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Adapting to Changing Home Buyers' Preferences and the Demographics in Line with the Revolutionizing Real Estate Sector

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In an era of rapid technological advancements and evolving demographics, the preferences of everyone are changing rapidly. The real estate sector is being significantly influenced by demographic changes, including shifting age demographics, evolving family structures, and increasing cultural diversity. The rise of the new generation 'the Genz'- known for having high expectations from everyone, is reshaping the demand for affordable yet high-quality, modern housing options. Additionally, the growing old-age population is in demand of age-friendly housing solutions and healthcare facilities. This paper will try to analyse how COVID has changed the demands of consumers, as the shift from post to pre-COVID has marked a significant change in the real estate sector. With the growing awareness of environmental issues, there is an emphasis on sustainability within the real estate sector. Developers are incorporating green building practices, energy-efficient technologies, and eco-friendly materials to meet the demands of environment-sensitive consumers. Likewise, with the increase of social media and its influence on the current generation and studying how it is reflecting their demands, these trends may help the real estate sector while marketing and branding their project. The focus of real estate shifting towards sustainability is important as it not only aligns with consumer preferences but also addresses broader societal concerns related to climate change. Considering the social aspect is the need of the time and the real estate sector can contribute to it simultaneously. Also, looking at how Government policies and regulations are adapting to the changing dynamics of the real estate sector. Initiatives promoting affordable housing, sustainable development, and inclusive urban planning are gaining prominence. These regulatory changes are influencing the strategies of consumers. Thus, this research paper will focus

on three major points, firstly, how demographics is related to changing preferences. Secondly, how the Real estate sector is getting affected by the same and lastly how studying the demographics and consumer psychology can help the real estate sector to predict consumer's next demand.

Keywords: *demographic shifts, age-friendly housing, environmental sustainability, consumer psychology, government policies.*

INTRODUCTION

Beyond simple property transactions, real estate plays an intricate role in society. It influences landscapes and communities, and, even more than that, it influences the everyday life of the inhabitants. Real estate provides one of the most basic human needs—it gives a roof over someone's head. However, its influence goes beyond this person, having a general impact on landscapes, communities, and economies. Real estate is necessary for various reasons, like social cohesion, job opportunities, and infrastructural development.¹ Besides this, it contributes significantly to the development of dynamic communities with easily accessible facilities. In addition, it brings in income, conserves culture, and helps maintain the environment through creative design and building methods. Real estate therefore becomes something more than buildings and walls; it is also an element for development and bettering society. It can make an impact and contribute to the society.

These days, with the fast-growing trends, it gets difficult to stay ahead of the trends continuously and fulfil them. Then comes the demographic changes and consumer preferences; studying the statistics and planning accordingly can be very helpful for the real estate sector. To be successful in the ever-changing real estate market, one needs to have a clear understanding of the preferences of their customer and the demographic shifts. Age, household composition, income, and cultural background are some of the demographic variables influencing the demand for different kinds of real estate. Real estate experts can forecast demand changes, spot new market opportunities, and adapt services to meet the needs of changing demand by

¹ 'What Are the Demographic Factors Affecting Real Estate Market?' (Victoria Realtors, 18 December 2023) <<https://victoriarealtors.in/blog/what-are-the-demographic-factors-affecting-real-estate-market/>> accessed 10 April 2024

analyzing demographic patterns. Demographic patterns show that the information on the likes and dislikes of different segments is priceless when it comes to real estate facilities and features.

Real estate developers can enhance market competitiveness, raise property values, and foster sustainable growth with proper coordination of developments with these desires. There are several reasons why there is a shift in the way the home buyers perceive the real estate sector and we see different priorities of the people. We make an attempt to enlist a few of them and how studying these can help the real estate sector, the developers and the government in policy formulation in governance and infrastructural planning.

DEMOGRAPHIC SHIFTS INFLUENCING CONSUMER PREFERENCE CHANGES

Demographic changes affect consumer behaviour directly. As demographics change in a population, so do the preferences, needs, and priorities of consumers. For instance, in ageing populations, there is increasing demand for housing options in line with older adults' needs, such as retirement communities or age-restricted housing developments. For instance, younger generations entering the housing market come with increased demands for housing units that have features integrating with their lifestyle preferences, such as affordable but smart home technology. Demographic changes may also influence the consumer's preferences in terms of location. For example, younger generations tend to prefer living in urban areas with better access to jobs, recreation, and culture, while the older generation gives priority to proximity to medical facilities and leisure activities. This highlights the need for real estate professionals to adjust their strategies to meet the evolving needs and preferences of consumers. They should be informed about demographic shifts and must understand how these changes can impact the demand for different types of properties. Real estate developers and marketers need to conduct market research to identify the demographic trends in their target market and tailor their offerings accordingly.

Further, the paper will try to analyze how consumer preferences change in different situations and how the real estate developer can use this data and statistics to incorporate it into the sector for their development and fulfil the demands of consumers.

HOW DO INFLATION AND TAXES RESULT IN AFFORDABILITY MIGRATION?

Why do people want to invest in real estate or property? To own some asset in the form of property. However, holding a property requires the buyer to be aware of the tax implications that come along with such a sale of property. This tax liability is calculated depending on the holding period of the asset under the head capital gains.

India's real estate market is growing with utmost resilience and is touching heights despite global financial and economic challenges, one of which is inflation. As per reports, the property rates are expected to rise at least 10- 15% in 2024. One of the reasons for this is an escalation in construction and building material costs. There is a steady increase in demand for homes as there is a substantial increase in affinity to owning a home among potential buyers. This homebuying sentiment is also aided by the relatively cheaper home loan interest rates, currently averaging between 8.75% and 9.5%.²

There has been a change in consumer preference, but there are several features that further contribute to these preferences. There is an exceptional increase in demand for luxurious housing as High Net Worth Individuals especially people from abroad are eyeing sophisticated assets within India. This preference is leaning towards pro-technologically advanced 3 BHK homes with advanced facilities and amenities. The developers are therefore required to serve these demands and thereby contribute towards a new phase of expansion.³

The surge in residential demand in tier-1 cities is driven by promising opportunities. With numerous offices and headquarters located there, these cities have become focal points for business activities, leading to increased urbanization and migration. This opens up several other aspects of changing preferences which can be conveniently categorized into:

- Nuclearization of families

² Vaamanaa Sethi, 'Real Estate Outlook 2024: Property Rates Projected to Increase by 10-15% but Demand to Remain Steady' *Live Mint* (26 December 2023) <<https://www.livemint.com/industry/infrastructure/real-estate-outlook-2024-property-rates-projected-to-increase-by-10-15-but-demand-to-remain-steady-11703606848058.html>> accessed 10 April 2024

³ Taral Shah, 'Why Luxury Houses Are Getting Greater Demand Across Cities in India' *The Economic Times* (22 August 2023) <<https://economictimes.indiatimes.com/news/how-to/why-luxury-houses-are-getting-greater-demand-across-cities-in-india/articleshow/102949925.cms?from=mdr>> accessed 10 April 2024

- Convenient Transportation
- Sustainable environment-friendly housing
- Luxurious yet cost-effective housing
- Privacy and security
- Availability of amenities and convenience stores
- Age-friendly and community-oriented housing

All these also affect the government policy formulation and infrastructural development projects. Inflation does impact consumers' preferences as inflation is one of the key components in a change in house prices. There is no such sole factor that is the cause of rising costs, supply and demand is one key factor, low supply of affordable housing and tax regulations that make constructing houses difficult. In periods of high inflation the consumers find it difficult to secure affordable renting terms, and thus have an inclination towards more financially and economically friendly housing options. This is called affordability migration.⁴

In simple economic terms when there is an increase in demand there is a rise in prices, however, due to general inflation i.e. in inflationary times, due to rising costs of construction-related products and services there is an increase in property prices, often leading to potential buyers being sent out for a property that fits their pocket and thus a spur in affordability migration. Therefore, inflation is one such factor that influences consumer preference.⁵

TRANSITION IN CONSUMER PREFERENCES DURING THE COVID PERIOD

The emergence of the pandemic has brought about numerous changes in various aspects of life, including changes in the way people choose and live in housing. The outbreak of the virus forced governments to implement stricter lockdown measures that have, therefore, necessitated the need for people to adjust and readjust their living arrangements to comply with these restrictions. One of the key changes that have been observed during the pandemic is a shift in preference towards more comfortable and adaptable living spaces. With the majority of the

⁴ Scott Fulford, 'Office of Research Blog: Housing Inflation Is Hitting Low-Income Renters' (*Consumer Financial Protection Bureau*, 27 July 2022) <<https://www.consumerfinance.gov/about-us/blog/office-of-research-blog-housing-inflation-is-hitting-low-income-renters/>> accessed 20 May 2024

⁵ World Economic Forum, *Insight Report: Making Affordable Housing a Reality in Cities* (2024)

population spending a significant amount of time at home due to work and social distancing, there has been a great emphasis on creating an environment that is conducive and functional for living. It has even started receiving attention in creating a personal exercise place, a room that could be converted into an exercise area, or a similar hobby.⁶ This shift in housing preferences is also driven by the need for flexibility as people start to prioritize work-life balance and working from home became a need. Real estate developers can respond to this trend by designing homes with versatile floor plans, multipurpose rooms, and outdoor living areas that cater to the changing needs of occupants.

Additionally, integrating technology infrastructure to support remote work and virtual connectivity enhances the appeal of properties in the digital age. Also, the pandemic has prompted greater awareness of health and safety features in home-buying decisions. Home buyers look for features such as good indoor air quality, enough natural light, and proximity to outdoor amenities for recreation and exercise in their newly acquired living spaces. Real estate professionals can address these concerns by incorporating sustainable building materials, energy-efficient systems, and green spaces into their developments.

Furthermore, the development of health and safety measures in communal areas, including enhanced cleaning protocols and touchless technologies, reinstalls buyers' trust concerning the well-being of their future living environment. Online home shopping and virtual tours have become increasingly common during the COVID-19 era. Homebuyers now rely more on digital platforms to research properties, view listings, and conduct virtual walkthroughs. Real estate agents and developers can leverage technology to enhance the virtual home buying experience, including interactive 3D tours, high-quality photography, and detailed property information online. Adoption of digital marketing strategies, coupled with user-friendly website interfaces, helps engage prospective buyers and simplifies the home buying process under social distancing.

⁶ V Fabius et. al., 'How COVID-19 Is Changing Consumer Behavior-Now and Forever' (McKinsey & Company, 30 July 2020) <<https://www.mckinsey.com/industries/retail/our-insights/how-covid-19-is-changing-consumer-behavior-now-and-forever>> accessed 11 April 2024

REVERSING MIGRATION PATTERNS IN REAL ESTATE THROUGH RURAL POPULATION NEEDS

A consistent migration of people from rural regions to urban centres in search of opportunities and conveniences has been observed in recent decades throughout the world. In many rural towns, this migration pattern has resulted in depopulation, economic degradation, and social issues. However, by identifying the requirements of rural communities and creating specialised solutions that encourage people to stay, real estate has the power to break this trend. Real estate has the power to significantly contribute to the revitalization of rural regions, the promotion of sustainable growth, and the development of vibrant, thriving communities via strategic planning, investment, and community participation.⁷

The perception of a lack of economic possibilities is one of the main causes of migration from rural areas. Urban centers attract a large number of young people in particular who are looking for better job opportunities, easier access to education, and cultural attractions. Real estate developers can work with local companies, government agencies, and community organisations to recognize and take advantage of the special possibilities and resources found in rural locations in order to buck the trend. This might entail creating technological centres, eco-tourism projects, or agribusinesses in order to diversify the local economy. Real estate may promote entrepreneurship and job creation, which in turn may boost economic growth and provide people with strong incentives to remain in rural areas.

Furthermore, the housing demands of rural populations which are sometimes disregarded in favour of metropolitan markets can be met through real estate development. In rural locations, both recruiting new people and keeping existing ones require housing alternatives that are both affordable and of high quality. Innovative design and construction techniques may be used by real estate developers to create energy-efficient homes that fit in well with rural lifestyles. In addition, programmes like mixed-use developments and adaptive reuse projects may improve

⁷ Avneesh Sood, 'Emerging Trends: The Shift in Consumer Preferences in India's Real Estate Market in 2024' (*LinkedIn*, 19 December 2023) <<https://www.linkedin.com/pulse/emerging-trends-shift-consumer-preferences-indias-real-avneesh-sood-p0goc/>> accessed 11 April 2024

the visual appeal of rural villages, provide life to historic downtowns, and become thriving hubs for trade and social interaction.

Thereby in the real estate development industry, it is critical to comprehend the distinct requirements and preferences of rural communities. In contrast to metropolitan areas, rural communities frequently place a high value on things like having access to nature, having close-knit social networks, and feeling like they belong. Developers of real estate can profit from these inclinations by including community gathering areas, green areas, and recreational features in their developments. Furthermore, maintaining rural areas' cultural legacy and unique character via careful planning and conservation can improve the sense of community among locals and deepen their bond with the environment. It can play a crucial role in addressing infrastructure gaps that hinder rural development. Access to reliable transportation, healthcare, education, and broadband internet are essential for the sustainability and prosperity of rural communities. By investing in infrastructure projects and public services, real estate developers can improve the quality of life, attract new residents, and support economic growth in rural areas.

Real estate has the potential to reverse rural migration patterns by understanding the needs of rural populations and developing tailored solutions that promote economic prosperity, housing affordability, community cohesion, and infrastructure development. By collaborating with local stakeholders and embracing sustainable development practices, real estate can contribute to the revitalization of rural areas, creating opportunities for residents to thrive and prosper close to home.

CREATING HOMES WITH ENVIRONMENTAL CONSCIOUSNESS IN MIND

According to a survey by CVoter on behalf of the Yale Program of Climate Change Communication, 84% of Indians believe that global warming is an undeniable reality—an increase of 15% from 2011.⁸ There is a surge in demand for green real estate due to the increased environmental awareness among homebuyers. As their necessary concern for the planet grows,

⁸ Rishad Khergamwala, 'Growing Demand for Sustainable Housing in India' (*Construction Week*, 06 February 2024) <<https://www.constructionweekonline.in/people/the-growing-demand-for-sustainable-housing-in-india>> accessed 11 April 2024

so does the expectation for eco-friendly housing solutions that minimize carbon footprints and prioritize resource efficiency. Developing homes with the interests of these consumers in mind necessitates a fundamental shift in traditional approaches to construction and design. From integrating renewable energy sources and employing green building materials to implementing energy-efficient systems and fostering eco-friendly communities, the quest for environmentally conscious housing embodies a commitment to both environmental stewardship and societal well-being. These initiatives resonate with a new generation of homebuyers and tenants who prioritize environmental considerations in their housing choices. As such, real estate developers who embrace sustainable development practices not only position themselves as responsible stewards of the environment but also enhance the appeal and long-term viability of their properties in an increasingly environmentally conscious market. Real estate developers can not only meet the rising demand for sustainable living but also contribute to a greener, healthier future for generations to come.⁹

Real estate developers can incorporate sustainable landscaping and outdoor spaces into their projects to boost the ecological value of the property. This may mean the planting of native vegetation, creating rain gardens for stormwater runoff management, and incorporating permeable paving materials that cause less water use and reduce heat island effects. With this, biodiversity conservation and natural habitats can be brought into the scheme so that eco-friendly landscapes positively affect the health and well-being of residents while at the same time contributing to the environmental health of the surroundings.¹⁰

Of course, in addition to the physical aspects of sustainable construction, real estate developers can further utilize technology to boost environmental performance and enhance the comfort of the occupants. For example, smart home systems enable homeowners to monitor and control energy usage, lighting, and indoor air quality remotely, optimizing resource use and reducing environmental impact. Moreover, introducing green building certifications like LEED

⁹ 'Sustainable Building Certifications' (*World Green Building Council*) <https://worldgbc.org/sustainable-building-certifications/?trk=article-ssr-frontend-pulse_little-text-block> accessed 11 April 2024

¹⁰ Sanjay Kumar, 'Adapting to Changing Consumer Preferences in Real Estate Design' (*LinkedIn*, 18 February 2024) <<https://www.linkedin.com/pulse/adapting-changing-consumer-preferences-real-estate-design-kumar-czdmf/>> accessed 11 April 2024

(Leadership in Energy and Environmental Design) or ENERGY STAR in real estate projects provides third-party certification of sustainability efforts and makes for enhanced marketability among environmentally aware consumers.

CONSUMER PREFERENCE FOR TRUSTWORTHY REAL ESTATE AGENTS AND TRANSPARENT HOME BUYING PROCESSES

The relationship of consumers to real estate agents is built on trust, reliability, and transparency. When it comes to homebuyers stepping into the complex territory of purchasing property, a reliable real estate agent should prioritize transparency. In recent years, there has been a noticeable change in consumer inclination toward agents who display integrity, professionalism, and accountability throughout the homebuying journey. Acknowledging and responding to these preferences are not just important for building trust and fostering positive client-agent relationships but also for ensuring the long-term success and reputation of the real estate sector at large.

Reliability is perhaps the most sought-after trait in a real estate agent. They need assurance that the agent they employ will be responsive, accessible, and proactive in guiding them through every stage of the home-buying process. This would include prompt responses to questions, accuracy of information, and being the voice of clients in negotiations. Reliability instils confidence in clients and reduces anxiety from the inherently stressful nature of buying a home.

On the other hand, transparency has turned out to be more vital to real estate transactions than anything. A homebuyer is required by agents to be straightforward about everything concerning the property, from its status to history to possible defects. Transparency even extends to financial components of the transaction, like pricing, fees, and negotiation. Real estate agents, where possible, prioritize transparency to earn credibility and trust with their clients, with a sense of collaboration and empowerment from the moment they are presented with the property.

Real estate agents can enhance reliability and transparency by incorporating ethical conduct, adequate communication, and client-centric practice in their operations. This might include

providing thorough analyses of the market, conducting comprehensive property inspections, and providing an unbiased view of the property, informed by the client's requirements and taste. More importantly, leveraging technology to open up transparency in communication, documentation, and transaction management contributes to real-time updates for clients.

Real estate agencies and industry associations do have a role to play in promoting reliability and transparency within the profession. Developing and adhering to ethical standards, continuous education and training for the agents, and creating avenues for accountability and resolution of disputes are some of the critical interventions to instil confidence in consumers while ensuring that real estate agents practice their profession with integrity.

ALTERNATIVE DEMAND: AGE-FRIENDLY AND COMMUNITY-ORIENTED HOUSING SEGMENTS

As migration rises, more older adults opt to remain in the cities where they retire, leading to a demographic shift where the majority prefer ageing in place. The majority of them need support and aid in choosing housing facilities that make their living easy, and this can be achieved through age-friendly housing and community initiatives. This requires the developers to consider not only the infrastructures and buildings but also the physical and social environment that they are a part of. The reference therefore can also be made to the World Health Organization programme that was launched to take into consideration the needs and requirements of older citizens. The WHO published age-friendly city guidelines¹¹ that were accompanied by a checklist of essential features of age-friendly cities. This has fairly contributed to empowering the old people and incorporating their voices in urban planning and governance. Thereby also requires the developers to include the design of age-friendly housing and create an environment that is feasible and convenient for old people.

¹¹ Joost van Hoof and Hannah R. Marston, 'Age-Friendly Cities and Communities: State of the Art and Future Perspectives' (2021) 18(4) *International Journal of Environmental Research and Public Health* <<https://doi.org/10.3390%2Fijerph18041644>> accessed 20 May 2024

Such as medical facilities, pollution-free areas, hygiene, yoga and workout facilities, healthcare amenities and grocery. The age-friendly features also include elevators, wide passages to accommodate wheelchairs, etc, allowing older residents to live comfortably.

HOW THIS CAN ASSIST THE GOVERNMENT IN POLICY FORMULATION

The Real Estate Regulatory Authority Act of 2016 is considered a pivotal law in the real estate sector, designed to protect consumers and regulate the industry. This legislation strictly makes certain rules mandatory for the developers thereby ensuring the existence of lawful exercise of property-related aspects such as the project's marketing, sale and development in India.

The changing consumer preferences require the government to take into consideration the changing consumer preferences and set up committees to look into the implementation of these laws. Ensuring transparency and reliability, checking the malpractices of the exploitative promoters and agents.

Studying changing consumer preferences and demographics aids the government in policy formulation by way of considering several above-mentioned factors. The discussion covers economic policy formulation, technological innovations, elderly-friendly public health initiatives, transparency and market regulations, social welfare programs, and environmental and sustainable development policies.

- Economic policy formulation, requires the government to look into inflation rates, thereby shaping the taxation, subsidies, and trade-related legislation. The government may introduce and incentivize such policies that aid the production and consumption of the products preferred by the consumers.
- Technological innovation, advancements and the introduction of certain PropTech applications have eased the consumer's way of choosing and comparing the property. Studying this can help the government understand what sectors need its encouragement and thereby align with those preferences. Such as PropTech and electric devices, elevators and cameras for security purposes.

- Public health initiatives such as promoting age-friendly products introducing regulations in food labelling, and advertising restrictions on unhealthy products. This also involves healthcare programmes and cleanliness drives in specific areas.
- Environmental policies, by encouraging sustainable resource usage and design policies that promote sustainable consumption patterns including recycled products, renewable energy adoption and regulations on emissions.

CONCLUSION

In summation, the real estate sector extends its traditional role of a simple property transaction to that of a determinant factor in landscapes, communities, and the daily lives of inhabitants. By offering shelter, giving rise to social cohesion, creating job opportunities, and providing infrastructural development, real estate becomes the backbone of societal advancement. Understanding demographic changes and consumer preferences are prerequisite for successfully navigating the dynamic landscape of real estate. Adaptation to the changes in trends and preferences has to be incorporated, as green building practices, establishing reliability and transparency, and catering to the diversified needs of consumers, such as age-friendly and community-oriented housing segments, are necessary. With this approach, the real estate sector will not only meet the needs of today's society but will also help in developing sustainable, inclusive, and thriving communities for the future. Thereby, to implement this the real estate sector must study the demographics and adaptive changes of consumers.