



# Dynamic and Sustainable Growth: A Comprehensive Analysis of the Housing Sector in India

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## Abstract

The housing sector in India is the largest and fastest-growing sector in the economy, and is propelled by a multitude of causes, including increased urbanization, rising earnings, and the government's focus on providing affordable housing. The sector is anticipated to expand considerably in the forthcoming years, generating new prospects for enterprises and investors.

It has experienced dynamic growth alongside persistent challenges, presenting a complex landscape that warrants comprehensive analysis. This paper offers an in-depth exploration of the sector's multifaceted nature by examining its evolving trajectory, factors driving its expansion, the pivotal role of government, and the enduring obstacles it confronts.

Through a detailed overview of current conditions, including housing demand, supply, and urbanization trends, the paper delves into the sector's quantitative landscape. It scrutinizes the driving forces of growth, including demographic shifts, urbanization, and rising income levels, highlighting their influence on housing dynamics. Additionally, the paper delves into the multifaceted role of government in shaping the sector, elucidating policies, initiatives, and schemes aimed at promoting affordability, urban development, and housing finance. Amidst growth, the sector encounters difficulties such as inadequate supply, affordability concerns, informal settlements, and infrastructural deficits, all of which are meticulously examined. By evaluating regulatory frameworks and policy implications, the paper dissects the environment in which the sector operates.

**Keywords:** - Dynamic Growth, Persistent Challenges, Housing Sector, urbanization, and housing demand & supply

## I. INTRODUCTION

The housing sector in India is one of the largest and most dynamic in the world. It is estimated that the sector contributes around 13% to India's GDP and employs over 40 million people. The sector has exhibited fast expansion in recent years with sales of residential units increasing by an average of 9% per year between 2014 and 2022.

Several factors have fueled this growth, including an increasing middle class with increasing disposable incomes, an increase in affordable housing demand, and government initiatives to boost the sector. India is a rapidly urbanizing country. The urban population is expected to reach 600 million by 2030, up from 370 million in 2015. Increasing urbanization will put a strain on the housing sector, since affordable housing will be in greater demand. Besides urbanization, rising incomes are also driving the growth of the housing sector. Recent increases in Indian household income have made it possible for more people to afford to purchase homes. The government has launched several schemes to provide affordable housing, such as the PMAY. Low-income households have benefited from these schemes by being able to afford more affordable housing.

In addition, India's housing sector faces several challenges, including a lack of affordable housing, inadequate infrastructure and urban planning, high-interest rates, and a slow pace of land acquisition. Despite the issues confronting the housing sector in India, it is anticipated to experience growth in the forthcoming years. The government is committed to addressing the challenges facing the sector and has announced a number of initiatives to boost the sector. India's housing sector is expected to continue to grow due to these initiatives as well as strong economic fundamentals.

## II. OBJECTIVES

The main aim of this paper is to review the growth and challenges of the housing sector in India. The precise objectives are;

1. To provide an overview of the housing sector in India.
2. To analyze the factors driving the growth of the housing sector.
3. To discuss the government's role in the housing sector.

### III. METHODOLOGY

The study is both descriptive and analytical, grounded in a review of the literature about the housing market in India. The literature review includes scholarly articles, governmental publications, and industrial analyses. An examination of the expansion and issues within India's housing market is conducted utilising secondary data from multiple years. The government's involvement in the housing sector is also addressed.

#### The residential sector in India

The Indian real estate sector is seeing significant growth due to persistent rises in population, urbanisation, and commercial endeavours. Investment in real estate is experiencing significant growth in both the long and short term. The Indian real estate sector, classified by property type such as residential, commercial, retail, hospitality, and industrial, was the most adversely impacted market during the COVID-19 pandemic. Over the past two years, numerous sites were shuttered for construction, and many projects remained incomplete. Post-pandemic, India's real estate market has thrived and is expanding rapidly, with cities such as Bengaluru, Ahmedabad, and Chennai emerging as prime investment destinations. The demand for Indian housing has significantly increased in recent years. Factors such as population growth, evolving consumer behaviour, regulatory reforms, rural-to-urban migration, and property investment patterns have propelled real estate development in India's housing sector. The housing market had a record annual growth rate of 68%. India's population is projected to exceed 1.5 billion by 2023, indicating a heightened demand for housing in light of existing and future circumstances. In response to heightened demand, builders commenced building as housing market sales surged by an unprecedented 48% in FY23.

**Table:1** Growth of the housing sector in India

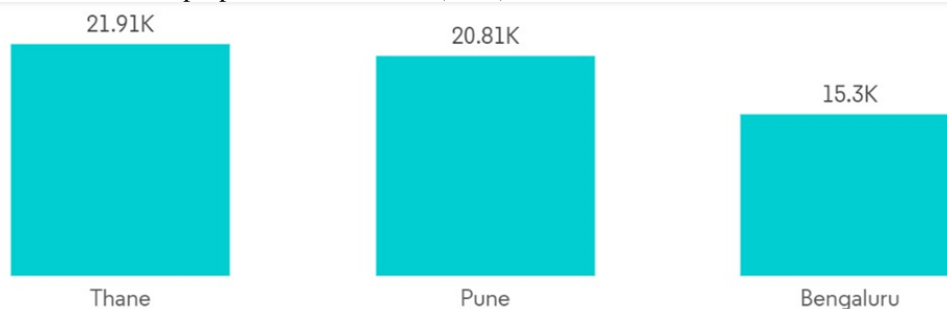
Year	Market Size (USD billion)	CAGR
2019	265.18	25.60%
2020	331.64	22.90%
2021	412.96	20.70%
2022	509.48	19.00%
2023	622.5	17.70%

Source: Statista

During the period from 2019 to 2023, the housing market size in India has more than doubled, as shown in table 1. The CAGR is also very impressive, at over 20% per year.

Fast urbanization has resulted in a huge demand for affordable housing throughout the country. Moreover, luxury and spacious residences are becoming increasingly popular due to increased lifestyle demands. Implementing initiatives that create demand and encourage individuals to buy real estate enhances the market. Move-in ready properties have been in high demand from residential buyers. Technological advancements are transforming the Indian real estate industry. Innovation is prevalent throughout the industry. As a result of recent technological advancements, the market has grown rapidly. Technology and real estate have collaborated efficiently in a key innovation in home automation. These places possess significant potential to attract diverse investment possibilities and innovative individuals. Properties under construction are progressively losing their allure due to protracted waiting times and a rise in project failures. Consequently, ready-to-move-in homes are increasingly gaining popularity. The strategy of constructing before to selling is a prevalent business practice employed by builders to facilitate this method. This prevalent American and European residential design has entered the Indian real estate market.

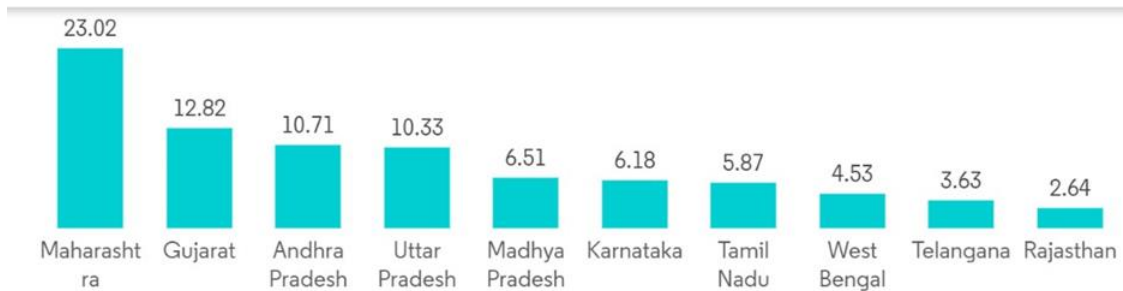
**Figure:1** No. of residential properties sold in India (2022)



Source: Industry association

Recent data by industry analysts indicates that residential property sales in India's major cities rose by 24% in the July–September quarter of 2022 compared to the corresponding period in 2021. The data indicates that total sales rose from 87,747 units in the third quarter of 2021 to 108,817 units in the third quarter of 2022. This research identifies Bengaluru, Chennai, Hyderabad, Kolkata, Thane, Mumbai, Navi Mumbai, Pune, and Delhi-NCR as Tier-1 cities. The primary causes contributing to the sales growth include homeowners' desire to enhance their lifestyles, low-interest rates, affordable pricing, and the pandemic's resurgence of enthusiasm in homeownership. In the first half of 2022, developers introduced 160,806 units, representing a 56% increase compared to the same period in 2021, as a strategic response to market conditions. In Mumbai, 44,200 residential units sold constituted 28% of total sales across the eight primary markets. Housing sales in the NCR were 29,101 units, reflecting a 154% year-over-year growth. NCR possessed the second-largest market share in sales among the nation's eight principal real estate markets.

**Figure:2** Investment value in affordable housing programs in India (USD Billion)



Source: MHUA (2022)

The ten states with the highest investment value are shown in Figure 2. As of May 2022, 88.8 billion USD had been invested overall on affordable housing projects in India. Compared to 2014, when the investment value was only \$10 billion USD, this marks a significant growth. The government's Pradhan Mantri Awas Yojana (PMAY) program, which aims to provide affordable housing to all Indians by 2022, is responsible for the increase in investment.

With government assistance, non-resident Indians are keeping an eye on the Indian real estate market. FDI has been enthusiastically embraced by SEBI and the RBI. It was projected that NRI investment in India would hit a record-breaking INR 96 crore in FY2021. Luxury real estate in India is purchased by non-resident Indians, who then rent it out. USD 14.9 billion was invested by non-resident Indians in fiscal year 2022. The residential sector in Mumbai is allocated USD 13.1 billion of the USD 14.9 billion. It shows that NRIs are interested in making real estate investments in India. It is projected that NRI investment in Mumbai's residential sector will rise by about 12% in 2023.

### The Role of the Government in the Housing Sector

Indian housing sector is heavily influenced by the government. The Constitution of India assigns matters pertaining to housing and urban development to the state governments. However, the central government is responsible for the formulation and implementation of social housing schemes. The central government has launched a number of schemes to provide affordable housing to economically weaker sections (EWS) and low-income groups (LIG). These schemes include the PMAY (Urban), the Rajiv Gandhi Awas Yojana, and the Valmiki Ambedkar Awas Yojana. As a result of these programs, financial assistance is provided to individuals and families to build or purchase a house. Under the PMAY initiative, the government creates cheap housing and sells it at far lower rates than market prices. The government further offers subsidies on interest rates for mortgage loans. Government measures regarding the housing system have significantly aided individuals, since home loans have facilitated the acquisition of inexpensive housing in India. Currently, a house loan commences at an interest rate of 6.85% per annum, with manageable EMIs and extended repayment terms.

In addition to providing loans, the government has an obligation to regulate the housing sector. The historic Real Estate (Regulation and Development) Act of 2016 aims to safeguard the rights of homebuyers. According to the Act, all real estate developers are required to register their projects with the Real Estate Regulatory Authority (RERA). RERA also mandates that developers provide homeowners with thorough project information.

- Since the COVID-19 outbreak, the Indian government and numerous state governments have taken significant actions to advance growth in the field. The smart city initiative, which intends to establish 100 smart cities throughout India, presents a substantial opportunity for real estate developers. These are some significant government initiatives for the real estate sector in 2020–21.
- The tax holiday for affordable housing projects and the tax exemption for interest on housing loans up to Rs. 1.5 lakh are extended until the end of fiscal year 2021–2022 by the Union Budget 2021–2022.
- In November 2020, Finance Minister Mrs. Nirmala Sitharaman announced the Atmanirbhar Bharat 3.0 package, which includes income tax relief provisions for homebuyers and real estate developers regarding the principal purchase or sale of residential units valued up to Rs. 2 crores between November 12, 2020, and June 30, 2021.

- The Ministry of Housing and Urban Affairs established a platform for affordable rental housing complexes in October 2020.
- As of January 31, 2021, 265 of the 425 Special Economic Zones (SEZs) that India had officially authorised were operational. The IT/BPM industry is home to the majority of Special Economic Zones.
- The government said on October 27, 2020, that the Real Estate (Regulation and Development) Act, 2016 would apply to the Union Territory of Jammu & Kashmir. Any Indian citizen can now purchase non-agricultural land and property, whereas before only local locals could.
- The Union cabinet has authorised the creation of a ₹25,000 crore alternative investment fund to resurrect over 1,600 housing projects that have been placed on hold nationwide.
- With an initial budget of Rs. 10,000 crores, the government established the Affordable Housing Fund (AHF) at the National Housing Bank (NHB) to finance Housing Finance Companies (HFCs) through priority sector credit deficiencies from banks and financial institutions.
- The Indian government aspires to achieve Housing for All by 2022, citing elevated housing demand, and has intensified its focus on the PMAY, especially in rural regions.

#### IV. CONCLUSION

The comprehensive study delved into the intricacies of the housing sector in India, aiming to shed light on its dynamic and sustainable growth. Through a thorough analysis of the sector, the study successfully achieved its three primary objectives. An insightful overview of the Indian housing sector was presented which encompasses the status of the housing sector, its influential factors, and the role of government in the housing sector. Based on this overview, we could better understand its growth trajectory. The study meticulously examined the multifaceted factors of the housing sector. From demographic shifts and urbanization trends to economic indicators and evolving consumer preferences, the study illuminated a complex interplay of these elements. Furthermore, the study critically examined how government has shaped the housing market. An enabling environment for growth has been achieved through various policies, initiatives, and regulatory frameworks.

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