

Tankless Water Heater Market to Hit \$12.3 Billion by 2031, Driven by Energy Efficiency & Smart Infrastructure

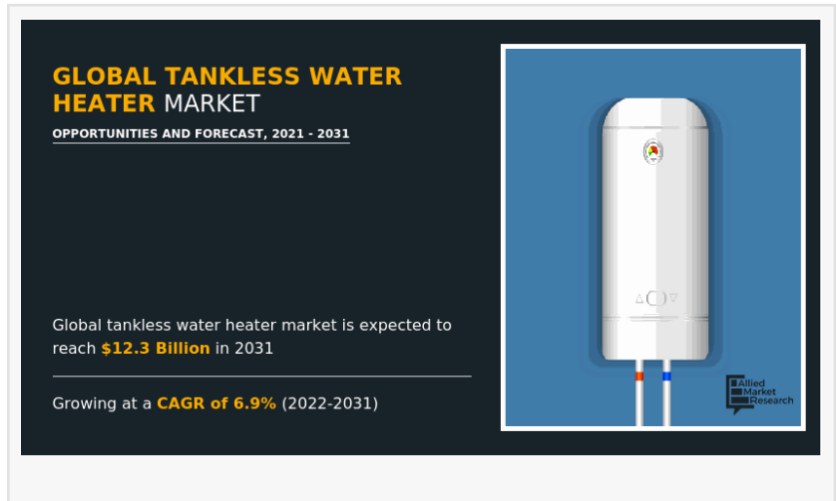
□ *From Homes to Hotels: Tankless Water Heater Market Heats Up with 6.9% CAGR Through 2031* □□

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□ [Tankless Water Heater Market Overview](#)

According to a new report published by Allied Market Research, the global

tankless water heater market size was valued at \$6.3 billion in 2021 and is projected to reach \$12.3 billion by 2031, growing at a CAGR of 6.9% from 2022 to 2031.



Tankless water heaters, which heat water instantly as it flows through the unit without the need for storage tanks, are increasingly becoming a preferred solution in both residential and commercial applications due to their compactness, energy efficiency, and low operational cost.

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Global tankless water heater market to reach \$12.3B by 2031, fueled by smart cities, compact design, and energy-efficient heating.”

Allied Market Research

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□ What is a Tankless Water Heater?

Unlike traditional water heaters, tankless water heaters (also known as on-demand water heaters) only operate when [hot water](#) is needed. They eliminate standby heat loss by not storing hot water, making them more efficient and sustainable. These systems can be powered by electricity or gas and are equipped with flow sensors to trigger heating only when water flows.

□ Key Growth Drivers

□□ 1. Urbanization and Smart City Projects

Rapid urban migration and the development of smart city infrastructure have amplified the demand for efficient, compact, and space-saving technologies. Tankless water heaters meet these needs by offering powerful performance in small housing units and multi-story buildings.

□ 2. Energy & Cost Efficiency

With consumers and businesses focused on reducing energy bills, tankless systems offer a sustainable alternative by heating water only when needed, minimizing energy losses and lowering utility costs.

□ 3. Commercial Sector Adoption

Hotels, office complexes, healthcare facilities, and educational institutions are increasingly adopting tankless systems to handle high-volume hot water needs efficiently. The commercial segment is expected to grow at a CAGR of 7.1%, the fastest among all end-user categories.

□ Market Segmentation Highlights

□ By Type: Condensing Takes the Lead

The condensing segment held the highest share at 62.7% in 2021 and is expected to maintain dominance through 2031. These systems offer higher energy efficiency, making them ideal for apartment buildings, hotels, and nursing homes with continuous hot water demand.

□ By Energy Source: Electric on Top

[Electric-powered tankless water heaters](#) accounted for 56.7% of the market in 2021. Their benefits—low operating cost, long life, and minimal standby energy loss—make them a favored choice for residential and commercial installations.

□□ By Energy Factor: Efficiency Wins

Units with an energy factor (EF) between 0.91 and 0.99 captured the highest market share of 71.7% in 2021. These high-EF models are in demand due to their lower carbon footprint, longer lifespan, and reduced operational costs.

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□ Regional Market Insights

□□ Europe: The Market Leader

Europe dominated the tankless water heater market in 2021, capturing 31.4% of the global share. The region is projected to grow at a CAGR of 7.4%, driven by:

High electrification rates

Increasing disposable income

Ban on gas boilers in new constructions

Government incentives for energy-efficient home upgrades

□ Other Key Regions

North America: Demand is growing due to rising awareness of energy efficiency and tax incentives.

Asia-Pacific: Rapid urbanization in India, China, and Southeast Asia is boosting market potential.

LAMEA: Slow adoption but improving due to growing middle class and commercial infrastructure development.

□□ Technological Innovations

Manufacturers are focused on compact design, remote control integration, and smart thermostats that allow users to control water temperature and flow via smartphones or home automation systems.

Additionally, safety features, such as automatic shutoff, anti-scalding sensors, and enhanced insulation, are becoming standard—attracting tech-savvy consumers and eco-conscious buyers alike.

□ COVID-19 Impact

The COVID-19 pandemic disrupted construction, commercial activity, and manufacturing across the globe. Temporary shutdowns of factories and a halt in building projects significantly impacted the demand for tankless water heaters in 2020. However, by mid-2021, the market began to recover, fueled by resumed infrastructure development and increased home renovation projects during lockdowns.

□□□□ Leading Market Players

Major players shaping the tankless water heater market include:

A.O. Smith

Bradford White Corporation

EcoSmart Energy Products, Inc.

General Electric

Noritz Corporation

Navien, Inc.

Stiebel Eltron, Inc.

Robert Bosch GmbH

Westinghouse Electric Corporation

V-Guard Industries Ltd.

These companies are heavily investing in R&D, energy certifications, and regional expansion to stay ahead of market trends and meet growing consumer demands.

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□ Future Outlook

As global energy efficiency standards tighten and smart home adoption rises, tankless water heaters are well-positioned to become a mainstay in modern construction and retrofitting projects.

With robust demand across both residential and commercial sectors, enhanced by Europe's climate policies and rising electrification, the tankless water heater market is on a clear path toward double-digit growth in select regions through 2031.

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