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### **Cyclicity in the Real Estate Industry: A 2024 Slump on the Horizon**

The Indian real estate sector has always been a fascinating and dynamic market, exhibiting its fair share of highs and lows. As 2024 approaches, experts and market analysts are scrutinizing the signs, trying to discern whether another slump is looming on the horizon. The cyclicity of the real estate industry has been a subject of great debate and speculation, as it can significantly impact the economy, investment decisions, and the lives of countless individuals. In this article, we will delve into the factors that suggest a potential downturn in 2024 and what it means for the Indian real estate landscape.

#### **Understanding the Cyclicity of the Real Estate Industry**

The real estate sector, like other service or manufacturing sector, operates in cycles, typically influenced by economic factors, government policies, and market sentiment. These cycles consist of peaks, where property prices surge, and troughs, where prices stabilize or even decline. The real estate industry in India has seen several such cycles over the years, with periods of rapid growth followed by market corrections.

#### **The Rise and Fall: Historical Perspective**

The market experienced a substantial boom till the year 1999-2000, fueled by economic boom after the 1991 economic reforms and factors such as urbanization, population growth, and beginning of access to housing finance. However, this boom was followed by a stagnation because of the Asian Financial Crisis in Indonesia, Thailand, Malaysia, South Korea, and the Philippines. They saw their currency exchange rates, stock markets, and prices

of other assets all plunge. The GDPs of the affected countries even fell by double digits, which brought about **a correction in property prices in the entire region including India in 2000.**

### **The Real Estate Boom (2001-2008)**

The period from 2001 to 2007 saw a complex interplay of economic factors, financial innovations, and the announcement of JNNURM (Jawaharlal Nehru National Urban Renewal Mission). People began purchasing properties as investments, often with the intention of "flipping" them for a profit. The buzz of the largest IPO of DLF brought the real estate market to its peak. However, triggered by the Lehman Brothers' bankruptcy, the subprime mortgage crisis, and the **global financial crisis of 2008 impacted correction in property prices in India.**

### **The Real Estate Boom (2009-2016)**

The period from 2009 to 2015 was marked by economic growth, increasing middle-class income, and the Indian government's liberalization of foreign direct investment (FDI) norms in the real estate sector. This attracted substantial international investments, fueling property prices. However, rapid construction and an oversupply of properties led to unsold inventory accumulation, putting downward pressure on prices. The sudden announcement of demonetization in November 2016 led to a liquidity crisis in the real estate sector, severely affecting property transactions that often-involved substantial cash payments. **All this led to collapse of property prices in 2016.**

### **The Real Estate Boom (after 2017)**

The market has been witnessing a resurgence driven by various government initiatives, such as "Make in India" and "Smart Cities," increased demand due to the growth of nuclear families, increased transparency, and accountability due to the regulation of developers through RERA. Lower interest rates, although now increasing, and improved infrastructure, such as better roads, public transportation, connectivity, along with the feel-good factor created by the government through various announcements and publicity blitz, looking towards the 2024 general elections have brought property prices to their peak.

### **2024: Signs of a Looming Slump**

As we approach 2024, certain indicators are raising concerns about a potential downturn in the Indian real estate sector. Here are some key factors contributing to this speculation:

#### **Interest Rates:**

Fluctuations in interest rates can affect the cost of borrowing and, consequently, the demand for real estate. A rising interest rate environment could deter potential homebuyers.

### Global Influences:

Geopolitical tensions due to Russia-Ukraine and Hamas- Israel crisis, international economic trends can spill over into the Indian real estate market, affecting investor sentiment and capital flows.

### Economic Uncertainty:

Economic challenges, such as inflation and fiscal deficits, can reduce consumer spending and investor confidence, potentially leading to a slowdown in real estate activities.

### Market Saturation:

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### What Does It Means for Stakeholders?

For potential homebuyers, a slump in the real estate market can offer opportunities to purchase properties at more attractive prices. However, for developers and investors, it can mean challenges in terms of profitability and return on investment. Real estate developers might need to adapt by focusing on affordable housing, improving project delivery, and ensuring compliance with regulatory requirements. Investors need to be cautious and conduct thorough due diligence before committing their capital.

### Conclusion

As we inch closer to 2024, the cyclicity of the real estate industry in India remains a topic of intrigue and speculation. **While historical patterns market correction after every eight years and current indicators suggest the potential for a slump,** it's important to remember that the real estate market is influenced by numerous variables, and predictions are often subject to change. Market players and policy makers should remain vigilant, flexible, and proactive in addressing the challenges and opportunities that may arise in the coming years. In this dynamic environment, staying informed and adaptable is key, as the Indian real estate sector continues to navigate its cyclical journey.