

Residential Real Estate Market to Reach USD 21.87 Trillion by 2035 as Housing Shortages and Urbanization Drive Growth

Asia-Pacific commands the largest share of the Residential Real Estate Market at 32.0% of global value and is simultaneously the fastest-growing region

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/EINPresswire.com/ -- Housing is the single largest asset class on Earth, and its trajectory over the next decade will shape the wealth, stability, and living standards of billions of people. From the chronic undersupply plaguing North American cities to the government-led construction booms reshaping India's skyline and Saudi

Arabia's desert, the [residential real estate market](#) is entering a period of sustained expansion driven by demographic pressure, policy intervention, and technological transformation. According to a comprehensive report by Market Research Future (MRFR), the global residential real estate market was valued at USD 11.67 trillion in 2025 and is projected to reach USD 12.41 trillion in 2026, ultimately climbing to USD 21.87 trillion by 2035 at a compound annual growth rate (CAGR) of 6.50%. This trajectory reflects not merely cyclical recovery, but a structural rebalancing of global housing supply toward the geographies and tenure models that will define the next generation of urban life.

The Chronic Undersupply Crisis: The Engine of Persistent Demand

The single most potent driver of the residential real estate market is the chronic gap between housing supply and household formation across the world's largest economies. In the United States, the National Association of Realtors and Freddie Mac estimate the housing shortage at between 4.0 and 7.2 million units—a deficit that has accumulated over decades of underbuilding relative to population growth and household formation. The United Kingdom faces a shortfall exceeding 1.2 million dwellings compared to demographic trends. These gaps do not resolve quickly; they channel both public and private construction investment year after year,



maintaining upward price pressure and ensuring that even modest interest-rate relief triggers renewed buyer activity.

This undersupply dynamic is not confined to developed markets. India's urban population is projected to reach 600 million by 2030, requiring an estimated 25 million additional housing units in the next decade alone. China's tier-2 and tier-3 cities—home to over 300 million people—continue to absorb rural migration, sustaining demand for mid-rise apartment construction even as first-tier markets stabilize. The global affordable-housing gap, estimated by the World Bank at 440 million units, represents a multi-trillion-dollar addressable opportunity that underpins the market's long-term growth trajectory.

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Government Housing Programs: Fiscal Firepower Reshaping Supply

Large-scale government intervention is accelerating supply pipelines in key emerging markets, transforming the residential real estate market from a purely private-sector domain into a public-private partnership ecosystem. India's Pradhan Mantri Awas Yojana (PMAY) Urban 2.0, launched in August 2024 with a total outlay of INR 10 lakh crore (approximately USD 120 billion including private leverage), targets 10 million additional urban housing units by 2028. This commitment dwarfs previous iterations and signals a generational expansion of India's affordable housing stock.

Saudi Arabia's Sakani program has already delivered over 600,000 cumulative housing solutions, with homeownership among Saudi nationals rising from 47% in 2017 to 63.4% in 2024. The program's target of 70% homeownership by 2030 is backed by subsidized loans, land grants, and streamlined permitting that have drawn private developers into a market once dominated by state provision. Brazil's Minha Casa, Minha Vida program, relaunched in 2023 with expanded income eligibility and subsidized interest rates, contracted 580,000 units in 2024—the highest volume in a decade—rekindling private-developer participation across the Northeast and Midwest regions.

China's response to its housing market adjustment has been equally forceful. The State Council introduced over 30 demand-side support measures in 2024, including the removal of mortgage-rate floors nationally, reduction of minimum down payments to 15% for first-time buyers, and authorization for local governments to purchase unsold inventory for conversion into subsidized rental stock. These measures aim to stabilize a sector that accounts for roughly 29% of Chinese GDP, preventing a disorderly correction that could cascade through the global economy.

The Rental Revolution: Institutional Capital Enters Housing

A historically fragmented segment of the residential real estate market is becoming

professionalized at unprecedented speed. Build-to-rent (BTR) and single-family rental (SFR) platforms are attracting institutional capital that was historically focused on commercial assets. In 2024, institutional investors committed over USD 68 billion to purpose-built rental communities worldwide—a 12% increase from the previous year. Real estate investment trusts (REITs) and sovereign wealth funds are funding new multifamily construction and acquiring stabilized portfolios in the United States, Germany, and Japan, generating long-term rental revenue streams that offer inflation protection and portfolio diversification.

This shift is reshaping tenure patterns. In the United States, the affordability gap—measured by the ratio of median home price to median household income—remains above 5× in 78% of metropolitan areas, the widest since 1985. Similar dynamics in the UK, Canada, and Australia are channeling would-be buyers into rental tenure, capping transaction volumes even as underlying demand remains robust. Rentals are projected to grow at a 7.25% CAGR through 2035, the fastest-growing mode of sale, as affordability pressure and lifestyle preferences shift tenure patterns in developed markets.

Vonovia SE, Europe's largest residential landlord with approximately 550,000 units, exemplifies this institutionalization trend. The company's focus on energy-efficient retrofits and professional property management has created a replicable model that is attracting capital across the continent. In North America, D.R. Horton and Lennar Corporation are increasingly allocating development pipelines to build-to-rent communities alongside traditional for-sale product, recognizing that rental demand is structural rather than cyclical.

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Technology Transformation: PropTech Rewires the Transaction

The residential real estate market is undergoing a digital transformation that is compressing transaction timelines, reducing friction costs, and opening new investment channels. Digital mortgage origination, AI-powered property valuation, and blockchain-based title registries are reducing transaction friction by 20–35% in early-adopter markets. India's RERA-mandated digitization of project registrations and the UAE's tokenized real-estate frameworks represent regulatory tailwinds accelerating proptech adoption.

The global proptech sector attracted USD 13.5 billion in venture funding in 2024, with residential platforms capturing 62% of that total. Artificial intelligence is becoming foundational to the market's operational layer. Automated tenant screening, predictive maintenance scheduling, and dynamic rent optimization are expected to reduce property-management operating costs by 18–25% by 2030. Large institutional landlords managing portfolios exceeding 10,000 units will gain the earliest advantages, but SaaS platforms will democratize these capabilities for mid-market operators by 2032.

Fractional ownership and tokenized investment platforms are lowering entry barriers for retail

investors, particularly in high-value urban centers. Regulatory sandboxes in the UAE, Singapore, and the UK are testing securities-grade frameworks for tokenized property. The International Energy Agency estimates that fractional platforms could channel USD 1.4 trillion in new capital into housing assets by 2035, fundamentally expanding the pool of investable capital available to developers.

Sustainability: The Green Housing Mandate

Environmental regulation is becoming a defining variable in the residential real estate market. The European Union's revised Energy Performance of Buildings Directive (EPBD) mandates zero-emission newbuilds from 2030 and minimum energy-performance standards for all existing housing by 2033. This directive unlocks an estimated EUR 275 billion annually in retrofit and low-emissions construction investment across Europe's aging housing stock.

Green-bond financing for residential retrofits grew 45% year-over-year in 2024, and lenders are increasingly offering preferential mortgage rates for energy-efficient homes. Developers with verified [green-building](#) certifications—LEED, BREEAM, EDGE—are accessing 30–50 basis-point interest-rate discounts, creating a tangible economic incentive for the entire value chain to align with net-zero pathways. The International Energy Agency estimates that achieving net-zero building emissions by 2050 requires tripling the annual rate of residential energy retrofits globally, a commitment equivalent to USD 3.5 trillion in cumulative investment between 2025 and 2040.

Modular and industrialized construction is emerging as a critical enabler of this green transition. Off-site manufacturing of housing modules can reduce build times by 30–50% and cut waste by up to 80% compared to traditional methods. Governments in the UK, Singapore, and Sweden are embedding modular-construction incentives into public procurement rules, creating a pipeline exceeding USD 40 billion through 2030. While adoption remains below 5% of global housing starts, the trajectory is steep, and factory-built housing is particularly suited to the repetitive, standardized designs required for affordable-housing delivery at scale.

Report Summary: <https://www.marketresearchfuture.com/reports/residential-real-estate-market-11577>

Regional Dynamics: Asia-Pacific Leads, All Regions Expand

Asia-Pacific commands the largest share of the residential real estate market at 32.0% of global value and is simultaneously the fastest-growing region, projected at a 7.45% CAGR through 2035. China alone accounts for 38.0% of regional share, with policy stabilization measures and tier-2/3 city urbanization sustaining construction activity. India's PMAY-Urban 2.0 and metro-rail expansion across 27 cities are catalyzing transit-oriented development corridors. Japan's aging population is driving demand for 1.5 million additional age-friendly housing units by 2030, while South Korea's new-town mega-projects and reconstruction wave sustain momentum.

North America holds 26.0% of global value, underpinned by resilient single-family demand and institutional rental expansion. The United States dominates with 82.0% of regional share, where single-family starts recovered to a 1.42-million annualized rate by Q4 2024 despite elevated borrowing costs. Canada's Housing Accelerator Fund has committed CAD 4 billion to fast-track 750,000 new units by 2031, while Mexico's INFONAVIT reform is expanding credit access to informal-sector workers who represent roughly half the labor force.

Europe accounts for 23.0% of global activity, with renovation-led investment increasingly outpacing greenfield construction. Germany's build-to-rent pipeline exceeded EUR 12 billion in committed capital in 2024, while France's MaPrimeRénov' scheme disbursed EUR 5.6 billion for residential energy upgrades. The UK's planning reform agenda and affordable-housing mandates are reshaping supply, while Italy's Superbonus program continues to drive deep-energy retrofits.

South America holds 10.0% of global share, with Brazil dominating at 68.0% of regional share through the relaunched Minha Casa, Minha Vida program. Argentina's peso stabilization and mortgage-market formalization are creating new demand channels.

The Middle East & Africa, at 9.0% of global value, is driven by Saudi Arabia's Vision 2030 mega-projects and Egypt's New Administrative Capital, which has attracted over USD 58 billion in committed investment and will house an estimated 6.5 million people upon full completion.

Headwinds: Affordability, Costs, and Climate Risk

The residential real estate market faces persistent challenges. Elevated mortgage rates have pushed average 30-year fixed rates in the United States above 7%, effectively locking millions of potential buyers out of the market. While rates have moderated, the affordability gap remains historically wide. Construction-cost inflation—total building inputs rose more than 38% between 2020 and 2024 due to supply-chain disruptions, skilled-labor shortages, and commodity price spikes—has compressed developer margins and delayed project launches, particularly in the mid-market and affordable segments.

Regulatory and zoning bottlenecks in the US, UK, and Australia constrain supply responsiveness, with permitting timelines extending to 18–36 months in high-demand jurisdictions. Climate-risk repricing is beginning to deflate valuations in vulnerable geographies; insurers have withdrawn from or dramatically repriced coverage in Florida, California, and Southeast Asia, adding 15–30% to annual carrying costs for homeowners in affected areas. Properties in FEMA-designated flood zones have experienced 7–15% valuation discounts since 2022, redirecting capital toward climate-resilient inland markets.

Competitive Landscape: Fragmentation Meets Institutionalization

The residential real estate market exhibits medium concentration, with the top five players accounting for an estimated 12–16% of global transaction value. The sector remains highly

fragmented due to the localized nature of land acquisition, permitting, and construction, though institutional consolidation—particularly in rental operations—is gradually raising concentration levels.

China Vanke Co. Ltd. leads among developers with an estimated 3–5% revenue share, delivering mixed-use townships and property management services as China's largest diversified developer by units delivered. Country Garden Holdings operates across 280+ Chinese cities with a scale-focused suburban development model. In the United States, D.R. Horton Inc. delivered 89,690 homes in FY2024, maintaining its position as the largest American homebuilder despite a 4% decline in average selling prices driven by an entry-level product mix shift. Lennar Corporation leverages vertical integration including a mortgage arm, while Sun Hung Kai Properties anchors Hong Kong and mainland China's luxury-residential segment.

On the institutional ownership side, Brookfield Asset Management closed a USD 10.2 billion real-estate flagship fund in March 2024 with allocations to multifamily and build-to-rent strategies across North America and Europe. Vonovia SE manages Europe's largest residential portfolio at approximately 550,000 units, focusing on energy-efficient retrofits and professional management.

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