Global Real Estate Market Expected to Reach USD 48923.3 Billion, Registering a CAGR of 5.3% from 2022 to 2031

The real estate market is driven by urbanization, FDI, and PPPs, with strong growth in infrastructure, but faces challenges from economic, political instability

WILMINGTON, DE, UNITED STATES, November 8, 2024 /EINPresswire.com/ -- Real estate companies are increasingly focusing on business expansion and new projects to boost their market share. For instance, CBRE Group, Inc., a major U.S.-based investment firm, acquired shares in UK-based Telford Homes Plc to enhance its presence in the UK and other parts of Europe. Similarly, Life House, a vertically integrated hotel company, secured approximately $100 million from Blue Flag Partners to acquire additional hotels, accelerating its growth in the hospitality real estate sector.

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Real estate encompasses land, and any permanent structures attached to it, including buildings, homes, and commercial properties. It also includes associated rights to air, minerals, and water on the property. As the largest industry in many countries, real estate significantly influences the banking, construction, and property management sectors, making it a pillar of economic development.

Real estate market growth is closely tied to increasing urbanization and population, which fuels demand in the commercial and industrial sectors. This trend is expected to drive market expansion in the coming years, particularly in developing regions where infrastructure development is booming. The real estate market also benefits from the growing demand for residential, commercial, and industrial properties. Moreover, government policies supporting foreign direct investment (FDI) have further encouraged market growth. For example, the Indian government approved 100% FDI in the construction development sector in 2020, opening doors for foreign investors and boosting the real estate market in the country.

Public-private partnerships (PPPs) play a crucial role in real estate development, especially in infrastructure projects. These partnerships allow governments to collaborate with private companies, combining public support with private sector efficiency. In countries like India and China, PPPs are used to encourage commercial development and affordable housing. For example, India's PPP strategy for 2020 aimed to promote affordable housing, while China has also implemented the PPP model for financing public infrastructure projects. Such collaborations have bolstered real estate growth in these regions and are expected to continue driving expansion.

The COVID-19 pandemic, however, created significant challenges for the global real estate market. Lockdowns imposed in major markets like the U.S., China, and Brazil forced many real estate companies to halt operations temporarily. This slowdown led to decreased sales and revenue, particularly for major industry players, and disrupted supply chains due to labor and raw material shortages. Alstom SA, for instance, reported a 17.7% revenue decline in September 2020, illustrating the broader impact of the pandemic on the real estate and construction sectors.

Brexit introduced further uncertainty to the European real estate market, particularly in the UK. Following the Brexit referendum, many European businesses reduced their investments in the UK, concerned about the future trade relationships and economic stability of the country. The impact of Brexit is expected to limit market growth, with the UK's economy projected to grow by less than 5% over the next 15 years. This slow growth, compounded by a decline in property market revenue, has led analysts to predict a restrained expansion for the UK's real estate sector in the near future.

In Latin America, real estate growth has been hampered by economic instability and political challenges. Countries such as Venezuela and Brazil have experienced severe recessions, while others like Argentina, Colombia, and Chile have struggled with currency depreciation. Inadequate infrastructure, non-tariff barriers, and low levels of foreign direct investment have also slowed real estate development across the region. Consequently, the region's real estate market faces barriers that limit growth potential.

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Governments around the world are implementing initiatives to support infrastructure development, which, in turn, stimulates the real estate market. For instance, India announced a $1.39 trillion investment in infrastructure projects over the next five years, and Russia committed approximately $96 billion in 2019 to a six-year infrastructure modernization plan. These large-scale investments are expected to create substantial growth opportunities for the real estate sector, especially in developing nations.

Despite recent stagnation in some regions, real estate market trends vary across developed and developing regions. Growing demand for infrastructure and real estate development in urban areas and expanding economies are likely to propel the market forward over the forecast period.

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