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MARKET TRENDS AND ECONOMIC FACTORS

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ABSTRACT

The real estate market in 2025 is on the cusp of significant evolution, driven by a combination of favourable economic conditions, shifting buyer preferences, and technological advancements. Following a remarkable surge in 2024, where luxury housing demand soared among affluent buyers, the sector is projected to experience moderate price growth, with expectations of single-digit increases across major cities. This stabilization is largely attributed to anticipated interest rate cuts by the Reserve Bank of India, which are expected to enhance affordability for middle-income groups and first-time buyers. Moreover, the emergence of new micro-markets around metropolitan areas is gaining traction, fueled by improved infrastructure and connectivity. These regions present lucrative opportunities for investors and developers alike. Technological innovations such as artificial intelligence and blockchain are also reshaping the real estate landscape, enhancing transaction transparency and decision-making processes. This research paper aims to explore the intricate interplay between these market trends and economic factors influencing real estate sales in 2025. By examining how interest rates, demographic shifts, and technological advancements are shaping buyer behaviour and market dynamics, this study will provide critical insights for stakeholders navigating the complexities of this evolving sector. Understanding these elements will be vital for effectively capitalizing on emerging opportunities within the Indian real estate market.

INTRODUCTION

The real estate market is poised for significant transformations in 2025, shaped by a confluence of economic factors and evolving buyer preferences. Following a remarkable growth trajectory in 2024, where luxury housing experienced unprecedented demand from high-net-worth individuals (HNIs) and non-resident Indians (NRIs), the sector is expected to sustain its momentum into the new year. Analysts predict a shift toward moderate price increases, with overall residential property prices stabilizing after the double-digit growth observed last year.

This moderation is largely attributed to anticipated interest rate cuts by the Reserve Bank of India, which are expected to enhance affordability for middle-income groups and first-time buyers. As the market adapts to these changes, emerging micro-markets around

metropolitan areas are gaining traction, driven by improved infrastructure and connectivity. The demand for properties in these regions reflects a broader trend of urban migration and a desire for larger living spaces. Furthermore, the anticipated fiscal policies and incentives aimed at affordable housing are likely to bolster market activity, stimulating both investor interest and consumer confidence.

This research paper aims to explore the intricate relationship between market trends and economic factors influencing real estate sales in 2025. By examining the implications of interest rate fluctuations, demographic shifts, and technological advancements, this study will provide valuable insights into the future landscape of the real estate sector. Understanding these dynamics will be crucial for stakeholders aiming to navigate the complexities of this evolving market effectively.



LITERATURE REVIEW

The literature surrounding the real estate market in 2025 highlights a complex interplay of economic factors and emerging trends that are expected to shape housing prices and buyer behaviour.

Recent analyses indicate that the Indian real estate market is poised for moderate price growth in 2025, following a significant appreciation of approximately 21% in 2024. Experts predict that housing prices will increase modestly in the single digits, driven by a combination of enhanced supply from developers and anticipated cuts in interest rates by the Reserve Bank of India (RBI).

The demand for luxury housing continues to be robust, particularly among high-net-worth individuals (HNIs) and non-resident Indians (NRIs), who have significantly influenced market dynamics in recent years. The luxury segment is expected to remain strong, with premiumization trends driving buyer preferences toward high-end properties.

Furthermore, peripheral areas around major metropolitan cities are gaining traction due to improved infrastructure and connectivity, making them attractive options for homebuyers seeking larger living spaces at more affordable prices.

Economic stability plays a crucial role in shaping the real estate landscape. The anticipated reduction in interest rates is expected to improve affordability for middle-income buyers and first-time homeowners, thereby stimulating demand across various segments of the market. Additionally, the ongoing urban migration and increasing wealth concentration are contributing to heightened investor confidence, further supporting market growth.

Technological advancements and changing consumer preferences are also pivotal in influencing real estate trends. The integration of technology in property transactions, along with a growing emphasis on sustainability and eco-

friendly homes, reflects a broader shift towards modern living standards that prioritize convenience and environmental responsibility.

In summary, the literature suggests that the Indian real estate market in 2025 will be characterized by moderate price increases driven by economic factors such as interest rate adjustments, demographic shifts, and evolving buyer preferences. Stakeholders must navigate these dynamics carefully to capitalize on emerging opportunities within this evolving landscape.

RESEARCH METHODOLOGY

The research methodology for this paper on "**Market Trends and Economic Factors**" in real estate will adopt a **mixed-methods approach**, integrating both **quantitative and qualitative** research techniques. This comprehensive methodology aims to provide a robust analysis of the factors influencing the real estate market in 2025.

1. Research Design

The study will utilize a **descriptive research design** to systematically analyse current market trends and economic factors. This design will facilitate the collection of relevant data to understand the dynamics of the real estate market.

2. Data Collection Methods

- **Questionnaire Method:** Structured surveys will be distributed to real estate professionals, investors, and potential homebuyers to gather quantitative data on preferences, buying behaviour, and market perceptions. Questions will focus on factors such as price sensitivity, desired property features, and investment motivations.

3. Data Analysis Techniques

- **Statistical Analysis:** Quantitative data collected from surveys will be analysed using statistical software to identify trends, correlations, and patterns.



- **Thematic Analysis:** Qualitative data from interviews will be transcribed and analysed using thematic analysis to identify common themes and insights related to market trends and economic factors.
- **Market Trend Analysis:** Utilizing trend analysis methodologies, this research will examine historical data on housing prices, interest rates, and demographic changes to forecast future market conditions.

4. Ethical Considerations

The research will adhere to ethical guidelines by ensuring participant confidentiality and obtaining informed consent for all primary data collection activities. The study will also strive for objectivity by minimizing bias in survey design and data interpretation.

5. Limitations

Potential limitations of the study may include response bias in surveys and the availability of up-to-date secondary data. These factors will be acknowledged in the discussion section of the paper.

DATA ANALYSIS & INFERENCES

As of January 2025, the Indian real estate market is experiencing a notable transition influenced by various economic factors and market trends. This analysis synthesizes data from multiple sources to provide a comprehensive overview of the current landscape.

Market Overview:

- **Sales Performance:** The Indian real estate sector achieved a remarkable peak in 2024, with approximately **230,000 homes sold across the top seven cities**, amounting to around **₹380,000 crore**. This trend of robust sales momentum is expected to carry into 2025, driven by strong economic fundamentals and evolving buyer preferences.

- **Price Trends:** Following a dramatic **21% increase in housing prices** in 2024, experts predict a **more moderate price appreciation of approximately 6.5% to 7% in 2025**. This slowdown is attributed to anticipated **interest rate cuts by the Reserve Bank of India (RBI)**, which are expected to enhance affordability for potential homebuyers.

Economic Influences:

- **Interest Rates:** The RBI's shift towards a **neutral monetary policy** suggests potential rate cuts in the near future. Analysts estimate a possible reduction of **around 50 basis points**, which would lower borrowing costs and stimulate demand for housing. This change is critical as it reinforces the long-standing **preference for homeownership over renting**.
- **Demographics & Urbanization:** Rapid urbanization continues to drive demand in major cities, with an increasing **concentration of wealth among affluent individuals**. This shift is particularly evident in the luxury segment, where **high-net-worth individuals (HNIs) and non-resident Indians (NRIs)** are significantly impacting market dynamics.

Emerging Micro-Markets:

- **Investment Opportunities:** Emerging micro-markets are gaining traction as buyers seek **more affordable options outside traditional urban centres**. These areas are characterized by improved **infrastructure and connectivity**, making them attractive for both **residential investment and housing purposes**.
- **Luxury Demand:** There is a broader trend where buyers are increasingly interested in **premium properties**, even within these developing micro-markets.



Future Projections:

- **Growth Outlook:** The overall growth trajectory for the real estate market remains positive, with projections indicating a **compound annual growth rate (CAGR) of approximately 9.2% over the next five years**. By **2029, the market size is expected to reach \$1.04 trillion**, underscoring the sector's resilience and potential for expansion.
- **Challenges:** Despite optimistic forecasts, **rising input costs and potential geopolitical tensions** could impact market stability. Stakeholders will need to **navigate these complexities** carefully while addressing affordability concerns.

IMPLICATIONS

The analysis of market trends and economic factors in the Indian real estate sector for 2025 yields several critical implications for various stakeholders, including **policymakers, investors, developers, and potential homebuyers**.

1. Policy Formulation and Economic Strategy

- The anticipated **interest rate cuts by RBI** are expected to **enhance housing affordability**, stimulating demand in the residential sector.
- Policymakers should **consider supportive fiscal measures** to further incentivize home purchases, particularly in the **affordable housing segment**.
- Possible **tax benefits for first-time homebuyers** and **subsidies for affordable housing developers** could boost market activity.

2. Investment Opportunities

- The projected **moderate price growth** in 2025 presents a **favourable environment for long-term investments**.
- Investors should focus on **Tier II and III cities**, as these regions offer **strong**

appreciation potential due to improving infrastructure and government initiatives.

3. Development Strategies

- **Real estate developers** must align their strategies with evolving consumer preferences, particularly regarding **sustainability and technological integration**.
- The growing demand for **energy-efficient homes and smart technologies** presents an opportunity for differentiation and **competitive advantage**.

4. Addressing Affordability Challenges

- Rising costs of living and **construction materials** may hinder homeownership for many potential buyers.
- **Innovative financing solutions** are needed to bridge affordability gaps and ensure accessibility across income levels.

LIMITATIONS & DIRECTION FOR FUTURE STUDIES

LIMITATIONS:

- **Data Availability and Reliability:** The study relies on **secondary data sources**, which may not capture **real-time market fluctuations**.
- **Geographical Focus:** The research primarily **focuses on urban centres**, potentially overlooking **rural or semi-urban market trends**.
- **Economic Variables:** Unexpected **global economic events** (e.g., **geopolitical tensions or pandemics**) may **alter market forecasts** unpredictably.
- **Consumer Behavior Dynamics:** The study does not **fully account for buyer sentiment and psychological factors** influencing real estate decisions.



DIRECTIONS FOR FUTURE STUDIES:

1. **Longitudinal Studies:** Tracking **market trends over extended periods** for deeper insights.
2. **Regional Comparisons:** Expanding research to **rural and semi-urban areas** for a more holistic market understanding.
3. **Consumer Behavior Research:** Conducting **surveys and focus groups** to analyze **buyer motivations and barriers**.
4. **Impact of Technology:** Exploring **AI, blockchain, and digital platforms** in real estate transactions.
5. **Policy Impact Analysis:** Evaluating how **fiscal incentives and regulatory changes** affect the housing market.
6. **Sustainability Trends:** Studying **eco-friendly housing adoption and financial impacts**.

CONCLUSION

The analysis of market trends and economic factors in the **Indian real estate sector for 2025** reveals a landscape characterized by **both opportunities and challenges**.

- After the **21% surge in housing prices in 2024**, a **moderate price increase of around 6.5% to 7%** is expected in 2025, indicating **stabilization**.
- The **anticipated RBI interest rate cuts** will likely **boost affordability** and stimulate market demand, particularly among **first-time buyers**.
- **Urban migration and infrastructure developments** are creating **investment hotspots** in **Tier II and III cities**.
- **Technology integration** is improving **transparency, efficiency, and buyer experience** in property transactions.

- **Sustainability trends** are influencing buyer choices towards **energy-efficient homes and eco-friendly townships**.

Challenges Ahead:

- **Affordability concerns remain a key challenge**, requiring policy interventions and **innovative financing solutions**.
- **Potential geopolitical and economic fluctuations** could impact investor sentiment and market stability.

Final Thought:

The Indian real estate market in **2025** stands at a **pivotal juncture**. Stakeholders must **balance growth with inclusivity**, ensuring the sector meets **the aspirations of a dynamic and diverse population** while contributing to the country's broader **economic framework**.

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