

Analysis of India's Growing Retirement and Second Home Market Space

Research by 360 Realtors



Second Homes Insights into Rising Popularity

Second homes or holiday homes in India have become immensely popular after the pandemic. Increasingly, entrepreneurs, lawyers, doctors, senior corporates, artists, and techno-professionals are buying second homes to work amidst the peace and tranquillity of nature. A growing WFH or rather Work from Anywhere culture is also fuelling the demand in the second home market in India. Second homes or holiday homes in India have become immensely popular after the pandemic. As per the research by 360 Realtors, the aggregate size of holiday homes by the end of 2021 amounted to 1.394 billion. This is a jump of 88.63% compared to pre-COVID times in 2019.

In the north, mountain locations in Uttarakhand and HP such as Kasauli, Dehradun, Shimla, etc. are becoming popular. However, cumbersome property rules which stipulate 50% ownership for local domiciles have been detrimental and deferred many buyers. Meanwhile, Goa continues to garner a lot of attention from buyers of the south and western region. The state also features on top of the list for NRI buyers & investors. In Maharashtra, Lonavala situated between Pune and Mumbai is a favorite.

Numerous peripheral destinations in metros, situated in close proximity to nature are also climbing up. In Bangalore, the upcoming region near Bannerghatta National Park is an emerging second home destination. Likewise, in MMR, Kharghar is a popular destination.

Numerous factors are driving the demand for second homes in India. Besides WFH/remote working culture, the second home market in India also makes for an astute financial investment. Backed by higher demand, there is enough headspace for capital appreciation in second homes. On average, second homes are clocking capital gains of 5-12%. As demand is soaring, second homes can also be rented out easily, thereby giving elevated rental yields.

There are also tax benefits and not to forget the overall aspirational value associated with second homes, which is making this asset class very popular.



Ankit Kansal
Founder & MD, 360 Realtors

The Global Retirement & Second Home Market Analysis

The idea of the Retirement and Second Homes (RSH) market has existed for a while. Numerous factors such as an ideal tourist destination, weekend getaway, long vacations, and a calm and peaceful living after retirement, pushed the demand in a forward direction. Meanwhile, it was 2000s when the market got a shot in the arm with a visible shift in demand. Increasingly, new upcoming destinations in Asia, Middle East & Latin America started featuring on the buyers' list. Meanwhile, other traditional centers such as London, Singapore, Hong Kong, Caribbean Islands, etc. also witnessed renewed interest.

It is believed that soaring RSH demand also played an instrumental role in the overall housing boom in numerous markets such as Dubai, Thailand, Caribbean Islands, etc. A sizable part of the RSH market has been driven by foreign buyers.



To further tap into rising demand, host countries also come up with attractive offers and schemes such as simplified ownership rules, extended visas, elite cards, etc. This further drew the attention of rich tourists from Russia, the Middle East, and the UK, etc. Host countries also systematically opened their local debt markets for foreign buyers to further ease the process.



Besides the sun, sea, and sand, a spurt in medical tourism also contributed to the flourishing global RSH market. Meanwhile, the nature of RSH ownership also changed and transformed. Initially, the super rich primarily enjoyed the space with average ticket sizes roughly to the tune of USD 3 million. However, with destinations such as UAE, Bahrain, Brazil, Thailand, Vietnam, etc. emerging as the new hotspot of the RSH market, the segment is now open to people from other categories as well.



Second homes are now available in the range of USD 900,000 to 1.1 million, thereby making it no more an exclusive asset for the super rich. The economic slump in European countries like Portugal, Spain, Greece, followed by the structural decline in property prices, also opened new avenues for international buyers looking for RSHs. It is estimated that since 2015, the global RSH segment is growing at a CAGR of 15-17%.

Second Home Market in India

The concept of second homes started picking ground in India by the onset of the previous decade. Like their Russian, Middle Eastern, and British counterparts, Indian HNIs also poured in large money in inter-

In the north, the picturesque mountains in HP and Uttarakhand intrigued the interest of second home and holiday home buyers. Buyers from Delhi-NCR, Chandigarh, and UP increasingly looked at buying homes in Dehradun, Nainital, Kasauli, Shimla, Solan, Chail, etc. Scenic mountain views, plenty of forest reserves, and other natural endowments integrated with developed infrastructure made these locations sought-after second home destinations in North India. Retired government officials, army officers, entrepreneurs, etc. had been investing in

In the Western region, Goa, Karjat, Alibaug, Lavasa, Lonavla, etc. became the popular second home destination. Goa is an obvious leader backed by its reputation as a bustling tourism market. In 2019, just before

national markets. Statistics suggest Indians are the biggest buyers in Dubai's housing market. Meanwhile, back at home in India as well the market was evolving at a steady but visible pace.

row houses, villa projects, cottages, etc in these locations. Developers also integrated adventure activities, nature walks, and other outdoor pursuits to add value to their residential offerings.

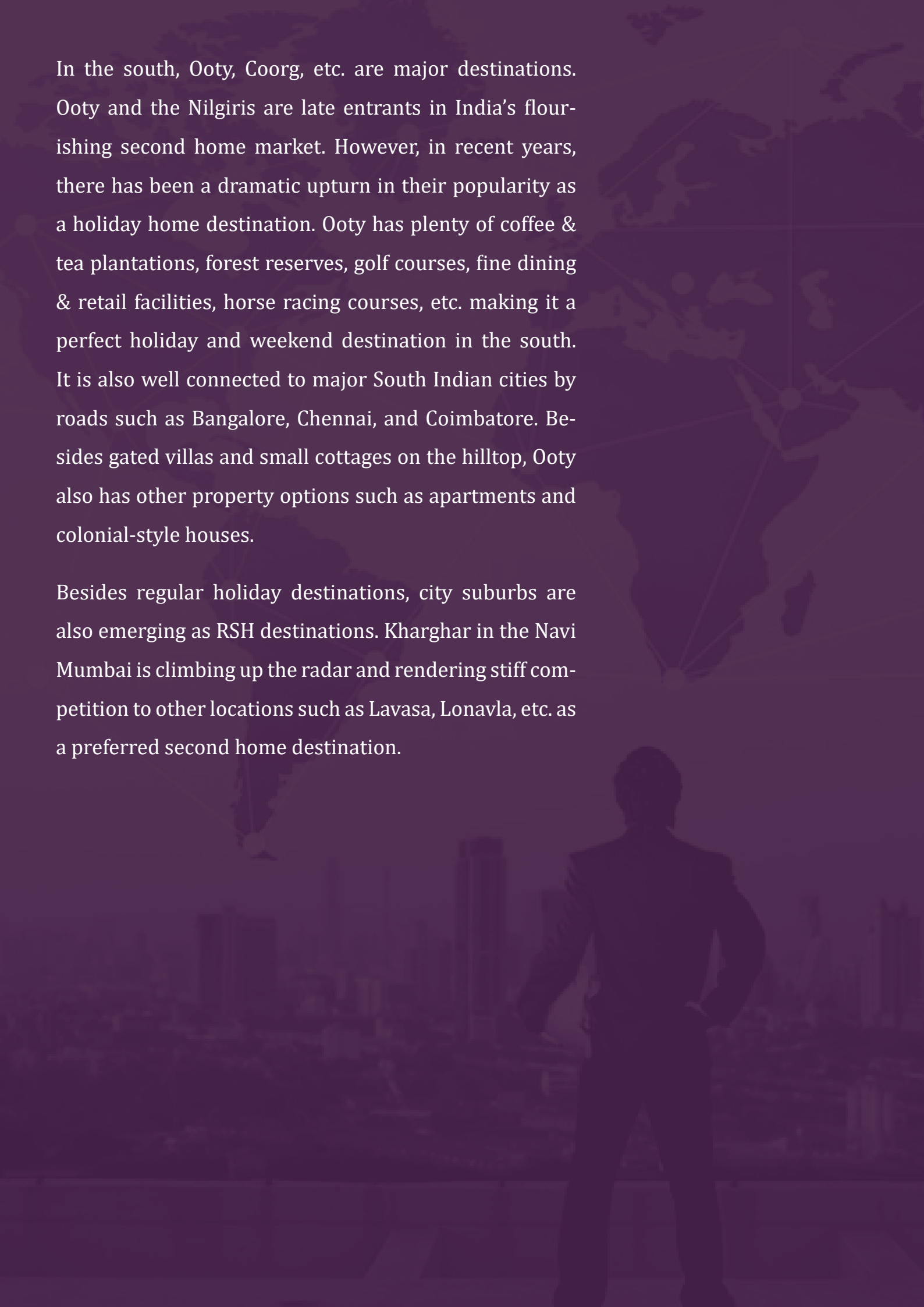
Though the market is largely unorganized and run by local developers, big players have also entered the space, lured by its long-term potential. The entrance of large players has made the space more structured, well-organized, and investor-friendly.

the pandemic, the total number of tourists in Goa amounted to 8 million, out of which international tourists comprised 0.9 million.

Large tourist intake had been driving Goa's second home market, resulting in a plethora of second home projects such as beach homes, apartments, and villas, etc. The niche segment of luxury second homes also became popular with private lawns and pools.

Lonavla, located between Pune and Mumbai, is a popular second home destination for residents living in these two metropolitans. Lonavla gives a perfect escape from the grueling public transport and congested roads of Pune and Mumbai and is a perfect weekend destination. The hill station with the help of its scenic views, large open spaces, and improved social infrastructure also piqued the interest of NRI buyers.





In the south, Ooty, Coorg, etc. are major destinations. Ooty and the Nilgiris are late entrants in India's flourishing second home market. However, in recent years, there has been a dramatic upturn in their popularity as a holiday home destination. Ooty has plenty of coffee & tea plantations, forest reserves, golf courses, fine dining & retail facilities, horse racing courses, etc. making it a perfect holiday and weekend destination in the south. It is also well connected to major South Indian cities by roads such as Bangalore, Chennai, and Coimbatore. Besides gated villas and small cottages on the hilltop, Ooty also has other property options such as apartments and colonial-style houses.

Besides regular holiday destinations, city suburbs are also emerging as RSH destinations. Kharghar in the Navi Mumbai is climbing up the radar and rendering stiff competition to other locations such as Lavasa, Lonavla, etc. as a preferred second home destination.

The micro-market is dotted with a rich blend of planned townships and natural endowments such as hills, lakes, and forests, etc. It is slated to become a popular second home destination in the near future. Likewise in Bangalore, the region near Bannerghatta national park is also gradually becoming popular as a second home destination.

Post-pandemic, the second home market in India has got a further shot in the arm in the face of growing WFH and work from anywhere culture. The factors driving the present market will be discussed in detail in the upcoming segment.

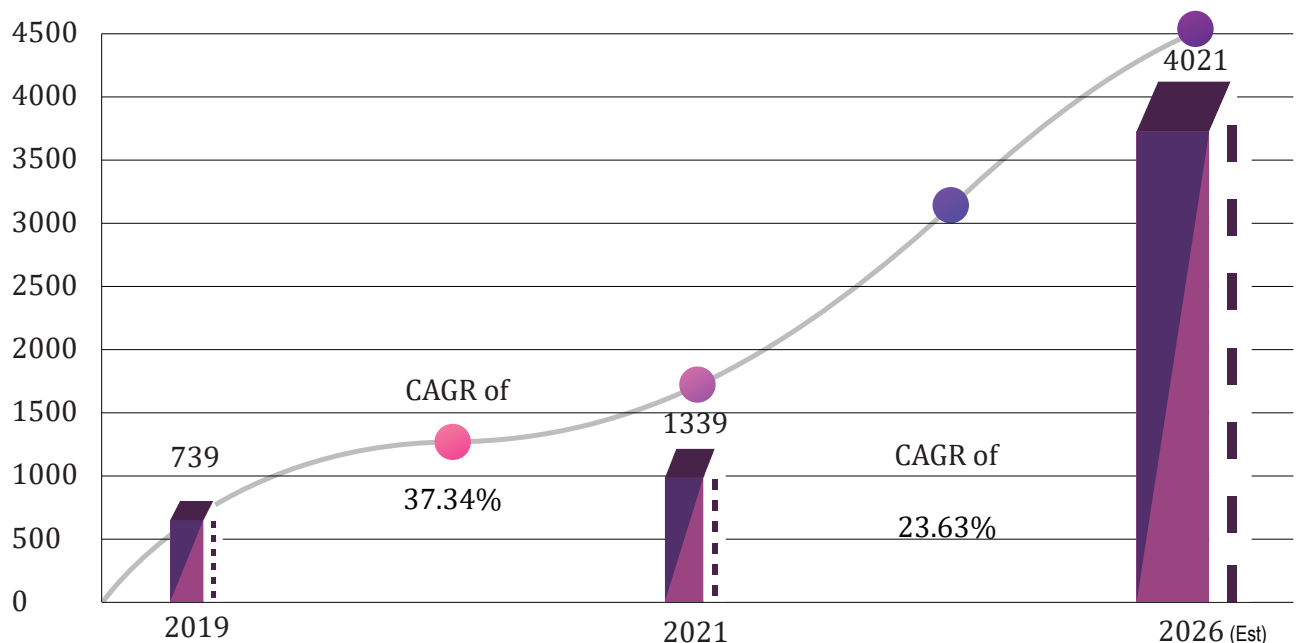


Market Size & Future Trends

The present market size of the second home market in India is USD 1.394 billion. In 2019, the market was sized at USD 739 million and grew at a CAGR of 37.34% in the next 2 years. The market has got a huge push during 2020, as the nation-wide lockdown and the growing pandemic renewed interest towards the second home market. The RSH was amongst the few segments that did not receive any contraction during the pandemic. Rather the pandemic helped in renewing demand in the emergent segment. Meanwhile, the COVID crisis weighed on other asset segments such as residential, retail, office space, etc.

The RSH segment will continue to move on an uptrend. In the next 5 years, it is expected to grow at a CAGR of 23.63%, reaching a total market size of USD 4.021 billion in 2026.

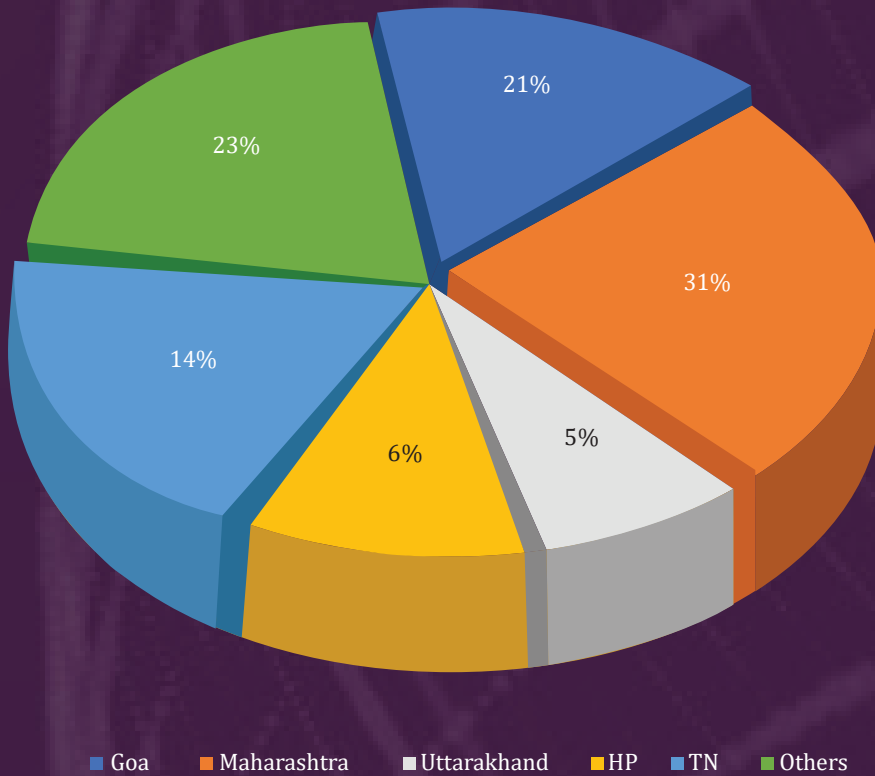
Size of Indian RSH Market (In USD Million)





In terms of region/state-wise breakup, Goa accounts for 21% market by value. The state of Maharashtra, with a string of second-home destinations such as Kajrat, Ali-baug, Kharghar, Lavasa, and Lonavla, comprises 31% of the market size. Tamil Nadu contributes to 14% of the market.

Size of Indian RSH Market (In USD Million)



Source: 360 Realtors' Research

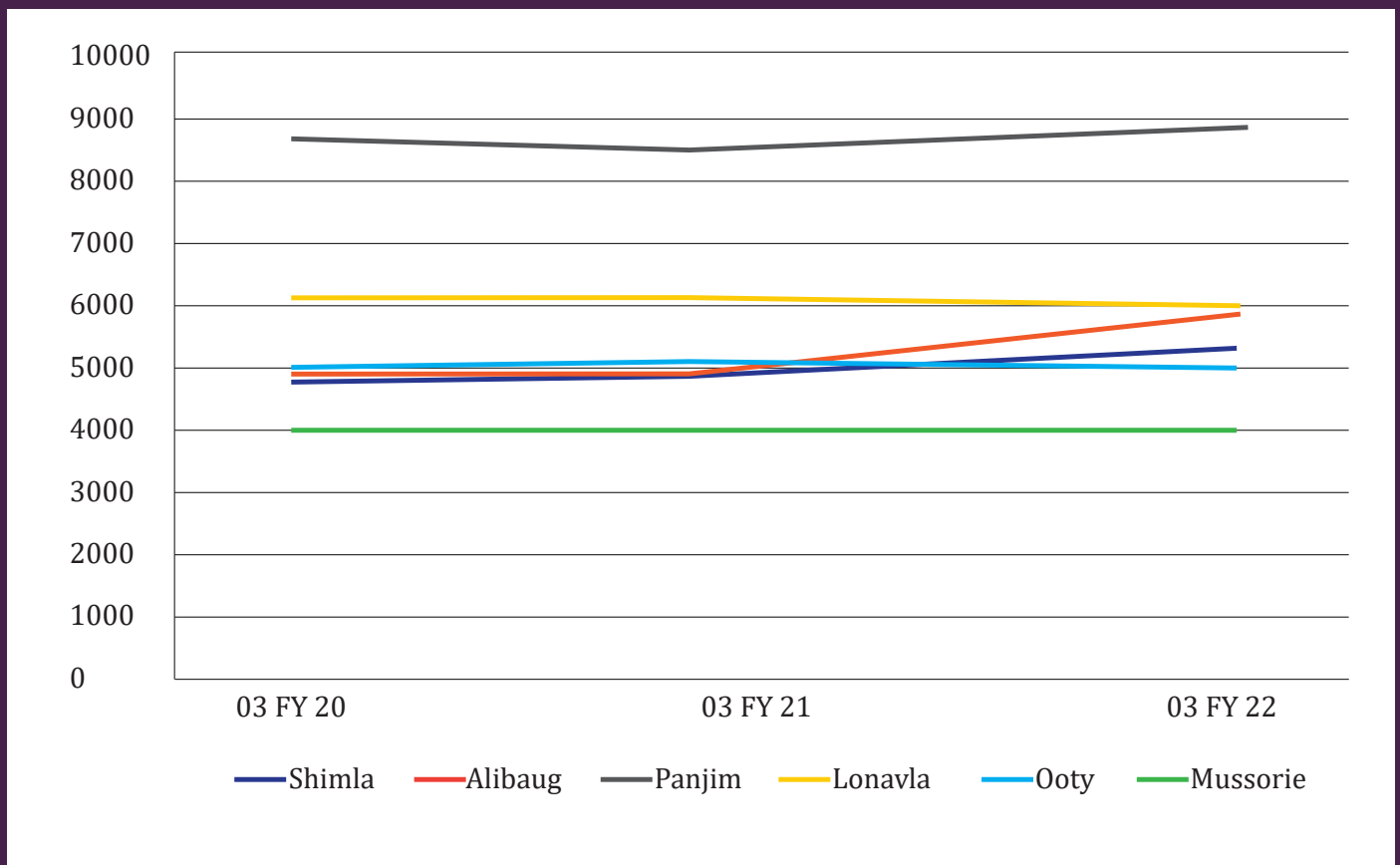
As the market is gaining momentum, large Grade-A developers are also pivoting to the market in big volumes. Big developers such as Tata Housing, Kalpataru, and ATS are betting big on well-developed tourist destinations with high leasable potential. Besides meticulous development, the developers are also spending a big amount on aggressive marketing of projects. Apart from self-use and long stays, these destinations are also emerging as top-notch destinations for parties, corporate events, marriages, etc.

Post-COVID Factors Driving 2nd Home Investments in India

Capital gains: Second homes are a prudent long-term investment. Over the past few years, the popularity of second homes has moved up the curve. During the pandemic, it further got a huge thrust as many buyers, caught between the crossfire of the menacing viral wave and the risk of future contagion, started realizing the inherent benefit of owning a holiday home. Away from the hustle and bustle of hectic city life, second homes offer conducive, hygienic, and peaceful options for work and stay. The growing WFH culture further facilitated a hybrid living model, wherein families started living out from their usual home as well as second homes.



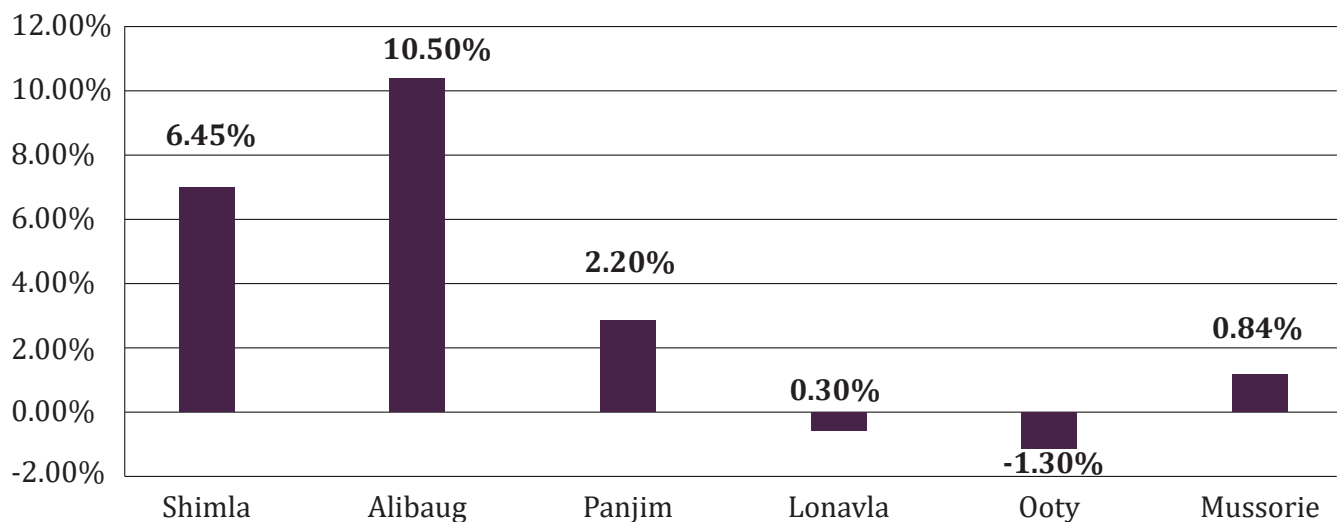
Price trends of major RSH Markets in India (INR/ Sq Ft)



Source: 360 Realtors' Research

As the popularity is climbing up, the demand is also soaring high, making second homes a lucrative investment option in the longer run. The economy is rebounding yet the psychological hangover will persist and this will feed into increased demand for the second home market in India. Moreover, as the growth stymied by the crisis is reviving, tourism will restore and this will further drive demand for the second home market in the country.

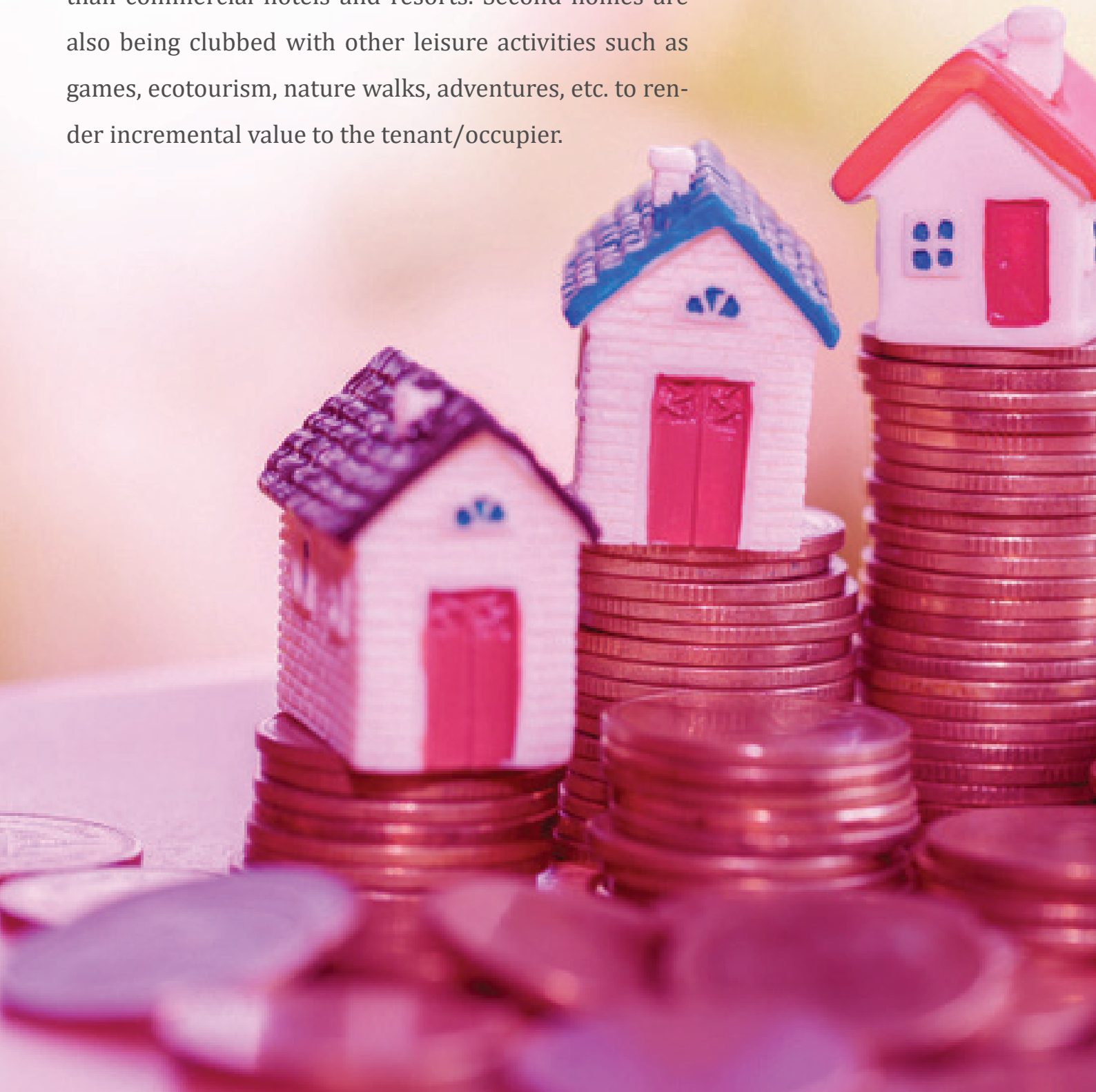
Capital Appreciation CAGR (2019-2021)



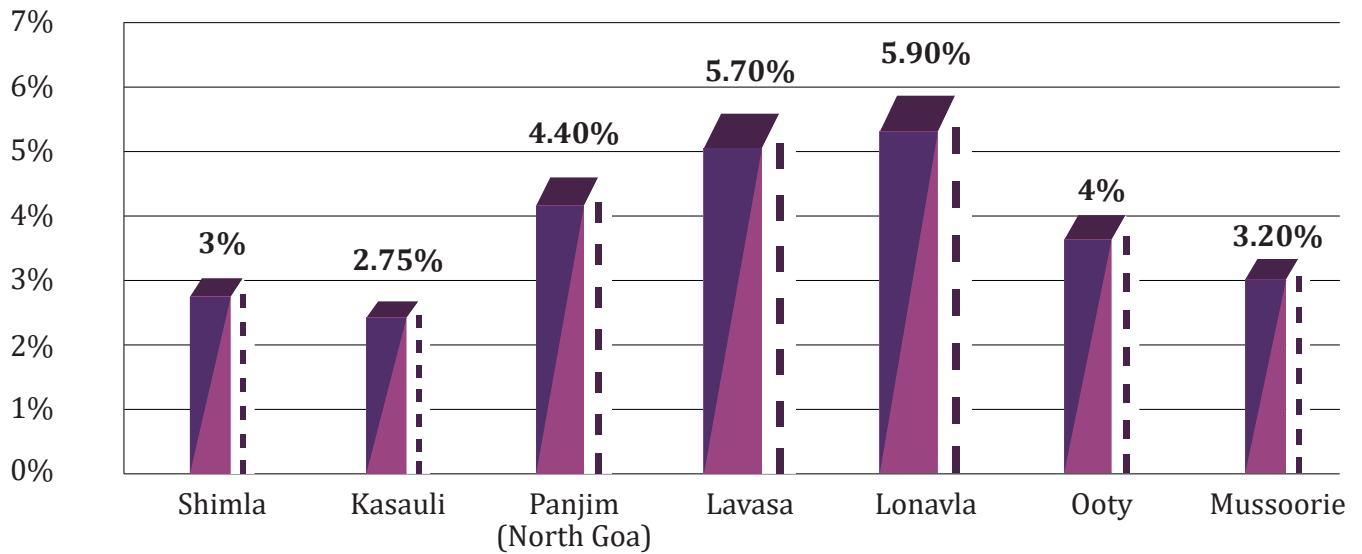
Rental Income:

The second home market offers lucrative rental options, as they can be put for long stay rental. Owning a second home, especially in a popular tourist destination such as Ooty, Goa, hill stations in the North, can offer a constant flow of rental income to the owners.

There is a growing preference for second homes with independent pools, playing areas, and party lawns, rather than commercial hotels and resorts. Second homes are also being clubbed with other leisure activities such as games, ecotourism, nature walks, adventures, etc. to render incremental value to the tenant/occupier.



Annual Rental Yields

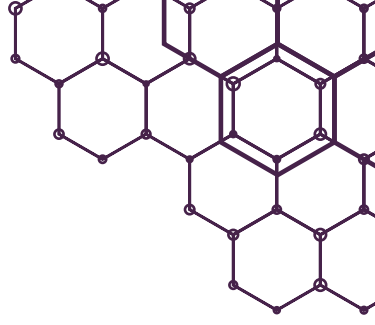


Source: 360 Realtors' Research

The Digital Nomadic Lifestyle:

There is a neo-aspirational class emerging in India, just like other economies. There are growing tribes of startup owners, internet entrepreneurs, technology professionals, lawyers, doctors, investment advisors, marketers, and creative professionals, who want to shun a typical 9-5 office lifestyle. They want more flexibility and wish to integrate fun & frolic with usual working hours. Research also suggests that remote working can enhance employee productivity and improve the turnaround time of individual projects. It offers employees to optimize their workflow according to their most productive hours thereby increasing their overall efficiency.





Asset Creation:

Owning a second home offers an asset creation opportunity. In India real estate has been traditionally looked upon as an intelligent, safe, and wise investment decision. Its tangible nature further adds weightage and credibility to the asset class. The second home market also chronicles similar viewpoints and is a safe investment option for numerous buyers looking to mitigate risk.

The Surge in Institutional Deals:

As the demand for second homes is on an uptrend, deal qualities are also evolving, marked by the growing concentration of institutional investors. Farmlands, traditional hotels & resorts, and other available land parcels situated in strategic locations and high tourist visibility are being considered for rebranding and redevelopment exercises. Lured by the underlying potential in the market, institutional investors are gravitating towards such projects. The growing preference of institutional investors will be beneficial for the industry in the longer run.

Tax Benefits: There are lucrative tax benefits in the second home market. Buyers can claim a deduction of the actual interest paid or (up to INR 2 lakhs) in case of second home loans.

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Evaluation of a second home

Before planning to buy a second home, there are a few critical parameters that can help an investor/buyer evaluate the attractiveness of buying/investing in second home. (Although investments are subject to individual parameters and it differ on a case-by-case basis, the following mentioned point can give a blueprint to assess the attractiveness of a project.)

Location Analysis:

Unlike other properties, in the case of second homes as well, the overall location should be assessed. Though a second home is meant to give relief from a hectic lifestyle and should ideally have a peaceful ambiance, it still requires a well-developed locality with ample facilities. This should include hospitals and healthcare facilities, a well-developed retail market, plenty of clubs & entertainment facilities, etc.

Rentability:

Rental income, especially in the form of medium to long-duration stays, is critical in deriving better ROIs from a property. Second-home properties, which are well connected and are situated within high tourist footfall zones have generally better rentability potential.

Proximity to Source Market:

Closeness to the source market can drive the rental and property demand in a positive direction. In north India, RSH properties that are close to source markets like Delhi-NCR and Chandigarh witness higher demand. Likewise, in the South, major source markets include Bangalore, Hyderabad, Chennai, etc. In the West, demand from Mumbai and Pune is fostering growth in the RSH market.

Value-Addition Potential:

RSH properties, wherein there is ample scope for value addition, are naturally more attractive. RSH with eco-tourism, adventure sports, nature walk facilities, etc, will naturally attract increased tourist footfall. Similarly, on-campus facilities like party lawns, amphitheatres, pools, and gaming zones are highly desirable.

Risk Assessment:

A prudent RSH investment strategy should be backed by a diligent risk assessment strategy to mitigate potential threats. Often, RSH is made in remote areas and difficult terrains which make the construction process cumbersome. Investors should learn about the terrain and understand how much time it will take to complete the construction. Likewise, if the project is situated in a mountainous region, the investors should discount the winter seasons, as sales are virtually nil during these times.



Appendix - Research Methodology

In the research report compiled, we have adopted a robust research methodology, leveraging both on-ground data collection as well as incisive market estimation wherever needed. Our entire research methodology has been designed to wield a high degree of accuracy throughout the research process.

Mentioned below is the methodology that has been used behind the research.

Market size calculation of RSH Market in India

We have chosen 20 prominent RSH markets in India, spread across the length and breadth of the country. For each market, we have identified the avg. ticket size and total volume.

The market size = Summation of (Avg. Ticket Size X Total number of RSH units)

Rental Yield Calculation

Rental yields have been calculated with the help of the general formula for rental yields

Gross Rental Yield = Annual Rent/ Gross Value of the Property

CAGR Calculation

CAGR has been calculated by subtracting the gross size in 2019 from the value in 2021 and evaluating the rate of growth.

The Rising Popularity of Farmhouse Living in India

As an extension of the bungalow culture in the larger cities, farmhouse living is also becoming immensely popular these days. Farmhouses have been synonymous with the status symbol of elites since the 90s. However, what is remarkable in the current time is that farmhouses are no longer only within reach of the super-rich as they used to be back then. Increasingly, buyers from the upper-middle to the affluent strata can now afford farmhouse-style living. Entrepreneurs and businessmen, lawyers, medical practitioners, senior corporate professionals are increasingly opting for buying farmhouse-style row houses or gated homes near major cities (preferably 1-2 hours away).

Farmhouses are a great way to bond with nature and get relief from cramped, rushed, and hectic urban life. Many urban dwellers now wish to stay in such houses, enjoy nature, and live in calmness and serenity. Garden-based compound living is a very expensive proposition in Indian cities. However, it becomes relatively affordable if one moves out a bit farther from the mainland areas. Big developers are also realizing the potential in the segment and accordingly coming up with custom products. Recent years have seen major developers such as Tata, Provident, Kalpataru, Lodha, Axon, etc. entering the space. The expansive foothold of large developers further explains the underlying potential in the segment.

In Delhi NCR, places such as Kapashera, Chhatarpur, Aravalli hills, etc. are popular farmhouse destinations. One can purchase a farmhouse-style home in the range of INR 1.2 – 3 Cr (and higher). In Bangalore and Karnataka, locations such as Bannerghatta, Mysore, Belgaum, are popular farmhouse destinations. Homes in these areas can be purchased in the range of INR 1.2 Cr- 2.7 Cr. In the MMR, Karjat, Lonavla, Alibaug, etc. are becoming upcoming destinations, with properties in the range of INR 1.5- 4.5 Cr. For Chennai-based buyers, Pondicherry is a popular destination.





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