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# Trends that will shape the 2021 outlook

Bijay Agarwal, MD, Salarpuria Sattva, offers a few ideas



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Today, the real-estate market is one of the most resilient markets, shrugging off the pandemic's related effects and achieving greater than average figures in a short time. In addition, an unprecedented amount of fiscal and monetary stimulus from the Govt. has also boosted the real estate sector and helped it to stay afloat during the crisis. Thanks to the new normal, there are a few changes which may well become a permanent part of our lifestyle. Keeping in view the evolving work ethos, it will no longer be restricted to only home or just the office. The amalgamation of both, will be key to a holistic approach to life, which will in turn, be instrumental in the revival of Indian realty.

Covid-19 has fast-tracked changes in the real estate industry, bringing in its wake an emphasis to safety and wellness. There has been a paradigm shift across industries and the real estate industry has the opportunity to take the lead in re-strategizing, upskilling and investing to reshape the industry. The initial nationwide lockdown has impacted all sectors hard and real estate is no different. However, with the lifted lockdown restrictions on construction, real estate has witnessed green shoots with gradual momentum in the housing market. Below are a few anticipated trends that the industry can expect in 2021, with revival signs already taking center stage.

## Trends in Real Estate 2021

*Increasing demand in the residential sector:* According to an industry report, property searches increased by 30%-40% compared to pre-Covid levels. The real estate industry has seen a growth recovery in demand with buyer preference moving largely to affordable and mid-segment properties. The luxury sector has also seen considerable traction post lockdown.

The pandemic has reiterated the importance of owning a home. It has also brought to focus the need for separate spaces for work and recreation. With continued work from home options by companies, consumers are not compromising on the size of the house. Home buyers are also looking at moving towards peripheral locations. This trend will continue into 2021 as well.

Real estate has always been considered to be a stable asset class and preferred investment option even before the pandemic. Going ahead, in 2021 also, this trend is expected to continue and it is expected to witness a growth curve, as millennials will also take a keen interest in property buying. Moreover, with digital interventions transforming the sector, it will give a much-needed boost for a stable growth trajectory.

*A buyer's market:* Buyers will benefit the most in 2021. As developers are offering various attractive schemes to offset the recent slowdown in the market and to infuse demand, Ready-to-move-in apartments, have been seeing an increasing demand among buyers. With the Government's initiative of 'Housing for all' by the year 2022, there has been a boost in the segment and various rules and regulations, like cut-rates of GST between 8% to 1% for the affordable housing segment has further incentivized home buyers. In addition, under PMAY, the government's efforts to extend the deadline for the Credit Related Interest Subsidy Scheme to March 31, 2021, has had a positive effect on the middle income strata and has enabled them to purchase property with their limited funding.

*Work from home evolves office outlook:* Companies, with investments on digital capabilities, saw great success with remote working policies, and considering the global environment, this is expected to continue at least till June 2021. While commercial spaces saw an increase in the pre-COVID period, due to the extended work-from-home option, occupancy in office spaces faced a slow-down. As per industry estimates, the commercial real estate market, which was growing at around 8% per annum, is expected to stagnate for a couple of years.

The impact of the lockdown on office spaces, has been rather restricted, and comprises only a portion of the global firms' overheads. However, this unprecedented time has somehow prompted firms to go back to their drawing board, to re-strategize their approach of the conventional work-place. Firms that are flexible enough to reinvent themselves and conceive out-of-the-box solutions to stay connected with their target audience, will be the successful ones in the post covid era.

Co-working spaces, at present, is a minute portion of the overall real estate business. In the year 2021, there will be some development in flexible leasing arrangements. This will push the demand curve up for a shared economy in 2021. Apart from companies such as logistics, fin-tech and BPOs, only a few industries will continue operating remotely. According to an industry report, it is projected that the flex space market will expand at a slower pace and more organically across 2021 and beyond. Most of the companies are looking at staggered timings, and will not have all employees at the same time, hence few seats on rotation will work well for the office. The rise of co-working spaces is likely to raise property prices for projects around them. According to an industry report, share of co-working space in office leasing to increase manifold in the near future

#### *Co-living in India*

Within India, the co-living model mainly consist of millennials who are single-young working professionals or students. The new millennial lifestyle needs proximity to city centres, with the desire for reduced traffic and a collective, experience-led lifestyle with shared amenities. Thus, it is expected that co-living will broaden its user base. The service offerings will also be streamlined and will continue to grow. However, in an unprecedented time like this, co-living will be a challenge as people will prefer to go back to basics and focus on single occupancies instead of sharing. The industry has to bear with this for the next two quarters but once businesses start settling in, there will be newer opportunities and co-living will surely bounce back. Due to the pandemic, co-living saw a slowdown from March this year. There has been an upswing in the space starting November. This will continue and the second quarter of 2021 will see the co-living market will bounce back in a big way.

#### **The path ahead**

According to the Savills report, the post-covid-19 scenario will be quite conducive for a fresh start in the realty sector with better intensity and vigor, than in the pre-covid era. It is projected that the first two quarters are expected to witness growth mostly in residential segments, however, the commercial and other real estate verticals will catch up fast.

Overall, when perceived as an investment mechanism, real estate will most likely emerge with a silver lining in the post-covid period due to the stability, security and investment benefits that it offers.

