



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

THE CRITICAL ROLE OF REAL ESTATE SECTOR IN INDIA WITH REFERENCE TO COVID 19.

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ABSTRACT

Covid 19 pandemic has affected the global economy and service sector in India. It has hit almost every industry and business of the economy in every corner of India. The world real estate sector in India ranks second in generating employment and contributing to about five percent of GDP. As a result of covid-19, the new housing supply decreased, and the revenue declined significantly. It affected the real estate industry and our nation equally. The purpose of the current study is to assess the impact of covid-19 on the service sector of the real estate industry in India. From 2021 onwards, the pandemic may affect buyers' preferences regarding the choice of real estate with multiple layouts with more high safeness, hygiene, and captive amenities may find their thanks to more takers. In terms of economic land, satellite headquarters in non-conventional micro-markets, i.e., beyond the Central Business Districts (CBDs), will be absorbed quickly and effectively. This paper mainly focuses on the real estate sector and how much the outbreak of covid-19 influenced the real estate sector in India. It also discussed the strategies and responses taken by the real estate sector to sustain the Indian economy.

Key words: Covid-19; Service Sector; Real Estate Sector; India.

INTRODUCTION

At the end of January 2020, covid-19 spread to almost all parts of India, and very quickly, this disease had crossed stage one and entered stage two. The second wave of covid-19 has slowed down the recovery of the real estate industry in India. Due to covid-19, the supply of new housing raw materials decreased, and the revenue declined significantly. It affected the real estate industry and the nation. Since April, sales have started falling, which is likely to worsen. In India, many states' economic activities have been hit harder than before due to the second wave. Most sectors and businesses have started facing losses. It wreaked havoc on all facets of the service sector, including real estate.

In Uttar Pradesh, builders have requested Real Estate Regulatory Authority (RERA) to give them another 12 months to complete the projects. Due to the result of the second wave of the covid-19 pandemic, compliance with various orders passed by RERA. Real estate owners are bearing the after-effects of the consequences. On August 26, 2020, in Maharashtra, the Government gave developers a helping hand by lowering stamp duty. In the recent outbreak of covid 19, there is a high degree of uncertainty, and it has posed a severe threat to humanity. The virus spreading all around the world has affected 166 countries. To control covid 19, the Indian Government imposed a total lockdown.

City	Average price as on March 31, 2021 (in Rs per sq ft)	Annual growth in%
Ahmedabad	3,234	5
Bangalore	5,450	3
Chennai	5,275	3
Hyderabad	5,713	5
Kolkata	4,208	1
MMR	9,474	No change
NCR	4,327	1
Pune	576	3
National average	6,234	3

Table.1 Source: Real Insight: Q1 2021

The table.1 shows the annual property price growth based on the city-wise break-up. In 2021, India's eight prime housing markets showed flat price growth from January- to March. However, the markets of Ahmedabad and Hyderabad are seeing a 5 percent annual appreciation in prices. According to a Reuter poll of property analysts earlier this year, in 2021, despite the economic recovery and supportive policies adopted by the government and real estate sector, house prices in India's prime cities will rise. The poll also

predicted that in 2021 the property values would hold stability in Mumbai, Delhi, and the national capital region compared to constructions expected in September 2020. But the forecasts were based on the assumption that the risk of covid 19 would decrease. But almost everything changed and raised covid-19 cases. The following are the after-effects of the covid-19 pandemic on the real estate sector.

1. Labors are the backbone of the real estate industry. Due to the current crisis and lockdown, laborers have migrated to their villages for quarantine, and their return to work remains unknown. The suspension of the technical services such as Architects, Engineers, etc., because of social distancing and lockdown is collaboratively leading to many delays in completing projects.
2. In the construction sector, the scarcity of supply in consideration to the demand leads to a shortage of raw materials prices critical to the real estate sector in India.
3. The two sectors, retail and hospitality are the most deficient hit by the covid-19 pandemic. Due to the lockdown, the commercial spaces the mentioned sectors hire are closed and have a minimum expectation of receiving the rent. There were no earnings from the rented commercial areas, and expenses relating to various taxes have put the industry under tremendous stress. In the Case of Shopping Malls, additional costs are being incurred, such as food and sanitization requirements provided to the workforce associated with the grocery sections that are open at present.
4. The payments from customers which was already irregular since mid-last year. It has become miserable in the present scenario. Almost 65% of customers default on paying the installments linked to construction.
5. In the current second wave of covid-19, social distancing and quarantining have drastically dropped sales, further impacting the projects' finance flows. It may affect the real estate companies and expect to take around six months to recover under the present scenario.
6. China was the biggest supplier to the Indian real estate industry. After closing the border with neighboring countries Indian Real Estate sector could see a good shortage of supplies due to the absence of collections from China.
7. According to The Economic Times report, in this covid-19 pandemic situation real estate sector may also lead to a 35% Job Cut if the present situation continues for around three months.

LITERATURE REVIEW

In this study, Chauhan et al. (2021) discuss the effect of the coronavirus on the Indian real estate sector. Covid-19 has had an unparalleled influence on Indian real estate. It paused building operations and dramatically eroded the demand of its prospective buyer base in the first three months of its outbreak.

Ling et al. (2020) is the first study to analyze how the COVID-19 shock spread from assets to financial markets. Using a novel CRE portfolio sensitivity calculation, they found a one-standard-deviation rise in Geo-COVID to the increase in the number of COVID-19 cases (Geo-COVID). It shows many differences between property groups, and local and state policy initiatives mitigated the geo-detrimental COVID's return effect. However, there is no indication that re-openings affect CRE business results.

In this study, Gujral et al. (2020) say that commercial real estate could do more than react to covid-19. Most buyers and operators are reconsidering all capital decisions in the post-covid environment. Due to the extreme uncertainties around the period of cash-flow depression and exit capitalization rates, it is extremely difficult for underwriting acquisitions and discretionary capital spending with trust. Even private sector participants who are not in immediate financial trouble intend to retain investments through the downturn. Some see the present situation as a valuation problem rather than a value issue, and record-high dry powder levels influence the market sentiment.

Liu et al. (2020), this paper researched the impact of the COVID-19 Pandemic on Density Demand. They used highly localized data on the US housing sector to investigate the after-effects of the COVID-19 pandemic on demand for communities and cities. Also, this pandemic reduces housing demand disproportionately in towns and suburbs with higher population densities.

Chetty et al. (2020), his study introduced, by using private sector data, a new platform is being developed to track the effects of the COVID-19 pandemic on people, businesses, and other economic activities. In this current worse situation, they hope that this real-time financial tracker can help grasp the economy's condition and facilitate the country's recovery.

Singh et al. (2020) introduced the contagion effect of the outbreak of covid 19. This article discusses Covid 19 in a larger context by using a few basic statistics and economic terms to help the reader see how much growth is in India. Instead of focusing on statistics, this study concentrated on macroeconomics, travel and tourism, transportation, commerce, labor capital, the economy, human resources, and exchange analysis. This study reveals that if the government struggles to adopt a suitable policy, India may now face health problems and a challenging economy in the future.

Bartik et al. (2020) investigated the effect of COVID-19 on small business results and preferences. In 2020, between March 28 and April 4, they performed a survey of over 5,800 small businesses. There were a few recurring patterns. Since the crisis, cutbacks and closures also occurred immediately. The closure rate was around inverse to the length of the problem. Small businesses are employed by more than half of all American workers. This study mainly points out the financial crisis of many micro-businesses. He discovered that 43 percent of companies were briefly closing and that jobs had dropped by 40 percent in the retail market.

OBJECTIVES

The major objectives of this paper is to conduct research on the effects of Covid 19 among Indian real estate market, to comprehend the consequences of COVID-19 and to gain an understanding of the emerging trends and challenges in this sector.

- To analyze the impact of covid-19 pandemic on real estate industry in Indian.
- To investigate the future trends and challenges of real estate sector in India.

RESEARCH METHODOLOGY

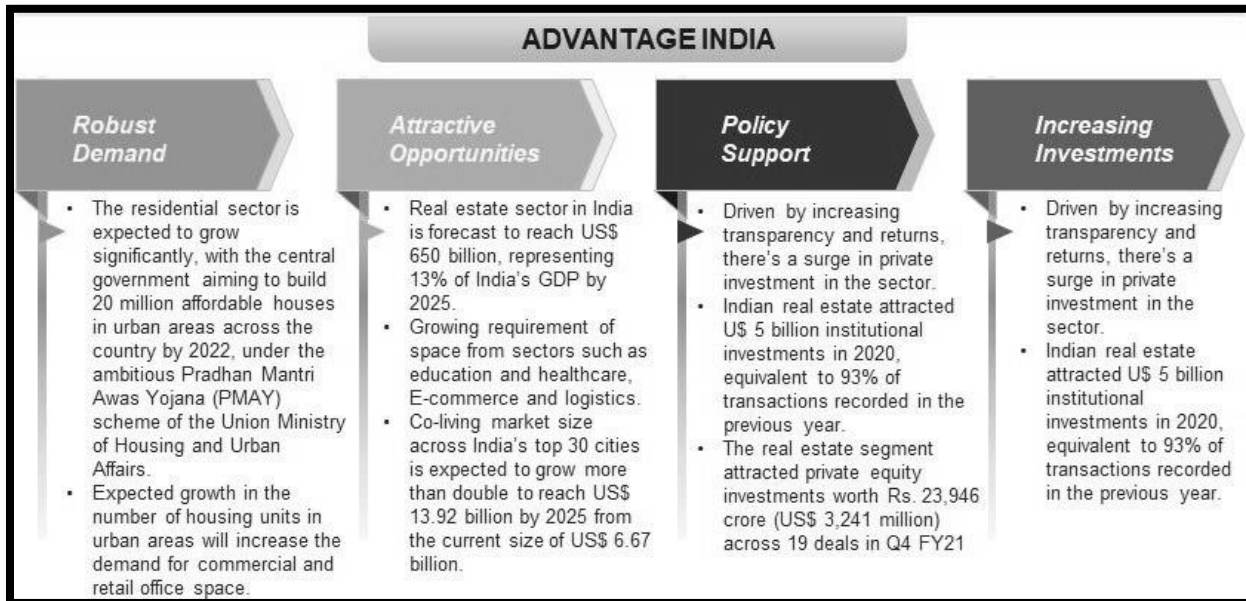
The present study is based on qualitative data. Data have been collected from secondary source. The present study mainly considers the secondary data for the analysis of the influence of covid 19 pandemic on real estate sector in India. Existing data is summarized and collected the accurate data. The secondary data were collected from various publications of economic reviews, journals of management, Indian management studies, etc.

RESULTS AND DISCUSSIONS

The real estate sector is the major contributor to the National Growth of India. The real estate sector was already reeling after the demonetization was announced on 8th Nov 2016. In India, the real estate sector has suffered during the 1st and 2nd waves of the Covid-19 pandemic. Due to the Covid-19 crisis, the laborers stopped their work on constructing the housing project and migrated to their villages. The discontinuation of the architects, structural engineers, electrical engineers, etc., due to social distancing and lockdown will lead to delays in completing projects. Commercial spaces hired for the retail and hospitality sector were closed during the period of lockdown. These will lead to the minimum expectation to receive rent from commercial areas. The recurring expenses related to various taxes result in the real estate industry's stressed situation. Based on the report of Economic Times, the current situation will lead to a 35% job cut in the labor-intensive sector of the real estate sector. The real estate sector in India contributes almost US\$ 12.65 Billion, which amounts to approximately 7% of Indian GDP. The real estate and

construction sector employs close to 5% of the total labor force in India. In India, the real estate sector will reach US \$ 650 billion, representing 13% of India's GDP by 2025.

Graph No: 1



Source: India Brand Equity Foundation: Indian Real Estate Industry Report

The real estate sector is a globally acknowledged sector, including four subsectors. They are housing, retail, hospitality, and commercial. Real estate growth is complemented by developing the corporate environment and the demand for office spaces and urban and semi-urban accommodations. The Indian Real Estate Sector is the second-highest employment generator. The covid-19 pandemic will remember in 2020, and the lockdown will affect the Indian Real Estate sector. During the nationwide lockdown, it had extensively predicted that this might be the year of real estate's most remarkable fall. The outcome is the reverse of the prediction, with November 2020 recording the very best number of residential enrollments in nearly a decade (In Maharashtra)," says Agarwal, adding that such an unprecedented and unimaginable recovery was possible due to the Federal Reserve Bank of India's (RBI's) decision to scale back the repo rates and state governments reducing the stamp tax. Atmanirbhar Bharat will help for the recovery, and thus the rise in FDI are indicative of a strong recovery of economic land towards the second half of the year. Despite the short-term disruptions, India's commercial land sector draws interest from occupiers and investors watching the long-term horizon. With further relaxation provided by the government post COVID, employers and employees seek the proper balance of in-office and remote working options. A light flow of investment as comfortable liquidity by global central banks will ensure interest rates are low, and funds will chase investments with high yields in the year 2021 can be seen.

- Projects in the real estate sector need to focus on wellness, and it is necessary to understand the customer's and buyer's requirements.
- Conclusion: there is a need to create product and brand differentiators, and crucial to achieving financial closure for every project.
- To improve sales in the real estate sector, developers have adopted strategies such as price discounts, incentives, virtual tours, and contactless online booking.
- Government should restructure the tax component of the Indian manufacturers who supply constructing raw materials.
- Moratoriums with low-interest rates will also help positively impact the real estate sector.
- At low-interest rates, banks should provide loans.
- A low-interest rate will help the revival of the present situation in India.
- Stamp duty reduction also helps for the survival of the covid-19 crisis.
- Government support is a crucial factor in the real estate sector's recovery.
- Due to the travel ban, the labor shortage is raised in constructing the housing project.

CONCLUSION

India's real estate sector is the second-largest industry after agriculture and is predicted to grow to \$1 trillion by 2030, from \$200 billion in 2021. However, the market, which accounts for about 6 percent of the country's gross domestic product, has been through a challenging past decade. For years, the sector struggled with high-interest rates, making home loans more expensive and deterring borrowers. It was heightened by an emergency that hit the non-banking financial sector after a big lender defaulted in 2018, conducting a cash crunch for the property industry that pushed several developers out of business. The sector was initially negatively affected by the pandemic and the government's strict lockdown restrictions. But it rebounded last year as Indians including those not residents in the country – prioritized homeownership. It cut interest rates to record lows as policymakers tried to cushion the blow of the economic fallout.

The Indian real estate sector will recover and garner inward flow to \$ 6 billion in 2021, up 30 per cent. The improvement will be seen in the economic scenario that the positive reform initiatives will boost, leading to growth. The price discounts will increase the demand for the properties and builders. The real estate prices in prime cities are stable with the upward shift. India is one of the fastest-growing economies, and the Indian Government takes the initiative to provide mass vaccination. It will result in the future growth of the

Indian Real estate business. With a slew of monetary and policy reforms and incentive packages presented by the authorities, the world will have a positive outlook in 2021. With improved buyer sentiment, we positively impact the fence-sitters who will now begin and support, further boosting the need for more functional layouts considering the new normal. The industry is hopeful of an impactful budget from the minister of finance, which can help the vital estate sector and the whole economy. This study identified that the real estate business in India is in the recovery phase. The government support and the support of banks are necessary for the Indian Real Estate Business.

During the Covid-19 era, the market value of real estate increased. Due to the deprived job market, developers were incapable of fulfilling demand. This epidemic is overbearing since it is expected to claim thousands of lives. Home values dropped as the housing supply decreased, reducing state revenues. Due to the decline in demand and the increase in negotiating power in the short-supply market, location scouting has begun at a slower pace. The sector must brace itself for a far direr consequence than was previously expected.

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