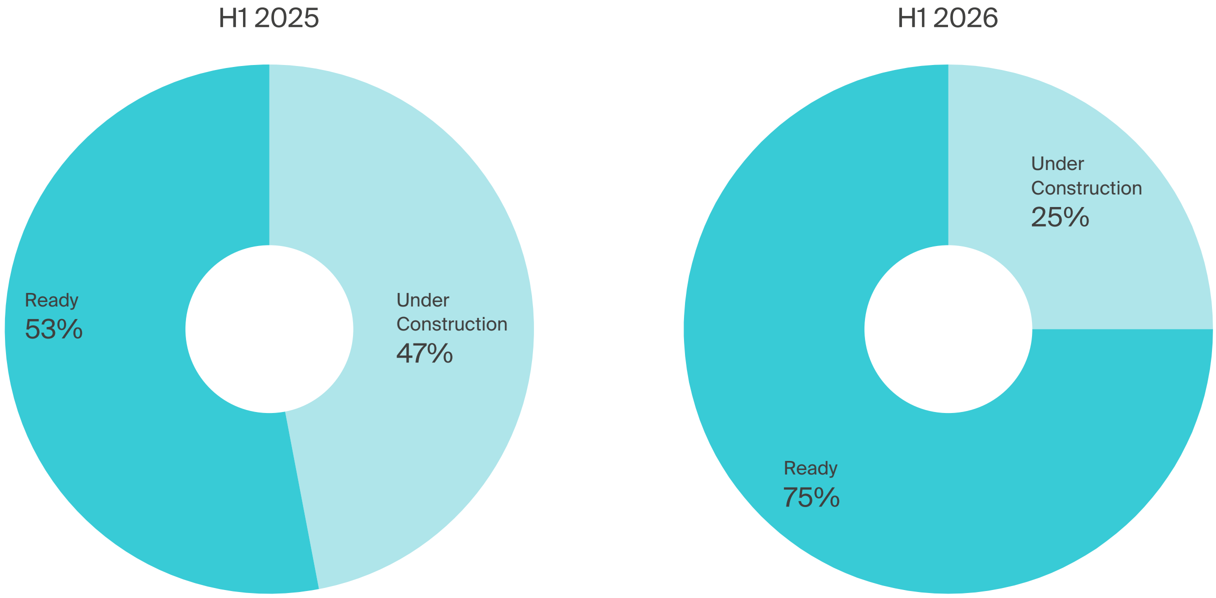
75% of the investments is in Ready assets

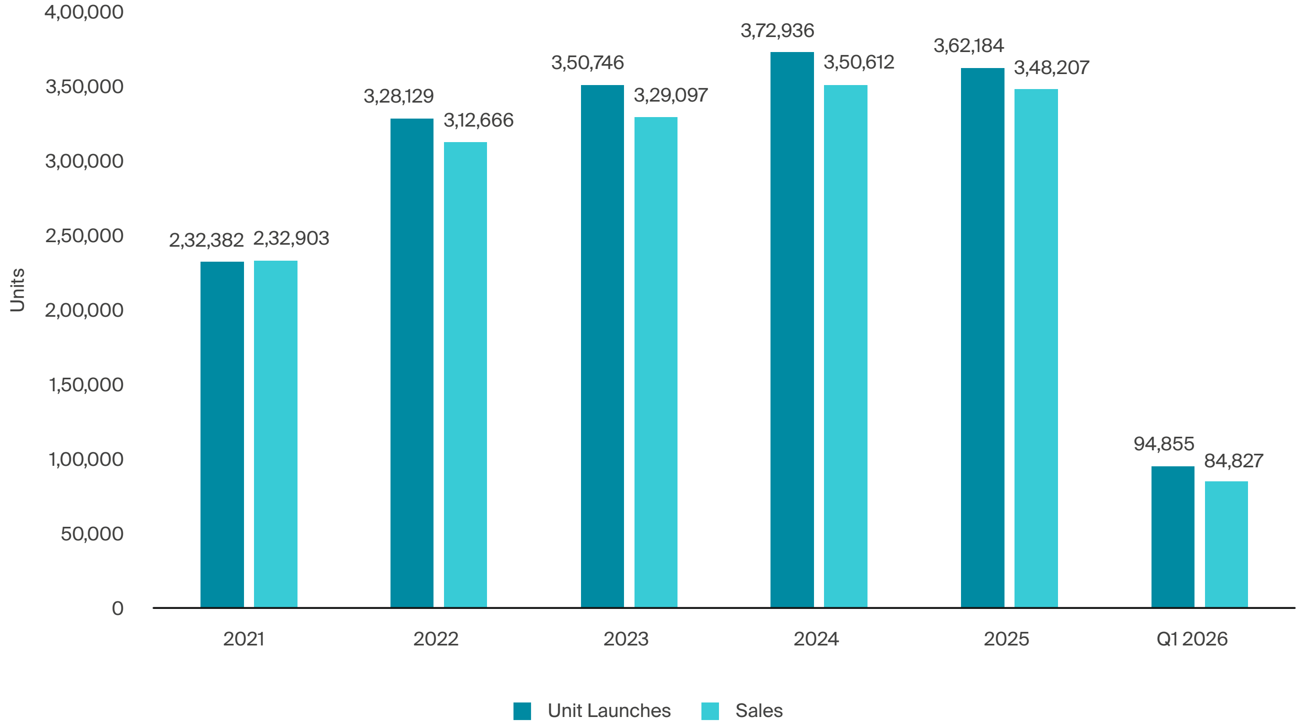


Source: Knight Frank Research, Venture Intelligence
*Investments considered till 20th June 2026

Residential Sector Investments – Selective Capital Deployment

Residential real estate has also become increasingly organised, with larger developers strengthening their market position. Improved balance sheets, greater transparency and stronger execution capabilities have supported continued institutional participation through development funding, platform investments and structured capital transactions.

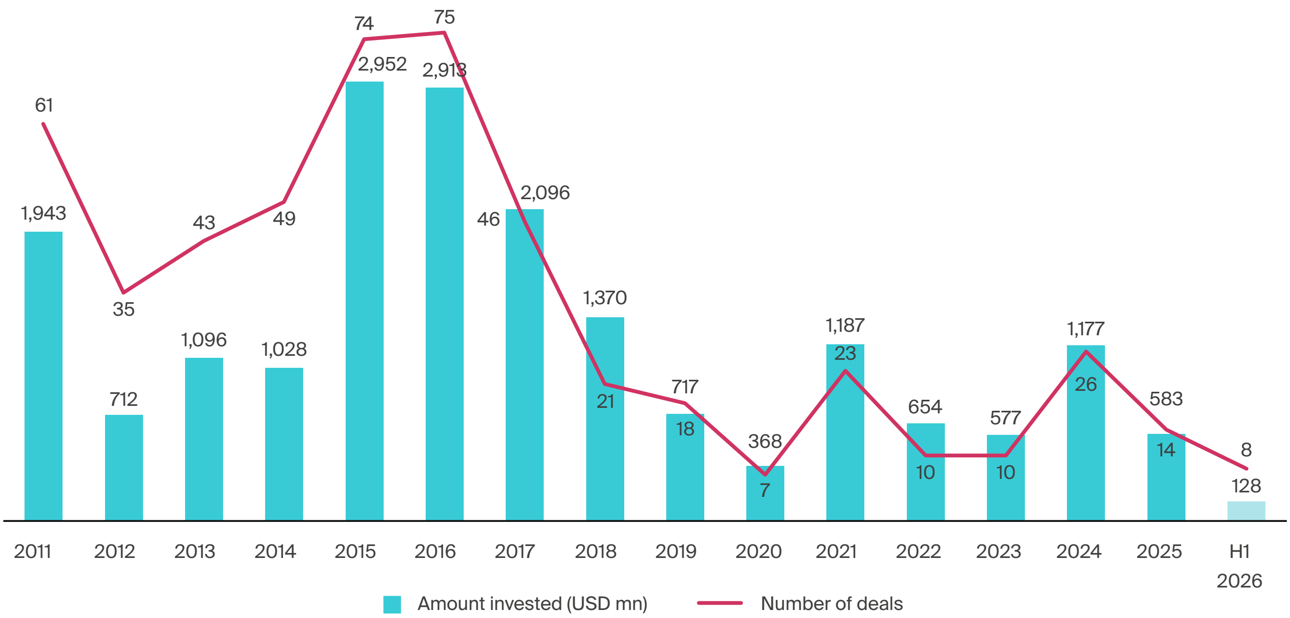
Residential real estate witnessed increased formalisation and consolidation



Source: Knight Frank Research

PE investment in residential declined 57% YoY, as investors turned selective in investments. Debt instruments accounted for a significant share of capital deployed, and activity concentrated in a handful of markets.

PE investments in residential sector



Source: Knight Frank Research, Venture Intelligence
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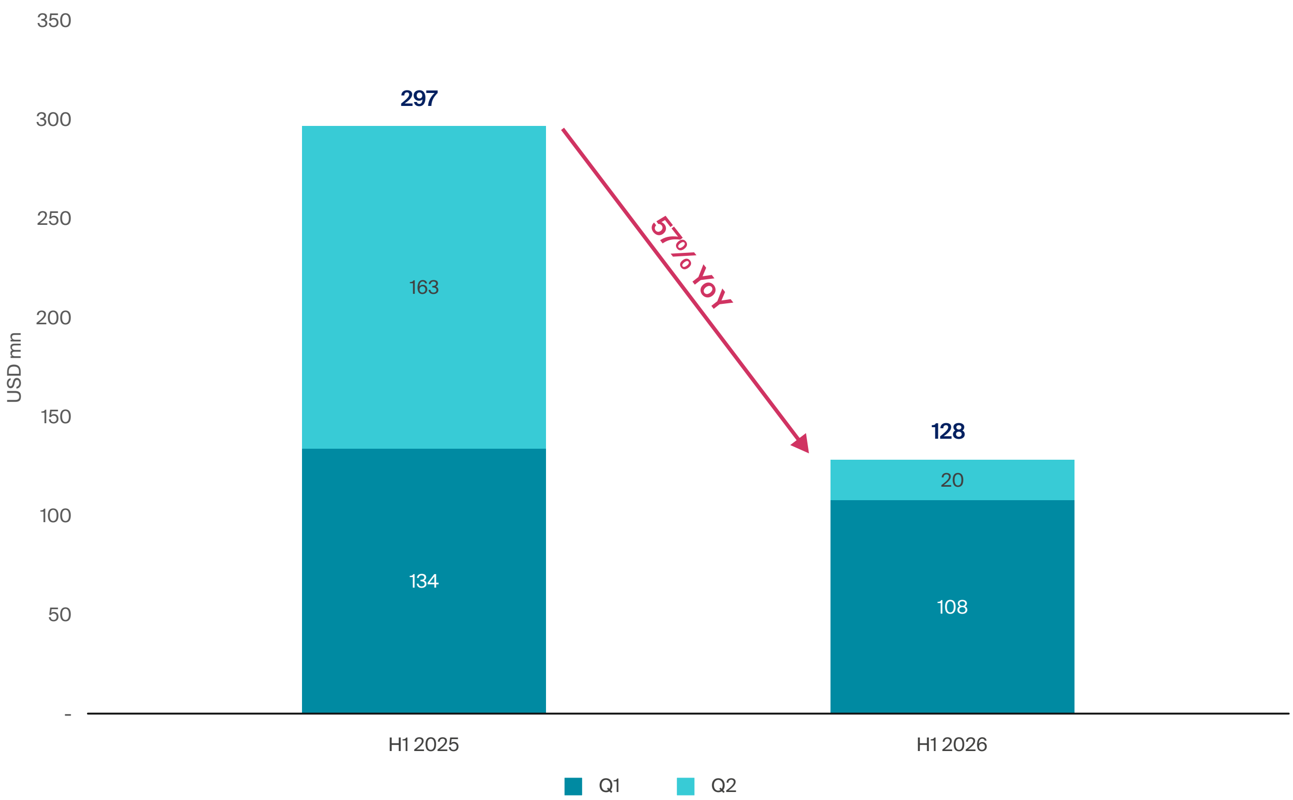
PE investments in Residential Sector dip 57% in H1 2026



Source: Knight Frank Research, Venture Intelligence
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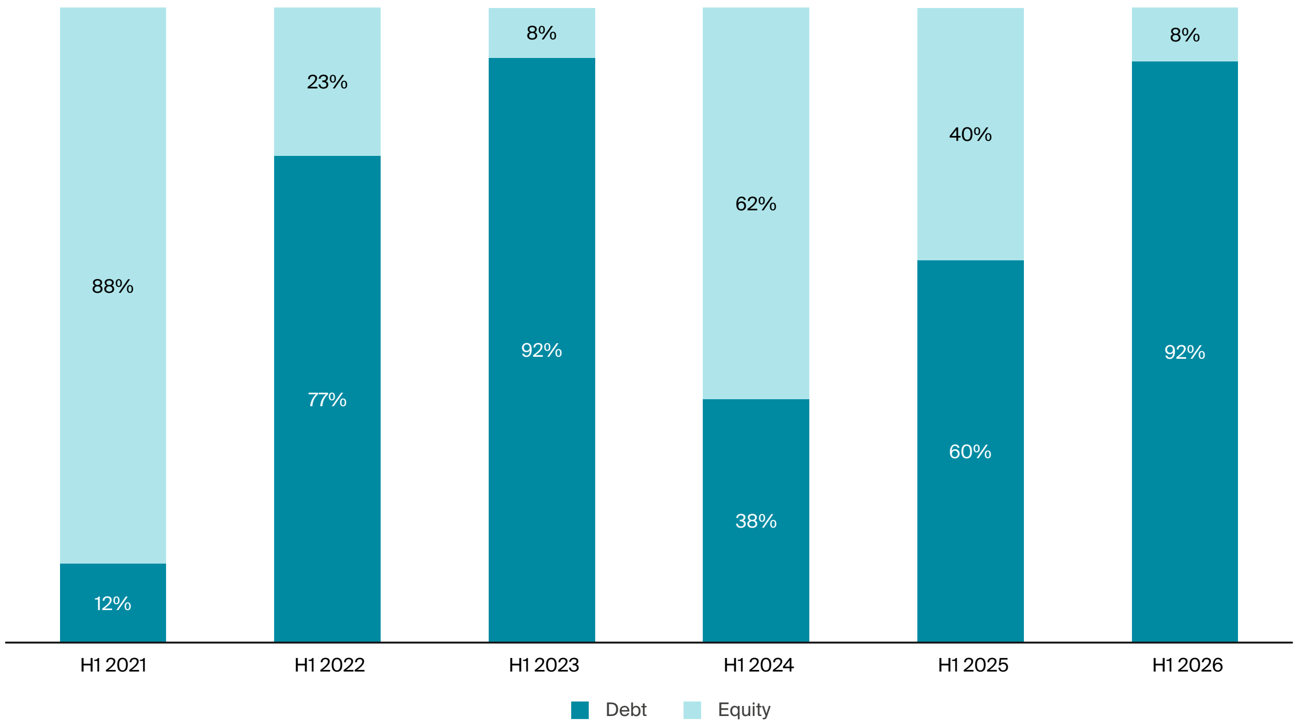
Debt vs. equity share in residential PE investments



Source: Knight Frank Research, Venture Intelligence

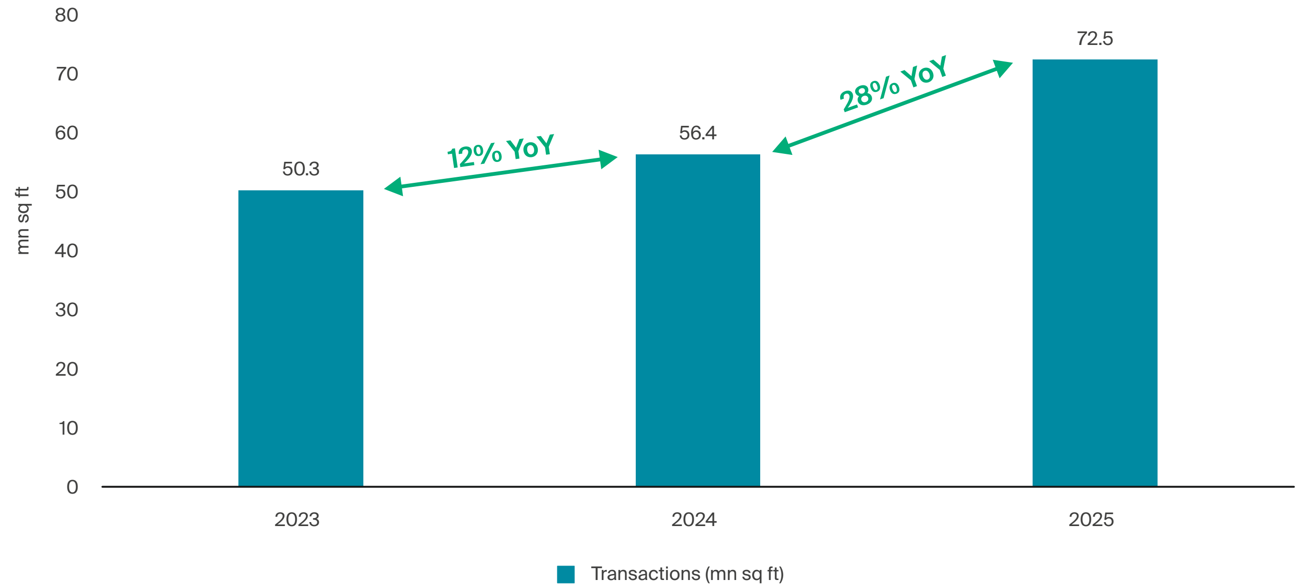
PE investments received across India in Residential Sector

Source: Knight Frank Research, Venture Intelligence

Warehousing and Retail: A Temporary Pause

The warehousing sector continued to benefit from structural drivers including e-commerce growth, supply-chain modernisation and manufacturing expansion, while organised retail strengthened alongside rising consumption and increasing formalisation.

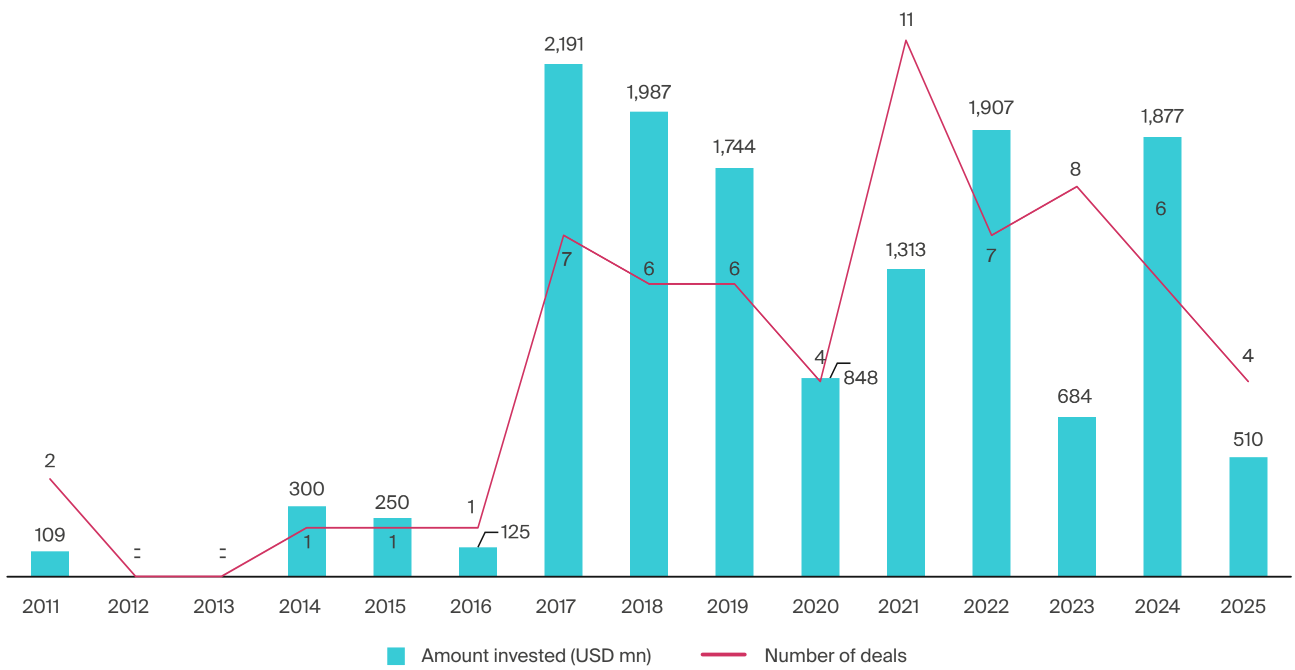
Warehousing Transactions Scaled New High



Source: Knight Frank Research

Despite these structural tailwinds, neither sector recorded fresh PE transactions in H1 2026. The gap reflects a wait-and-watch posture and limited availability of institutional-grade opportunities during the period, not a change in long-term attractiveness.

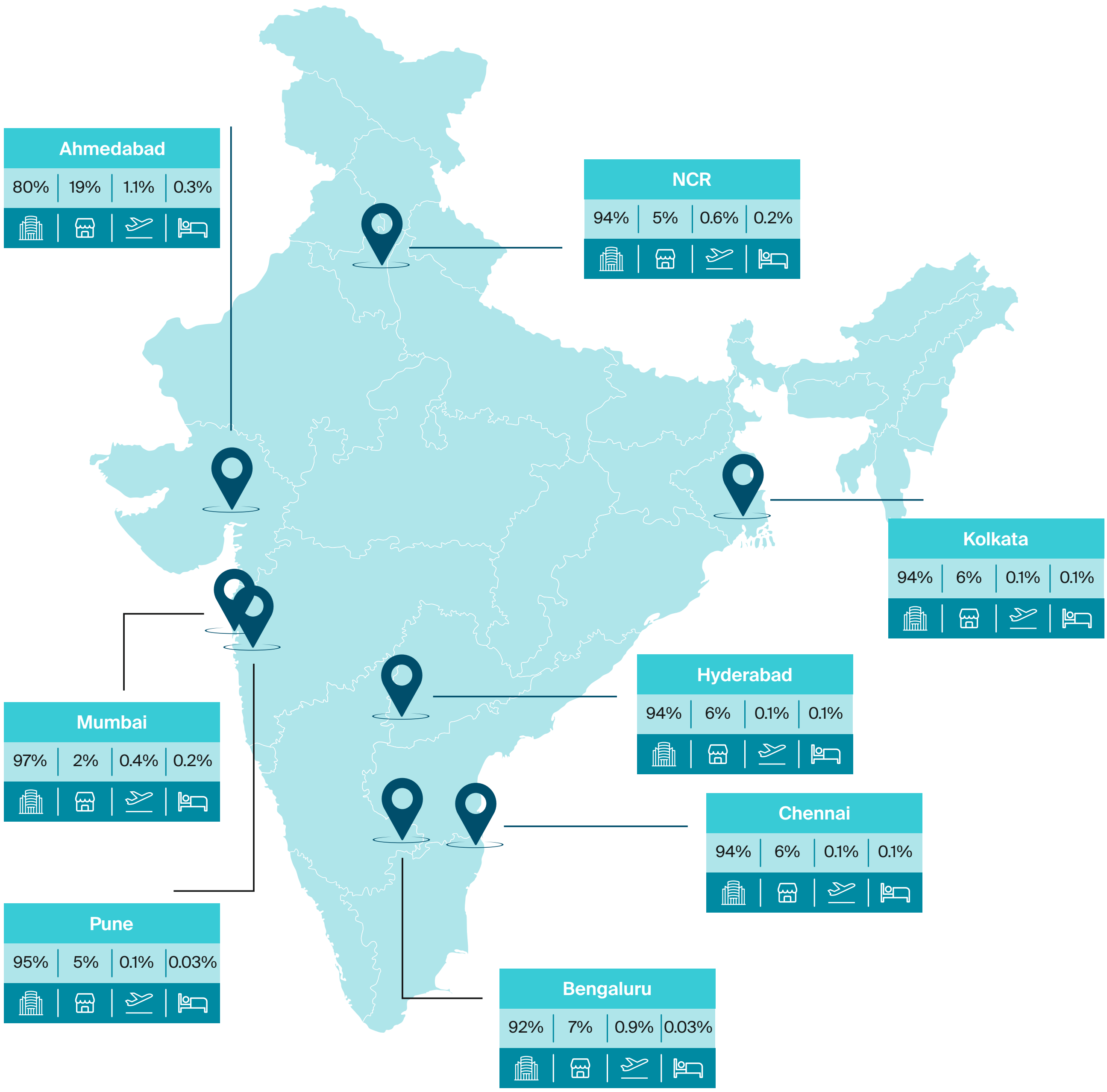
Warehousing PE Investment (2011–2025)



Source: Knight Frank Research, Venture Intelligence
*Investments considered till 20th June 2026

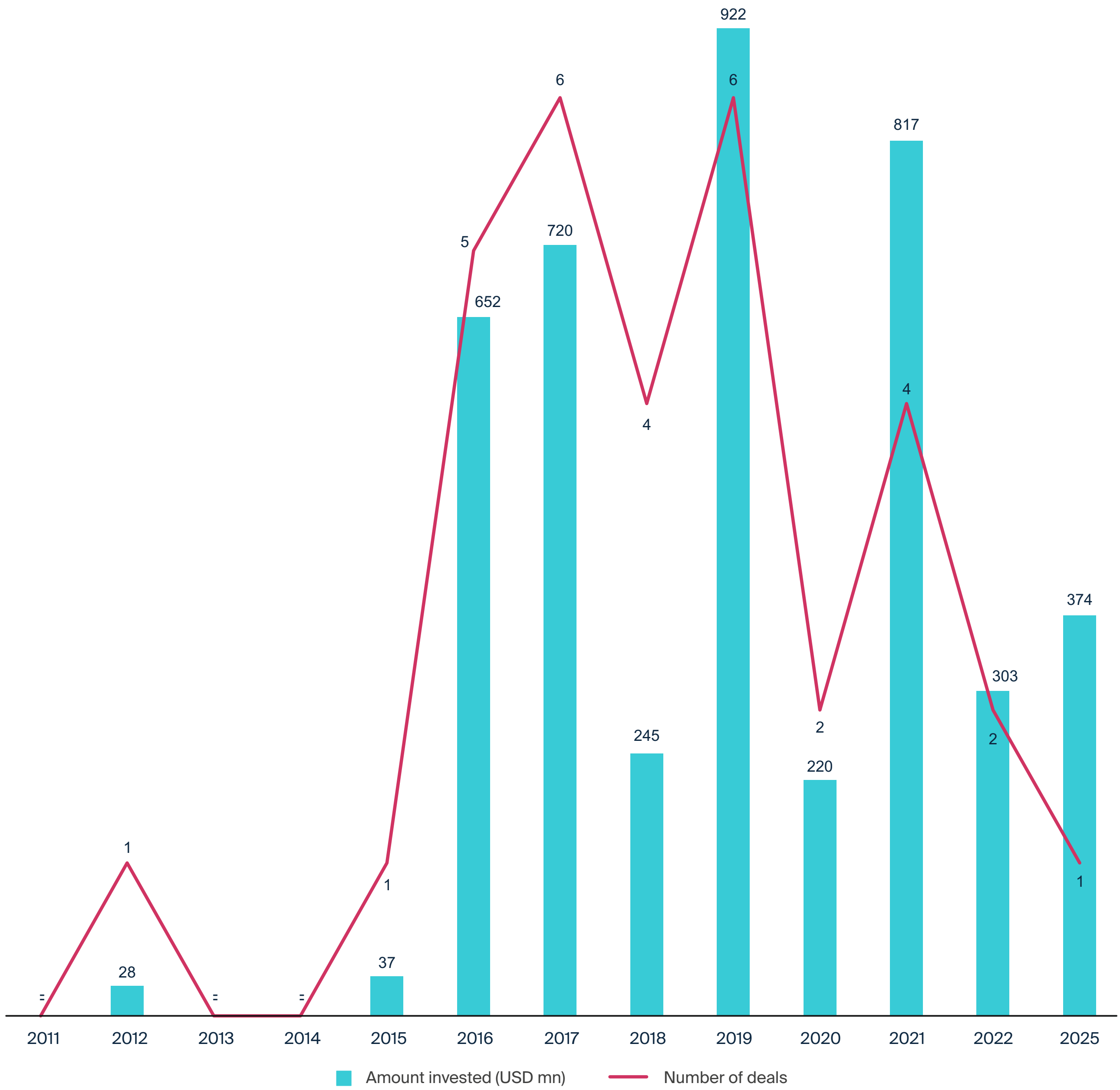
India's Retail Footprint continues to expand

Retail Stock Distribution in Tier 1 Cities
in Shopping Centres, High Street, Airports and 5 Star Hotels



% Share of Tier 1 stock of 105 Mn Sq Ft	
Shopping Centres	93%
High Street	6%
Airports	0.5%
Hotels	0.1%

PE Investments in Indian Retail Sector (2011–2025)



Source: Knight Frank Research, Venture Intelligence
*Investments considered till 20th June 2026

Taken together, these trends confirm that the moderation in PE investment activity cannot be attributed to weakening real estate fundamentals.

What's Weighing on Realised Returns

If fundamentals are intact, the explanation lies elsewhere, in the cost of capital itself. Money that was effectively free in 2021 and 2022 is no longer free, and investors have become correspondingly more selective, weighing valuation, currency exposure and taxation more heavily than they did when hurdle rates were lower.

The Indian Rupee has depreciated by around 10% over the past year and by roughly 25% since January 2021, and capital gains tax on listed securities was raised in July 2024. Currency and geopolitical conditions sit outside the control of domestic policymakers, but taxation does not.

Taxation as a Capital Attraction Tool

Among the various factors influencing PE capital allocation, taxation remains one of the few levers governments can directly influence. Global interest rates and currency movements lie largely outside the control of policymakers, but tax policy can materially alter post-tax returns and improve the relative attractiveness of an investment destination.

The Infrastructure Precedent

In 2020, the Government of India introduced Section 10(23FE) of the Income Tax Act, providing tax exemption on dividend, interest and capital gains income earned by eligible notified sovereign wealth funds and pension funds investing in specified infrastructure assets, including InvITs. The provision was subsequently extended until 31 March 2030, reaffirming the government's commitment to attracting long-term institutional capital into infrastructure.

The policy intervention coincided with a significant expansion of India's InvIT market and increased participation from global institutional investors. Of the 20 InvITs established in India, 15 have been launched since 2020. The market has also attracted participation from several globally recognised sovereign wealth funds and pension funds, including ADIA, GIC of Singapore, CPP Investments and Ontario Teachers' Pension Plan, through investments across infrastructure platforms and InvITs.

While multiple factors have contributed to the growth of the sector, including the broader global liquidity cycle of that period, the experience demonstrates how a clear, notified tax framework can support capital formation and deepen institutional participation in a specific asset class.

The G-Sec Exemption (2026)

A similar approach has recently been adopted in India's sovereign debt market. In June 2026, the Government of India exempted Foreign Institutional Investors (FIIs) and the Bank for International Settlements (BIS) from tax on interest income and capital gains arising from investments in government securities, aiming to strengthen India's position as a global investment destination and encourage greater participation in the country's sovereign debt market. The policy builds on earlier reforms integrating India's debt markets with global capital flows, including the Fully Accessible Route (FAR) and India's inclusion in major global bond indices.

As of May 2026, foreign portfolio investors held approximately USD 39.7 bn of Indian government securities, just 3.3% of the outstanding stock, and only 6.7% within the FAR segment, where no investment limits apply. The measure while too recent to evaluate on outcomes, but it confirms that policymakers continue to treat targeted tax relief as their preferred instrument for attracting foreign capital into strategic markets.

The Gap: Real Estate REITs

Internationally, several mature REIT markets have adopted tax-efficient structures to attract institutional capital. Singapore, for instance, provides a tax-transparent REIT framework and concessional withholding tax treatment for qualifying foreign investors. Similar structural approaches, REIT-level pass-through taxation in particular, exist across other major REIT jurisdictions, reflecting the broader role tax policy plays in supporting capital formation in this asset class.

A comparable targeted framework does not currently exist for listed REITs in India. Foreign investors remain subject to withholding taxes on distributions and applicable capital gains taxation, despite REITs representing one of the most transparent, regulated and liquid avenues through which institutional investors can gain exposure to India's income-generating real estate market.

Potential Economic Impact of Enhanced REIT Capital Flows

The relevance of REITs extends beyond capital markets. They provide long-term capital for the development, acquisition and ownership of institutional-grade commercial real estate, and they facilitate capital recycling: developers monetise completed assets through REIT platforms and redeploy capital into new developments, while investors gain a transparent, regulated vehicle for participating in India's commercial real estate growth.

India's office market continues to benefit from strong demand from GCCs, multinational corporations and domestic occupiers. Meeting that demand requires a sustained pipeline of high-quality development and the long-term institutional capital to fund it.

The scale of the potential impact is meaningful: based on prevailing development costs for Grade A office assets, an additional USD 1 bn of institutional capital could support approximately 5.9 mn sq ft of office development, nearly 7% of India's annual office transaction volumes in recent years. Additional supply at that scale supports the expansion requirements of GCCs, technology firms and financial services occupiers, who in turn contribute to employment, exports and broader economic activity.

REIT taxation isn't solely a question of investor returns. It concerns whether India's capital markets can attract the long-term institutional capital needed to build the commercial real estate infrastructure underpinning the country's position as a global business hub.

Any policy intervention here must be weighed against revenue implications and broader fiscal priorities, and the case isn't one-sided. REITs already benefit from a largely pass-through structure, and a market with six listed REITs and over 160 mn sq ft of completed assets is in a different position than the InvIT market was in 2020. But the infrastructure and G-sec experiences both demonstrate that a clear, notified framework can shift capital allocation by removing uncertainty for long-term institutional investors, and the case for considering something similar for REITs rests on the same logic, applied to an asset class now central to India's development story.

Conclusion

Indian Real Estate, Competing for Global Capital

Private equity investments in Indian real estate declined 23% YoY in H1 2026, extending the moderation seen since the post-pandemic investment cycle. The decline reflects a structural rise in global hurdle rates, compounded by near-term geopolitical uncertainty, rather than any weakening of India's real estate story. Office continued to attract significant institutional capital on the back of strong leasing and GCC expansion; residential investment was selective; warehousing and retail saw a temporary pause rather than a reassessment of long-term attractiveness.

Taxation is the one lever in this picture that policymakers control directly. Section 10(23FE) and the 2026 G-Sec exemption both show that targeted relief can deepen institutional participation when it removes uncertainty for long-term capital.

India's long-term real estate fundamentals remain firmly intact: urbanisation, economic growth, the institutionalisation of the sector and a growing stock of investment-grade assets are unchanged. The next phase of capital inflows is likely to be driven not by growth potential alone, but by the combination of strong fundamentals, policy attractiveness and the ability to deliver predictable, post-tax, risk-adjusted returns at scale.

AUTHOR

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

DESIGN & GRAPHICS

Nitin More
Assistant Vice President – Design and Graphics
nitin.more@in.knightfrank.com

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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

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