

# The Shift of Real Estate Development in India

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**Abstract:** Real Estate, a key pillar of the Indian economy, has seen remarkable growth in recent years, driven by new government regulations, evolving consumer preferences, and dynamic economic conditions. This paper explores emerging trends, including the rise in luxury real estate and challenges in affordable housing. One of the most notable trends that has emerged in the Indian real estate is the rise in demand for luxury real estate, which contrasts with the scarcity of middle - class inventories. The review of the economic reports and data reveals that India's residential real estate industry saw a huge upswing in FY23, with home sales values hitting an all - time high of Rs.3.47 lakh crore (US\$42 billion), representing a strong 48% YoY rise. According to the Economic Times Housing Finance Summit, with a population growing at a rate of 2.1% per year on average and the low purchasing power of a significant portion of our population, meeting the 40 million urban housing demands needs to be addressed. Secondary research reveals a strong growth trajectory for the sector, underscoring the need for collaboration among stakeholders to meet urban housing demands and achieve sustainability goals by 2030.

**Keywords:** luxury real estate, affordable housing, purchasing power, urban housing demands

## 1. Introduction

The main objectives of the research study are:

- Understanding the new trends in the real estate sector of India
- Highlighting the impact of rising cost of housing
- To understand how the govt policies and frameworks shape the real estate growth

### Research Methodology

The study is based on review of secondary data with a qualitative approach. The secondary research was conducted by reviewing journals, research papers, newspapers articles and related books.

### Overview of Real Estate Sector in India

Real Estate is one of the emerging pillars of the Indian economy. It comprises of four sub - sectors - housing, retail, hospitality, and commercial. In the present decade, the Indian real estate sector has experienced significant growth due to rising demand of both commercial and residential spaces.

New government regulations, dynamic economic conditions and shifting consumer preferences, are propelling drastic changes in the Indian real estate market. One of the most notable trends that has emerged in the Indian real estate is the rise in demand for luxury real estate, which contrasts with the scarcity of middle - class inventories.

India's real estate market underwent significant transformation during the first half of 2024. There is a substantial increase in demand for premium real estate, which has accelerated 41% growth in transaction volumes. According to Reliant Surveyors (2024) urbanization and rising disposable incomes continue to reshape the landscape, high - net - worth individuals (HNWIs) and affluent buyers are increasingly seeking out luxury living options.

"Average home prices in India are expected to rise steadily in the coming years, posing an unprecedented challenge as it will make owning a property unattainable for majority of the people," according to a Reuters poll conducted in 2024.

India Brand Equity Foundation (2024) reports that by 2040, the real estate market of India will grow to a formidable Rs.65, 000 crore (US\$ 9.30 billion) from Rs.12, 000 crore (US\$ 1.72 billion) in 2019. It is expected that the real estate sector in India will reach US\$ 1 trillion in market size by 2030, up from US\$ 200 billion in 2021 and will contribute 13% to the country's GDP by 2025. The emerging sectors of retail, hospitality, and commercial real estate are growing significantly, providing the much - needed infrastructure for India's growing needs.



The report projects that India's real estate sector is expected to expand to US\$ 5.8 trillion by 2047, contributing 15.5% to the GDP from an existing share of 7.3%. India's residential real estate industry saw a huge upswing in FY23, with home sales values hitting an all - time high of Rs.3.47 lakh crore (US\$42 billion), representing a strong 48% YoY rise. Additionally, the sales volume showed a robust growth trend, increasing by 36% to 379, 095 units sold.

According to the Economic Times Housing Finance Summit, about three houses are built per 1, 000 people per year compared with the required construction rate of five houses per 1, 000 population. The current shortage of housing in urban areas is estimated to be ~10 million units.

25 million more affordable housing units will be needed to accommodate the nation's growing urban population by 2030.

Let's take a closer look at these new trends.

### 1) The Growth of India's Luxury Real Estate Market

There has been exponential expansion of the luxury real estate industry in India owing to a number of factors, such as changing lifestyles, increasing disposable incomes, and the growing demands of the upper - middle class and rich people. There has been a significant increase in demand for larger homes, upscale amenities, and integrated living solutions. Cities like Hyderabad, Bengaluru, Delhi NCR, and Mumbai are leading the luxury real estate market. High - end and luxurious homes are becoming the main attractions in the real estate market.

Sotheby's International Realty reports that in India wealthy people plan to invest in luxury real estate over the coming years in significant numbers. The desire for luxury real estate is also fueled by the possibility of a large rental income and a high return on investment. Non - resident Indians, or NRIs, have emerged as a significant driving force in the luxury real estate market. According to data, NRI investments in the Indian residential real estate sector have increased by an astounding 35% annually.

NRIs are interested in investing in Indian real estate due to a number of circumstances such as drop in the value of rupee relative to the US dollar and other foreign currencies. Because of the possibility of greater profits, NRIs prefer investing in India over Western markets. In India, the first half of 2023 saw a 130% increase in the sale of luxury properties as compared to the same period the year before (Real Estate Industry Report, 2024).

### 2) Challenges in the Middle - Class Segment

India's real estate sector is undergoing significant change. The premium housing market has exploded while the middle class finds 'affordable housing' a distant dream, since most of them cannot afford the price tags. The average middle - class, middle - income Indian stands no chance of owning a house in a big city without disinvesting savings, taking a loan or selling off possessions. Although the luxury market is booming, the middle - class housing market is confronted with significant obstacles. There is expected to be a shortage of inventory for this group due to the growing demand for mid - range and cheap housing as well as supply limitations.

#### Increased Demand for Middle - Class Housing

In India, a sizable section of the population is middle class. The need for housing has increased as a result of urbanization and increased migration to metropolitan areas in search of work opportunities. Additionally, the incentives provided by financial banks and institution to the first - time homebuyers, government programs like the Pradhan Mantri Awas Yojana (PMAY) have increased demand. In this market, supply has not been able to keep pace with strong demand. This imbalance is caused by a number of factors; developers find difficulty in maintaining affordability while guaranteeing profitability because of the rising costs of labor, and raw materials. Developers are less keen to participate in affordable housing projects due to the high cost of land in urban regions

### 3) Keeping the Diverging Segments in Balance

Stakeholders in the real estate industry must embrace creative thinking and teamwork to address the dual trends of rising luxury demand and shortages in middle - class supply.

#### 1.1 Policy Interventions

The real estate market is significantly shaped by government policies. Measures including accelerated approval procedures, developer tax breaks, and the establishment of affordable housing zones may be successful in alleviating the middle - class supply shortage. At the same time, the luxury market can continue to grow if foreign investments are encouraged.

#### 1.2 Technological advancements

The real estate sector is experiencing revolutionary changes due to adoption of technology, which provides ways to close the supply and demand imbalance. Technology not only reduces costs but also accelerates project timelines by utilizing cutting - edge construction methods including modular and prefabricated building technology it is also perpetuating a technology driven lifestyle. The integration of technology is revolutionizing the residential landscape, enhancing convenience, security, and comfort. Smart homes equipped with IoT devices, home automation systems, and AI - powered assistants are becoming the new standard, offering residents a seamless living experience while setting new benchmarks for a futuristic living. The projected revenue in the Smart Home market in India is expected to reach US\$6.5bn in 2024 (<https://www.statista.com/outlook/mo/smart-home/india>).

#### 1.3 Focus on Tier 2 and Tier 3 Cities

Tier 2 and Tier 3 cities are the focus areas for development due to the scarcity of land in urban areas and the rising cost of real estate in metropolitans and Tier 1 cities. These areas are suitable for affordable home projects because they have a lot of land available at cheaper prices. Furthermore, government's emphasis on enhancing connectivity and infrastructure is a positive factor. The real estate growth in Tier 2 cities is catching up with that of Tier 1 cities. For example, Ahmedabad's residential real estate market size of INR 83, 390 crores has outshone some of the Tier 1 cities like Kolkata and Chennai with market sizes of INR 38, 440 and INR 52, 554 crores respectively at the end of fiscal year 2021 - 22 and this growth has resonated in the Tier II cities as well such as Nashik, Jaipur, Vadodra, Gandhingar, etc. (source - <https://realtynxt.com/news/tier-ii-cities-emerge-as-significant-engines-of-growth-for-real-estate-industry-in-india-propequity>)

#### 1.4 Sustainable Growth

Eco - friendly materials, energy - efficient designs, and green structures are becoming more popular, especially in the luxury market. Incorporating affordable sustainable practices can improve affordability for the middle class and attract eco - aware consumers. Keeping the recent demand for housing, the government has renewed its focus on affordable housing and developers have recalibrated their strategies to tap into

this underserved segment. Government of India has launched various government - funded programs designed specifically for low - income groups or home loan options from private lenders/NBFCs. In the Union Budget 2023 - 24, a commitment of Rs.79, 000 crore (US\$ 9.64 billion) for PM Awas Yojana was announced, which represents a 66% increase compared to the previous year (<https://www.ibef.org/industry/real-estate-india>). Government schemes like the Pradhan Mantri Awas Yojana and Rajiv Awas Yojana have incentivized developers to venture into affordable housing projects, fostering inclusivity and accessibility in the real estate market. With a population growing at a rate of 2.1% per year on average and the low purchasing power of a significant portion of our population, meeting the 40 million urban housing demands needs to be addressed.

## 2. Conclusion

With the luxury market expanding at an unprecedented rate and the middle - class facing supply shortages, the Indian real estate market is at a turning point. The evolving economic realities and ambitions of India's highly diverse population are reflected in these trends. The real estate industry can build a balanced ecosystem to serve all the sections of the society by tackling the supply - demand imbalance, utilizing technology, and adopting sustainable practices. The future of Indian real estate will be greatly influenced by the cooperation of investors, developers, and legislators as the market changes and all the stakeholders work in unison to achieve the United Nations (UN) Sustainable Development Goal 11.1 to ensure that everyone has access to safe, adequate, and affordable housing by 2030.

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