

## Impact of Covid-19 on Real Estate Sector in India

### Dr Anitha. S. Yadav

Professor, School of Management  
Presidency University,  
Itgalpura, Rajanukunte,  
Bangalore

### Prof. Dilip Kumar Yadav

Associate Professor  
Seshadripuram Institute of  
Commerce and Management,  
No.40, Girls School Street,  
Bangalore

### Abstract

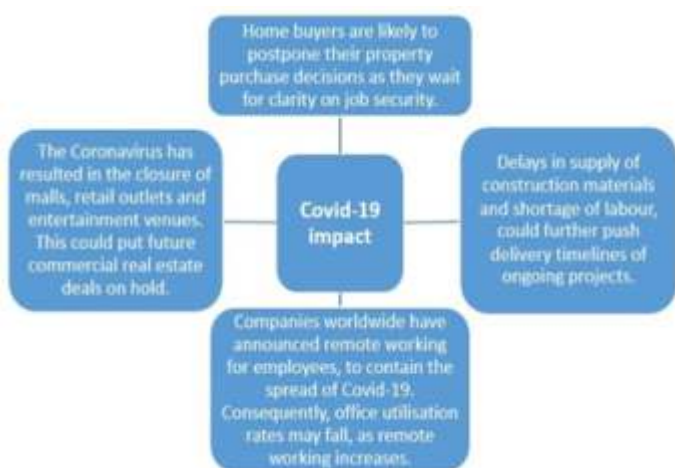
Coronavirus disease (Covid-19) pandemic is the one of the most challenging calamity in the 21st century affecting life and livelihood. The first outbreak of covid was in December 2019 in China. World Health Organization (WHO) identified SARS-CoV-2 as a new type of corona virus and this virus rapidly spread round the globe. The virus spreads through droplets of saliva or when an infected person sneezes. It causes respiratory tract infection. Healthcare and global effects of pandemics has impacted all the sectors of the economy in some form or the other. The government had imposed lockdowns; domestic and international travel bans, and work from home for more than a year resulting in reduced use of office space, furniture and fittings, reduced residential houses being let out. These preventive measures reduced the rate of return on investments of the real estate sector like, housing, tourism, retail and commercial buildings. This paper is an attempt to study the influence of pandemic on real estate sector and how the sector is coping with the new normal. The study is descriptive in nature and analyzed the prevailing situation of real estate sector based on secondary data. The real estate sector recovery in India may take a long time and increased cost due to extended project completion time will further reduce the income. A study with structured questionnaire would enable evolve strategies for real estate recovery and effective cost control management.

**Keywords:** Real estate, Housing sector, Tourism sector, Retail and commercial estate, Covid-19.

### Introduction:

The Indian Real estate industry is one of the largest sectors in the country contributing around 6.5 to 7 per cent to India's gross domestic product (GDP). As the impact Covid-19 on Indian economy is highly disruptive, the World Bank and Credit Rating Agencies have reduced India's development forecast for the financial year 20-21. Majumder & Biswas(2021) in their study observed that the pandemic has spread like wildfire and has created serious economic repercussions throughout the

world. The pandemic has wreak havoc on the economic health worldwide and its impact is felt in all the sectors of the economy. The first case of covid-19 in India, was reported on 30th January 2020. As of May 2021, “India has the second-highest number of confirmed cases in the world (after the United States) with nearly 20 million reported cases of Covid infection and 249,992 deaths as of 11th May 2021”. The economic impact of the coronavirus pandemic in India has been immensely disruptive. The Ministry of Statistics estimated a decline of 3.1% in India's growth in the fourth quarter in the financial year 2020 According to a report by KPMG, “the coronavirus pandemic resulted in liquidity crisis for the real estate developers.” The credit crunch reduced the residential sales from four lakh units in 2019-20 to 2.8 lakh units in 2020-21 across the top seven cities of India.



Source: [housing.com/news/impact-of-coronavirus-on-indian-real-estate/](https://housing.com/news/impact-of-coronavirus-on-indian-real-estate/)

According to KPMG report, “the unprecedented impact of Covid-19 on Indian real estate sector has incurred a loss of over Rs 1 lakh crore since the pandemic broke out”. A fall of 40% in Q1 of Financial year 2021 (India Ratings (Ind-Ra). Emergencies and global effects of pandemics were unexpected events negatively affecting project development in the real estate sector, sales targets, costs estimates, and rate of return of real estate sector (Tanrıvermiş 2020).The Covid pandemic has caused unprecedented economic distractions in the economic system of the world. Alpana Vaidya(2021) opine that major sectors like aviation, entertainment and real estate have

seen a long-lasting damage due pandemic and are adapting to the changing times to ensure revival of the sector and Indian Economy. Marona & Tomal (2020), in their study found that Covid pandemic had a significant impact upon the workflow model of real estate brokers and client's attitude. The real estate brokers intensified the use of technologies to run their businesses to minimize face to face interactions. The landlords too changed their approach, from medium-term rental to the long-term rentals. The tenants started to demand reduced rents, better facilities and standards of apartments. The construction industry has been severely affected. Tanrıvermiş (2020) pandemic resulted in substantial increase in operating costs, reduced rent collections, losses due to fall in demand, decline in operational income and investment value. Ucheharae.tal (2020), in their research findings reveal an evolving trend of contract clause revamping and amended approach by the industry. The study provides a strong platform to manage future unprecedented pandemic within the real estate environment. Qian, et.al (2021), observed that the housing price of the communities with confirmed Covid cases would reduce by 2.47%. According to a survey conducted by Knight Frank India, Federation of Indian Chambers of Commerce & Industry (FICCCI), and National Real Estate Development Council (NAREDCO) “are of the projected that the lockdown will result into a vicious cycle of delayed construction and deliveries, loan repayments by buyers and delay in debt repayment to banks”. The sentiments in real estate sector worsened in the covid-19 second wave January-March, 2021. Property prices are declining due to weak demand, pay cuts and job losses. Various government measures such as one time re-financing of developers loan, stress fund, relaxation in bad-debt classification, relaxation in GST and stamp duty rates are initiated to revive the sector. The real estate sector encompasses Housing Tourism, Retail and Commercial sector. The first section of the paper provides introduction and literature review. The objectives and methodology of the research is then presented followed by discussion on four categories in real estate market and conclusion.

**Objective of the study:** To explore the impact of covid-19 pandemic upon the real estate sector in India.

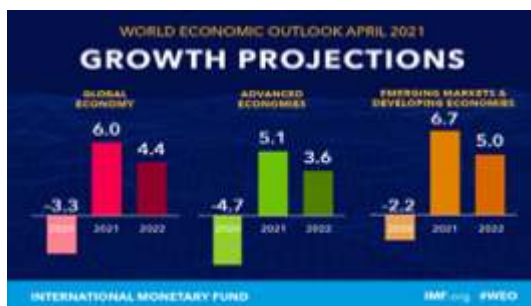
## Methodology

This study is mainly based on secondary data. The data is collected by the researcher to provide the base for analysis and generalization of the existing situation due to various restrictions imposed during the pandemic. The required data for the study has been collected from various sources such as ProQuest database, Google scholar, Newspapers and real estate websites.

## Discussion

Real estate sector is widely recognized sector across the world and encompasses housing, retail, hospitality, and commercial. The construction industry ranks third among the 14 major sectors in of the economy. Real estate sector in India is expected to reach a market size of US\$ 1 trillion by 2030 from US\$ 120 billion in 2017 and contribute around 13% to the country's GDP by 2025. Retail, hospitality, and commercial sectors are also growing significantly, and acting as engine for India's growing needs. According to reports, the office leasing space reached 60.6 msf across eight major cities. Warehousing space is expected to reach 247 msf in 2020 and see investment worth Rs. 50,000 crore (US\$ 7.76 billion) during 2018-20. Grade-A office space demand is expected to cross 700 msf by 2022. An upward trend in home sales volume was observed from July 2020 to September 2020 in India

As a result of the pandemic, the global economy is projected negatively by -4.9 per cent in 2020, much worse than the 2008-2009 financial crisis (International Monetary Fund [IMF], 2020). The economic impact of the Covid second wave has started taking a toll on many sectors. A report by SBI economists suggests that India may reach its peak by mid-May if vaccination efforts are ramped up.



Source: Research at the IMF

Housing sector According to (FICCCI), and (NAREDCO) “there is a perception that the lockdown will result into a vicious cycle of incomplete constructions, delay in project transfers and loan repayments, delay debt repayment to banks and an overall decline in real estate market. Job losses and salary cuts will further result in fall in demand affecting the prospects of stakeholders Covid impact. The Sentiments in real estate sector worsened in the Covid-19 second wave January-March 21. Property prices were declining due to weak demand, pay cuts and job losses. Various Government measures such as one time re-financing of developers loan, stress fund, relaxations have been initiated to revive the market. Property prices are on a downward trend dropping because of weak demand with the low and mid- priced segment worst hit. Buying decisions are postponed due to sharp wealth erosion and poor consumer sentiment, the survey indicated. It also highlighted several measures such as one time re-financing of developers loan, relaxation in bad-debt classification, stress fund, relaxation in GST and stamp duty rates, among others, that government should take to help the revive the sector. For customers, it is a good decision to wait for awhile before buying the next property once the lockdown is lifted to avail offers and better deals. The agency India ratings (Ind-Ra) opine that the sales will continue to be affected till the Covid situation is controlled and managed effectively.



Source: JLL India

## Tourism sector

India is the 7th largest country in the world with rich tourism destinations. According to The World Travel and Tourism Council (WTTC), “India is ranked 10th in travel & tourism sector among 185 countries”. Tourism industry contributes around 6.8% to the country's GDP. They generated Rs.16.91 lakh crore (US\$240 billion) annual growth rate of 6.9% to Rs.32.05 lakh crore by 2028, and providing 42.673 million jobs. According to (Statista, 2020) Covid pandemic, the travel and tourism industry's employment loss is predicted to be 100.08 Million worldwide.

As per the Ministry of Tourism, the number of foreign tourist arrivals shrank to 0.21 million in the April-December 2020, compared with 7.75 million previous year. The pandemic has affected the foreign exchange earnings and job opportunities due to substantial decline in the arrivals of foreign tourists in India in 2020. Sanjita et.al (2020). India created about 5.6 % of the total exports revenue (WTTC). Narmadha & Anuradha, (2021), discussed both the positive and negative impacts and suggested best and effective policy decisions to be applied in the future. Vineet (2020) opine that digital transformation in the tourism sector, increased use of

technology, and swift processes such as, eVISA, visa on arrival and express checks are the most innovative concepts that emerged in the decade.

## Retail Real Estate Sector

Retail and hospitality properties have been affected the most by Covid-19 compared to residential and industrial sectors Hoesli (2021). It is a good decision to wait before buying the any property once the lockdown is lifted. It will be wise to avoid under- construction projects as with completed projects the customers may avail better deals. Retail real estate is one of the largest and most diverse sector of the commercial property market. Retail properties have investors like private players, overseas investors and property trusts as active participants the market. Nanda et.al (2021) provide significant insights and suggestions for retailers, landlords and policy-making units for urban rejuvenation and local economic development in the post-Covid world. According to a Reuters poll of property analysts, “house prices in India's prime cities will hardly rise in 2021. On an average house prices in the India would rise by 1.3%. According the property brokerage firm report, “the weighted average prices of properties in leading markets showed a flat growth in 2020 compared to 2019”.

### Annual property price growth: City-wise break-up

City	Average price as on March 31 <sup>st</sup> , 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	5,76	3
<b>National average</b>	<b>6,234</b>	<b>3</b>

Source: Real Insight: Q1 2021



**Commercial real estate.** The commercial real estate sector in the country enriched by various government initiatives such as Make in India and reforms in Real Estate Regulatory Authority (RERA) and GST. Commercial real estate includes office space, industrial, multi-family rentals, and retail. The Indian commercial real estate is directed by strong fundamentals and has the capacity to recover from difficulties. The commercial sector in 2014 and 2019 showed an upward trend with the emergence of (REITS), steady rents, strategic alliance and with reputed players. A record leasing of 42 million sqft. was witnessed in the year 2019 until the pandemic stuck and hampered the economic growth. Martin et.al (2021) studied the factors affecting commercial real estate pricing. They found that retail and hospitality properties and to a lesser extent office buildings have been affected the most by Covid-19. Akinsomi (2021) examined the role Covid-19 plays in the performance of global Real Estate Investment Trusts (REITs) index and REIT sectors and found that most REITs sectors have lost value.

## Conclusion

The real estate sector is a highly labour intensive industry. The challenges posed by the pandemic, it is anticipated that there will be modification in the contract clause, planning, construction decisions of settlements and investment methods post pandemic. Various government initiatives to boost the liquidity will enable revival of the industry. The home buyers will be at an advantageous position with floating retail loan rates at the lowest will support and sustain the home buyer's sentiments. For real estate owners usage of various types of technologies to mitigate the covid challenges and losses will be inevitable. The renewal of the economic activity along with series of government initiatives, the real estate market is bound to be the preferred choice of investment with safe and stable return on investments. This phase is temporary and as vaccination roll out is ramped up, the recovery in real estate sector can be forecasted over a period of time with the sector using digitalization in their business models and asset management strategies.

## References:

- Akinsomi, O. (2021), "How resilient are REITs to a pandemic? The COVID-19 effect", *Journal of Property Investment & Finance*, Vol. 39 No. 1, pp. 19-24. <https://doi.org/10.1108/JPIF-06-2020-0065>
- Hoesli, Martin Edward Ralph and Malle, Richard, *Commercial Real Estate Prices and Covid-19 (January 26, 2021)*. Swiss Finance Institute Research Paper No. 21-08, Available at SSRN: <https://ssrn.com/abstract=3773532> or <http://dx.doi.org/10.2139/ssrn.3773532>
- Kumar, V. (2020). *Indian Tourism Industry and COVID-19: Present Scenario*. *Journal of Tourism and Hospitality Education*, 10, 179-185. <https://doi.org/10.3126/jthe.v10i0.287688>
- Majumder, S., & Biswas, D. (2021). *COVID-19: impact on quality of work life in real estate sector*. *Quality & Quantity*, 1-15.
- Marona, B., & Tomal, M. (2020). *The COVID-19 pandemic impact upon housing brokers' workflow and their clients' attitude: Real estate market in Krakow*. *Entrepreneurial Business and Economics Review*, 8(4), 221-232.
- Martin Edward Ralph and Malle, Richard, *Commercial Real Estate Prices and Covid-19 (January 26, 2021)*. Swiss Finance Institute Research Paper No. 21-08, Available at SSRN: <https://ssrn.com/abstract=3773532> or <http://dx.doi.org/10.2139/ssrn.3773532>
- Nanda.A., Xu, Y., & Zhang, F. (2021). *How would the COVID-19 pandemic reshape retail real estate and high streets through acceleration of E-commerce and digitalization?*. *Journal of Urban Management*.
- Narmadha, V., & Anuradha, A. (2021). *Socioeconomic, Cultural And Environmental Impact Of Covid-19 On Tourism In India*. *Journal of Management Information and Decision Sciences*, 24(4), 1-9.
- Perappadan, BinduShajan (30 January 2020). *"India's first coronavirus infection confirmed in Kerala"*. *The Hindu*. ISSN 0971-751X. Retrieved 24 February 2021.
- Qian, X., Qiu, S., & Zhang, G. (2021). *The impact of*

*COVID-19 on housing price: Evidence from China. Finance Research Letters, 101944.* Sanjita Jaipuria, RatriParida & Pritee Ray (2020) *The impact of COVID-19 on tourism sector in India, Tourism Recreation Research,*

- Tanrıvermiş, H. (2020). Possible impacts of COVID-19 outbreak on real estate sector and possible changes to adopt: A situation analysis and general assessment on Turkish perspective. *Journal of Urban Management, 9(3), 263-269.*
- Uchegara, I., Hamma-Adama, M., Obiri, K. A., Jafarifar, N., & Moore, D. (2020). Impacts and risk management of COVID-19 pandemic on real estate supply chain. *International journal of real estate studies, 14(Special Issue 1).*

#### **Weblinks:**

- *India most infected by Covid-19 among Asian countries, leaves Turkey behind | Latest News India - Hindustan Times.*
- <https://www.financialexpress.com/lifestyle/travel-tourism/impact-of-covid-19-on-travel-and-tourism-sector-and-how-seis-can-bring-relief/2230559/>
- <https://economictimes.indiatimes.com/news/coronavirus-impact-on-real-estate>
- [https://www.iimb.ac.in/turn\\_turn/india-real-estate-challenges-opportunities-presented-covid-19.php](https://www.iimb.ac.in/turn_turn/india-real-estate-challenges-opportunities-presented-covid-19.php)
- <https://search.proquest.com/newspapers/covid-impact-on-real-estate-how-budget-can-help/docview/2475542237/se-2?accountid=177896>
- <https://search.proquest.com/newspapers/covid-19-impact-sentiment-real-estate-sector/docview/2391140686/se-2?accountid=177896>
- <https://www.statista.com/statistics/1104835/coronavirus-travel-tourism-employment-loss/>. [Google Scholar]
- <https://www.proquest.com/scholarly-journals/socioeconomic-cultural-environmental-impact-covid/docview/2524968176/se-2?accountid=177896>
- <https://www.civilserviceindia.com/current-affairs/articles/real-estate-industry-in-India.html>
- <https://www.statista.com/topics/6304/covid-19-economic-impact-on-india/#dossierSummary>
- Research at the IMF
- <https://www.ibef.org/industry/tourism-hospitality-india.aspx>
- <https://housing.com/news/impact-of-coronavirus-on-indian-real-estate/>
- <https://realty.economictimes.indiatimes.com/news/industry/overall-residential-demand-to-decline-about-40-in-fy21-ind-ra/79428058>
- <https://economictimes.indiatimes.com/industry/transportation/airlines/-aviation/foreign-travelers-may-avoid-india-for-quite-a-while/articleshow/82397895.cms>
- Covid-19 Second Wave: Impact on Property Prices and Real Estate (housing.com)
- <https://www.financialexpress.com/money/commercial-segment-to-lead-real-estate-growth-in-2021/2151942/>
- <https://www.deccanherald.com/business/business-news/retail-space-rentals-drop-up-to-30-as-covid-19-second-wave-worsens-981941.html>