

A stylized illustration of a cityscape. The top half shows a dense urban area with various colored buildings (purple, blue, yellow) and trees. A yellow road with several cars (red, white, yellow, blue) leads from the city down towards the bottom. The bottom half shows a more suburban or rural area with houses, trees, and wind turbines. The background is a dark blue gradient with a yellow sun or moon in the top left corner.

THINK PIECE

TIME FOR INTERNAL GLOBALISATION

Small cities setting the tone for revival

September 2020

“

Small cities (Tier 2 and Tier 3 cities) here on referred to as ‘Shadow Cities’ are defined as cities that fall in the immediate shadow area or influence zone of the primary city, and serve as an economic back-office for various business and industrial activities. Though an increase in disposable income and an aspirational lifestyle has presented good potential for business and economic growth, the shadow cities have been stragglers in front of the metros. However, the recent consumption trends in the current pandemic has brought the spotlight on small cities, and they are keenly being watched for reviving demand across sectors.

”



Dhruv Agarwala

Chief Executive Officer

Elara Group (Housing.com | PropTiger.com | Makaan.com)

“Emulating megacities around the world, the economic growth in India has also been concentrated in the major cities with small cities (Tier-1 and Tier-2 cities) falling in their shadows. Owing to the economic and infrastructural pull of the ‘big-city’, small cities have not been able to constellate their strengths and allure the same kind of interest, important for regional and socio-economic development - More than half of the migrant population in the eight major cities in India is coming in from neighbouring Tier-1 and Tier-2 cities.

Though development in ‘Shadow Cities’ has moved at a snail pace, the current pandemic crisis, has brought structural changes in business continuity, which will notably accelerate the process of market penetration across sectors. Steered by the thrust on digitisation, and an aspirational cohort, Shadow Cities are exhibiting readiness for global brands across categories of fashion, luxury cars, jewellery, real estate among many others.

We at Housing.com have seen a significant uptick in interest levels for residential properties especially from shadow cities such as Amritsar, Chandigarh, Vadodara, Nagpur, Vijayawada and Coimbatore. Our ‘Virtual Residential Demand Index’ renders this trend more prominently post May 2020. Going forward, we believe factors such as reverse migration of the white-collar workforce along with the concept of remote working, will have powerful reverberations on the future of residential demand coming from the small cities.”





Balbir Singh Dhillon

Head

Audi India

“With an increase in disposable income and aspirations of owning global brands, the contribution to volumes is increasing steadily from smaller cities. We also see a positive trend of customers from smaller cities, who have an appetite for performance and lifestyle cars with new body styles. At Audi India, our focus has always been on expanding to Tier-2 and Tier-3 cities. These regions exhibit rising aspirations to own luxury cars. Under our ‘Workshop First’ strategy, we enter Tier-2 and Tier-3 cities with a ‘Service First promise’ by inaugurating a workshop first, a gradual plan to establish a showroom follows. Living our ‘Workshop First’ approach, we have opened gates to our state-of-the-art workshop facilities in Thane, Vijayawada, and Trivandrum, reaching closer to our customers. We will continue to expand this as per market demand. In addition, we also have seven Audi Approved; plus showrooms; our plan is to double this as per market demand.”





Ashwini Kumar Tewari

Managing Director and Chief Executive Officer
SBI Card

“The credit card penetration in India on an overall basis is only 3 per 100. This number will be even lower in Tier 2 and 3 cities as traditionally most lenders were cautious about lending in these pockets on account of less awareness of credit culture, less acceptance infra like POS and lack of collection infrastructure. The Demonetisation, Government Digitisation initiatives and growth of e-commerce has changed these. There is a lot of potential in Tier 2 and 3 cities and the customers are now actively seeking credit (credit cards as well as personal loans). In the last quarter, as per Credit Bureaus, the Rural and Semi Urban markets share in the overall new trades increased and the Metros decreased.

SBI Cards has always had a strong focus on Tier 2 and 3 markets in line with the customer base of SBI. Almost 40 percent of our Portfolio is from Tier 2 and 3 cities, additionally, in terms of new customers, the trend is even higher. The credit performance of Tier 2 and 3 cities is 10-15 percent better. SBI Cards plans to focus on increasing its market share in these cities.”





Suvankar Sen

Chief Executive Officer
Senco Gold and Diamonds

“Tier 2 and 3 cities is the Bharat side of growing India and during the COVID-19 situation, we see a large middle-class customer base appreciating their smaller towns, a protective cocoon in the world of uncertainty. Senior citizens or families moving back to Tier 2 and 3 cities, migrant labourers moving back home to their Tier 2 and 3 cities and urban centres decluttered and less polluted. We have seen less degrowth in Tier 2 and 3 cities, more optimism and positive thoughts in smaller shadow cities compared to major urban centres. Thus, the hope for future growth in countries and development opportunities lies in the shadow cities.”





Vishal Gupta

Managing Director
Ashiana Housing Ltd.

“The pandemic will see the emergence of new cities. Tier 2 cities with good infrastructure, air connectivity and affordable real estate prices will grow into mega cities as the young will choose to live in bigger, better houses in their native environment. Many of them will be able to work for companies around the globe from the comfort of their hometown.”



**6 OUT
OF 10**

Shadow Cities amongst
the top 10 best performing
Smart Cities in India in 2019



Surat & Ghaziabad

Amongst the top 50
global cities to witness
maximum increase in
population by 2030



3x

YoY growth in virtual
demand for residential
properties in 'Shadow
Cities' in August 2020

45%

Start-ups are located
in the 'Shadow Cities'

Surat, Rajkot, Tiruppur, Nagpur, Vijaywada, Agra, Tiruchirapalli

Pegged for fastest
economic growth in the
world by 2035



Jaipur, Lucknow, Mangaluru, Guwahati & Thiruvananthapuram

Picked up for airport
privatisation for augmenting
regional connectivity and
development

Agra & Amritsar

See more than 100
percent growth in virtual
residential demand over
pre-COVID levels



Jaipur, Vishakhapatnam, Kochi & Surat

See maximum growth in virtual
residential demand in > INR 1
crore price bracket

Foreword

Cities have been defined as the engines of economic growth. The increasing urbanisation in cities is snowballing for the simple fact that the major cities account for most of the country's economic ecosystem, which is of advantage to a household and also to a company running its operations there. It is this symbiotic ecosystem, of all the cogs in place, that make the cities more efficient and attractive for generating employment and propelling growth.

According to the World Bank, around 55 percent of the world's population lives in cities today and it is estimated that by the year 2050, nearly 7 out of 10 people in the world will eventually be living in cities.

This growth of cities or urbanisation complements and enables economic change across sectors such as agriculture, manufacturing and services, and other activities that demand clusters of skilled and unskilled workforce and capital. This complementary symbiosis also furthers development through the proximity to other firms within the cities.

However, history indicates that with this concentration of economic activities and the set ecosystem, only a few cities emerge and bear the weight of accommodating the burgeoning many. Globally, cities such as New York in USA, London in the UK, Paris in France, Tokyo and Osaka in Japan, Beijing and Shanghai in China, and Seoul in South Korea, have all emerged as megacities due to the tremendous economic growth, symbiotic ecosystem, availability of infrastructure and seamless connectivity that has attracted population from neighbouring areas to these mega centres.





In India too, the economic growth is concentrated in the eight cities of Ahmedabad, Bengaluru, Chennai, Hyderabad, Kolkata, Delhi NCR¹, the Mumbai Metropolitan Region (MMR)² and Pune, which house approximately 20 percent of the country's population. Availability of infrastructure and connectivity has created a favourable ecosystem for businesses, which has attracted manufacturing and service sector industries in these key cities. The increase in the employment opportunities has attracted working population across levels to relocate to the major cities and has translated into demand for other asset classes and allied services. However, the symbiotic ecosystem may not be as beneficial for everyone, as it brings with it the woes of a crumbling infrastructure, expensive real estate, traffic snarls and unfavourable living conditions, in some cases.

Living in the shadows of the bigger cities, the smaller cities have not been able to attract public investments or economic anchors to be able to

spearhead the growth of their economies, which has created a lopsided development canvas where the opportunities and a promise of a better lifestyle is concerted only in the major cities. However, there has been a shift in this perception in the past few years due to the introduction of various policy initiatives which have not only improved regional connectivity but also upgraded development of physical and social infrastructure, which in turn has stimulated growth in the smaller cities. Through policy initiatives such as Jawaharlal Nehru National Urban Renewal Mission (JNNURM), Smart Cities Mission and Atal Mission for Rejuvenation and Urban Transformation (AMRUT) and other central government programmes, the smaller cities have started to garner interest of not only the policy makers but also the economic drivers. It may be too soon to estimate, but this change in perception is only set to accelerate with the ongoing COVID-19 pandemic, which is making businesses and individuals rethink their sustenance models.

¹NCR includes, Noida, Greater Noida, Gurugram, Ghaziabad and Faridabad

²MMR includes Mumbai, Navi Mumbai and Thane

Cities, the Lodestones of growth

In India, over the years, the top eight cities have acted as magnets to various industries and allied services. Better regional and international connectivity paired with infrastructure development created a conducive ecosystem, which made these cities preferred destinations for setting up economic activities. This economic opportunity translated into demand for other residential, office, retail, hospitality and allied sectors. As the employment anchors and the opportunities increased, the top eight cities attracted huge influx of population over a period of time causing a significant pressure on the trunk and social infrastructure of these magnet cities.

As per Census of India (2011), of the total urban population, nearly 20 percent is concentrated in these major eight cities. These economic engines not only attract intra-city but also inter-city migration depending on the kind of employment hub it houses. Barring Ahmedabad and more than half of the population of the major cities has come from other urban areas with an aspiration for a better lifestyle for health, education and employment. It is observed that of the total migrant population, more than half of the population has migrated from the smaller urban areas.

Migration in the hope of development



Economic difficulties
Insufficient employment opportunities
Environmental disaster
Fear of persecution or violence
Political unrest and war
Poor medical care
Precarious living conditions
Religious repression / lack of religious freedom



Employment opportunities
Improved living conditions/welfare
Higher standards of healthcare
Education
Family reunification
Personal realisation, enjoyment and leisure
Security and safety

Source: United Nations



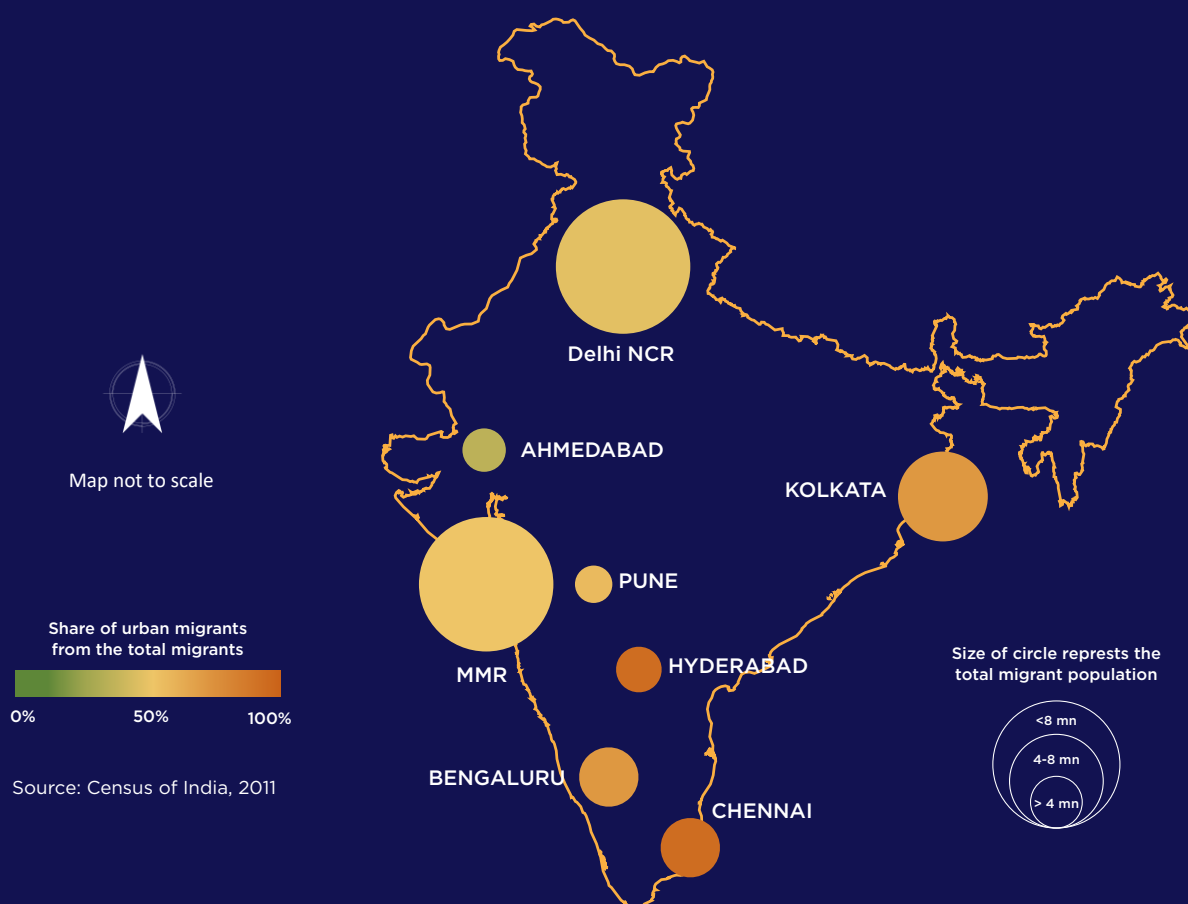
With each passing day, the top eight cities have increasingly been under immense pressure, as they are exceeding their inherent carrying capacities due to the overconcentration of population. **In fact, cities such as New Delhi, Mumbai, Hyderabad and Pune are expected to be amongst the top 50 cities in the world to see the maximum increase in population by the year 2030³ which will further increase the pressure on their infrastructure.**

This pressure is already visible in cities such as Chennai, which was the first Indian city to declare a 'Day Zero' on 19th June 2020 – a state when almost no water is left to source from the four main reservoirs. Following suit, another major city, Bengaluru is under severe water stress due to rapid urbanisation and the growing expanse of the city to accommodate the influx of the increasing working

population. In cities such as Gurugram, the transport infrastructure is constantly put to test, a fact evident from the long traffic snarls not only during the peak work hours, but also during mid-day. However, despite these tribulations, the pressure continues to build upon the major cities, as they are the conventional growth magnets with the necessary ecosystem for overall development.

As megacities around the world have experienced similar issues, many cities have adopted the planning principles of decentralised planning and Transit Oriented Development (TOD), where decentralisation of megacities is achieved through giving impetus to economic growth in smaller cities by strengthening their regional and international connectivity and improving physical and social infrastructure for a balanced regional development.

More than half of the migrant population in top 8 cities is coming from other cities



³Oxford Economics

⁴Day Zero in Chennai was declared on June 19th, 2020 by the city officials.

This refers to a state when almost no water is left to source from the four main reservoirs.

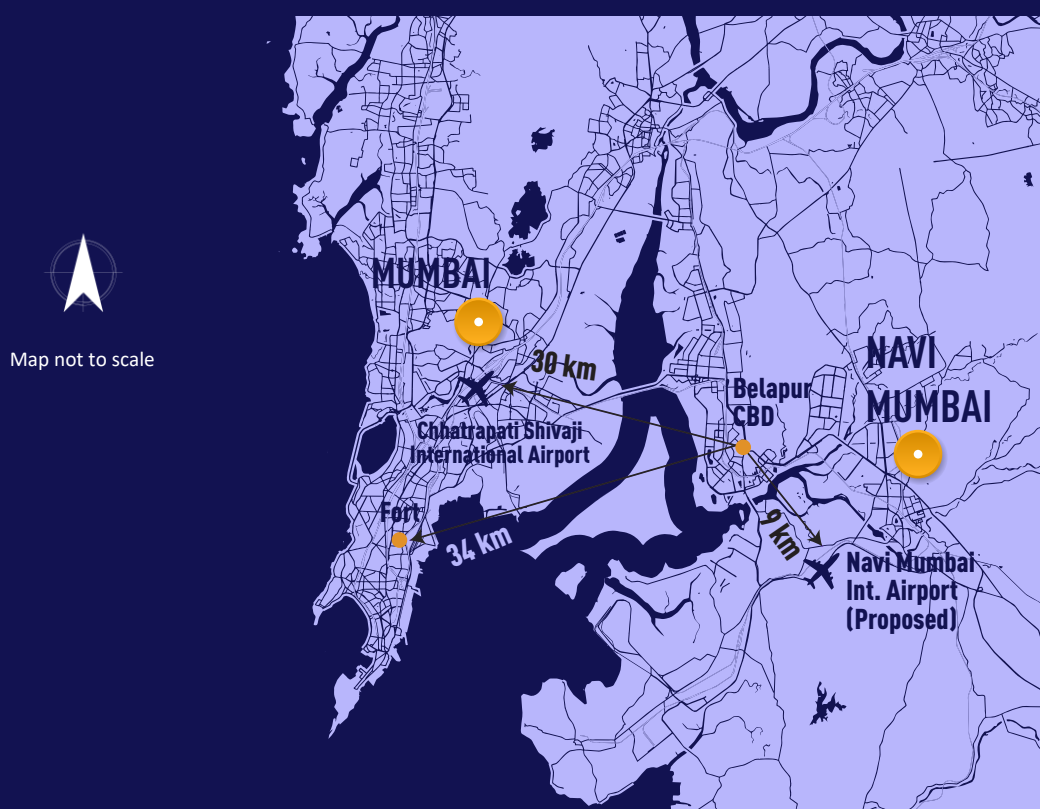
Following the similar concept in India, the cities of Navi Mumbai and Gurugram have evolved from the need to decentralise Mumbai and Delhi, respectively. Both Navi Mumbai and Gurugram benefited from the availability of contiguous land parcels and their proximity to the main cities of Mumbai and Delhi. Contiguity to Mumbai and availability of land for development made Navi Mumbai a favourable location for planned decentralisation of the island city. Meticulously planned in the 1970s as a twin city to Mumbai, Navi Mumbai was conceptualised as a counter magnet to siphon off the over concentration of white-collar offices, jobs and population in Greater Mumbai and decongest the main city. In due course, trunk infrastructure planning, railways and roadways were beginning to take shape which attracted economic activities in the area.

The apt distance of a mere 50 kms from Mumbai and 127 kms from another growth pole, Pune, Navi Mumbai saw rapid growth in infrastructure, with

many manufacturing, warehousing, as well as service sector industries like Reliance, Tata Consultancy Services (TCS), Wipro, etc. expanding their operations in this area. The latest addition to the infrastructure progression is the greenfield Navi Mumbai International airport which will not only decongest the out-capitated Chhatrapati Shivaji International Airport in Mumbai but boost the economic profile of the city and attract a flurry of real estate developments especially in Kharghar, Panvel, Vashi and Taloja.

“The impact of globalization on city growth patterns marks a critical difference between past and present transitions. Cities are the main beneficiaries of globalization, the progressive integration of the world’s economies. People follow jobs, which follow investment and economic activities.”⁵ Gurugram is emblematic of this concept of a hinterland or a shadow city developing into a millennium city through creation of job opportunities, followed by population migration and ensuing real

Navi Mumbai was designed as counter magnet to decentralise Mumbai



⁵UNFPA, 2007. State of World Population, Unleashing the potential of Urban Growth

estate development. Before the 1970s growth in Gurugram or the erstwhile Gurgaon was insignificant and was mostly agrarian, but it was post the formation of the Haryana Urban Development Authority (HUDA) in 1977 that the pace of development gained liveliness.

The setting up of the Maruti Suzuki automobile plant in the 1980s acted as a major turning point in Gurugram's economy. The plant acted as an economic 'anchor' or a catalyst as slowly more ancillary industries started to spread their base and contributed in the making of the city. This period caught the attention of private developers and entrepreneurs who saw immense potential in the vast wealth of contiguous land. Post liberalisation, that is 1990s, the seed of modern Gurugram had been sown, and the 'shadow city' saw an influx of job opportunities which attracted workforce migration across levels.

General Electric was one of the first companies to set up base in Gurgaon in the 1990s, which was followed by growth in the IT-BPO industry and other multinational companies choosing to locate in Gurgaon – today more than 400 companies have their operations in the city. The creation of economic activity and connectivity also cascaded into real estate development and investment for all asset classes. One of the most important locational advantages that favoured the stellar growth of Gurugram was its proximity to the administrative capital of Delhi and ease of access to the International Airport which led to the spurt in growth of this shadow city. The economic and the locational pull of the city is witnessed from the astounding growth in population which has grown astoundingly by 270 percent between 2001-2011. Creation of job opportunities has consequently drawn a large number of migrant population to the region which has transformed the region from an agrarian shadow town of the 1970s to the upscale city of today.

Proximity to New Delhi and the International Airport spearheaded the growth of Gurugram



Tapping potential in Shadow Cities

While the top eight cities have become the economic hubs, the smaller cities have failed to induce as much confidence and growth. Several factors like lack of connectivity, and more so an economic anchor, have deterred the development in the smaller cities which has pushed the workforce to migrate to the major cities.

Taking cognizance of the concept of regional development, and to take some pressure off the major cities, the government has taken several measures to boost development in the smaller cities.

The push towards infrastructure development, enhancing regional connectivity for economic growth in smaller cities was envisaged through various government policies and schemes such as the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) 2005, Atal Mission For Rejuvenation And Urban Transformation (AMRUT) (2015), Smart Cities Mission (2015), Regional Connectivity Scheme - UDAN (Ude Desh ka Aam Naagrik) (2016) and Nextgen Airports for Bharat (NABH) scheme.

While schemes such as AMRUT (2015) and Smart Cities Mission (2015) were conceptualised with the objective of providing core infrastructure and to uplift the livability of the city through 'smart' solutions, the Special Economic Zone (SEZ) Act (2006) was aimed at attracting investment and providing a conducive environment for exports not only in the major cities but also in the smaller cities to promote investments for balanced regional development.





Another area which has been a slacker in the growth of the smaller cities and has seen significant improvement over these past years is connectivity.

Lack of infrastructure and supportive modes for fast and efficient connectivity have been one of the deterrents for the development of any region and it has been most evident in the small cities. Taking cognizance of the importance of fast connectivity, the government is not only upgrading the road and rail infrastructure but also giving thrust to the air infrastructure to provide fast connectivity to the smaller cities. Schemes such as the Regional Connectivity Scheme – UDAN (Ude Desh ka Aam Naagrik) launched in 2016 emphasises on enhancing regional connectivity, especially in smaller cities.⁶

Similarly, the Nextgen Airports for Bharat (NABH) Nirman scheme was launched in 2018 with the objective of augmenting capacity of the current airports and to increase the overall number of airports in India to take the pressure off the top cities.

In this regard, the Airports Authority of India (AAI) has already selected airports in cities such as Jaipur, Lucknow, Mangaluru, Thiruvananthapuram and Guwahati for development, operation and management through the public-private partnership (PPP) model. While, airports in the cities of Amritsar, Indore, Varanasi, Bhubaneswar, Raipur and Trichy have been recommended as the next set of airports to be taken up for private sector participation.

It is a fact that, air connectivity is one of the major catalysts in unlocking the economic growth potential of a city as it enables to attract business investment and thus create employment opportunities. An increase in air connectivity also supports other sectors, such as tourism and allied industries, which are vital to a region's economic development. Thus, the development of air infrastructure will only help in enhancing the regional connectivity and bring the smaller cities on the national map.

⁶Ministry of Civil Aviation, Government of India, 2016

Major push towards regional air connectivity puts **Shadow Cities** on the map



Following the development and increased interest levels in the smaller cities, companies such as Tata Consultancy Services, Wipro, Amazon, and OYO have also expanded their operations in cities such as Kochi, Jaipur, Chandigarh, Indore, Vadodara and Coimbatore and have created employment opportunities which have had a trickle-down effect on demand for other asset classes such as residential, retail and warehousing.

Focus on ‘Shadow Cities’ through infrastructure and economic development under various schemes, is helping in attracting economic anchors and human capital to these cities. For example, the city of Surat has India’s fastest growth rate and its population growth is the resultant of the current development

that is taking place in the manufacturing, textile and diamond cutting industries.⁷ Cities such as Surat and Ghaziabad are ranked amongst the top 50 global cities that will witness the maximum increase in population by 2030. Not only for the increasing urbanisation but the smaller cities such as Surat, Agra, Nagpur, Tiruppur, Rajkot and Vijayawada are also expected to exhibit weighty growth in the gross domestic product (GDP) over the next 20 years.⁸

This increasing urbanisation, economic and infrastructure development will thereby lead to rising disposable incomes and higher consumption and purchasing power in the smaller cities, which will give a thrust to real estate across asset classes and generate faster growth in the ‘Shadow Cities’.

Economic growth in Indian cities expected to be the fastest in the World

Rank	City	State	Average Annual GDP Growth (2019 - 2035)
1	Surat	Gujarat	9.17
2	Agra	Uttar Pradesh	8.58
3	Bengaluru	Karnataka	8.5
4	Hyderabad	Telangana	8.47
5	Nagpur	Maharashtra	8.41
6	Tiruppur	Tamil Nadu	8.36
7	Rajkot	Gujarat	8.33
8	Tiruchirapalli	Tamil Nadu	8.29
9	Chennai	Tamil Nadu	8.17
10	Vijaywada	Andhra Pradesh	8.16

Source: Oxford Economics, 2018

⁷World Economic Forum

⁸Oxford Economics

Reverse migration – a Boon or a Bane

The year 2020 brought with it a never seen social and economic crisis in the form of the COVID-19 pandemic, which has negatively impacted not only human well-being but has also crippled economies due to the large-scale restrictions on economic activities and disruption in supply chains. This looming uncertainty has caused a severe contraction in consumption all not seen since the Great Depression in the 1930s or the Global Financial Crisis in 2008.

According to the International Monetary Fund's (IMF) June estimates, the Indian economy will contract by 4.5 percent in FY21, following one of the most restrictive and prolonged lockdowns in the world which has resulted in slower than expected recovery. The enforced restrictions negatively impacted businesses and livelihoods across the formal and informal sector and reflected in the unemployment rates surging to 23.4 percent in May from a single digit 8.7 percent in the month of March 2020.

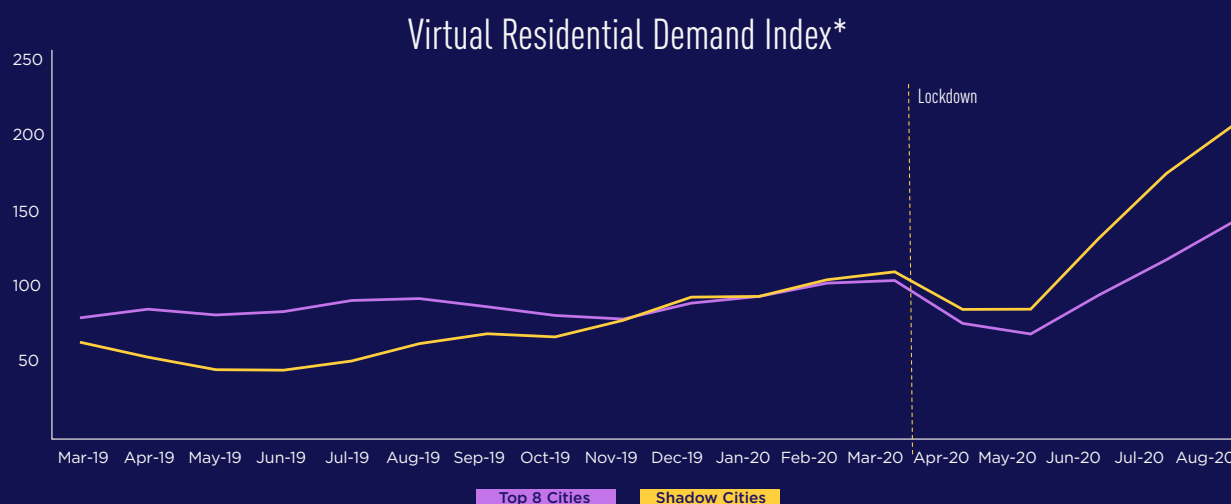
This disruption in the economy and job uncertainty has led to significant 'reverse migration' of population in the country, where not only the informal migrant population moved back to the villages but also the

populace of the formal service sector, who have either lost their jobs or can work remotely under the current circumstances. The concept of remote working is already furthered by companies such as Twitter, Google, Tata Consultancy Services and many others who have indicated that they will allow their workforce to continue to work from home until mid 2021.

This reverse migration, with workforce moving back to their hometowns or smaller cities is one of the key drivers that is rallying the growth of not only the e-commerce platforms but is also surging the online search traffic for buying and renting residential spaces in the 'Shadow Cities'.

The 12th edition of the Myntra End of Reason Sale (EROS) – a Flipkart Group-owned platform – registered a year-on-year (YoY) 30 percent growth in traffic during the three-day event (19–22 June 2020) with nearly 3.5 million customers shopping, of which 7 lakh were first-time visitors and nearly 56 percent of these first-time visitors were from the 'Shadow Cities' with Guwahati, Bhubaneswar, Dehradun, Imphal, Aizawl and Panchkula leading the tally. The fashion platform recorded a steep 86 percent increase in the number of customers from smaller cities.

Shadow Cities thunderbolt metros in virtual residential demand



*Virtual Residential Demand Index is a barometer to gauge online consumer interest for residential properties for buying and renting within a given period

The demand for e-commerce from smaller cities can also be ascribed to the increased use of smartphones, falling cost of data and impetus to digital payments through government initiatives. With the growth in demand and enough headroom to grow, the smaller cities have garnered the attention of e-commerce companies which are now expanding their footprint in these cities. This is evident from the recent leasing of approximately 6.1 lakh sq ft of space for a fulfillment centre of Amazon in Lucknow, which is its largest centre in India. Similarly, the e-commerce platforms are also experimenting with vernacular interfaces to reduce the barriers and attract consumers of different native languages from cities across India. For instance, following the launch of the interface in Hindi last year, recently Flipkart an e-commerce marketplace in India, added there more languages of Tamil, Telegu and Kannada to its interface.

Corroborating to the above, the formal banking system has also seen 'Shadow Cities' become a significant contributor to their overall portfolio in the past few years. Factors such as demonetisation, and the thrust towards digitisation and transparency have built in the trust and pushed the small city populace towards the formal economy which is evident from the credit growth from these cities. The heft of the potential in the small cities can be substantiated from the fact that a significant 40 percent of the portfolio of SBI Card comes from these cities.

The global exposure and the aspiration for a better lifestyle has not only fueled e-commerce but also stimulated growth towards other segments of consumption. For instance, negating the macroeconomic headwinds of the past year, the appetite for luxury cars has matured among the small cities with Ludhiana, Surat, Coimbatore, Chandigarh, Guwahati and Vadodara seeing growth in sales numbers. Most of the luxury car brands see 'Shadow Cities' as small but strategic markets for their growth and have undertaken strategic initiatives to expand their reach in these areas. For instance, in a bid to further their influence and expand their footprint in small cities, the luxury German automobile brand AUDI under its 'Workshop First' strategy unveiled in 2019, entered the non-metros of Vijayawada and Trivandrum by first setting up workshops with a promise of Service First and then followed it up with a showroom. This approach is aimed to build trust and focus on customer service in the region which might be perceived as difficult to solicit in smaller cities.

Bearing testament to the increase in interest levels arising from 'Shadow Cities', our analysis also points towards the fact that reverse migration to some extent has been instrumental in catapulting traction in the smaller cities. Though there has been steady movement in interest levels for residential spaces in smaller cities over the past one year, the trend has become more distinct post the stringent country-wide COVID-19 clampdown of March 2020.



As the country eased the lockdown across cities, the growth of virtual demand for residential property in smaller cities has grown almost three times in August 2020, compared to the same period in 2019.

The analysis of online interest parameters suggest that there has been a significant increase in interest levels for both buying and renting a home in the 'Shadow Cities'. It is to be noted that the interest in the smaller cities has been gradually increasing and the share increased to 27 percent in the first half of 2020, as compared to 18 percent in the same period in 2019.

Post the sharp decline in virtual interest in April 2020, it has recovered rather quickly and has been on an upswing since then with virtual interest for residential spaces between June–August 2020, overarching the pre-COVID levels of January–March 2020.

Cities such as Agra and Amritsar witnessed an impressive growth of more than 100 percent in the virtual residential demand over pre-COVID times, while cities of Vadodara, Ludhiana, Mangaluru, Chandigarh and Lucknow saw more than 80 percent growth in residential demand. This growth in smaller cities can be attributed the imposed lockdown which has enforces majority of the workforce in metro cities to move back to their homes in smaller cities.

On the other hand, the top 8 cities, which have been severely hit by the pandemic have witnessed a subdued growth in virtual demand for residential

spaces over the Pre-COVID period. For instance, maximum cases of COVID-19 in the country are recorded in the state of Maharashtra from which majority are concentrated in Mumbai and Pune. Barring Kolkata, Ahmedabad and Delhi NCR, the remaining metro cities of Mumbai, Pune, Chennai, Hyderabad and Bengaluru saw less than 50 percent growth over the pre-COVID times.

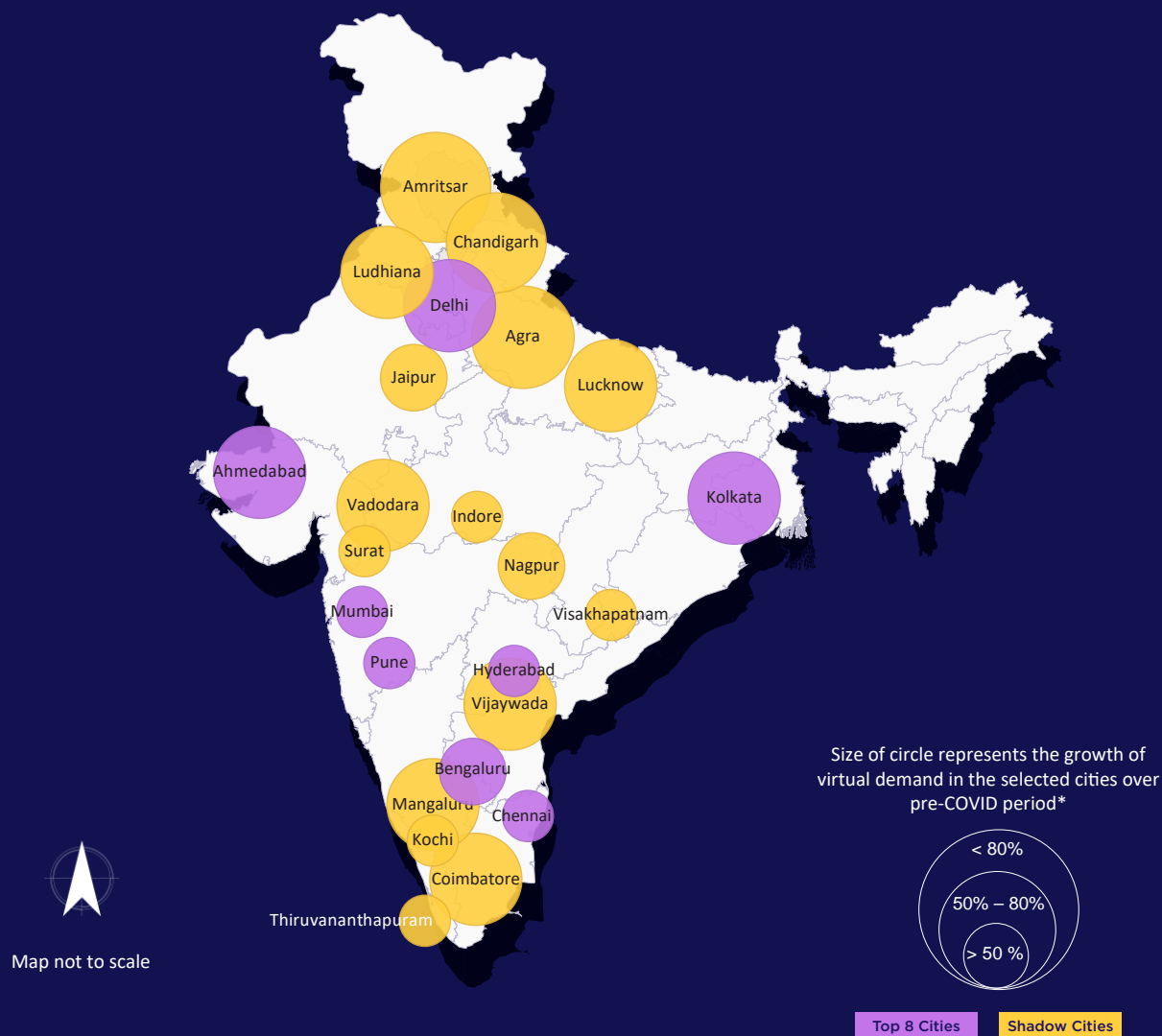
Moreover, apart for reverse migration from the metro cities giving impetus to the virtual residential demand in the smaller cities, several organisations are also adopting 'remote working' and planning to continue it for the foreseeable future. The opportunity of working remotely and changing use of residential spaces in the current scenario is also compelling home dwellers to rethink about upgrading their current home configuration.

As our analysis points out that, 'Shadow Cities' saw a 59 percent growth in the price bracket of less than INR 50 lakh, with maximum traction coming from cities of Vadodara, Nagpur and Lucknow. Similarly, the cities of Jaipur, Vishakhapatnam, Kochi and Surat saw maximum growth in demand for residential property in more than INR 1 crore price bracket over the pre-COVID period. This corroborates the fact that the pandemic has propelled more and more people from the smaller cities to explore residential property, through the virtual platforms.



Shadow Cities buck the trend for residential demand

Growth in virtual demand for residential property over pre-COVID times



Growth in virtual demand for residential property as per price bracket over pre-COVID times**

₹	< 50 lakh	50 lakh – 1 crore	1 crore - 2 crore	> = 2 crore
 Growth Rate (over Pre-COVID times)	59%	39%	22%	82%
Top Shadow Cities	Vadodara, Nagpur, Lucknow	Coimbatore, Indore	Kochi, Surat	Jaipur, Vishakhapatnam

*PreCOVID period - October 2019 to March 2020

**Growth refers to aggregate demand coming from Shadow Cities in respective price bracket over pre-COVID period

Source: Housing Research

Afterword

‘Shadow Cities’ are gaining momentum in the country and are on the radar of companies, investors and developers. Set in motion by various policies and infrastructure initiatives, smaller cities are expected to further the Indian consumption story and kickstart green shoots of recovery for India, especially amid the current pandemic. The growth in economic base in the cities of Jaipur, Surat, Kochi, Indore, and Nagpur, among many others, will be complemented by the government’s infrastructure push for regional and international connectivity. Privatisation of airports under the public-private partnership model is already underway in the cities of Jaipur, Lucknow, Mangaluru, Thiruvananthapuram and Guwahati, and more airports in the smaller cities are slated to be added to this list for augmenting regional air infrastructure and services.

The internet boom driven by low-cost wireless data, growth in the smartphones market and a shift towards technology is propelling change in the social and economic structure in the Shadow Cities, which is garnering global attention. India has fast emerged as the second largest internet user market after China, with nearly 540 million⁹ active users. A boon or a bane, the current pandemic has presented a unique opportunity that has brought a forceful structural shift in thought process of how businesses operate. With reverse migration of workforce across levels and companies fashioning a hybrid ‘remote working’ culture, the pandemic has constrained people to make more use of technology and online platforms where traction from ‘Shadow Cities’ across sectors is being keenly watched to drive demand in the near future.

⁹IAMAI with Nielsen, 2019



Annexure 1

Definitions

Atal Mission for Rejuvenation and Urban Transformation (AMRUT) – 2015: The Government of India has launched the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) with the aim of providing basic civic amenities like water supply, sewerage, urban transport, parks as to improve the quality of life for all especially the poor and the disadvantaged. The focus of the Mission is on infrastructure creation that has a direct link to provision of better services to the citizens.

Jawaharlal Nehru National Urban Renewal Mission (JNNURM) – 2005: The aim of the Mission is to encourage reforms and fast track planned development of identified cities. Focus is to be on efficiency in urban infrastructure and service delivery mechanisms, community participation, and accountability of ULBs / Parastatal agencies towards citizens.

NextGen Airports for Bharat (NABH) Nirman – 2018: NABH Nirman is a new initiative proposed as part of the FY 2018-19 Budget speech "to expand our airport capacity more than five times to handle a billion trips a year". New transaction structure for future greenfield airports is being proposed under NABH Nirman 2018. Its guiding principles are: affordability, sustainability and predictability.

Regional Connectivity Scheme – UDAN (Ude Desh ka Aam Nagrik) – 2016: The primary objective of RCS is to facilitate/stimulate regional air connectivity by making it affordable. Promoting affordability of regional air connectivity is envisioned under RCS by supporting airline operators through (1) concessions by the Central Government, state governments (reference deemed to include Union Territories as well, unless explicitly specified otherwise) and airport operators to reduce the cost of airline operations on regional routes / other support measures and (2) financial (viability gap funding or VGF) support to meet the gap, if any, between the cost of airline operations and expected revenues on such routes.

Shadow Cities: Shadow cities are defined (Tier 2 and Tier 3 cities) as cities that fall in the immediate shadow area or influence zone of the primary city, and serve as an economic back-office for various business and industrial activities.

Smart Cities Mission – 2015: The Smart Cities Mission is an innovative and new initiative by the Government of India to drive economic growth and improve the quality of life of people by enabling local development and harnessing technology as a means to create smart outcomes for citizens.

Special Economic Zone (SEZ) Act – 2006: The main objectives of the SEZ Act are generation of additional economic activity, promotion of exports of goods and services, promotion of investment from domestic and foreign sources, creation of employment opportunities, and development of infrastructure facilities.

Virtual Residential Demand Index: Virtual Residential Demand Index is a barometer to gauge online consumer interest for residential properties for buying and renting within a given period.

Annexure 2

List of selected Shadow Cities

City	State/UT	Zone
Agra	Uttar Pradesh	North
Allahabad	Uttar Pradesh	North
Ambala	Punjab	North
Amritsar	Punjab	North
Bareilly	Uttar Pradesh	North
Bhopal	Madhya Pradesh	North
Bhilai	Chhattisgarh	North
Bilaspur	Chhattisgarh	North
Chandigarh	Chandigarh	North
Dehradun	Uttarakhand	North
Gorakhpur	Uttar Pradesh	North
Gwalior	Madhya Pradesh	North
Haridwar	Uttarakhand	North
Indore	Madhya Pradesh	North
Jabalpur	Madhya Pradesh	North
Jalandhar	Punjab	North
Jammu	Jammu and Kashmir	North
Jhansi	Uttar Pradesh	North
Kanpur	Uttar Pradesh	North
Karnal	Haryana	North
Kharagpur	Uttar Pradesh	North
Lucknow	Uttar Pradesh	North
Ludhiana	Punjab	North

City	State/UT	Zone
Mathura	Uttar Pradesh	North
Meerut	Uttar Pradesh	North
Mohali	Punjab	North
Moradabad	Uttar Pradesh	North
Nainital	Uttarakhand	North
Panchkula	Haryana	North
Panipat	Haryana	North
Raipur	Chhatisgarh	North
Rewari	Haryana	North
Rishikesh	Uttarakhand	North
Rohtak	Haryana	North
Roorkee	Uttarakhand	North
Shimla	Himachal Pradesh	North
Solan	Himachal Pradesh	North
Sonepat	Haryana	North
Ujjain	Madhya Pradesh	North
Varanasi	Uttar Pradesh	North
Guwahati	Assam	North East
Asansol	West Bengal	East
Bhubaneswar	Odisha	East
Cuttack	Odisha	East
Dhanbad	Jharkhand	East
Jamshedpur	Jharkhand	East
Patna	Bihar	East
Ranchi	Jharkhand	East
Siliguri	West Bengal	East

City	State/UT	Zone
Ajmer	Rajasthan	West
Alwar	Rajasthan	West
Amravati	Maharashtra	West
Aurangabad	Maharashtra	West
Bikaner	Rajasthan	West
Gandhinagar	Gujarat	West
Jaipur	Rajasthan	West
Jalgaon	Maharashtra	West
Jamnagar	Gujarat	West
Jodhpur	Rajasthan	West
Kolhapur	Maharashtra	West
Kota	Rajasthan	West
Nagpur	Maharashtra	West
Nashik	Maharashtra	West
Raigad	Maharashtra	West
Rajkot	Gujarat	West
Ratnagiri	Maharashtra	West
Satara	Maharashtra	West
Silvassa	Gujarat	West
Solapur	Maharashtra	West
Surat	Gujarat	West
Udaipur	Rajasthan	West
Vadodara	Gujarat	West
Belgaum	Karnataka	South
Coimbatore	Tamil Nadu	South
Guntur	Andhra Pradesh	South

City	State/UT	Zone
Kochi	Kerala	South
Kozhikode	Kerala	South
Madurai	Tamil Nadu	South
Mangalore	Karnataka	South
Mysore	Karnataka	South
Nellore	Andhra Pradesh	South
Pondicherry	Pondicherry	South
Salem	Tamil Nadu	South
Srikakulam	Andhra Pradesh	South
Thrissur	Kerala	South
Tirupur	Tamil Nadu	South
Tirunelveli	Tamil Nadu	South
Tirupati	Kerala	South
Trichy	Tamil Nadu	South
Thiruvananthapuram	Kerala	South
Vijayawada	Andhra Pradesh	South
Visakhapatnam	Tamil Nadu	South

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