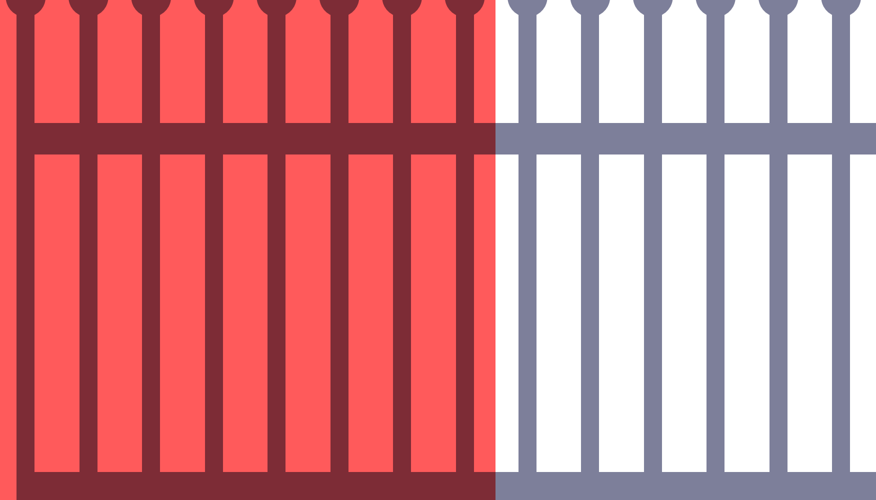
redseer

# Gated community

## $ 500B consumption story in 2026



# About **RedSeer**

RedSeer is a leader in the Internet and new age advisory. Over the last 12 years of its operations, we have advised 200+ clients across the breadth of Internet and investment industry in India, Middle East and South East Asia. Our advisory is differentiated through our high-quality IP of market insights and research, which is unparalleled in industry and helps both corporate and funds make right choices. With more then 200 consultants across 5 offices, we have emerged as the largest home-grown regional consulting firm in India.

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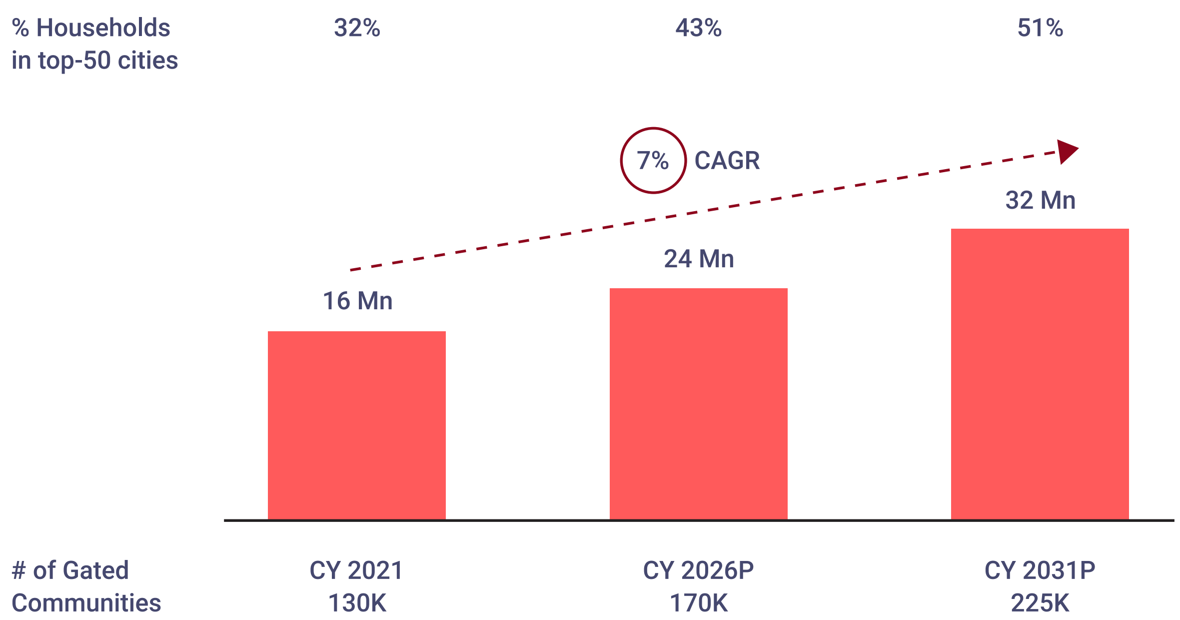
# Gated communities - **Significant part of India's Consumption story.**

## **16 Mn** Households in gated communities (top-50 Indian cities) expected to double in the next 10 years.

1.4 Bn Indian population translates to ~310 Mn Households pan India. Out of this, top-50 cities, by population, have 50Mn households (~16%) expected to grow by 2.5% CAGR to reach 63Mn by 2031. In the top-50 cities, 16 Mn households (~32% of overall households in top-50 cities) reside in the gated communities. This is expected to grow by ~7% CAGR in the next 10 years to reach 32 Mn Households in 2031- contributing to ~50% of households in top-50 cities. The number of gated communities are expected to grow from 130k to 225k during the same period.

The key drivers for growth in gated communities are a) need for safety and security- this is becoming increasingly important factor as nuclear families are on the rise with both spouses working; b) access to amenities- most gated communities are able to provide access to basic facilities like 24hr power and water availability, as well as more premium facilities like swimming pool, clubhouse etc. at a fraction of the cost that independent households have to pay; c) being a part of community- as more and more people migrate to larger cities in search of better economic opportunities, they lack the social support and hence, prefer to be a part of existing communities.

**Households in Gated Communities- Top 50 Indian cities**
CY 2021, CY 2026P and CY 2031P



## A Gated communities constitute 45% of spend in top-50 cities in India with only 32% of households

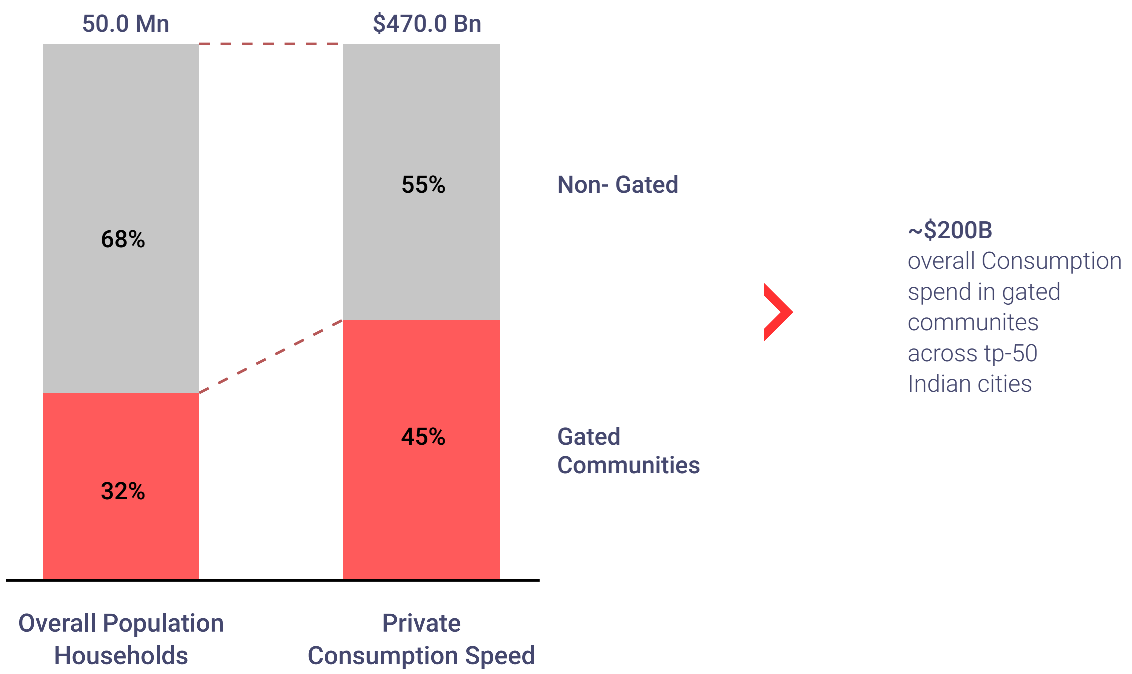
PFCE (Private Final Consumption Expenditure) in India for CY19 was ~$1.8T- this includes spend across all products (~60%) and services (~40%) by Indian households. Driven by CoVID impact, this has gone down by 20% y-o-y to reach $1.4T in CY20. However, driven by a strong recovery as well as Government spend, India is expected to continue on the consumption growth trajectory to reach $2.6T by 2026 (11%CAGR from CY20; 5-6% CAGR from CY19)

Top-50 cities account for nearly one third of this spend (~$470B), with the rest divided between the rest of urban and rural India. While the average spend per HH in top-50 cities is ~9.5k; spend per Household for gated communities is $13-14k, which is 2.5-3X of Pan-India average. Comparing with independent households in top-50 cities, it is still ~2X.

**Gated communities are a significant part of India's consumption story- with $200B cumulative spend expected to grow by 2.5X in the next 5 years**

This translates to ~$200B spend on an aggregate annual basis, accounting for 45% of overall spend in top-50 cities. Considering only the discretionary spend (as opposed to basic necessities), the contribution of gated communities will be even higher. As an example, the penetration of high end phone brands (eg. iPhone) in gated communities is at-least 5X higher in gated communities compared to the pan India penetration.

**Households and Private Consumption Spend-Top 50 cities**
CY 2021, Gated vs Non-Gated



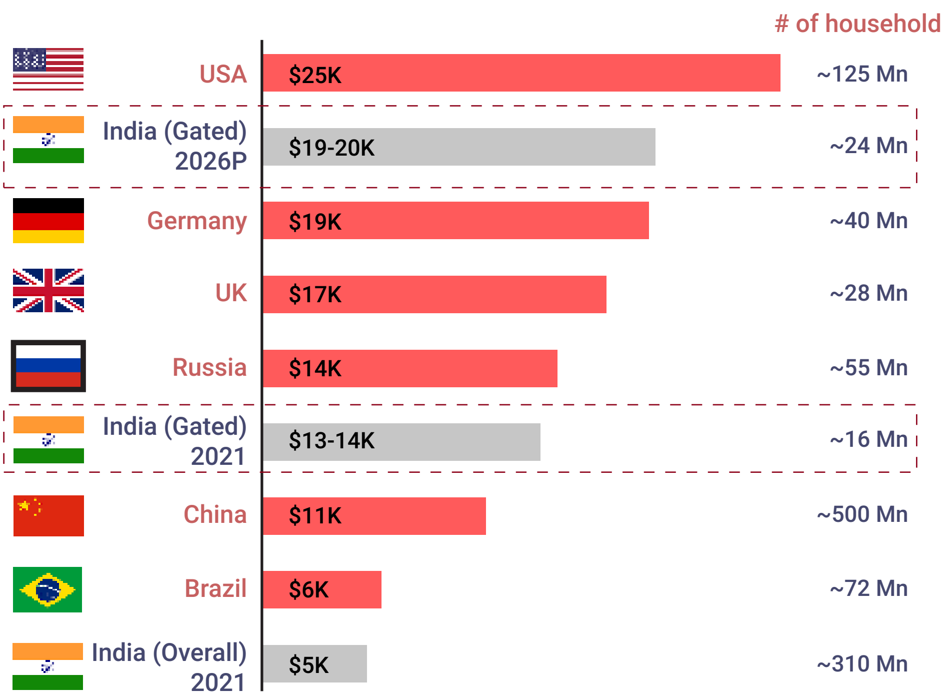
## B In the next 5 years, the gated community population expected to reach 24 million, and per capital income $19-20k (mirroring UK, Germany)

In the last few years, "premium" and "luxury" segments in gated communities have seen a higher growth compared to "Budget" and "Affordable" segments. Premium and Luxury segments account for ~14-15% of overall gated communities- we expect their contribution to increase to 16-17% in the next 5 years. This is driven by increasing preference of high-income households to increasingly opt for gated communities as well as developers creating offerings suitable for this segment.

We expect the spend per household to reach 19-20k in the next 5 years (~7-8% CAGR) driven by the growth in high income segment as well as broader macro-economic factors. This will bring the in line with the spend per household in developed economies (in current scenario). Growth in households from 16Mn to 24Mn, combined with the growth in Spend per Household from 13-14k to 19-20, will bring the overall spend to ~$460-480B (2.3-2.5X of the current spend)

### Annual Consumption Spend per Household

CY 2021[2] , $ per household




**~$200B** overall spend in gated communites to grow by 2.5X in the next 5 years

**Note: CY 2020 data for Russia, CY 2018 data for Germany & Britain, CY 2017 data for Brazil**

## C With 20% of their spend through digital channels - the gated communities are at the forefront of digital adoption.

CoVID has created strong tailwinds for the e-commerce and other digital channels in the last couple of years. In the top-50 cities, 5-10% of entire spend happens through digital channels. This is driven by 60-65% penetration among the 50 Mn overall Households.

Households in Gated Communities are significantly ahead of the curve (0-95% penetration with 15-20% spend through digital channels) for multiple reasons. A) With a relatively higher income and spend profile, the households in the gated communities are ahead in terms of their digital maturity; B) Multiple platforms and services (eg. Milk delivery models) tend to focus on large gated communities driven by higher density and therefore, lower cost of delivery; C) Non-Gated Community Households include a large portion of low income households where smartphone and online transactor penetration is relatively lower.

### eTailing1 adoption in Non-gated and Gated households (Top 50 cities)

CY 2021, $ per household


**Note: Excludes online payments**

With socio economic homogeneity, -

**It's a marketer's Dream.**

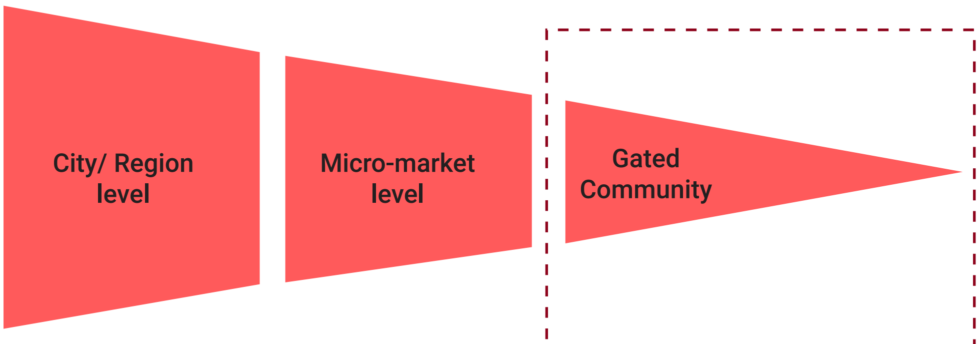
# The socio-economic homogeneity, help gated communities position as a high-quality customer segment - A marketer's dream.

With growing migration across social and economic classes, Indian cities are increasingly more cosmopolitan. The social and economic diversity across Indian cities continue to increase creating a tough task for the marketers to target specific segments suitable for their products/ services. While digital has increasingly become a channel of choice for the marketers driven by better targeting and call to action, there are significant issues which have started arising due to data privacy, ad-blockers and growing competition leading to higher costs.

Most gated communities are characterized by commonalities across social and economic axes. For eg- certain gated communities in Delhi inhabit Government servants in a particular income range; similarly most of the startup founders/ CXOs prefer certain gated communities in Bengaluru; similar examples can be found in different cities across community lines. The spend patterns of households in these communities tend to be similar driven by not just common backgrounds but also social comparisons.

## Socio-economic homogeneity

**By granularity of cohort**




| | City/ Region level | Micro-market level | Gated Community |
|---|---|---|---|
| **Homogeneity on social parameters** (Community, education, profession, needs) | Low | Moderate | High |
| **Homogeneity on economic parameters** (Income, spend patterns) | Low | Moderate | High |

**Homogeneity in socio-economic behavior**

## A Growing need for safety/ security as well as managing e-commerce deliveries leading to high adoption of gate management platforms in gated communities

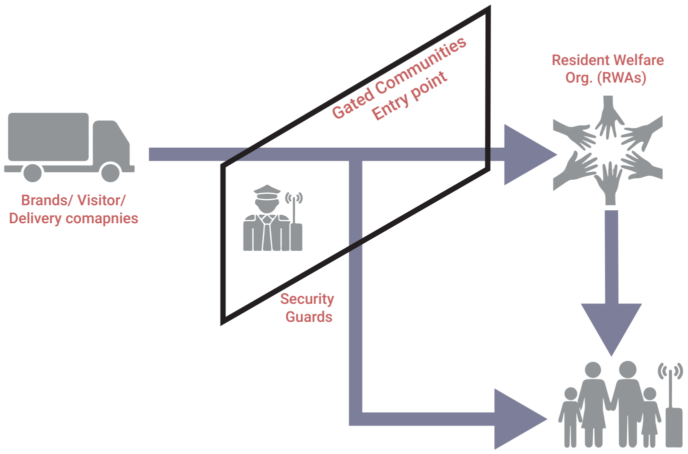
Gate Management Platforms have emerged as a high frequency use case for households in gated communities. These platforms generally have different interfaces for guards, administrators (RWAs) and residents. The primary use case for these platforms is residents approving the visitor entry at community gate in real time. But given the high frequency usage of these platforms, they have expanded to multiple use cases including bill payments and community notifications.

While these platforms have mostly emerged in the last 3-4 years, their adoption in top-50 cities has already reached 25%, with ~4Mn Households (out of 16Mn) across 21-23k communities already using them.

**Gate Management Platforms, with ~25% adoption, poised to capture $35-40B opportunity**

### What are Gate Management platforms?

**Gated Management platforms helps streamline visitor management and communication with residents in and effective manner.**




### Adoption Gate Management solutions

**21-23K**
Gated Communities

**~4 Mn**
Households

**~25%**
Penetration

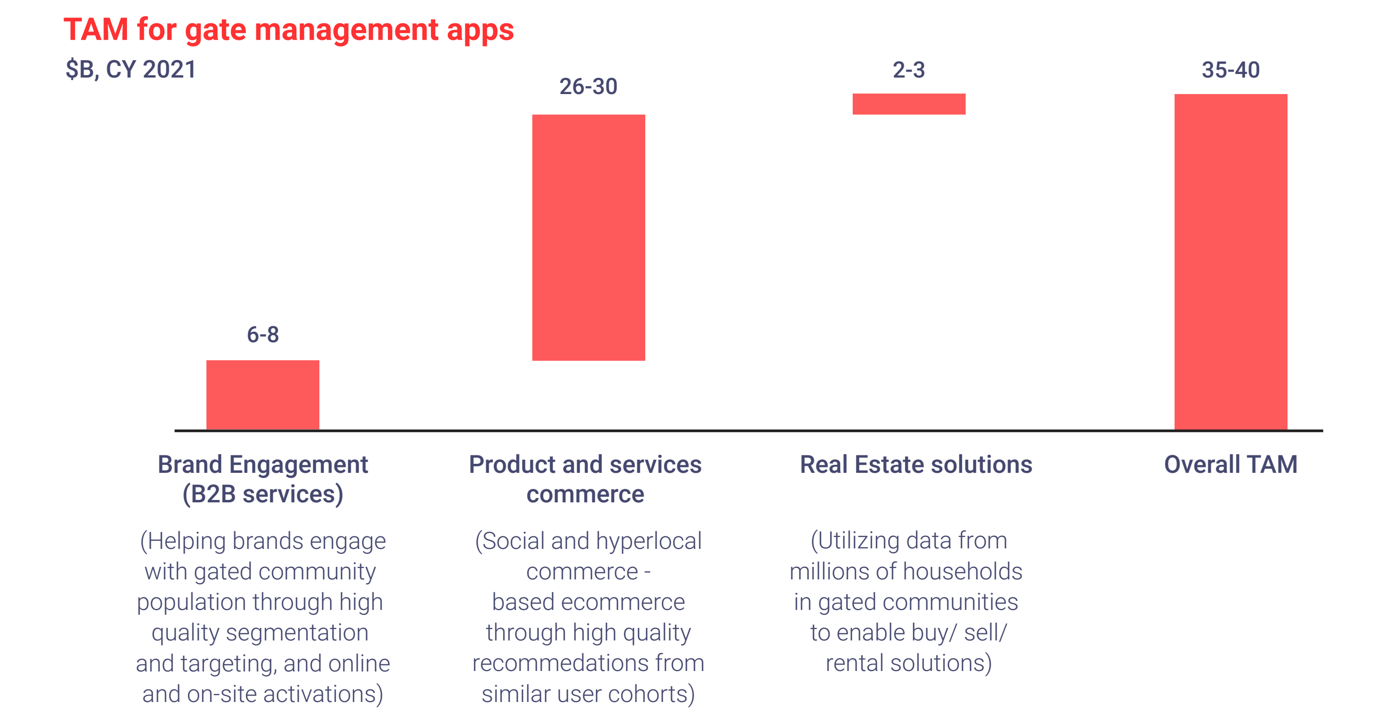
## B Gate management platforms have the potential to capture $35-40B of opportunity through Brand engagement, social and hyperlocal commerce.

Brand engagement in gated communities can be broadly looked at as online advertising and on-site activations (brand events/ banners/ sampling). With access to both administrators as well as residents of gated communities, gate management platforms are well poised to work with brands across various engagement channels with a potential market of $6-8B.

Buying in communities has a strong social component. Most communities typically use communication apps like whatsapp/ telegram groups for recommendations on product buying. Gate management apps can replicate these behaviors to create a unique social commerce experience with in-built recommendation engine and social loops- to influence ~$26-30B spend across products and services.

With extensive data available regarding availability of households, rental turnover and sale/ ownership for 21-23k communities across socio-economic cohorts- gate management platforms are uniquely positioned to create a high quality user experience for real estate classifieds across buy/ sell/ rent. The estimated revenue pool for this opportunity is ~$2-3B.

While these are the primary opportunities which can be targeted by these platforms, there are other opportunities and use cases which are continuously emerging and likely to grow the addressable market in the future.



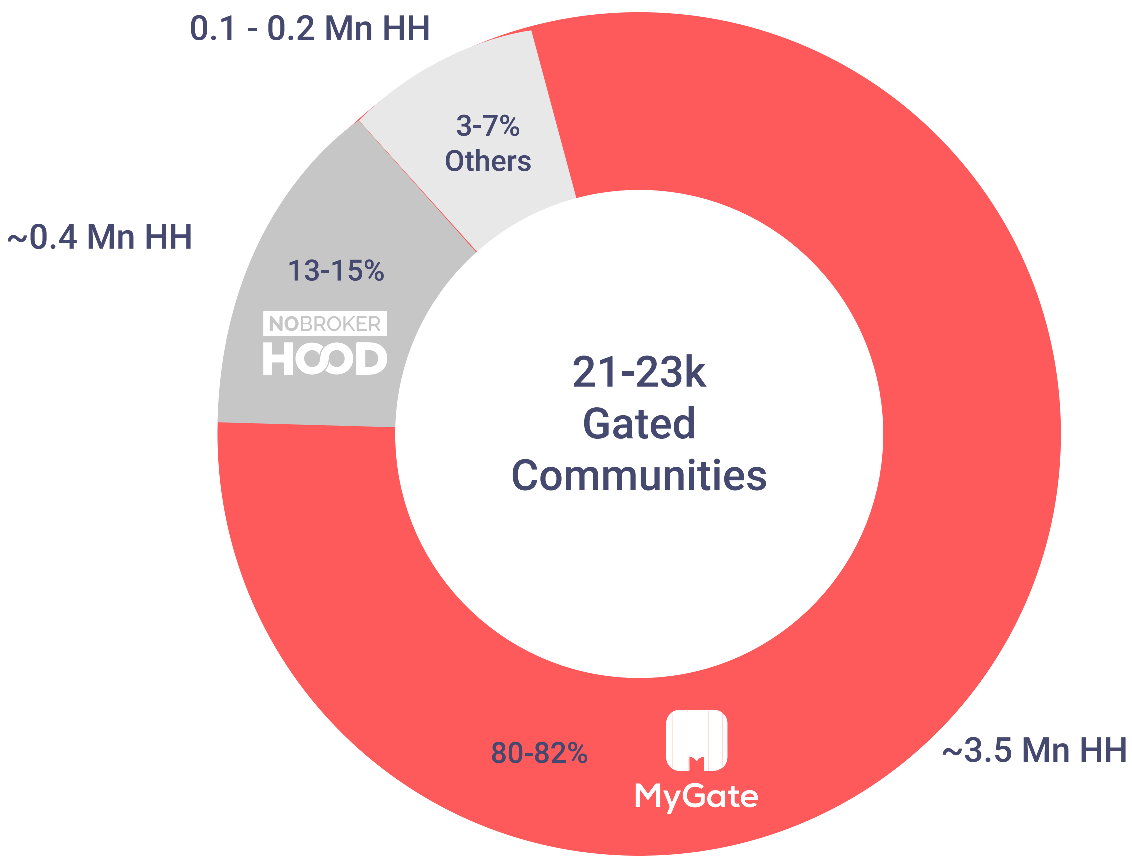
Market Share -

# One platform ruling the roost.

# MyGate has 80-82% market share in gate management platforms followed by NoBrokerHood (13-15%)

**Market Share of Gate Management Platforms**

By # of gated communities penerated, Oct'21



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