

FOR IMMEDIATE RELEASE

India Real Estate PE Investment Declines 31% YoY in 9M CY 2026; Domestic PE investors contribute 85%: Knight Frank

- Ready office assets captured 78% of office investment, while residential capital remained debt-led
- Warehousing recorded USD 0.16 bn in Q3 2026, no transactions recorded in the retail sector

Mumbai, October 28, 2026: Private equity (PE) investment in Indian real estate **declined 31% year-on-year (YoY) to USD 1.66 bn** in the first nine months of 2026, even as the number of transactions increased from 24 to 31. The divergence reflects a shift in the source of capital, with domestic investors contributing towards a significantly larger share of investment as foreign participation declined. The **average disclosed deal size fell 47% to USD 53 mn**, reflecting the absence of large-ticket transactions that had supported investment volumes in previous periods.

Knight Frank India's Q3 2026 Capital Market analysis highlights a shift in both the sources of private equity capital and its deployment across asset classes. **Domestic investors accounted for 85% of investment during January-September 2026**, compared with 25% a year earlier, reversing the historical dominance of foreign capital. Office remained the largest asset class, with investors increasingly favouring completed assets. Residential investment continued to be predominantly debt-led, while warehousing attracted capital through a single transaction in Q3.

PE Investment in Indian Real Estate, Key Indicators

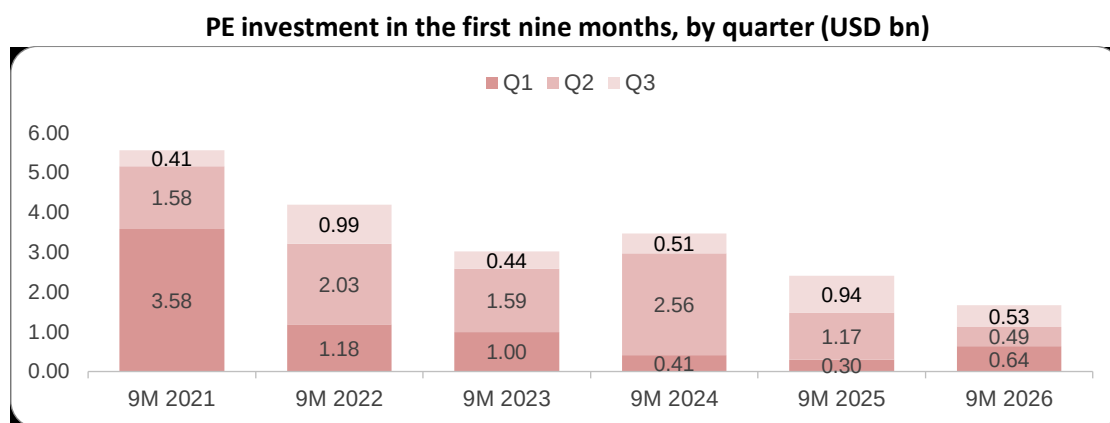
	9M ¹ CY2025	9M CY2026	YoY	Q3 2025	Q3 2026	YoY
Total investment (USD bn)	2.41	1.66	-31%	0.94	0.53	-43%
Number of deals	24	31	29%	12	15	25%
Office (USD bn)	1.46	1.18	-19%	0.71	0.18	-74%
Residential (USD bn)	0.48	0.32	-33%	0.19	0.20	5%
Warehousing (USD bn)	0.10	0.16	66%	0.05	0.16	251%
Retail (USD bn)	0.37	0	NA	0	0	NA
Foreign investor' share	75%	15%	-	46%	0%	-
Domestic investor share	25%	85%	-	54%	100%	-

Source: Knight Frank Research, Venture Intelligence

Shishir Baijal, International Partner, Chairman and Managing Director, Knight Frank India, said, "The changing composition of real estate investment is as important as the headline numbers. Domestic capital is playing a much larger role now contributing 85% of total PE investments in real estate, while investors are becoming more deliberate about the size, structure and risk of each commitment. This is not simply a question of capital becoming available or unavailable; it is about where investors see returns that justify the risks. Completed office assets and structured residential credit reflect different approaches to that calculation. As global return expectations and currency conditions evolve, India's ability to attract capital will depend on the quality of opportunities, transparency and investor confidence in long-term fundamentals."

¹9M = nine months

On a comparable nine-month basis, PE investment in 9M 2026 was at its lowest level in six years. Unlike earlier years, when one strong quarter lifted the total, investment in 2026 was more evenly distributed across the three quarters. The decline was primarily driven by the absence of large-ticket deals.



Source: Knight Frank Research, Venture Intelligence

Office Assets Retain Investor Interest

Office attracted USD 1.18 bn, accounting for 71% of total private equity investment during the first nine months, although investment in the segment declined 19% YoY. Ready assets accounted for 78% of office investment, up from 49% in 9M 2025, while 88% of office capital was deployed through the equity route.

This preference for completed assets reflects investors' focus on established income streams and lower development risk amid higher return requirements.

Residential Investment Remains Credit-led

Residential investment stood at USD 0.32 bn (320 mn), down 33% YoY. Debt and structured credit accounted for 97% of residential investment, with 83% of the segment's investment directed towards under-construction projects. Residential investments in Q3 2026 stood at approximately USD 0.19 bn (190 mn), representing around 60% of the segment's nine-month total received in the segment. NCR received 63% of residential investment.

Warehousing attracted USD 0.16 bn (160 mn), entirely in Q3, through a single transaction involving a ready asset. Retail recorded no PE investment during the first nine months of 2026, compared with USD 0.374 bn (374 mn) in 9M 2025.

9M 2026 Investment by Asset Class

Asset Class	USD bn	Share	Deals	YoY
Office	1.18	71%	11	-19%
Residential	0.32	20%	19	-33%
Warehousing	0.16	9%	1	66%
Retail	0	0%	0	NA
Total	1.66	100%	31	-31%

Source: Knight Frank Research, Venture Intelligence

Investment by City (USD bn)

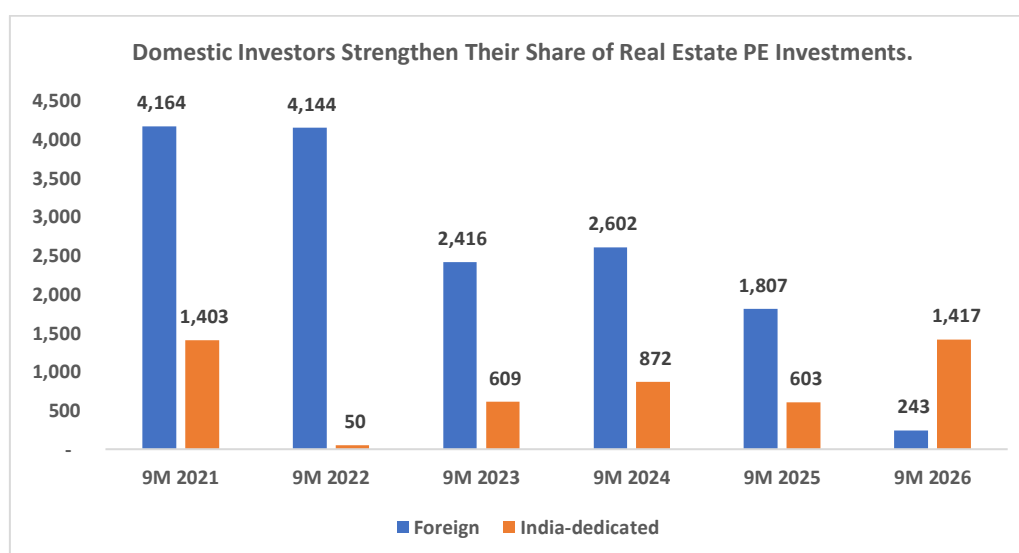
City	9M 2025	Share	9M 2026	Share
NCR	0.21	9%	0.568	34%
Pune	0.274	11%	0.356	21%
Chennai	0.174	7%	0.319	19%
Mumbai	0.567	24%	0.276	17%
Bengaluru	0.707	29%	0.137	8%
Hyderabad	0.103	4%	0.004	0%
Kolkata	0.374	16%	0	0%
Total	2.41	100%	1.66	100%

Source: Knight Frank Research, Venture Intelligence

Domestic Capital Reshapes Investment Patterns

Domestic investors have emerged as a key source of capital for Indian real estate, increasingly supporting investment activity as foreign participation has moderated. Domestic investors contributed USD 1.42 bn in 9M 2026, accounting for 94% of residential investment and 81% of office investment, as well as funding the only warehousing transaction during the period. Foreign investors contributed USD 0.24 bn, of which 92% was equity.

The share of Indian private equity (PE) investment rose from 25% in 9M 2025 to 85% in 9M 2026, with domestic investment increasing from USD 603 million to USD 1.42 billion. This shift reflects the growing depth of India's domestic investment ecosystem, supported by Alternative Investment Funds (AIFs), domestic private equity platforms and other structured investment vehicles. Domestic investors' share of real estate PE investment increased from 11% during 2011–2020 to 32% over the subsequent six-year period. The expansion of AIFs and platform-led investments is creating additional channels for domestic capital to participate in real estate, strengthening its role in funding the sector's growth.



Higher return thresholds in overseas markets, coupled with rupee depreciation, have weighed on foreign investment. Domestic investors, by contrast, are not exposed to currency risk on domestic investments and assess opportunities against alternative domestic investments. Real estate credit funds usually target returns of 15% to 18% per annum on developer lending, approximately 900 basis points (bps) above the yield on 10-year government bonds. This return premium has supported domestic capital deployment, particularly in residential real estate.

Looking ahead, private equity deployment is likely to remain sensitive to asset quality, risk allocation and currency-adjusted returns, as global return thresholds remain elevated and foreign investors continue to be selective.

India's domestic capital base provides an important source of funding, while greater stability of global rate expectations could improve the visibility of cross-border returns and support renewed investment activity.

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