



Urban housing market dynamics and their implications for affordability in major Indian metropolises - A comprehensive literature review

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Abstract

Urban housing markets in India's major metropolises—Mumbai, Delhi NCR, Bengaluru, Hyderabad, Pune, Chennai, Kolkata, and Ahmedabad—are undergoing rapid transformation driven by migration, demographic shifts, and infrastructure expansion. This study examines the dynamics of supply and demand, focusing on land availability, regulatory frameworks, transit-oriented development, and household income patterns. It highlights how affordability is increasingly strained in high-demand cores, where price-to-income ratios exceed sustainable thresholds, while peripheral nodes show relative resilience contingent on infrastructure delivery. Rental markets have tightened due to post-pandemic migration and office normalization, further burdening household budgets. Using affordability metrics such as price-to-income ratios, rent-to-income ratios, and housing affordability indices, the analysis reveals stark disparities across cities and micro-markets.

Keywords: Urban housing market, affordability, Indian metropolises, price-to-income ratio (PTI), rent-to-income ratio (RTI), Housing Affordability Index (HAI), Transit-Oriented Development (TOD), serviced land, infrastructure bottlenecks

Introduction

Mumbai, India's financial hub, has long been characterized by stark housing inequalities. The pandemic initially slowed real estate activity, but by 2021–2022, the market rebounded sharply, driven by low interest rates, pent-up demand, and infrastructure-led optimism (NAREDCO, 2024) [8]. This rebound intensified affordability challenges and widened socio-spatial divides. This paper explores how rising real estate prices post-pandemic have impacted housing affordability and spatial inequality in Mumbai.

Literature Review

- **Housing affordability:** Mujawar (2025) [7] documents rental burdens in Mumbai, with households spending unsustainable shares of income on housing.
- **Socio-spatial inequality:** Gupta et al. (2009) [4] and Bhide (2013) [1] highlight the persistence of segregation, with elite redevelopment projects reinforcing exclusion.
- **Post-pandemic dynamics:** Reports by Knight Frank (2023) [6] and Hindustan Times (2025) [5] show affordability paradoxes—while affordability indices improved nationally, Mumbai remains India's least affordable housing market.

Methodology

This study synthesizes secondary data from academic research, government reports, and industry analyses. The focus is on post-pandemic trends (2020–2025), examining price-to-income ratios, rental burdens, and spatial displacement patterns.

Findings

1. **Price rebound post-pandemic:** Despite initial stagnation, Mumbai's property prices surged, with prime areas reaching ₹3 lakh per sq ft (Economic Times, 2025) [3].

2. **Affordability paradox:** National affordability improved, but Mumbai's price-to-income ratio remains disproportionately high (Colliers, 2025).
3. **Elite enclaves:** Redevelopment projects in South Mumbai reinforce exclusivity, deepening socio-spatial inequality (Desai, 2018) [2].

Thematic literature review: Urban housing market dynamics and affordability in major Indian metropolises

This review synthesizes scholarship across core themes shaping affordability in India's largest urban centers. It organizes the literature by mechanisms—not cities—to clarify how demand, supply, institutions, and behavior intersect to produce affordability outcomes.

Urbanization, migration, and household formation

- **Demand drivers:** Studies consistently link rapid urbanization, rural–urban migration, and agglomeration economies to accelerated household formation in metros (MMR, NCR, Bengaluru, Hyderabad). Smaller household sizes and rising dual-income households increase demand for compact units near jobs and services.
- **Spatial concentration:** Evidence shows demand clustering around employment nodes and education/health hubs, intensifying price pressures in core markets while creating spillovers along developing corridors.
- **Affordability implications:** Research highlights persistent mismatches between income growth and housing costs in prime micro-markets, with affordability stress most visible in entry-level ownership and mid-market rentals.

Methodological notes

- **Approaches:** Census-based migration analyses, household surveys, and hedonic pricing models dominate; fewer panel studies track mobility and tenure transitions over time.
- **Limitations:** City-level averages mask micro-market heterogeneity; limited data on informal migrants and shared housing arrangements.

Land markets, regulation, and supply constraints

- **Serviced land scarcity:** A large body of work finds that bottlenecks in land assembly, titling, and trunk infrastructure constrain “effective” supply despite nominal planning reserves.
- **Regulatory burdens:** Research documents how approval delays, premium charges (e.g., FSI-related), parking norms, and minimum unit sizes raise production costs and discourage right-sized, affordable projects.
- **Production technologies:** Emerging studies explore industrialized construction (precast, modular) as cost-time reducers, noting adoption barriers (standards, financing, skills).

Methodological notes

- **Approaches:** Case studies of approval pipelines, developer cost accounting, and legal/institutional analyses; limited quasi-experimental evidence on rule changes.
- **Limitations:** Sparse comparative metrics across cities linking specific regulatory reforms to measurable affordability gains.

Housing finance, credit access, and tenure choice

- **Mortgage cycles:** Literature shows affordability improving during low-rate phases and tightening with interest rate increases, disproportionately affecting lower-income cohorts.
- **Informal sector exclusion:** Multiple studies note credit exclusion for informal earners, highlighting the potential of micro-mortgages, rent-to-own, and alternative credit scoring—but with limited real-world scaling.
- **Tenure dynamics:** Ownership aspirations remain strong, yet tenure decisions hinge on job stability, liquidity, and expectations of appreciation; younger cohorts and migrants demonstrate greater rental orientation.

Methodological notes

- **Approaches:** Bank loan data, affordability indices (PTI, HAI), and discrete choice models; experimental designs are rare.
- **Limitations:** Under-representation of informal incomes, shadow credit channels, and non-bank finance in mainstream analyses.

Rental markets and institutional rental housing

- **Market tightening:** Post-pandemic normalization of office attendance and tech-led hiring drove rental increases in IT-centric cities; evidence also points to rising co-living and student housing demand.
- **Policy and institutions:** The literature recognizes the Model Tenancy Act and incentives for institutional rental housing but finds limited evaluation of actual uptake and price impacts.
- **Affordability lens:** Rent-to-income burdens often exceed sustainable thresholds in prime nodes; studies call for supply-side rental incentives and better tenancy enforcement.

Methodological notes

- **Approaches:** Brokerage datasets, listing platform analytics, and small-sample household budget surveys.
- **Limitations:** Fragmented rental data, weak visibility into informal rentals and shared units, and limited longitudinal tracking.

Research Gaps

1. Micro-Market Level Analysis

- Most studies focus on citywide averages (Mumbai, Delhi NCR, Bengaluru, etc.), but affordability varies sharply across micro-markets (e.g., transit-adjacent corridors vs. peripheral nodes).

2. Rental Housing Dynamics

- Ownership affordability is widely studied, but rental markets—which are critical for migrants, students, and young professionals—remain under-researched.

3. Informal Sector and Housing Finance

- Existing research often assumes formal income and mortgage access.
- There is a gap in understanding how informal earners (who form a large share of urban households) navigate affordability, credit exclusion, and alternative financing models.

Discussion

The post-pandemic housing market in Mumbai illustrates a paradox: while affordability indices suggest improvement, lived experiences reveal worsening inequality. Rising prices, speculative investment, and redevelopment policies have created a fragmented urban fabric where luxury towers coexist with informal settlements. This duality underscores the need for inclusive housing strategies.

Policy Implications

- Affordable housing schemes must prioritize central and transit-oriented areas, not just peripheral zones.
- Rental housing frameworks should be formalized to reduce household burdens.
- Inclusive redevelopment policies are needed to balance elite projects with affordable housing supply.

Conclusion

The dynamics of urban housing markets in India’s major metropolises reveal a complex interplay between rapid demand growth, constrained supply, and uneven

affordability outcomes. Rising migration, shrinking household sizes, and evolving lifestyle preferences continue to fuel demand, while limited serviced land, regulatory bottlenecks, and infrastructure delays restrict effective supply. As a result, affordability pressures are most acute in high-demand cores such as Mumbai and Delhi NCR, while peripheral nodes show relative resilience only when supported by timely transit and infrastructure delivery. Affordability cannot be understood solely through headline prices; it requires a multidimensional lens that incorporates price-to-income ratios, rent-to-income burdens, and housing affordability indices, alongside lifecycle costs such as commuting and climate resilience. Rental housing, informal sector finance, and transit-oriented development remain underexplored yet critical levers for inclusive urban growth.

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