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

Market Report | 2023-01-23 | 150 pages | Mordor Intelligence

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Report description:

The residential real estate market in India is expected to register a CAGR of more than 5% during the forecast period 2022-2027. The impact of the COVID-19 pandemic on Indian real estate has been unprecedented, as the sector has lost over INR 1 lakh crore since the pandemic started. According to the industry assessment, the pandemic caused a significant financial crunch for real estate developers. The loan crunch reduced residential sales in India's top seven cities from four lakh units in 2019-20 to 2.8 lakh units in 2020-21. Construction and sales activity came to a halt across the entire real estate sector due to the COVID-19 pandemic-related lockdowns. Construction workers from numerous sites also returned to their hometowns. When most states implemented fragmentary lockdowns to stop the virus from spreading, demand and supply were both negatively impacted.

According to the Ministry of Housing and Urban Affairs, all states should consider lowering the stamp duty on property sales to boost real estate activity, create more money, and promote economic growth. According to the Economic Times Housing Finance Summit, about three houses are built per 1,000 people each year, compared to the required five houses per 1,000 inhabitants. The present housing deficit in cities is projected to exceed ten million units. By 2030, an extra 25 million units of affordable housing will be needed to accommodate the country's urban population growth.

During the April-June 2021 period, average property values in India's eight key residential markets increased slightly. While certain cities, like Hyderabad and Ahmedabad, witnessed a 5% increase in new apartment pricing compared to the same period in 2020, other cities saw far lesser increases. With the exception of the Mumbai Metropolitan Region, prices rose marginally in other areas during the second wave of the COVID-19 pandemic.

India Residential Real Estate Market Trends

Growth in New Housing Supply

In the eight micro-markets in India, a total of 55,907 new housing units were sold between July and September 2021, registering a 59% Y-o-Y increase. New housing supply in the third quarter of 2021 (between July and September 2021) increased by 228% Y-o-Y across the top eight cities, compared to the 19,865 units introduced in the third quarter of 2020.

Although Mumbai is one of the most expensive real estate markets in the country, many factors are currently at play that has made purchasing a home in this city a viable option. According to a recent Indian real estate survey for Q1 2021, home sales in India's top seven cities surpassed Q1 2020 by over 29%, amounting to 58,920 units. This is much greater than pre-COVID levels, indicating a resurgence in the economy. In the first quarter of 2021, 62,130 residential units were built in the seven cities, up 18% from the previous quarter and 51% Y-o-Y. National Capital Region (NCR), Mumbai Metropolitan Region (MMR), Bengaluru, Pune, Hyderabad, Chennai, and Kolkata make up India's top seven cities.

MMR and Pune, which together accounted for 31, 227 units, or 53% of the total residential units sold in the quarter under review, were the driving forces behind this increase in home sales in the seven cities. MMR alone sold 20,350 residential units, accounting for 35% of the total 58,920 units sold across the seven cities under consideration. As a result, MMR is the country's largest home sales market. The sale of residential units in MMR was up 16% from the previous quarter and 46% Y-o-Y.

Urbanization Driving the Market

Urbanization has accelerated in the country as a result of population and economic growth, with the number of metropolitan towns and cities skyrocketing. This expansion is projected to continue in the coming years. New Delhi, Mumbai, Bangalore, Hyderabad, Ahmedabad, Chennai, Kolkata, Surat, and Pune are the nine biggest cities in India. Urbanization begins in these vast cities, with many businesses, technological advancements, and geographical problems. India is currently experiencing a housing crisis in metropolitan areas, and additional housing will be required to fulfill future demand. Due to a lack of housing policies, this demand originates from the economically disadvantaged population. In some Indian cities, public-private partnership policies have been implemented to build homes.

Over 40% of India's population is expected to be concentrated in its major cities by 2030. According to the Union Ministry of Housing and Urban Affairs, 70% of India's future cities have to be developed in order to meet the country's ever-growing urban population. Work from anywhere became more popular in 2021, and demand for affordable houses with ticket sizes less than INR 40-50 lakh has surged in Tier 2 and 3 cities/towns, resulting in price increases in certain areas. The one-year extension of the income tax credit for affordable housing for both developers and buyers has boosted demand for this housing lot even more. The government's 'Housing for All' initiative, which began in 2015, aims to offer inexpensive housing to the urban poor and construct two crore affordable homes by March 31, 2022. This has bolstered this category, and many rules and regulations have been implemented to assist the economically disadvantaged in obtaining inexpensive housing, such as the Pradhan Mantri Awas Yojna (PMAY) and the GST rate reduction from 8% to 1% for the affordable housing market.

India Residential Real Estate Market Competitor Analysis

The top participants in the Indian residential real estate sector are covered in this research. The residential real estate market in India is highly fragmented. Large firms have financial resources to their advantage, whereas small businesses can compete effectively by building expertise in local markets. Some of the main companies are Godrej Properties, Prestige Estate, DLF, Phoenix Mills, L&T Realty Ltd, and Omaxe Ltd. The top listed developers' share of the Indian residential market is predicted to rise to 29% in FY24 from 25% in FY21, owing to a robust pipeline of residential project launches.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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