

Budget 2026 Reinforces Construction Growth Across Tier 1 and Tier 2 Cities

Expert opinion highlights Budget 2026's positive outlook for real estate and infrastructure growth

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Finance Minister Nirmala Sitharaman presented the Union Budget 2026-27 on Sunday in Parliament where she announced a nearly 9% rise in Capital Expenditure for the next financial year, increasing the allocation to Rs 12.2 lakh crore in this year's budget. While presenting the Budget in Parliament, she said the higher capital expenditure is meant to keep infrastructure projects moving and support overall economic growth.

The Union Budget 2026–27 has sent a positive signal to India's real estate sector, underlining the government's intent to strengthen housing and infrastructure-led growth, particularly across Tier 1 and Tier 2 cities. With a capital expenditure outlay of

₹12.2 lakh crore, the Budget reiterates the role of public investment in improving connectivity, accelerating urban development, and creating conditions that support sustained demand for residential and commercial real estate.

A key structural reform announced is the proposed Infrastructure Risk Guarantee Fund, aimed at offering calibrated credit guarantees during the high-risk phases of infrastructure and construction projects. This measure is expected to improve lender confidence, ease long-term financing constraints, and encourage greater private participation in large-scale developments. In parallel, the government's push towards asset monetisation—especially through structured mechanisms for unlocking value from underutilised CPSE land assets—could release fresh capital into the system while strengthening the commercial real estate ecosystem.

The Budget also sharpens its focus on balanced urban expansion by prioritising emerging cities beyond established metros. Improved road connectivity, streamlined land-use frameworks, and infrastructure creation in fast-growing urban clusters could enhance livability and unlock new real estate corridors. While execution will remain critical, the policy direction points towards a more stable, confidence-driven environment for developers, investors, and homebuyers, with affordable housing and infrastructure continuing to anchor sectoral growth.

Gaurav K Singh, Chairman and Founder, Womeki Group

“The proposed increase in capital expenditure to ₹12.2 lakh crore, coupled with the Infrastructure Risk Guarantee Fund, sends a strong signal of policy stability and long-term commitment to infrastructure creation. By mitigating development-stage risks and strengthening credit availability, these measures will accelerate project timelines and improve overall viability for developers. In Delhi-NCR, where real estate demand is closely linked to infrastructure expansion, enhanced freight corridors, asset monetisation through REITs, and improved connectivity will drive growth across housing, commercial offices and warehousing, deepening investor confidence in the region.”

Bharat Thakran, CMD, GHD Group

“The government's commitment to higher capital expenditure and the introduction of an Infrastructure Risk Guarantee Fund will strengthen lender confidence and fast-track infrastructure creation across the country. For Goa, these measures are especially significant. Improved connectivity, logistics efficiency and asset monetisation will enhance the state's attractiveness for second homes, hospitality-led housing and long-term investments. With infrastructure acting as a growth catalyst, Goa's real estate market is well positioned to see sustained demand from both end-users and investors seeking lifestyle-driven, future-ready assets.”

PRishabh Periwal, Senior Vice President, Pioneer Urban Land & Infrastructure Ltd

“The Union Budget 2026–27 marks a decisive shift for India's real estate sector, moving towards a high-velocity urban economy by prioritising structural efficiency over mere expansion. The announcement of seven high-speed rail corridors, including the Delhi–Varanasi route, will significantly reduce geographical friction and unlock new growth corridors.

The introduction of the Infrastructure Risk Guarantee Fund and dedicated CPSE REITs brings much-needed financial security and institutional liquidity into the ecosystem. Additionally, incentivising domestic manufacturing of advanced equipment is a potential game-changer, helping shorten project timelines and reduce global dependencies.

For the luxury real estate segment, enhanced connectivity and faster execution will transform emerging micro-markets into sought-after urban hubs for HNIs, NRIs, and global investors.”

Apurva Muthalia, Business Head – Real Estate at Equirus Family Office

The creation of REITs for PSU-owned real estate assets can be a structural positive for both the public sector and capital markets. It enables PSUs to free up capital from their balance sheets while retaining operational control over strategic assets. At the same time, it deepens the REIT market by offering investors access to stabilised, income-generating assets leased to quasi-sovereign entities. This creates a strong proposition for retail investors, asset managers and institutional investors, while unlocking value for PSUs that own multiple commercial office properties.

Amit Prakash Singh, Co-Founder & CBO, Urban Money

“Budget 2026 marks a clear transition from stabilising the financial system to scaling credit delivery. Risk-sharing mechanisms, deeper bond markets, simpler tax compliance, and improved household liquidity together strengthen mortgage readiness, especially for first-time homebuyers, and set the foundation for sustained, housing-led credit growth.”

Mr. Sidharth Chowdhry, Managing Director, Dalcore

The Union Budget 2026–27, with a proposed capital expenditure of ₹12.2 lakh crore, reinforces the government’s commitment to infrastructure-led and balanced regional growth, particularly across Tier-2 and Tier-3 cities. For the luxury housing segment, especially in mature micro-markets like Golf Course Road, Gurugram, the Budget strengthens long-term fundamentals such as connectivity, institutional confidence, and planned urban development. Measures like asset monetisation through REITs and the Infrastructure Risk Guarantee Fund will further boost investor sentiment. At Dalcore, this aligns with our vision of creating globally benchmarked, design-led residential landmarks that support sustainable urban living as India progresses towards Viksit Bharat @2047.

Mr. Robin Mangla, President M3M India

The Union Budget 2026 reinforces the importance of infrastructure-led growth as a key driver for real estate. The increase in capital expenditure to ₹12.2 lakh crore provides long-term visibility for urban expansion, connectivity, and project execution, underpinning demand across both residential and commercial segments. These measures will strengthen the overall real estate ecosystem, improve execution confidence, and support sustained growth across key markets, aligning well with M3M’s focus on delivering world-class developments and reinforcing long-term investor confidence.

Yash Garg, Director, M3M Noida

The Union Budget 2026–27, with a capital expenditure outlay of ₹12.2 lakh crore and a continued focus on infrastructure development, provides a strong impetus for India’s real estate sector. Initiatives like the Infrastructure Risk Guarantee Fund and REIT-enabled asset monetisation are expected to enhance institutional capital flows and bolster developer confidence. At M3M, this reinforces our commitment to delivering high-quality, sustainable real estate projects while supporting India’s vision of Viksit Bharat 2047.

Mr. Pradeep Aggarwal, Founder & Chairman, Signature Global (India) Ltd.

“The Union Budget 2026 provides a strong and credible roadmap for India’s next phase of growth, led by a sharp focus on infrastructure, urban development, and financial reforms. The government’s decision to raise public capital expenditure to ₹12.2 lakh crore in FY27, a 9% increase over FY26, will play a critical role in accelerating project execution and crowding in private investment.

The creation of the Infrastructure Risk Guarantee Fund, along with the rollout of seven high-speed rail corridors and the operationalisation of 20 new national waterways over the next five years, will significantly enhance connectivity, reduce logistics costs, and improve the overall efficiency of the real estate and infrastructure ecosystem.

Urban development receives a sustained boost with an allocation of ₹5,000 crore per year for five years for City Economic Regions, alongside a continued focus on Tier-2 and Tier-3 cities as emerging growth centres. These measures will enable planned urbanisation, support civic infrastructure, and unlock housing demand across new geographies.

Further, accelerated recycling of CPSE real estate assets through dedicated REITs and continued emphasis on InvITs will deepen capital markets, improve liquidity, and strengthen investor confidence across the sector.

On the consumption side, income tax reforms— including no tax liability up to ₹12 lakh under the new tax regime, rationalised TDS and TCS rates, and reduced TCS on overseas tour packages to 2%—will enhance disposable incomes and ease compliance, providing indirect yet meaningful support to housing demand.

Overall, the Budget aligns strongly with the long-term vision of Viksit Bharat by 2047 and lays the foundation for sustainable, inclusive, and future-ready economic growth.”

Mr. Vikas Bhasin, Managing Director, Saya Group

The Union Budget 2026 proposals are, to a large extent, in line with expectations, particularly the government’s continued focus on sustained investment in infrastructure that truly connects people and regions. By strengthening physical and urban infrastructure, the Budget aims to make cities more liveable, efficient, and accessible for citizens across income segments.

The emphasis on Dedicated Freight Corridors, port-led development, and infrastructure expansion in Tier II and Tier III cities is expected to provide a significant boost to the housing sector. These measures will not only support real estate development in

emerging urban centres but are also likely to have a positive spillover effect on overall housing demand and price stability in metro markets.

While property prices in Tier I cities are expected to remain largely range-bound, improved connectivity and infrastructure development will encourage residential growth in suburbs and satellite towns. This will enable homebuyers to access more affordable housing options slightly farther from central business districts, without compromising on connectivity to workplaces and major urban hubs.

Mr. Ashok Kapur, Chairman, Krishna Group and Krisumi Corporation

The Union Budget 2026–27 reinforces the government’s long-term commitment to infrastructure-led growth, which remains a critical enabler for the real estate sector. The emphasis on infrastructure, risk mitigation, and structured city growth aligns well with our long-term approach to creating high-quality developments that contribute meaningfully to India’s evolving urban landscape.

Creation of the Infrastructure Risk Guarantee Fund will enhance lender confidence in the infrastructure sector, which is expected to encourage greater private sector participation in large-scale projects. This bodes well for the real estate sector as real estate demand is closely linked to robust infrastructure and better connectivity.

Moreover, the move to accelerate monetisation of CPSE-owned real estate assets through dedicated REITs while at one hand may strengthen the institutional framework for asset recycling, on the other it may also provide much desired capital efficiency in the sector. Overall, this seems to be a neutral budget from the real estate sector perspective.

Mitesh Shah, CEO, Equirus Family Office

Foreign investors: the door opens wider

One of the most market-positive announcements is the widening of equity market access for individuals resident outside India. Here’s where things get interesting for markets. The Budget allows individuals resident outside India to invest directly in Indian equities—with investment limits raised from 5% to 10% per company, and the aggregate ceiling pushed to 24%.

This represents a structural shift, not a marginal tweak. Until now, foreign capital largely flowed through institutional channels—FPIs, offshore funds, the usual suspects. By opening direct access to individuals, India is diversifying its capital base. That should, over time, reduce volatility, improve liquidity and bring longer-duration money into the market. The relentless FII outflows were a cause of concern for the markets. For domestic investors, it further reinforces India’s positioning as a core allocation within global portfolios, rather than a tactical emerging-market trade.

Lalit Parihar, Managing Director, Aaiji Group, a Dholera-based real estate firm

“The Budget’s strong thrust on infrastructure through industrial corridors, manufacturing hubs, high-speed rail and dedicated freight corridors creates a powerful foundation for long-term real estate demand. The proposed ₹5,000 crore allocation per City Economic Region over five years in Tier II and III cities, including temple towns, is a significant catalyst for planned urban expansion. These measures will directly translate into improved connectivity, stronger employment clusters and greater investor confidence, driving sustained growth across residential, commercial, retail and logistics segments. Collectively, these initiatives will help transform emerging cities into viable economic centres and position real estate as a key enabler of India’s broader economic development.”

Mr. Amit Sharma, MD & CEO, Tata Consulting Engineers

The Union Budget 2026–27 sets a clear direction for India’s long term growth, with a strong focus on capital investment, manufacturing competitiveness and technology led development. Continued high spending on infrastructure strengthens confidence in execution and supports progress across transportation, urban development and logistics. The emphasis on high speed rail, alongside roads, metros, ports and urban infrastructure, signals a move towards next generation connectivity. Policy continuity on clean energy and grid strengthening supports energy security and transition, while the focus on advanced facilities such as semiconductors, electronics, data centres and pharmaceuticals builds domestic capability. Measures supporting hydrocarbons and chemicals, and metals and mining including rare earth corridors, strengthen critical supply chains. Overall, the Budget underlines the importance of delivery quality alongside investment scale, and Tata Consulting Engineers remains committed to converting this policy intent into future ready assets for the nation.

Badal Yagnik, CEO & Managing Director at Colliers India

The budget has taken a measured approach to balance India’s long-term growth ambition and inclusivity across regions & economic segments as well. The overarching growth theme is evident in the form of focus on manufacturing scale up in strategic sectors, rejuvenation of legacy industrial sectors, creation of champion MSMEs, infrastructure push, long-term energy security & stability and development of city economic regions. Indian real estate particularly stands to benefit from the targeted emphasis on manufacturing capability enhancement and infrastructure augmentation in the form of Dedicated Freight Corridors, high speed rail corridors, nationalization of inland waterways, development of urban clusters etc.

Driven by the budgetary focus, we expect traction in real estate requirement from textile, healthcare, semi-conductor & rare earth segments and firms within the Animation, Visual Effects, Gaming, and Comics (AVGC) and Artificial Intelligence (AI) domain. Interestingly, the proposed tax holiday for foreign cloud service providers will significantly accelerate data centre growth by attracting global hyperscalers and deepen long term investment in the segment, positioning India as a preferred hub for digital infrastructure and cloud based service economy. Furthermore, there is a clear focus on identifying and leveraging the growth drivers of Tier II & III cities including temple towns. Meanwhile, the pertinent focus on tourism, training, skill development, creation of infrastructure will have a positive domino effect on the real estate sector in the areas of hotels, guest houses, second homes and primary housing as well. Overall, the budget has emphasized strengthening competitiveness and augmenting manufacturing capabilities by integrating into the global value chain. In fact, India looks poised to move beyond capacity

creation into capability building, which is likely to form the blueprint of sustained long-term growth, especially in these times of global uncertainties.