

UNION BUDGET

2025 - 26

Better never settles

EXECUTIVE SUMMARY

Against a variety of expectations pouring in over the last few days from the real estate fraternity, the Union Budget 2025-26 seems to have meaningfully addressed many. This will definitely help in boosting the confidence of all real estate stakeholders, including developers, occupiers, operators and investors. Households have enough reasons to cheer as there is renewed focus on generating more resources for delivery of affordable homes. Besides, a higher disposable income in the hands of Indian middle class has been an ask for some time and that got delivered eventually, bringing-in a lot of cheer!

On the housing sector, the addition of one more self-occupied house that can be claimed without conditions for nil value for taxation purpose is a big plus. Besides, enhanced outlay and reach of SWAMIH fund 2 and enhanced scope of asset monetisation of PSUs could revive interest in affordable homes.

We are excited at the growth prospects this budget would offer to commercial real estate through manufacturing, hospitality, retail and knowledge-based sectors such as GCCs and start-ups. The warehousing and industrial sector combined has been growing fast, particularly after introduction of PLI scheme in 2020, thereby generating over 50 MSF of annual demand for real estate sector in last 3-4 years. Higher credit allocation to the MSME sector for adopting technology and clean tech paves way for a sustainable growth in the segment. Encouragement for component manufacturers, boost for air cargo, etc. will further enhance the overall appeal of the sector to global manufacturers.

Initiatives for enhancing capacities of AI Center of Excellence (COE), IITs and medical colleges, along with bringing gig workers into the organized job framework are extremely positive moves. These would benefit the new-age start-ups, global capability centers and e-commerce/quick-commerce players immensely.

GCCs have been a big growth driver for the office real estate sector. In 2024, GCC's contributed 28-30% to Grade-A office gross leasing volume across major tier-I cities, and their share has been consistently rising post-Covid. Today's budget gave a boost to GCCs, as it touched upon development of tier-II cities, ease of doing business, enhancing capacities of technical education institutes, and also by improving the digital, physical and power infrastructure of the nation.

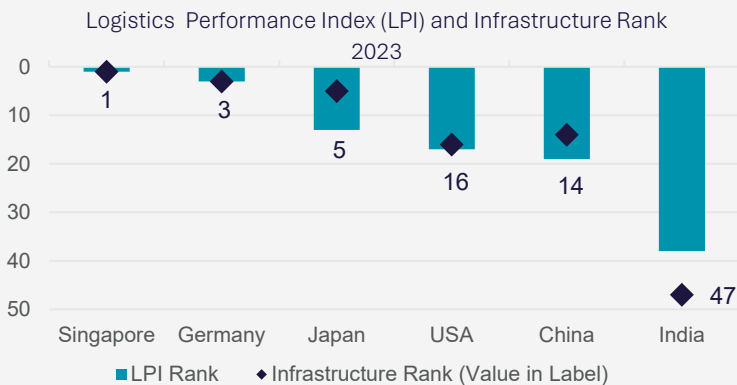
A roadmap to install 100 GW of nuclear power capacity over next 20 odd-years (from merely ~8GW installed in 2024), along with other power sector reforms, are big initiatives that would help secure clean source for power for India's critical data center industry. A Cushman & Wakefield data center report released in 2024, which has been quoted by the Economic Survey of India 2024-25, highlights under-penetration of colo data centers in India and the need for the sector to access clean sources of power.

Overall, it was a budget that serves greater good for the commercial real estate sector through multiple channels, and this is done without compromising on the needs of retail households, mid-segment homebuyers and government's own fiscal balance.

LOGISTICS & INDUSTRIAL SECTORS

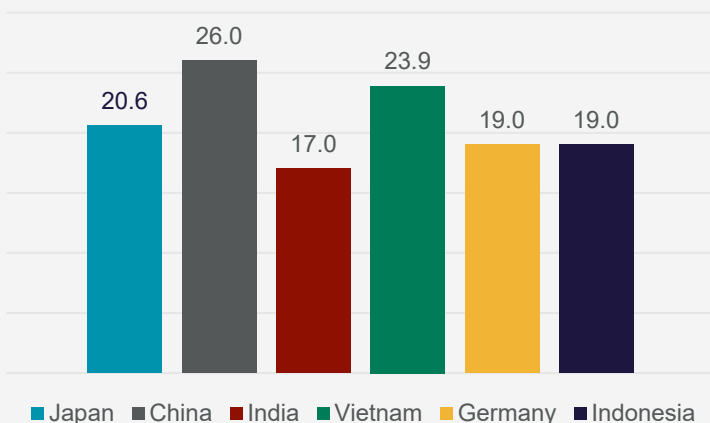
“Inspired by the Economic Survey 2024-25, which called for enhancing domestic growth engines, the Union Budget 2025-26 focuses on manufacturing, investments, and consumption to stimulate the economy. Establishing a National Manufacturing Mission for industry is crucial for advancing the "Make in India" initiative. The government’s announcement to develop domestic manufacturing capacities by supporting MSMEs will help integrate the economy with global supply chains. Additionally, exemptions for capital goods will promote lithium-ion battery production for EVs and mobile phones.”

India’s Logistics Performance Index and Infra Rank for 2023 Has to do some Catching-up



Manufacturing Sector in India Contributes ~17% to the Country’s GDP, lower than Countries Like Indonesia, Vietnam and China

% Share of Manufacturing in GDP in 2023



Pre-Budget Top Expectations for Sector

1. For most major economies, logistics cost typically range from 8% to 10% of GDP. The industry expects increased outlay on infrastructure to bring down the figure in India from 14%-18%.
2. Currently PLI is for only 14 sectors. Furniture, Space, and Consumer Electronics sectors seek new PLI schemes. Bharat 6G Alliance has recommended extending mobile devices PLI scheme until 2030.
3. Post-harvest losses in selected crops range between 3% to 12%. The food industry as a whole and the warehouse sector seek relaxation in the capacity requirement for Central/ State government assistance for construction/Expansion/ Modernization of cold storages.
4. Support for R&D & reintroduction of corporate tax concessions (15-18% tax rate) for setting up new manufacturing unit, thereby encouraging fresh investments.

Budget Announcements

1. MSME and startup credit guarantees doubled, enabling ₹1.5L Cr additional funding over five years.
2. Five new National Centres of Excellence for Skilling to equip youth with latest job-ready skills
3. National action plan for toys to make India a global hub for toys.
4. A National Manufacturing Mission covering small, medium and large industries for furthering “Make in India” by providing policy support, execution roadmaps, governance and monitoring framework for central ministries and states.
5. The investment and turnover limits for classification of all MSMEs will be enhanced to 2.5 and 2 times, respectively.
6. Infrastructure upgrade and warehousing for air cargo including high value perishable horticultural produce

C&W Verdict



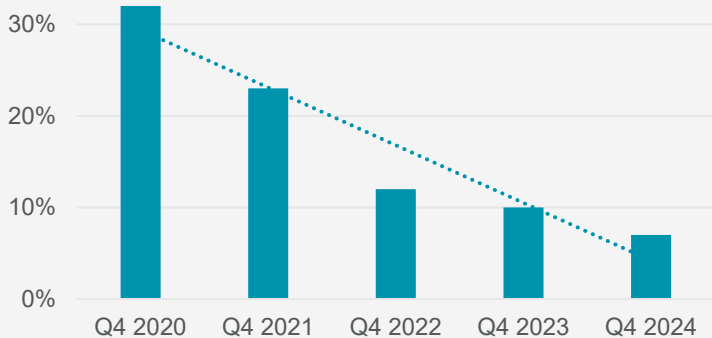
Positive

RESIDENTIAL SECTORS

“Union Budget 2025-26 boosted the affordable & mid-segment housing sector with SWAMIH Fund 2.0, allocating INR 15,000 crores to complete one lakh stalled homes. The increase in TDS threshold for rent to INR 6 lakhs simplifies compliance, benefiting small taxpayers, while allowing Nil tax for two self-occupied properties encourages investment and homeownership.

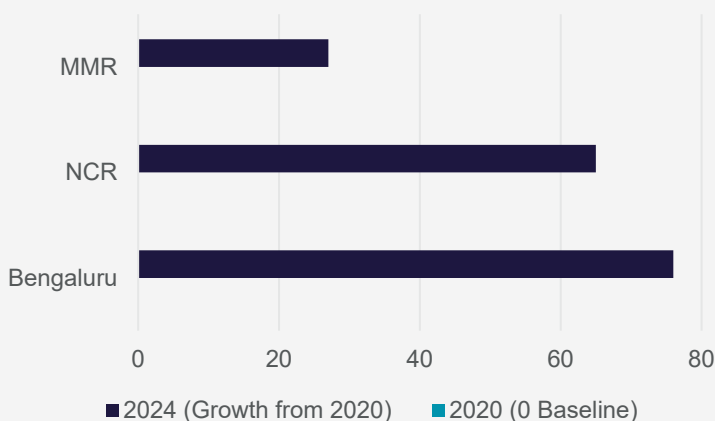
Though the budget missed addressing some points such as an update to the outdated affordable housing definition and higher home loan interest deduction limits, overall, the announcements will impact residential real estate sector positively and enable further growth.”

Dwindling share of affordable housing in overall residential unit launches



Source: C&W Research

Average Rental Growth (2020-2024)



Source: Secondary Sources

Pre-Budget

Top Expectations for Sector

- Affordable housing eligibility limit of INR 45 lakh does not align with market conditions. Housing prices have risen 40-50% since 2017, & market share dropped from 32% (2020) to 7% (2024).
- Reinstate & expand CLSS for MIG-I & MIG-II to provide financial relief amid rising housing costs.
- Land prices in MMR, Bengaluru, & Delhi NCR has risen 1.5-2.5X annually; bring underutilized land under PSU entities for affordable housing.
- Increase SWAMIH funding to revive 5 lakh* stalled housing units; expand market access & incentivize private sector participation.
- Expand Affordable Rental Housing Complexes (ARHC) in high-migration cities, with 3.3 million** students & 29%*** of workforce migrating for jobs.
- Increase INR 2 lakh home loan interest deduction, separate principal repayment from Section 80C, extend benefits to 115BAC regime (new tax regime)

Budget Announcements

- Second Asset Monetization Plan (2025-30) to reinvest INR 10 lakh crore in new projects and free up land, drive infrastructure growth & boost residential demand
- SWAMIH Fund 2, with INR 15,000 crore, to expedite completion of 1 lakh housing units, facilitating middle class home ownership.
- Individuals can declare up to two self-occupied properties as tax-free, eliminating income tax on imputed rental value.
- TDS thresholds raised, interest exemption for seniors increased from INR 50,000 to INR 1 lakh. Rent limit raised from INR 2.4 lakh to INR 6 lakh, reducing tax burden on small taxpayers.

C&W Verdict



Positive

*<https://rb.gy/zzhtcz>

**<https://rb.gy/xinay4>

*** <https://rb.gy/xjsc8x>

COMMERCIAL OFFICE REAL ESTATE

“The budget strengthened the commercial office sector with a national framework to promote Global Capability Centres (GCCs) in tier-II cities. This framework would focus on improving talent availability, infrastructure, and fostering collaboration, which will drive demand for office spaces. With GCCs already accounting for 28-30% of office leasing in 2024, this initiative is positive for office sector. Focus on developing AI talent and expanding IIT capacity are welcome initiatives.

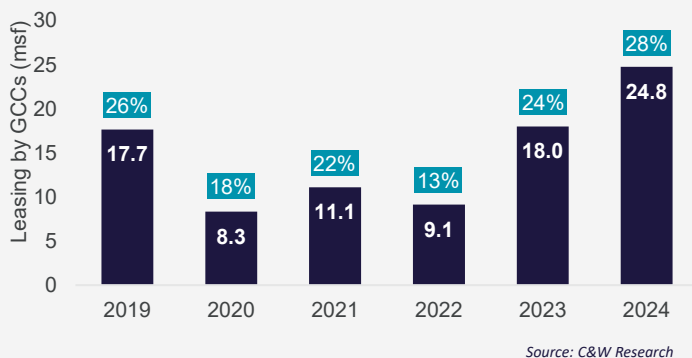
The extension of startup benefits and the incorporation period also support the commercial real estate market by giving emerging businesses more time to grow and scale. This is expected to result in higher office demand across major cities with robust tech talent.”

Pre-Budget

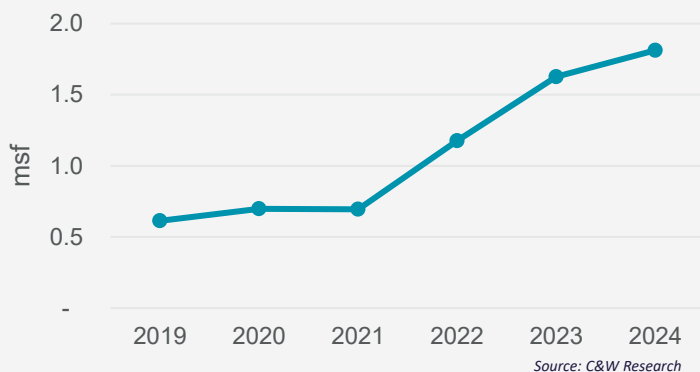
Top Expectations for Sector

1. GCC eGCCs' market share in overall office leasing is increasing, but high taxes hinder growth. Extend the 15% tax rate under Section 115BAB to GCCs to attract investment & boost commercial real estate.
2. Xpansion in Tier-2 cities is hindered by limited infrastructure & skilled labor. Offer tax holidays, simplified credit, & invest in infrastructure & skill development programs to attract GCC's.
3. Leasing volumes in GIFT City are rising, but attracting more global financial firms remains crucial. Extending tax exemptions under Section 10(23FE) until at least 2030 will boost the IFSC's appeal.
4. Reducing the tax rate on green bonds listed on GIFT IFSC from 9% to 5% will promote sustainable projects & enhance GIFT IFSC's green finance appeal.

GCC share (%) in office leasing consistently on the rise



IFCs gain momentum in India (GIFT city office leasing volume)



Budget Announcements

1. Startup tax incorporation period extended till 2030; Deep Tech Fund & expanded credit guarantee (from INR 10 crore to 20 crore) to drive innovation & office space demand from startups
2. National framework to boost GCCs in tier-2 cities by enhancing talent, infrastructure, & easing by-laws.
3. Expansion of IIT capacity & the new Centre of Excellence in AI will strengthen the talent pipeline, especially for GCCs.
4. Insurance FDI limit increased from 74% to 100%. Expected to attract global insurers to India.
5. Extension of Sunset Dates for IFSC units to 31st March 2030.

C&W Verdict



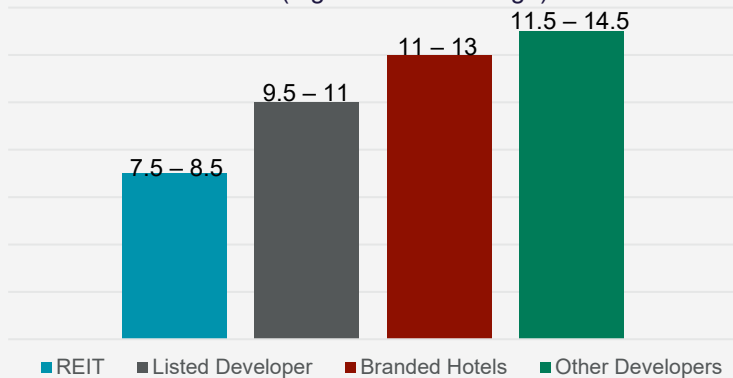
Positive

HOSPITALITY SECTOR

“Budget 2025-26 has made progressive announcements for the hospitality sector. The measures announced focus on developing destinations, enhancing skills, improving connectivity, and promoting medical tourism. The government aims to transform India into a globally competitive tourism hub through employment-led growth. As per the Economic Survey 2024-25, the tourism industry has made a robust comeback, regaining its pre-pandemic contribution of 5% to the GDP in FY23. The sector also became a significant employment generator, creating 7.6 crore jobs in FY23.”

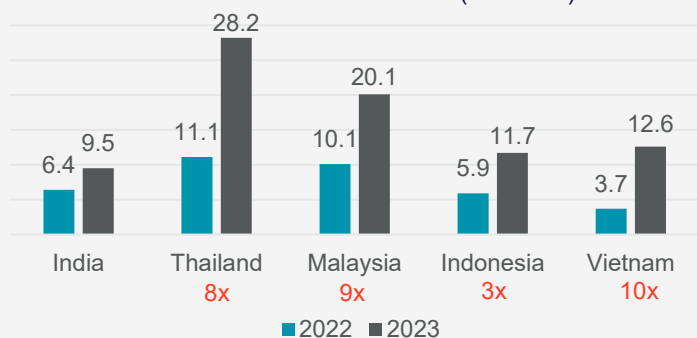
High Rate of Interest for Hotels Impacts their Cost of Operations and Future Expansion Plans.

Average Rate of Interest for Different Types of Entities (Figures in Percentage)



Indian International Tourist Arrivals in India Trails All Major Southeast Asian Countries

International Tourist Arrivals (in Million)



Figures in red under country names represents India's GDP multiple as compared to these countries

Sources: The World Bank, Ministry of Tourism - India, Thailand, Malaysia, Indonesia and Vietnam

Pre-Budget Top Expectations for Sector

1. As per reports, branded Hotels get loans at an interest rate of 11-13%, while the interest rate for REITs and listed developers is lower by 2-4%. The Hotel industry expects loans at lower rates for expansion drive.
2. Hotels, like most other businesses, can carry forward losses for up to 8 years, while most assets in the hotel industry have a depreciation rate of 10-15%. An increase on both these parameters is a long-standing demand of the hotel industry.
3. There are numerous licences and approvals (up to 40+ in some states) that are needed to open/operate a hotel in India. The industry hopes for reducing the number of approvals and a digital single window clearance system.
4. Upgradation of infra facilities at hotels and convention centres have a high upfront cost. Incentive from Govt. will help mid and small players adopt green initiatives.

Budget Announcements

1. Top 50 tourist destination sites will be developed in partnership with states. Hotels in those destinations will be included in the infrastructure HML, enabling access to cheaper finance.
2. Promotion of medical tourism and 'Heal in India' in partnership with the private sector along with capacity building and easier visa norms
3. Modified UDAN scheme to enhance regional connectivity by adding 120 new destinations and carry 4 crore passengers in 10 years.
4. Introduction of streamlined e-visa facilities along with visa-fee waivers for certain tourist groups.

C&W Verdict



Positive

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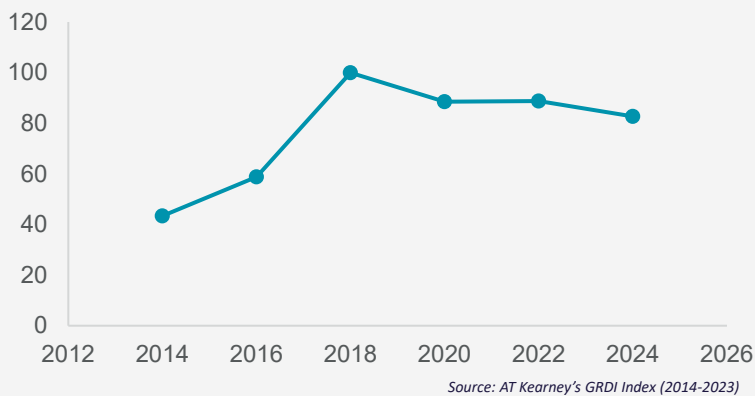
RETAIL SECTORS

“The budget bought significant relief to consumers by raising income tax threshold to INR 12.75 lakh, providing additional disposable income to middle-class consumers. This will boost household consumption on discretionary, benefiting retail businesses immensely.

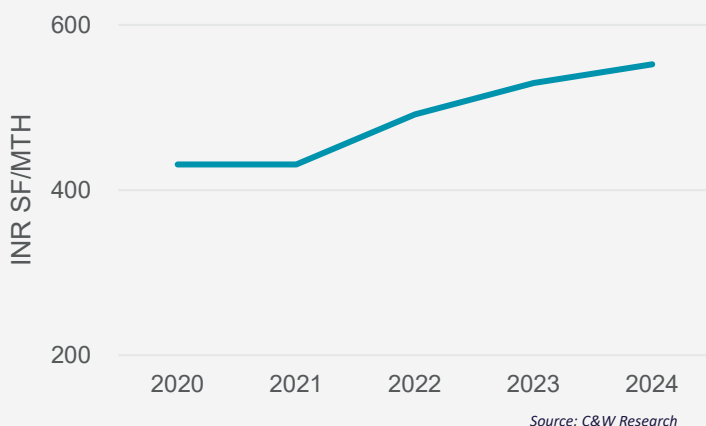
The focus on gig workers also enhances the retail landscape as the government will support nearly 1 crore gig workers with identity cards, registration on the e-Shram portal, and healthcare under PM Jan Arogya Yojana. This will further benefit the retail sector by improving skilled workforce and expanding consumer spending power. Overall, the budget impacts the retail sector by driving consumption and workforce stability and welfare.”

India's market attractiveness is high for global retailers (Time Pressure index; 100=high, 0=low)

The Time Pressure Index by AT Kearney gauges the urgency for market entry based on growth, competition, and opportunity loss. A high index signals intense pres



Avg. High Street Rentals (2020-2024)



Pre-Budget

Top Expectations for Sector

1. Retail faces a INR 20-25 lakh crore credit gap. Recognizing retail under MSMEs (SIDBI) can improve access to funding, driving growth & employment.
2. With global retailers entering India & local expansion, & high street rents rising 25-28% (2020-2024), reduce GST on rent to 12% & revise tax slabs to boost disposable income, driving retail growth.
3. Encourage franchising by providing accessible loans at attractive rates to tap into the INR 800 billion market, growing 30-35% annually. This will create local employment, reduce migration, & drive retail expansion.
4. Incentivize AI & IoT adoption for physical retailers to compete with digital players. Subsidies can drive tech adoption, improving inventory management & customer retention.
5. Reduce GST on commercial rent from 18% to 12% to ease the burden & drive retail expansion. Revise tax slabs to boost disposable income, encouraging discretionary spending.

Budget Announcements

1. The government will provide identity cards, e-Shram registration, & healthcare for gig workers, benefiting nearly 1 crore individuals. This will support the retail, e-commerce, & quick-commerce sectors, which rely on gig workers & enable smoother operations and industry growth
2. The new tax regime, exempting income up to INR 12 lakh (INR 12.75 lakh for salaried individuals due to the standard deduction), will reduce taxes & increase disposable income for consumers, boosting household consumption

C&W Verdict



Positive

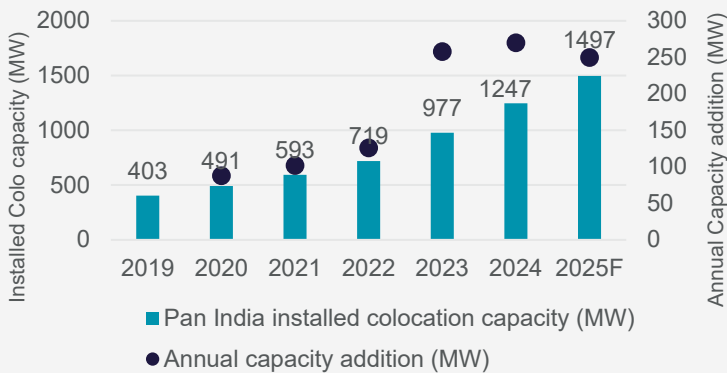
DATA CENTRES

“India’s third party colocation data centre capacity has surged 3x in the past five years. Rapidly rising digital consumption, cloud adoption and expanding coverage of new-age technologies (AI, 5G etc) has attracted major domestic and global players. Given that India’s data centre penetration is still relatively low, the Budget aims to maintain the growth momentum through major announcements on power sector reforms and fibre connectivity under Bharatnet. With more data centres becoming AI-ready, the power demand is likely to surge and power sector reforms are essential, which the Budget has focused on. While implementation of the National Data Centre Policy is pending, the Budget has made a concerted effort to enable faster industry growth.”

Pre-Budget Top Expectations for Sector

1. Improve digital infra: BharatNet, the government project for nationwide fibre project, aims to connect 2.64 lakh gram panchayats with high-speed broadband but it has been delayed. Implementation has been slow and only 5000 gram panchayat got connected in 2024. Funding needs to be allocated to the project and implementation expedited.
2. Despite growth of installed colocation capacity since 2020, India’s data centre penetration is low compared to major nations. Implementation of Draft National Data Centre Policy, which was unveiled in 2020, can further facilitate growth of the industry.
3. Budgetary allocation to set up Data Centre Parks with dedicated power infrastructure. Establish DC Parks in tier 2 cities with adequate power supply to reduce pressure on tier 1 cities
4. Subsidies or tax rebates to data centre firms for investments in green data centres.

Installed colocation data centre capacity, 2019-2025

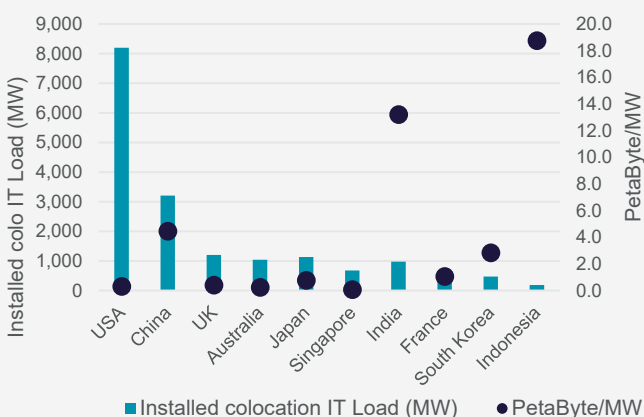


Source: C&W Research

Budget Announcements

1. Broadband connectivity for all rural government secondary schools and primary health centres under Bharatnet project.
2. Electricity distribution reforms and expansion of inter-state transmission capacity by states, enabling uninterrupted and smooth power supply for data centres.

Installed colo IT Load and PetaByte/MW in select nations



Source: C&W Research

Note: PetaByte/MW is calculated by dividing total mobile data consumed in terms of PetaByte by installed colo IT Load. Lower PetaByte/MW is better.

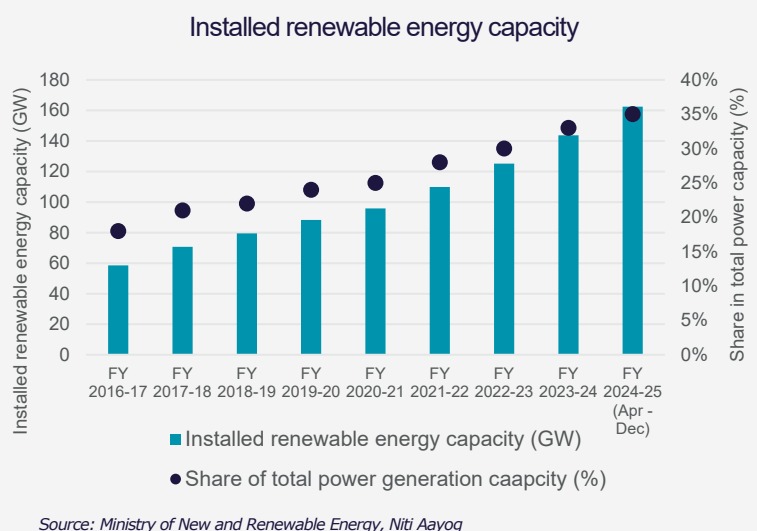
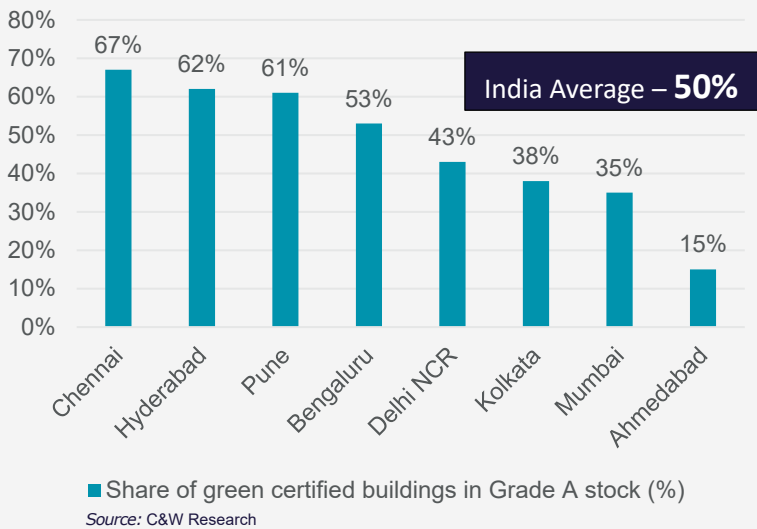
C&W Verdict



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SUSTAINABILITY

“India has been making strides in reducing carbon emission and expanding its renewable energy capacity over past few years. The Budget makes positive announcements in keeping with the objective of generating 500 GW in renewable power by 2030. A clean tech manufacturing ecosystem under the National Manufacturing Mission covering key products is positive from sustainability standpoint. Development of 100 GW of nuclear energy by 2047, and allocation of INR 20,000 crore for R&D in small modular reactors (SMR) will enable higher renewable power generation. Though there were no specific incentives for developers of green buildings, the Budget looks positive for the medium to long term national sustainability targets.”



Pre-Budget Top Expectations for Sector

1. Increase funding for renewable energy projects, such as wind, hydro and large solar, to meet India’s target of 500 GW of renewable energy capacity by 2030
2. Allocate funds for National Green Hydrogen Mission (NGHM), which aims to produce 5mn metric tonnes of green hydrogen per year by 2030. Green hydrogen production entails high production costs and needs financial incentives.
3. Easier access to ‘green financing’ for MSMEs
4. Incentives for developers for investments in ‘green buildings. While demand from GCCs is driving investments in green buildings, developers have been facing high construction costs and rapidly rising land prices. These buildings entail high short term costs and returns accrue over the long term. Budget needs to provide fiscal incentives for green building investments.

Budget Announcements

1. Clean tech manufacturing under National Manufacturing Mission to build ecosystem covering solar PV cells, EV batteries, grid scale batteries, wind turbines, very high voltage transmission equipment etc.
2. Development of atleast 100 GW of nuclear energy by 2047 in partnership with private sector to facilitate higher renewable power generation
3. Nuclear Energy Mission for Small Modular Reactors (SMR) with outlay of INR 20,000 crore. 5 SMRs to be operationalized by 2033.

C&W Verdict



Positive

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