

Residential Real Estate Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The residential real estate market is expected to register a CAGR of more than 9% during the forecast period (2022-2027).

The residential real estate (RRE) markets were impacted by the COVID-19 pandemic in several ways. On the one hand, lockdowns and the increased use of remote working practices are expected to increase the demand for RRE, and accommodative monetary policies are anticipated to improve its affordability. The economic downturn and increases in unemployment are expected to weigh negatively on demand. Due to lockdowns, most of the construction activity and property transactions came to a halt during the pandemic. In 2021, as soon as the lockdown relaxation took place, the residential real estate market surged.

The residential real estate market is the cornerstone of the well-being of any economy. Shelter is considered a basic need for humans and lies at the base of the famous hierarchy of needs pyramid (Maslow). Therefore, it is understood that the manner in which the residential real estate market moves has a rippling effect on people around the world.

Residential properties such as apartments, bungalows, and villas are bought and sold on the market. The residential real estate market in emerging nations is mostly driven by urbanization. Major cities in emerging nations such as India, China, Brazil, Argentina, and South Africa are fast expanding and require additional housing to accommodate people migrating from various regions of the country.

Furthermore, government measures promoting affordable housing stimulate market expansion. For example, governments in Australia, the United States, and Canada have planned strategies such as concessions for first-time buyers, veterans' subsidies, a golden visa, low-cost affordable housing schemes, and a reduction in transactional taxes, all of which are expected to boost growth in the residential real estate market. Even the low mortgage interest rates are fueling the residential real estate market in

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countries like the United States, Canada, India, and Australia.

Residential Real Estate Market Trends

Growth of Urbanization is Propelling the Residential Real Estate Market

Today, around 55% of the world's population, i.e., 4.2 billion inhabitants, live in cities. This trend is expected to continue. By 2050, with the urban population more than doubling its current size, nearly 7 of 10 people in the world will live in cities.

Most of this urbanization occurs in the developing world in cities such as Lagos, Bangalore, Beijing, and many other Asian, African, and Latin American cities. India, China, and Nigeria are expected to account for 35% of the global urban population during this projected growth.

With more than 80% of the global GDP generated in cities, urbanization can contribute to sustainable growth if managed well by increasing productivity and allowing innovation and new ideas to emerge. However, the speed and scale of urbanization accelerate the demand for affordable housing.

In recent years in Australia, there has been substantially more land released for low-density in growth corridors of major cities. As a result, there has been an uptick in first-home buyers. There is a shift to a shared urban lifestyle in apartments, with 30% of Sydney homes being apartments.

Since there is a growth of Tier 2 and Tier 3 cities across Asian countries like India, China, etc., there has been a huge surge in housing demands. Urbanization in these countries is driving residential real estate.

Increase in Residential Properties across the United States due to Less Mortgage Rates

The lending mortgage rates also affect the residential real estate market through the cost of financing a home purchase. Most Americans take out a mortgage to purchase a home, and mortgage debt accounts for about 70% of all household debts. The Federal Reserve's aggressive interest rate reduction and quantitative easing drove down treasury yields, lowering mortgage rates.

Industry experts claim the current residential boom emerged from a mix of low-interest rates, booming demand, and supply bottlenecks. It is a situation that many are feeling acutely about with no single policy to blame and no easy fix.

Banks lent an estimated USD 1.61 trillion for home purchases in 2021, up by 9% from 2020. During the pandemic, the housing market strengthened as many Americans transitioned to working at home, which put additional living space at a premium. Steady job growth, a stock market at all-time highs, rising rents, and expectations of higher mortgage rates have also spurred homebuyers.

The meager mortgage rates that have helped intensify housing market demand are expected to continue to grow higher in 2022. Thus, this is driving the residential real estate market.

Residential Real Estate Market Competitor Analysis

The residential real estate market is highly competitive, with the presence of regional and international players. International MNCs include Savills PLC and Sun Hung Kai Properties. The regional players are dominant in their respective countries, like DLF in India and KB Homes in the United States. Major companies in the market have adopted strategies such as acquisitions, business developments, joint ventures, partnerships, and product launches to offer better services to customers in the residential real

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estate market. For instance, in 2021, Savills formed a strategic alliance with SRS Real Estate Partners. In 2021, Lennar Group acquired RealStar Homes, a privately-held Coastal Carolinas operator, to expand in the market.

Additional Benefits:

The market estimate (ME) sheet in Excel format

3 months of analyst support

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