

Union Budget 2026: Policy Continuity and Capex Boost Accelerate India's Urbanisation Story

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The Union Budget signals more than incremental spending – it reinforces a long-term policy direction that places urbanisation at the core of India's growth strategy. By raising public capital expenditure to Rs. 12.2 lakh crore and maintaining a clear infrastructure-first approach, the government is strengthening the physical and economic foundations that allow cities to expand, new urban centres to emerge and regional economies to mature.



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Industry leaders say the continuity in infrastructure investment, regional connectivity and urban development policies creates the structural conditions required for the next phase of India's urban transformation – where Tier-2 and Tier-3 cities evolve into strong economic nodes rather than satellite extensions of metros.

Manoj Gaur, CMD, Gaur's Group says, *"The budget, with its focus on infrastructure-led growth and financial stability along with an increase in public capex to Rs. 12.2 lakh crore carries forward the momentum witnessed in the real estate*

sector in the last few years. The continued thrust on infrastructure spending will also boost office, retail, and mixed-use project, while also strengthening the ecosystem for job creation and demand generation, consequently boosting residential development. The setting up of the Infrastructure Risk Guarantee Fund will also accelerate further expansion. The focus on infrastructure expansion and economic activity in tier 2 and tier 3 cities will accelerate urban growth and unlock new real estate markets beyond major metros.”

Urbanisation is being shaped not only by physical infrastructure but also by improved financing mechanisms that reduce risk and enable large-scale development.

Sahil Agrawal, CEO, Nimbus Group, says, “The sector welcomes the Budget’s pragmatic approach, which combines strong capital expenditure with targeted policy measures to strengthen the infrastructure ecosystem. The increased capex provides visibility and confidence for developers and investors, particularly for long-gestation projects in metros and emerging Tier-2 and Tier-3 cities. The introduction of dedicated REITs for public sector assets is a positive step towards unlocking capital, enabling reinvestment into new infrastructure and creating a more efficient funding cycle. Complementing this, the Infrastructure Risk Guarantee Fund will mitigate execution and financing risks, making large-scale projects more viable and predictable. Together, these measures are likely to improve project delivery timelines, enhance asset quality, and support sustainable, infrastructure-driven growth across the sector.”

Higher allocations toward urban infrastructure and stronger fiscal transfers to states are expected to accelerate both housing and commercial development in emerging urban regions.

Deepak Kapoor, Director, Gulshan Group, says, *“The budget creates a stable and enabling framework for sustained real estate development. Its singular focus on infrastructure-led growth will be highly critical for the expansion of the real estate sector. The rise in capital expenditure, along with the emphasis on urban development, will lead to a conducive environment for the growth of residential and commercial segments. Moreover, the higher allocations for urban infrastructure and increased resource transfers to states will accelerate growth in tier 2 and tier 3 cities, expanding housing and commercial opportunities beyond metros.”*

Connectivity upgrades are emerging as some of the most powerful drivers of urbanisation, reshaping commuting patterns and development corridors.

Uddhav Poddar, CMD, Bhumika Group, says, *“The Budget’s continued thrust on infrastructure development, particularly across Tier-2 and Tier-3 cities, is a positive step for the real estate sector in the medium to long term. The announcement of seven high-speed rail corridors will act as powerful growth connectors, improving accessibility between major cities and emerging urban centres, and unlocking new residential and commercial micro-markets along these corridors. Equally important is the proposed scheme to enhance construction and infrastructure equipment, which can improve execution efficiency, reduce project timelines and bring greater predictability to delivery. With public capital expenditure raised to Rs. 12.2 lakh crore for FY27, the multiplier effect on roads, utilities and urban infrastructure is likely to accelerate planned developments beyond metros. As economic reforms also work towards easing financing conditions, we can expect increased developer confidence and institutional interest, translating into more organised, well-planned real estate growth across India’s next-generation*

cities."

As infrastructure creates new job centres, commercial ecosystems are expected to deepen beyond traditional CBDs.

Harinder Singh Hora, Founder Chairman, Reach Group says, *"Increased government capital spending, focus on infrastructure creation, and development of urban areas will act as demand drivers for offices, business parks, logistics, and mixed-use commercial property. Further, the thrust on City Economic Regions with Rs. 5,000 crore allocation per region over five years and the focus on Tier 2 and 3 cities will also lead to the development of new job centres outside the metropolitan areas, thus aiding demand in emerging markets."*

Improved infrastructure quality and longevity are also expected to reduce development risk and strengthen institutional participation.

B.K. Malagi, Vice Chairman, Experion Developers says, *"Through Budget 2026, the government sends a strong signal of continuity and long-term commitment to infrastructure-led growth. Sustained public capital expenditure, combined with improved construction capabilities, enhances the viability of large-scale real estate developments across metros as well as Tier-2 and Tier-3 cities. Better infrastructure reduces risk, improves asset longevity, and makes emerging markets more attractive to institutional investors. As connectivity improves, we can expect stronger demand for residential projects, office parks, logistics hubs and mixed-use developments along new growth corridors. The broader reform push, including efforts to improve financing frameworks, further supports capital flow into real estate-linked infrastructure. Overall, this Budget lays the groundwork for a*

more mature, fiscally disciplined real estate market aligned with India's evolving urbanisation story."

While the sector continues to seek tax and approval-related reforms, many view the Budget as favouring structural enablers of urbanisation over short-term demand triggers.

Sandeep Chhillar, Founder & Chairman, Landmark Group, says, *"While the sector had hoped for measures around tax rationalisation, enhanced buyer incentives and faster approval mechanisms to further improve project viability, the Budget 2026 has clearly doubled down on infrastructure as the primary growth lever for real estate. Improved mobility has a direct impact on how cities expand, commute patterns evolve, and new economic zones emerge, and the announcement of seven high-speed rail corridors is set to be transformative. For metro regions, faster inter-city travel can unlock peripheral residential markets and ease pressure on core urban areas, while enhanced connectivity will also attract businesses, talent and institutional capital. The focus on upgrading construction and infrastructure equipment is equally important, as execution efficiency and quality delivery are critical for large-scale developments. Backed by a capital expenditure outlay of Rs.12.2 lakh crore, these measures strengthen the ecosystem for long-term, infrastructure-led real estate growth rather than speculative demand."*

Emerging cities are expected to transition from peripheral growth centres into independent, self-sustaining urban economies.

Bhupindra Singh, COO, RISE Infraventures says, *"The Budget marks a decisive push towards strengthening India's next growth engines, the Tier-2 and Tier-3 cities, through*

sustained infrastructure investment. High-speed rail corridors will dramatically improve accessibility, making these cities more attractive for businesses looking for cost-efficient expansion. As connectivity improves, we are likely to see increased demand for new commercial hubs and stronger office and retail ecosystems developing beyond metros. The proposed scheme to enhance construction and infrastructure equipment will further support faster project execution, which is critical in emerging markets where delivery timelines shape buyer trust. With capital expenditure raised to Rs.12.2 lakh crore, infrastructure-led urbanisation is expected to gather pace. This creates a strong runway for organised real estate development, allowing smaller cities to evolve into self-sustaining urban centres rather than satellite extensions of metros."

Overall, policy continuity and sustained capex are not just supporting real estate – they are actively shaping India's urbanisation trajectory, expanding the country's city network and laying the groundwork for more balanced, infrastructure-backed urban growth.

