

Rising Demand for Smart, Eco-Friendly Appliances Drives Growth in Tankless Water Heater Market

Global Tankless Water Heater Industry Surges as Energy-Efficient Home Solutions Gain Popularity

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The global [tankless water heater market](#) is on track to expand from \$6.3 billion in 2021 to \$12.3 billion by 2031, registering a robust CAGR of 6.9%,

according to a recent report by Allied Market Research. Tankless water heater, known for heating water on demand without storing it in large tanks, are increasingly preferred in both residential and commercial sectors due to their compact size, energy efficiency, and cost-saving benefits.



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Tankless water heater market to hit \$12.3 billion by 2031, driven by smart homes and demand for energy-efficient water systems. ”

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Key Takeaways

The condensing type dominates the market due to its high efficiency and larger capacity.

The electric energy source is the most popular, growing at

a CAGR of 7.3%.

Industrial and commercial sectors continue to lead demand.

Asia-Pacific and Europe remain critical regions, with Europe having the highest market share in 2021.

□ What is a Tankless Water Heater?

Unlike traditional [water heaters](#), tankless models use electricity or gas to instantly heat water as it flows through the heating unit. Equipped with water flow sensors, these systems activate automatically, offering hot water without energy wastage. The technology is widely used in solar heating systems, power plant storage, and off-grid applications.

□ Sustainable Energy Storage Fuels Market Demand

Governments globally are actively promoting energy-efficient solutions and sustainable infrastructure. This strong push for green energy solutions fuels demand for tankless water heaters, as they reduce reliance on coal, oil, and other fossil fuels. Additionally, the market offers employment opportunities and attracts new investments, further boosting global economic growth.

□ Market Segmentation Insights

By Type: The condensing segment accounted for the largest share in 2021 (about 62.7%) and continues to lead due to its high efficiency and ability to meet continuous hot water demands. Condensing tankless water heaters are preferred in applications like apartment buildings, nursing homes, and hotels.

By Energy Source: The electric tankless water heater segment leads with a 56.7% market share, driven by rising residential, commercial, and industrial demands. These models offer benefits such as high efficiency, lower operating costs, long lifespan, and minimal standby energy loss.

By Energy Factor: The 0.91 to 0.99 EF (Energy Factor) segment commands the largest share (71.7%) due to growing consumer interest in highly efficient water heating solutions that offer lower utility costs and sustainability.

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□ Commercial Sector Drives Market Growth

The commercial segment dominates revenue share, expected to grow at a CAGR of 7.1%. Rapid urbanization and development of hotels, warehouses, educational institutions, offices, food services, and healthcare facilities contribute to this surge in demand for efficient and reliable hot water solutions.

□ Regional Outlook

Europe led the global tankless water heater market in 2021, accounting for over 31.4% of total revenue. Factors such as high electrification rates, rising disposable incomes, and smart city projects contribute to Europe's leadership. The region is projected to grow at the fastest CAGR of 7.4% during the forecast period.

□ Leading Players in the Market

Key [tankless water heater industry](#) players profiled include A.O. Smith, Bradford White Corporation, EcoSmart Energy Products, General Electric, Noritz Corporation, Navien, Inc., Robert Bosch GmbH, Stiebel Eltron, Westinghouse Electric, and V-Guard Industries Ltd. Strategic moves such as business expansions, mergers, and acquisitions help these companies stay competitive.

□ Impact of COVID-19The pandemic negatively impacted the tankless water heater market in 2020. Lockdowns and social distancing measures delayed construction projects, leading to lower demand. Supply chain disruptions and labor shortages further challenged the industry, especially in Europe. However, recovery began by the second quarter of 2021, with growing demand for efficient infrastructure solutions.

□ Future Outlook

The tankless water heater market holds a promising future, driven by rising smart city investments, government incentives, and growing environmental awareness. Condensing and electric models will remain the most sought-after solutions, especially in commercial applications.

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As the energy landscape evolves, the global tankless water heater market stands as a vital player in the shift toward sustainable energy solutions. By providing on-demand hot water with minimal energy loss, tankless water heaters contribute to both operational cost savings and environmental conservation. □□

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