



An Economical Study of The Impact of COVID-19 on Indian Real Estate Sector

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Abstract.

The world economy seems to be experiencing one of the most severe downturns in recent memory. The latest pandemic has had a detrimental effect on the economies of several nations, including India. The IMF (International Monetary Fund) forecast India's growth rate at 1.9 % for fiscal year 2021, down from 5.8 % previously. This poses a significant challenge to the Indian economy. The resumption of work was complicated by the workers' surprising return to the employers from underground. Developers struggled to locate enough jobcreating jobs due to the labour market severe constraints. The populace is burdened by the great pestilence that threatens the nation. Indian real estate, which was still emerging from the implications of demonetization (November 2016) and other changes, was jolted by this pandemic, with building development halted and real estate transactions paused. Indian real estate should plan itself for a post-COVID-19 environment and be prepared to take several new and technology-driven moves to get back on track. The secondary data research methodology and Observation method is used in this paper.

Preface

The WHO (World Health Organization) stated that it was on track to declare a global public health emergency and pandemic on about 11 March 2019, and businesses worldwide were bracing for a severe effect. Due to the spread of the plague, trade, imports, and foreign exchange rates have been profoundly disturbed in the world. According to early reports, the COVID-19 outbreak is expected to claim many lives. National GDP (Gross Domestic Product) is nearing its troughs, and the world continues to be during the most devastating global recessions in history. Due to the depressed labour market, developers were constrained, and consumers' ability to buy a property decreased as well, developers no longer had the potential to seek out contractors to expand their company. Along with suppressing the H1N1, the pandemic had a major impact on house prices and fresh land releases. In the six months after this issue became public, demand for



real estate increased. Individuals are using some of their bargaining power, and the market favourable reaction indicates that they expect the gain will offset the expense.

Objectives of the Study

1. To study of the impact on the Indian real estate market prior to the implementation of COVID-19.
2. To study of post COVID-19 environment on Real Estate business.
3. To study comprehend the consequences of COVID-19 and to gain an understanding of the threats and opportunities facing mortgage holders, builders, and the real estate workforce.

COVID-19 Impact on Real Estate in India

The commercial real estate industry will eventually recover from the crisis, although it will be gradual. According to estimates from the company's primary sector, provider of commercial room in India, the prevalence of this disease has delayed ventures, the industry is glutted, implying that projects are in short supply, affecting demand and, therefore, costs and rental rates. The COVID 19 pandemic, which brought the globe to a halt in 2020, unsettled various sectors of the global economy. Businesses have been severely affected, prices have fallen to new highs, and COVID-19 has shaken the real estate market, which has been on a growth curve in recent years. Since 21 March 2020, nearly 1.3 billion people have been quarantined, effectively shutting down the nation's largest business.

Both residential and industrial real estate was impacted in terms of sale and purchase. Due to a lack of materials and labour, the whole process has been slow and unpredictable. Even though developers and builders have braced for delays, the revival in the real estate market has been pushed out further. The real estate market rebound is mostly contingent on the labour force. The employment situation does not seem to be encouraging.

The term "real estate purchase" refers to the acquisition, sale, and development of properties (both residential and non-residential buildings). There are some advantages of real estate investing. For one, it offers higher and more stable dividends, a high tangible value, and an investor may obtain a periodic gain in the form of rent revenue, as well as tax benefits. The real



estate sector provides a sizable contribution to India's GDP, accounting for approximately 6 %. By 2030, real estate in India is expected to reach a market value of US\$ 1 trillion, up from US\$ 120 billion in 2017 and contributing 13 % to the country's GDP by 2025.

The Indian real estate market, Baltic Journal of Real Estate Economics and Construction Management which was already suffering owing to policy reforms and the liquidity crisis, is now confronted with another obstacle: the effect of the coronavirus on the Indian economy and its implications for the real estate industry. Indian land division is the second largest employer after agriculture, and the pandemic impact would have an impact on those working in this industry.

Facing Dangers/Threats/Risk

As a Investor/Customer - Overdue delivery, pay shortening, risk of losing source of income due to COVID-19.

As a Constructor - Projects may get delayed or suspended, labour may migrate to their hometowns, buyers may prefer completed projects only, delayed delivery deadlines.

As a Labour Force - Reduced pay, loss of job, short of work.

The suspension of construction activities posed a greater danger to the engineers' financial power, which had not yet recovered from the Non-Bank Financial Companies (NBFC) crisis. Whatever the case, the pandemic can result in a short- to medium-term value revision. If the immediate to temporary effect is considered, commercial real estate would be severely impacted.

Facing Opportunities

As a Investor/Customer - Lower interest rate and home loans, personal loans, deals on offer, concession in property tax.

As a Constructor - No penalties due to delayed delivery, Delivery timings can extend.

As a Labour Force - Adopt virtual tours and implement new ideas like e-broacher, social benefits from government.

However, in the long run, company land would be the fastest segment to recover. Since the Coronavirus emergency could be the cause of one of the better economic lulls in recent memory, it is creating an opportunity for Non-Resident Indians (NRIs). With the pandemic wreaking havoc in the United States and Europe, venture capital openings have plummeted. This



has increased the stakes for Indian stocks, as extaps are expected to gradually focus on real estate interests at home.

Findings of the Study

India is one of the world's top ten economies. After overcoming numerous obstacles such as demonetization, reforms, and GST, it was thought that Indian real estate will rise and become stronger than ever. Let us examine the predictions made prior to the outbreak of this pandemic. The industry's market value was USD 120 billion in 2017 and was expected to rise to USD 180 billion by 2020. Additionally, it would reach USD 650 billion in 2025 and USD 1000 billion by 2030. This sector contributed 6 % to India's GDP in 2015 and was expected to contribute 13 % in 2025.

The sector employed 40 million workers in 2013, 52 million in 2017, and was expected to hire up to 67 million in 2022, a 28.84 % growth from 2017 to 2022. However, much of this seems to be impossible to do now.

Following the lockdown, the building industry will experience a labour shortage, since most employees have returned to their villages and transport restrictions will continue in any form. FDI inflows have also slowed significantly; for example, the absolute FDI inflows between April and December 2019 decreased by 7 %. It is projected to continue to fall in the coming year. Commercial real estate, which has been seeing rapid development in recent years, will also be affected by the pandemic.

Reduced GDP development and a world economy only suffering from COVID-19's wounds would have a detrimental effect on office production. In 2020 and subsequent years, supply and net absorption would be much smaller. The impetus for this forecast stem from the wake of the 2008 financial crisis. Additionally, the time span surrounding the holiday season, as well as the summer vacation period, which is suitable for fresh dispatches, has been dry for the sector.

Given that real estate transactions are highly dependent on physical site visits, connections, conversations, and physical documents, the deals in 2020 could take a significant hit because of India's current COVID-19 episode. Numerous home buyers will propose deferring their selections to postpone site visits or to achieve any cost savings.



Affordable housing is claimed to be targeted at the most influenced segments of the working population. These home buyers with limited income and a lack of telecommute offices may face financial hardship or even loss of employment, prompting them to reconsider their purchase decisions.

With fair or subsidized housing units accounting for approximately 36 % of the buy and wide unsold stock across the major seven urban areas as of Q1 2020, this segment was already experiencing difficulties. Additionally, the current pandemic episode has deteriorated the condition. However, not everyone is bleak; each incident presents certain difficulties but often presents opportunities.

Conclusion

The market value of real estate increased during the Covid-19 era. Due to the constrained job market, developers were unable to satisfy demand. This epidemic is oppressive since it is expected to claim thousands of lives. Home values dropped in value as the housing supply decreased, reducing state revenues. Owing to the decline in demand and the increase in negotiating power in the short-supply market, location scouting has already begun, but at a slower pace. The sector must brace itself for a far direr consequence than was previously expected. With the threat of illness affecting human lives, the real estate division is now observing a decline in property visits and buyer interest. However, the planet has seen comparable outbreaks in the past, for example, SARS virus, bird flu, and so forth, and has successfully recovered. Each cataclysm provides an opportunity to reach new heights. R. E. projects must find motivation in their surroundings to gain an edge by increased growth and indigenous production. The authorities will be wise to halt further virus spread and to take control of the company during times of crisis. Pause and Watch is undoubtedly not the best course of action in the real estate market. As customer desires and opinions are critical for an industry to thrive, businesses can undoubtedly tackle with certain astute responses to pique shopper interest.



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