CUSHMAN & WAKEFIELD

UNION BUDGET

2026-27

Better never settles

EXECUTIVE SUMMARY

India's Union Budget FY2026-27 arrives at a time of heightened global uncertainty, marked by shifting trade dynamics, tariff realignments, and geopolitical recalibrations that disrupted markets worldwide through 2025. In response to elevated global trade barriers, Indian policymakers have adopted a calibrated and forward-looking approach, prioritising economic resilience over short-term reaction. Consequently, India enters FY2026–27 from a position of relative strength, supported by robust GDP growth, controlled inflation, resilient exports, and increasingly diversified trade partnerships.

In this report, we present our observations on the key measures proposed in the Union Budget FY2026–27 and assess their implications for the real estate sector across asset classes - office, retail, logistics and warehousing, datas, residential, hospitality, and sustainability.

A key strategic announcement in the Budget was the articulation of an ambition for India's services exports to account for 10% of global services exports by 2047, up from the current 4–4.5%. This reinforces India's leadership in IT/ITES, business services, and Global Capability Centres (GCCs), providing a strong structural tailwind for office real estate. With India already accounting for a significant share of global office leasing activity, the Budget's emphasis on expanding commercial development beyond Tier-I cities is expected to unlock growth across Tier-II and Tier-III markets by combining cost efficiencies with deeper talent pools.

India's rising income levels have attracted global retail and hospitality brands, benefiting retail real estate through record-high occupancies across malls and high streets. While retail-specific measures were limited, tourism and hospitality received a meaningful boost through enhanced tourist infrastructure spending and targeted efforts to address skill gaps. The emphasis on eco, medical, spiritual, heritage, and adventure tourism is expected to drive sustained demand for hotel assets across both established and emerging clusters.

On the residential front, the sector continues to witness healthy momentum, supported by a shift in homebuyer preferences away from mid-income housing toward premium and luxury segments. However, the Budget missed an opportunity to address the widening demand–supply gap in the affordable and mid-income segments, where targeted policy or fiscal interventions could have enabled more balanced residential growth.

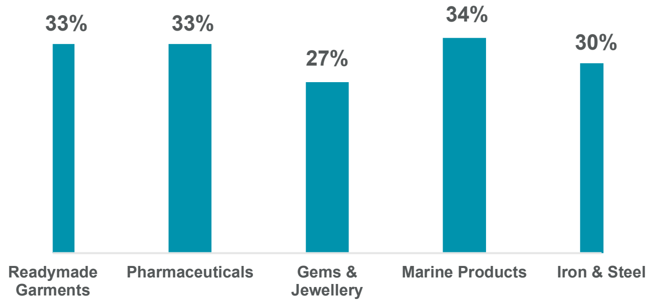
Manufacturing remains a key pillar of India's growth strategy. Building on the success of the PLI framework, the FY2026–27 Budget extends support to MSMEs and export-oriented manufacturers, including those operating from SEZs, enhancing long-term productivity and sustaining demand for industrial and warehousing real estate. Data centres continue to emerge as a standout alternative asset class. Following the grant of infrastructure status in the previous Budget, FY2026–27 proposes a tax holiday for foreign operators setting up data centres in India to serve offshore cloud demand, further strengthening the investment case amid growing reliance on stable and clean power.

Overall, presented on 1 February, the Union Budget FY2026–27 seeks to balance near-term economic stability with long-term structural transformation, reinforcing demand drivers across major real estate segments while enabling more geographically diversified and resilient growth over the medium to long term.

LOGISTICS & INDUSTRIAL SECTORS

High US market dependent sectors need near-term support from the Union Budget, and a strategy to diversify market

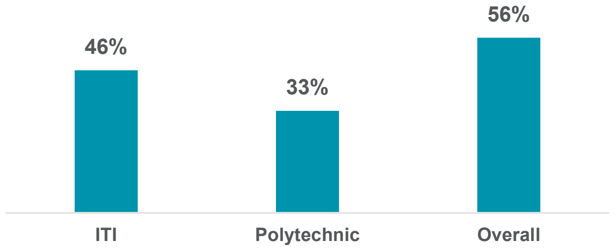
Share of USA in India's Exports (%)



Source: Union Ministry of Commerce, India

Targeted investment in skills can improve employability rate, increase workforce productivity, enhance quality of produce

Employability Ratio in India



Source: India Skills Report 2026

Pre-Budget Top Expectations for the Sector

1. 2025 was a challenging year for manufacturing exporters amid subdued global demand and heightened trade uncertainty. Exporting units located in SEZs, therefore, request greater access to the domestic market (Domestic Tariff Area (DTA) to offset losses from the fall in exports and enable reverse job-work and INR-based transactions.
2. Sectors such as textiles, gems and jewellery, seafood, pharmaceuticals, and iron and steel have been hit the most by high US tariffs. To support near-term volatility, these sectors seek financial relief through input subsidies and other budgetary support.
3. Access to formal credit channels remains a constraint for many manufacturing MSMEs, particularly in rural and semi-urban areas. Often, borrowers in these regions rely on expensive NBFC loans. The industry, therefore, expects measures such as interest subvention, higher MUDRA loan limits, structured refinancing options, and priority sector support.
4. While previous budget measures did help improve the employability rate of technicians coming from ITIs and other polytechnic institutes, overall employability continues to remain low, as per the India Skills Report 2026. Therefore, the industry is seeking higher allocation towards improving course curricula pertaining to AI, robotics, and automation.
5. To improve export competitiveness and indigenization, sectors such as construction and mining equipment, toys, leather, and footwear seek inclusion in the production-linked incentive (PLI) scheme.

Budget Announcements

1. A one-time SEZ DTA sales relaxation, combined with a INR 10,000 crore SME Growth Fund and a INR 2,000 crore Self-Reliant India (SRI) Fund top-up, is proposed. This addresses industry concerns around capacity utilisation, liquidity, and stability for MSMEs.
2. The Budget announced ISM 2.0 with an expanded INR 40,000 crore outlay for electronics and semiconductor manufacturing, alongside the launch of the INR 10,000 crore Biopharma Shakti initiative over five years. Together, these measures address industry expectations around scale, supply-chain security, specialised talent, and R&D infrastructure in high-tech manufacturing and life sciences.
3. To strengthen sustainable logistics infrastructure, the Budget outlined plans for the Dankuni–Surat Dedicated Freight Corridor and the operationalisation of 20 new National Waterways over the next five years.
4. The Budget supported sector-specific manufacturing with a INR 500 crore allocation for sports goods clusters and a INR 10,000 crore five-year container manufacturing scheme. This was complemented by capital support for textile modernisation, the National Fiber Scheme, dedicated textile clusters, and plug-and-play chemical manufacturing parks.

"The Budget signals a clear shift toward a technology-led manufacturing paradigm, with a strong emphasis on building resilient domestic supply chains rather than assembly-led growth. Through targeted interventions in semiconductors, biologics, critical minerals, and MSME financing, the policy framework deepens manufacturing capabilities and enhances supply-chain security, which is expected to translate into sustained demand for advanced industrial parks, R&D-led manufacturing facilities, and integrated logistics infrastructure over the medium to long term."

C&W Verdict **Positive**

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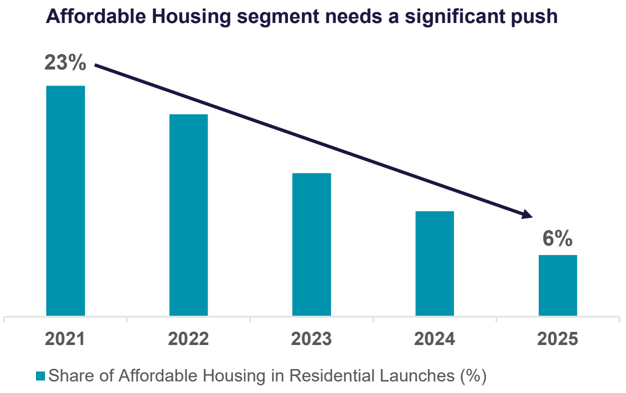
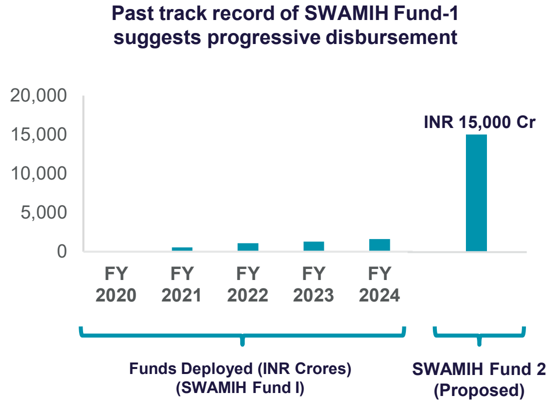
RESIDENTIAL SECTOR



Source: C&W Research



Source: Department of Economic Affairs, Union Ministry of Finance, India

Pre-Budget Top Expectations for the Sector

1. The supply of affordable homes has dwindled in recent times. The INR 15,000 crore allocation to the SWAMIH Fund-2 in last year's Budget was positive, although its deployment has been minimal so far. This year's Budget could deliver measures to trigger faster disbursements, thereby enabling momentum in the ~1 lakh stalled projects in the mid-income and affordable categories.
2. The industry has been advocating for an increase in the home loan tax deduction limit from the current INR 2 lakh to INR 5 lakh, to better align with prevailing market realities across India's major metropolitan cities.
3. The definition of affordable housing has been cited as disconnected from market reality across major metros, as it has not been revised since 2017. Therefore, the industry is asking for the current definition of INR 45 lakh to be revised to at least INR 75 lakh.
4. Higher land and construction costs have eroded market viability for affordable housing projects. Developers request the reinstatement of benefits under Section 80-IBA (100% tax deduction on profits from affordable projects), along with revisions to affordable unit size norms of 90 and 120 sq. m.
5. With 25–28% of urban households living in rental housing and demand continuing to outpace organised supply in major cities, the industry expects the Budget to advance a National Rental Housing Mission to scale affordable rental stock through targeted incentives and greater institutional participation.

Budget Announcements

1. While the industry anticipated targeted measures such as faster SWAMIH Fund-2 disbursements and reinstatement of Section 80-IBA to revive affordable supply and unlock ~1 lakh stalled projects, the Budget instead relied on higher public capex of 12.2 Lakh crore and infrastructure-led corridor development to indirectly support project viability and housing demand.
2. The Budget's proposal to develop five University Townships along major industrial and logistics corridors is expected to catalyse new residential clusters, boosting segments such as student housing and co-living. This is likely to encourage greater public and private sector participation and drive sustained demand across both rental and ownership housing.

"Budget for FY 2026-27 did not see new announcements for the housing industry, it has indirectly touched upon the housing sector by giving boost to infrastructure initiatives that will ultimately pave the way for housing in the respective regions.

Though the budget missed addressing pain points pertaining to the affordable housing and providing more tax rebates to encourage sales of housing sector, the impact on the housing sector overall remains neutral. Meanwhile, momentum in the high-end and luxury category is likely to sustain."

C&W Verdict **Neutral**

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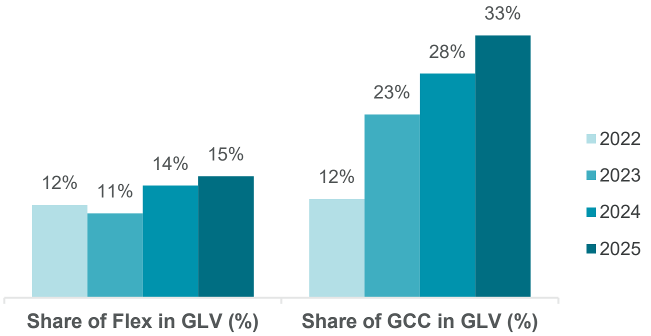
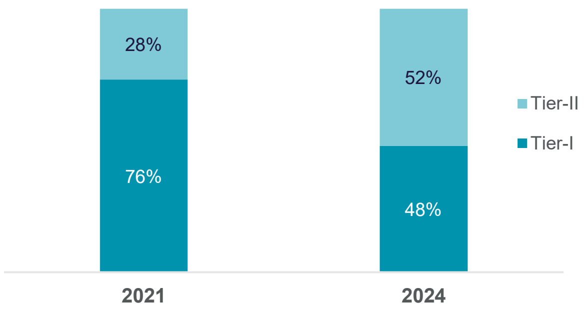
Rising Share of GCCs and Flex Workspace in the Gross Office Leasing Volume



Source: C&W Research

Land Transactions for Office: Tier II cities' share on the rise



Source: C&W Research

Pre-Budget Top Expectations for the Sector

1. GCCs are driving India's office real estate market today with nearly 1/3rd share in demand. The industry expects the budget to announce a concessional tax framework for GCCs and also reinstate 150-200% weighted deductions in R&D to foster innovation.
2. While last year's Budget introduced transfer pricing reforms, GCCs continue to face uncertainty around complex cross-border services, R&D and high-value operations. Industry expects this year's Budget to enhance transfer pricing frameworks through sector-specific safe harbours, extended coverage periods, clearer rules and simplified compliance to improve ease of doing business for GCCs.
3. Despite progress on a national GCC framework, skill gaps continue in advanced digital functions such as AI, data engineering, cloud computing and cybersecurity. Industry expects the Budget to prioritise GCC-aligned skilling programmes to address these gaps.
4. Despite growing adoption, flex offices lack formal sector recognition, creating regulatory and GST-related ambiguity. Industry expects the Union Budget to provide policy recognition, clarity on GST norms, support adoption by GCCs and startups, and promote expansion in Tier-II and Tier-III cities.
5. Tier-II cities have seen growing share of land transactions for office, rising from 28% in 2021 to 52% in 2024; Industry expects budget 2026 to build on previous urban initiatives through targeted measures that enable Grade-A office development and create employment hubs across emerging towns.

Budget Announcements

1. The Budget announced the mapping of cities as City Economic Regions (CERs), with an allocation of INR 5,000 crore per CER over five years. This initiative is aimed at accelerating economic growth in Tier II and Tier III cities, supporting their emergence as new economic hubs and strengthening demand for office space beyond major metros.
2. The Budget announced the establishment of a High-Powered Education to Employment and Enterprise Standing Committee for the services sector to assess the impact of emerging technologies, including AI, on jobs and skill requirements. The committee will recommend measures for AI integration in education and for upskilling and reskilling professionals, helping address skill gaps in advanced digital functions across the services sector, including Global Capability Centres (GCCs).
3. Software development, IT-enabled services, KPO/BPO and software-related contract R&D are proposed to be consolidated under Information Technology Services with a 15.5% safe harbour margin and an expanded eligibility threshold of INR 2,000 crore. The Budget also introduces automated approvals, five-year safe harbour validity and a fast-track unilateral APA process to improve ease of doing business for global service delivery operations, also benefiting GCCs.

"The Budget is positive for the office sector, with a clear push on services-led growth, skilling and infrastructure expansion beyond major metros. With services contributing 53.6% of GDP and India's global services trade share targeted to rise to 10% by 2047, demand fundamentals remain strong. City Economic Regions (CERs) are expected to support office demand in Tier II and III cities through new employment hubs, while skilling initiatives and revised safe harbour norms for IT services and Global Capability Centres (GCCs) improve expansion visibility and support sustained office space demand."

C&W Verdict **Positive**

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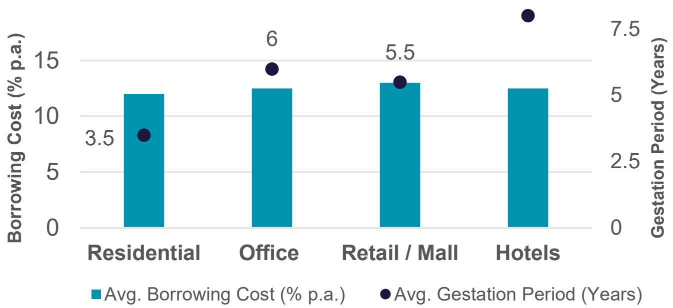
HOSPITALITY SECTOR

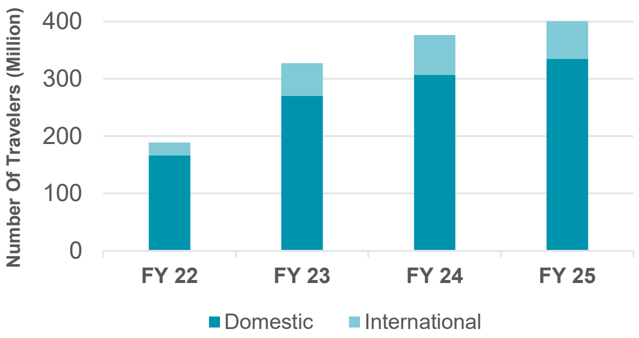
Hotels face high gestation period at similar borrowing cost



Sources: Industry disclosures

Note: Indicative values based on industry averages.
Actual borrowing costs and gestation periods vary from project to project.

Domestic and International Air Travel Has Scaled Sharply in India



Sources: Directorate General Of Civil Aviation (DGCA), India ;
Airports Authority Of India (AAI), Indian Brand Equity Foundation (IBEF);

Pre-Budget Top Expectations for the Sector

1. Hotel rooms priced ≤ INR 7,500 attract 5% GST without ITC, while operating inputs such as laundry, power, and housekeeping attract 18% GST. This creates cost distortions and compresses mid-market hotel margins. The ask is to allow partial ITC or a refund mechanism for sub-INR 7,500 hotels without increasing room tariffs.
2. Domestic travel volumes have scaled rapidly, but airports, railway stations, and other transport infrastructure often experience capacity pressure during peak seasons. The ask is for targeted budgetary support to expand capacity, modernise air and railway terminals, and improve last-mile access on high-footfall tourism corridors.
3. Hotel projects face multiple, time-consuming approvals across states—ranging from fire and excise to building and occupancy clearances—leading to project delays and cash flow pressures. Industry seeks a single-window clearance system with uniform timelines across states.
4. The hospitality sector continues to face high employee attrition and limited formal skilling at entry levels, even as the sector continues to scale across leisure, business, and spiritual tourism. The ask is to expand sector-wide skilling, certification, and apprenticeship programs aligned with hospitality demand.
5. Hotels have long development and stabilisation business cycles but rely on shorter-tenure, higher-cost loans compared to infrastructure assets. The ask is to grant infrastructure status to enable easier access to long-term financing.

Budget Announcements

1. The Budget announces expansion into medical, spiritual, eco, heritage, and adventure tourism, including five Regional Medical Value Tourism Hubs, broadening tourism beyond metro and leisure markets and supporting year-round demand across emerging tourism clusters.
2. Training of 10,000 tourist guides across 20 iconic sites and the creation of a National Institute of Hospitality addresses skill gaps in a largely informal sector. This is expected to improve service consistency, visitor experience, and operational reliability, supporting repeat tourism.
3. The Budget announces a National Destination Digital Knowledge Grid and immersive digital interpretation centres to digitally document tourist destinations, improve discoverability and visitor engagement, and create jobs in tourism technology and content.
4. The development of 15 archaeological sites, eco-tourism trails, Buddhist circuits, incentives for seaplane operations, and focused destination development in Purvodaya states and the North-East support destination clustering, last-mile connectivity, and region-led tourism growth in non-metro and emerging markets.

"Budget 2026-27 delivers a strong, ecosystem-led push to tourism, positioning it as a key driver of employment, regional development, and services-led growth. The focus on destination development, skilling and formalization, digital enablement, and connectivity across emerging tourism circuits is well aligned with industry expectation. As per the Economic Survey, travel and tourism contributed ~5.2% to GDP in FY24 and supported over 8 crore jobs, underscoring the sector's economic significance. The Budget meaningfully strengthens the foundation for sustained tourism growth beyond metros."

C&W Verdict **Positive**

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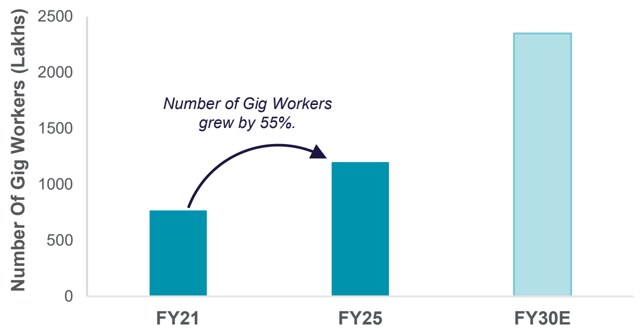
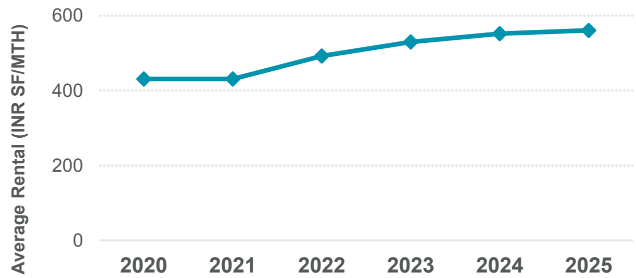
RETAIL SECTOR

Workforce Share projected to rise from 2% in Financial Year (FY) 2025 to ~6.7% by FY 2030



Source: NITI Aayog estimates; Economic Survey 2025–26

High Street Rentals Continue to Rise



Source: C&W Research

Pre-Budget Top Expectations for the Sector

1. Most daily-use consumer products attract 5% GST, while retail costs such as rent, warehouse, and power attract 18% GST. Retailers pay more tax on costs than they collect on sales, affecting working capital for kiranas and small stores. The ask is for faster GST refunds or improved Input Tax Credit (ITC) usability on rent and power, without increasing product prices.
2. Gig workers who are part of the retailing and e-commerce industry have been recognised under labour laws, with platforms mandated to provide social security and safety. However, delivery timings and local shift restrictions vary widely by geography. The ask is for national guidelines on delivery timings, aligned with worker safety and labour protections.
3. Retailers must obtain several approvals such as FSSAI, fire, Shops & Establishments registration, and excise, with procedures differing across states. This delays store openings by 3–6 months and slows organised retail expansion. The ask is for a single-window retail license portal with standardised timelines across states.
4. Dark stores operate under multiple regulations, but the interpretation of zoning, food licensing, fire safety, and labour regulations varies across states, particularly in residential or mixed-use areas. This increases compliance uncertainty, costs, and safety risks as the format scales. The ask is for a standardised definition of dark stores, with model zoning, licensing, and safety guidelines to ensure compliance and consumer safety.
5. Wide variation in property tax and municipal charges across cities creates cost uncertainty for mall and high-street retailers, directly impacting rental negotiations and store viability. The ask is for model guidance on greater predictability and transparency of local levies affecting retail properties.

Budget Announcements

1. The Budget announced SHE-Marts as community-owned retail outlets for women-led enterprises, building on the Lakhpati Didi programme. These are expected to expand retail presence in rural, Tier-2 and Tier-3 markets, supporting local consumption and enterprise-led growth.
2. Support for Assistive Technology Marts and strengthening of PM Divyasha Kendras as modern retail-style centres for Divyangjans (persons with disabilities) and senior citizens. This will create a new retail category focused on essential and assistive products, with potential demand from an under-served consumer segment.

"Budget 2026–27 provides limited direct support to the retail sector, with no targeted measures for organised retail formats. While personal income tax relief may offer some near-term support to household spending, retail performance is expected to continue being driven by underlying consumption trends rather than sector-specific policy interventions. As per the Economic Survey 2025–26, private consumption accounted for an estimated 61.5% of GDP in FY26 (advanced estimates) the highest since 2012, indicating strong demand fundamentals that should help retail maintain its growth momentum despite the absence of incremental Budget catalysts."

C&W Verdict **Neutral**

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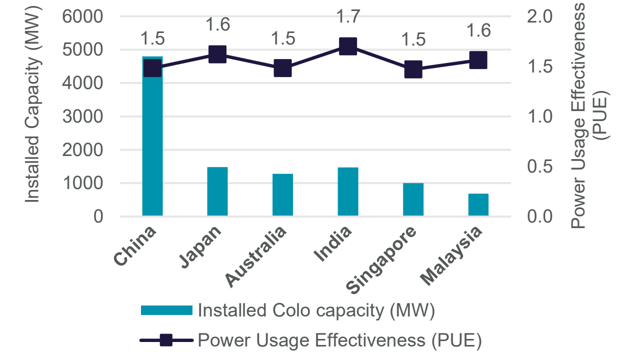
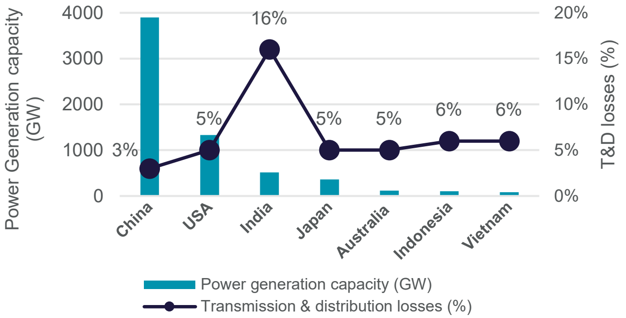
DATA CENTRE

Colocation (Colo) Data Centre Capacity & PUE across countries



Source: C&W Research, ASEAN Briefing, Cloudscene, Carbon Brief

T&D losses in power distribution is high in India



Source: Union Ministry of Power, India; International Energy Agency, US Energy Information Administration

Pre-Budget Top Expectations for the Sector

1. Given the high energy intensity of data centres (DC) and the lack of fiscal incentives linked to efficiency outcomes, the industry expects incentives for operators and projects tied to verifiable Power Usage Effectiveness (PUE) benchmarks.
2. With rising thermal loads and high upfront costs, the industry expects grant support to accelerate the adoption of liquid cooling and waste-heat recovery solutions.
3. Despite data centres' central role in supporting digital services and economic activity, they are not formally recognised as essential national infrastructure; the industry expects this gap to be addressed in the Budget.
4. As uninterrupted and affordable power is critical to data-centre operations and accounts for nearly 50% of energy use, the industry looks to the Budget for direction on implementing the Draft Electricity (Amendment) Bill, 2025, to improve efficiency and reliability.
5. As renewable energy adoption becomes central to data-centre sustainability, the industry expects Budget-led direction to enable faster approvals and clearances for captive renewable power projects.

Budget Announcements

1. A tax holiday until 2047 for foreign cloud service providers setting up data centres in India, conditional on serving Indian customers through local reseller entities. This lowers long-term operating costs, incentivising hyperscalers to commit deeper and longer-term investments in India.
2. A 15% cost-based safe harbour applies to related entities providing data centre services from India. The incentive is targeted at companies operating in partnership or joint ventures with global hyperscalers in India.
3. The restructuring of Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) is expected to improve power sector efficiency and reliability, benefiting data centre operations through stronger power availability.
4. A basic customs duty (BCD) exemption on goods for nuclear power projects until 2035 is expected to support cleaner power availability, benefiting data centres through lower emissions.

"India's colocation data centre capacity has reached nearly 1.5 GW in 2025, underpinned by rising AI, 5G, and cloud adoption. The Union Budget 2026–27 reinforces this growth trajectory through a combination of long-term fiscal incentives, transfer pricing certainty, and power sector reforms. Measures such as the tax holiday until 2047, the 15% cost-based safe harbour, strengthened power utilities through Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) restructuring, and support for cleaner energy collectively improve investment visibility, operating efficiency, and sustainability. Overall, the Budget is clearly positive for the data centre sector and supports sustained capacity expansion in India."

C&W Verdict **Positive**

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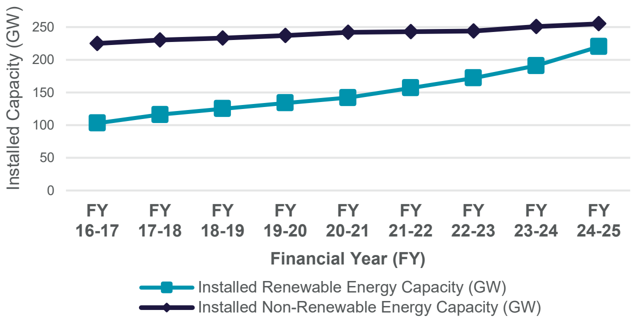
SUSTAINABILITY

Project	Total Length (km)	Total Capacity (MVA)	Renewable Energy Addition (GW)	Expected Completion Year	States Covered
Green Energy Corridor Phase 1	9700	22600	24	2026 (90% completed as of end-2025)	Andhra Pradesh, Gujarat, Himachal Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu
Green Energy Corridor Phase 2	10750	27500	20	2030	Gujarat, Himachal Pradesh, Karnataka, Kerala, Rajasthan, Tamil Nadu, Uttar Pradesh

Source: Union Ministry of Power, India

Installed Non-Renewable & Renewable Energy Capacity



Source: Union Ministry of New and Renewable Energy, India

Pre-Budget Top Expectations for the Sector

1. To strengthen domestic solar manufacturing competitiveness, industry expects enhanced R&D support across the value chain, along with customs duty and GST exemptions on manufacturing equipment.
2. Targeted support for MSMEs in green construction materials through low-cost financing and credit support, alongside tax incentives for carbon capture technologies in carbon-intensive sectors such as steel and cement.
3. Currently, there exists limited domestic testing infrastructure for wind turbines. Industry expects tax incentives to develop local wind testing facilities and reduce reliance on European centres.
4. Clarity on the implementation roadmap for the 3rd and 4th phases of the Green Energy Corridor to support the evacuation of up to 150 GW of renewable energy capacity.
5. Industry expectations are for higher budgetary allocations for battery energy storage systems to ensure policy continuity with the Draft National Electricity Policy 2026 and earlier Budget commitments.
6. Union Budget expectations include fiscal and institutional measures to ease Power Purchase Agreement (PPA) execution delays, supporting data centres and real estate infrastructure reliant on long-term PPAs for sustainability compliance.

Budget Announcements

1. The Budget announces an outlay of INR 20,000 crore over five years to support carbon capture, utilisation, and storage (CCUS) technologies across carbon-intensive sectors such as steel, aluminium, and cement, signalling a policy push to lower hard-to-abate industrial emissions.
2. Customs Duty Exemptions
   - Goods used for the production of lithium-ion cells for battery energy storage systems.
   - Sodium antimonate used in the manufacture of solar glass for solar panels.
   - Goods required for nuclear power generation, with exemptions extended until 2035.

“The Budget reinforces India’s sustainability agenda through a combination of measures aimed at reducing emissions, strengthening clean energy manufacturing, and improving energy infrastructure. Key initiatives include allocations for carbon capture technologies, customs duty exemptions across solar, nuclear, and battery energy storage value chains, and steps to improve power sector efficiency. Together, these measures support domestic clean energy ecosystems and advance India’s long-term decarbonisation and energy transition objectives.”

C&W Verdict **Neutral**

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About Cushman & Wakefield

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