

# The demographic tsunami that is India....

Where does one start when looking at the Indian population demographic and how it will affect the local property industry ?

Let's begin with the sheer volume. The population of India is close to 1.2 billion people, second only to China who currently stands at over 1.3 billion.

By 2025 India will surpass China as the most populated place on earth, and by 2050 India will have over 20% more people than China – a difference of almost 500 million people (this difference being larger than the entire US population).

Current growth rates are some 20 million new Indian citizens per annum, and rising.

We already have a shortfall of over 22 million dwellings (supply v demand), this being the starting point before we consider any of these demographic changes taking place, and the effect they will have on demand.

But the age distribution of the population is the really important statistic for India over the next 40 years.

30% of India's current population is 14yrs and below, with a median age of only 25.9 years – this is 26% lower than the median age in China and 32% lower than the US.

Whilst the developed world has had a gradual slowing of population after the post war baby boom years, China has had a policy induced change which has resulted in an abrupt shift in the population bell curve.

China is nearing the end of a period of massive expansion driven by a huge labour pool and consumer demand. The median age of the Chinese population is getting older at a very rapid rate, before long the equation of those producing against those needing support will turn upside down.

China will then be with the developed world looking at a situation where there are too many dependants and too few producers, low (if any) population increase, and minimal (in any) demand for new property.

In India we find that by default we are one of the very few places where we can rely on massive demand for property well into this century and beyond.

At present it is accepted that around 25% of the population are middle class consumers (of property and the like) with the balance of close to 1 billion people making up an aspirant class who would all like to participate in the new economy, and who are all looking for the means to do so.

India has 29% of its people currently in the urban cities with an urbanisation rate of 2.4% per annum. This means India has one of the worlds least urban populations with massive slabs of the population able to change over to an urban and consuming profile.

Let's look at some of the underlying statistics that will affect the property market in India over coming years ;

- Starting point of unmet demand that exceeds 22 million dwellings
- Population growth of over 20 million per annum
- Shrinking household sizes (currently over 5.5 pph) with a world average of only 2.4 pph.
- Massive urbanisation underway. Starting at only 29% and rising at better than 2.4% per annum.
- A current non consuming aspirant population of close to 1 billion people.
- A very young population that is entering a production phase.

The demand side of the equation in India is all but assured. The question is “what exactly is the demand going to be for, and how and when will the demand profile change ?”

As a developer you can still go broke if you produce the wrong product. This is the conundrum for our industry, accurately predicting the exact profile of the demand, and doing so 3-5 years ahead of the market.

Too often we see the development community taking a herd mentality, and based on not much more than hearsay, producing large volumes of the wrong product - either in the wrong price point, wrong location or wrong format.

The market has to be met. More and more developers are now looking at sound research based decision making that really analyses the market, carefully looks at where the demand should be, and then delivers suitable product.

This is the challenge for companies like LJ Hooker, getting partnered with development companies early enough so we can provide significant relevant input to allow the formation of intelligent well thought through decisions.

The Indian market will deliver in spades over coming years to those companies that can produce the product that the market requires.

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