

## Real estate trends 2021 and beyond

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### From residential market perspective:

In the past twenty months, we witnessed drastic changes in lifestyle preferences of consumers. The pandemic made consumers understand the importance of owning a home and this in turn, increased the demand for residential real estate. In the era of physical distancing, work-from-home, and home-schooling routines, the significance of having additional space in the house with amenities and townships that allow homeowners to live more freely and lead healthier lives became a prominent trend. The industry was ready to meet the demand for the surge in ready-to-move-in units, in almost

all cities. It became a preferred segment owing to shift in buyer mentality, to seek safety and avoid risks associated with under-construction properties.

**Progressive government initiatives** — The scope of the real estate industry is tremendous and considering the revival potential of the sector, the government offered progressive policies to give a boost to the industry. The government laid the groundwork for the recovery of the sector with initiatives to reduce tax incentives and providing a conducive environment to encourage home buyers. The low-interest rates on home loans have invariably increased the affordability of houses as well.

**New untapped markets** — With people moving to their hometowns, an increase in demand for residential properties in Tier 2 and Tier 3 cities gained momentum. This upward trajectory in demand opened new roads of opportunities, for these cluster cities to become the destination-next of real estate. The desire for a better lifestyle, the ease of remote working culture and reverse migration led to an increased demand for homes in the peripheral areas of metro cities. Furthermore, this created a chance for real estate players to explore and offer great home experiences to this untapped consumer demand and capture new markets.

**Uptick in sales** — The sales volume for the residential sector from the period October 2020 to December 2020 increased 2-fold to 61,593 units, compared to 33,403 in the previous quarter, signifying healthy recovery, despite the challenges faced by the industry during the pandemic. According to an industry report, homebuyers took advantage of incentives offered by developers and low interest rates, leading to an increase in residential sales in seven cities across the country. Post the second wave, sales in the fourth quarter of 2021 recovered to >90% volumes recorded in 2020 across the top seven cities.

**Switch to sector-wide digitization** — The industry adapted to the digitization wave on a large scale in the past 20 months. With the changing paradigm, real estate players were required to adapt to the new normal. From online site visits to online payment, developers switched to innovative technological tools and practices across various stages of business operations. Virtual walkthroughs have been a game-changer for the industry during the pandemic and will continue to be so, with players adding more layers to the entire marketing experience.

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**From commercial market perspective:**

**Flexi in-demand** — Flexible workspaces provide companies with a way to save costs, raise productivity, improve work experience, and provide employees with more flexibility. This created a high demand because the concept not only perfectly matches the 'new normal' norms but also offers smoother business operations. In 2022, the co-working segment is expected to have greater demand. With companies now re-opening in a phased manner, they are looking at staggered timings for their employees. Companies are also fragmenting their offices across Tier 1 and Tier 2 cities, offering flexibility to employees.

**What to expect in 2022 -23:** The real estate sector's contribution to the country's GDP is set to go up to 10% by 2030, contributing about \$1 trillion to the economy, according to an industry report.

**A few clear trends will shape the future of the real estate industry, some being —**

**The rise of fractional ownership concept** — Unlike mutual funds and shares, where clear regulations are in place, fractional ownership in commercial real estate is a relatively new concept targeting a wider pool of institutional investors, individual investors, and fractional investors. It allows investors to collectively put small pegs of money to individually own a fraction of a high-value property with a goal to gain high returns over time. The concept has gained popularity and is poised to reduce the financial burden on the sole investor of the property. Online investment platforms are pursuing investors by offering fractional ownership with high yield returns.

**Data centers** — Leading players in the industry are now building data centers to reap benefits from early investments. With the digitalization in the aftermath of the pandemic, the demand for data centers has multiplied. India's transformation into a 'digital economy' increased the demand for the sector. Policy measures, a growing customer base, and increasing corporate data storage requirements, are all driving India's data center growth. The demand for data centers in India has increased due to rising demand from fintech, e-commerce, media, education, and content companies.

**Last-mile delivery to take off in warehousing** — The pandemic gave boost to the e-commerce sector like never before, it accelerated the pace of the industry to meet the consumers' needs for increased home shopping demands. Swift fulfilment and timely distribution of orders became a priority of every online shopping experience. This gave birth to the need of last-mile delivery with city-specific local warehousing touchpoints. Driven by the rising wave of e-commerce, from home seeking consumers, the concept of these micro-warehouses has created quite a demand in the market. In the years to come, micro-warehouses will become a common phenomenon, with more and more players adopting it countrywide.

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**Affordability**– In 2021, over half of the housing demands in leading markets were driven by the affordable segment. We witnessed the segment as a leading buyer. For developers it offers a chance to focus on optimizing cost, despite the increasing input prices, by deploying technology and bringing innovation to their offerings, for keeping the segment afloat in 2022 and meeting consumer demands more efficiently.

The industry trends indicate that the time-ahead for the Indian real estate is set to move up the growth ladder in the years to come. There are multi-level dynamics that will continue to impact the many facades of the real estate industry, such as: prices, buyer behaviour, demographic shift and cost of raw materials in general. Hence, it can be confidently said that self-sustaining affordable properties, with a consumer experience-centric approach is where the future of real estate lies.

