



Establishment of Real Estate Sector in India: The Coronavirus Crisis

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ABSTRACT:

The Coronavirus (Covid-19) has become the curse for all the sectors in India. The effect of coronavirus has been seen on real estate sector which has already been the most flourishing sector for the growth of India. This virus has diverse impact on the global economic growth. The estimates show that the virus could affect the global economic growth by at least 0.5 % to 1.5% and the global trade will reduce by 14% to 30% which depends on the downturn in the global economy due to impact of coronavirus. The research study enlightens the overview and impact of Coronavirus (Covid-19) on Real Estate Sector Development in India. The Real Estate sector has not shown the different signs of improvement. The problems in the real estate loans will rise in India. It also depends on the workers who have gone back to their villages, when they will come back. This results in the loss of demand of Real Estate Sector development in India.

Keywords: Coronavirus, Real Estate sector, Housing, Commercial, Gross domestic Product (GDP), Demand, Financial, Loans, Cough, breath etc.

Introduction:

According to WHO Report, (2020), The Coronavirus refers to the large family of the viruses which leads to illness starting from cold, cough to various dangerous diseases like Middle East respiratory Syndrome (MERS) and Severe East respiratory Syndrome (SERS). The symptoms are fever, cough, cold and shortness of breath and breathing difficulties etc. It has been declared national emergency by World Health Organization on January 2020.

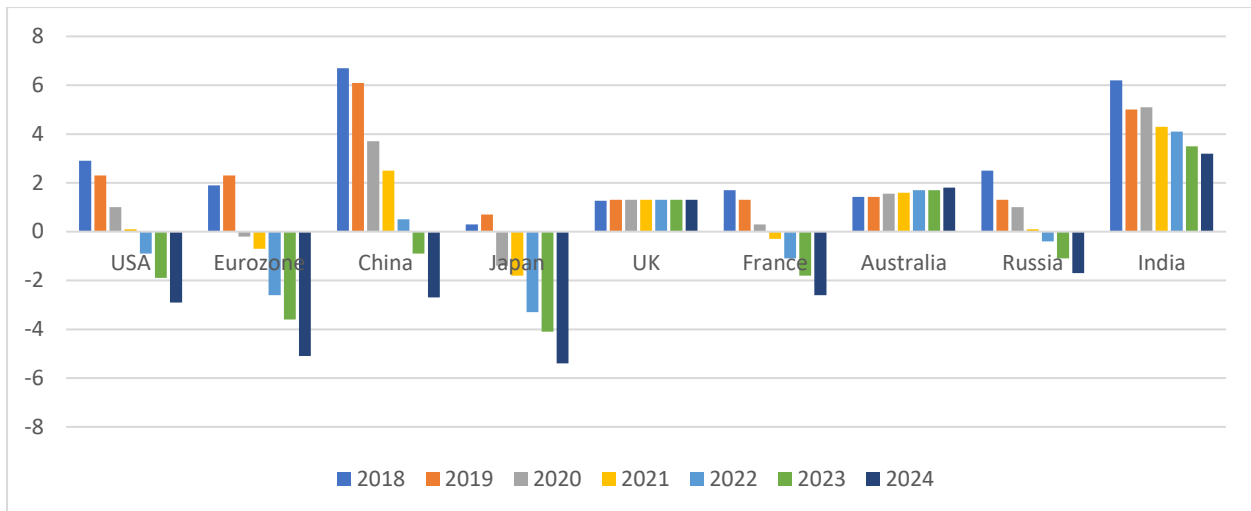
According to CDC Report, (2020), Covid 19 virus is respiratory illness that will spread from different person to person. The virus that causes Covid 19 is novel coronavirus that was first identified during an investigation into an outbreak in the Wuhan, China on 31st December 2019. Covid,19 virus basically comes from the source of animal, but it starts spreading from person to person. The virus mainly spreads between the person who are in close contact with infected person (within 6 feet) by the respiratory outlets of the infected person coughs and sneezes. The main symptoms of Covid 19 is fever, cold and the shortness of breath and there is no specific antiviral treatment for Covid 19.

The Covid-19 has been spread over the 190 countries and all across the US states also. This virus has diverse impact on the global economic growth. The estimates show that the virus could affect the global economic growth by at least 0.5 % to 1.5% and the global trade will reduce by 13% to 32% which depends on the downturn in the global economy due to impact of covid-19(CRS, 2020).

Effect on GDP Growth Rate (%) due to Covid-19 in different countries:

<u>Year</u>	<u>USA</u>	<u>Eurozone</u>	<u>China</u>	<u>Japan</u>	<u>UK</u>	<u>France</u>	<u>Australia</u>	<u>Russia</u>	<u>India</u>
2018	2.9	1.9	6.7	0.3	1.27	1.7	1.42	2.5	6.2
2019	2.3	2.3	6.1	0.7	1.31	1.3	1.43	1.3	5
2020	1	-0.2	3.7	-1.4	1.3	0.3	1.56	1	5.1
2021	0.1	-0.7	2.5	-1.8	1.3	-0.3	1.6	0.1	4.3
2022	-0.9	-2.6	0.5	-3.3	1.3	-1.1	1.7	-0.4	4.1
2023	-1.9	-3.6	-0.9	-4.1	1.3	-1.8	1.7	-1.1	3.5
2024	-2.9	-5.1	-2.7	-5.4	1.3	-2.6	1.8	-1.7	3.2

Source: Fitch Ratings



Source: Authors own compilation

The health crises in the world due to Covid-19 leads to falling world's Gross Domestic Product (GDP) because of which the world is in global recession. The GDP growth rate of USA, Eurozone, China, Japan, UK, France, Australia, Russia and India shows the downward trend of the global economy during the years 2018 to 2023 due to Coronavirus. The major reason is the lockdown declared by the countries due to Covid-19 which causes slowdown in the world's economy.

Indian Real Estate Sector:

The real estate sector has been playing the important role in the development of the country as a whole and it is one of the revenue generating sectors in India. The real estate sector has been divided into different variants like residential and commercial real estate in India. There is high demand for the residential real estate in India as compared to the commercial real estate in India. But due to this coronavirus (Covid-19) the real estate sector has been impacted very much in India. This study will provide the basis that how the Covid-19 is impacting the real estate sector development in India. (Mamata and Pradeep, 2010).

Review of Literature:

The transmission of different type of viruses like Spanish Flu in 1918, Ebola virus in 1970, SARS in 2003 and now the outbreak of Coronavirus in 2019 has impacted the economy of the whole world and causes financial and human life loss in the whole world. The various researches show the different type of viruses and give information about the coronavirus in India.

Skowronski and Babiuk (2005) has defined that the Severe Acute Respiratory Syndrome (SARS) has been started from China in 2003. It is a given strain of coronavirus and it can be denoted by fever, measles, headache, pneumonia, Respiratory distress illness. The infected person can further impact the large number of individuals which is also become the serious epidemic in 2003.

Bharatendu and Sharma (2015) reflects the Indian real estate sector has been transformed from unorganized to organized sector and it is becoming one of the fastest growing sectors in the world. The research shows that the demand for real estate sector is positive and there is increased transparency of dealings of real estate sector transactions in India. This leads to increase in the real estate sector development in India.

Kimura (2015) shows that Ebola virus is the life-taking virus with fatality rate ranging from 40 to 90% and it was found in Zaire (Congo) in 1970. There are about 11000 cases of this virus in the West Africa in the Year 2014. The symptoms of this virus are headache, cough, diarrhea and fever. It is presently one of the most feared disease in the world.

Gregory and Markos (2016) have defined that the pandemic Spanish Flu in 1918 that have been appeared worldwide and it has been first appeared in USA. The outbreak of this virus is devastating which leads to the death of the large number of people which is more dangerous than the exploitation of World War 1. The main reason for this virus causing is the influenza which is a subtype of H1N1 strain. It mostly impacts the 3 to 5 percent of the world population.

Anarock (2020) has shown that residential and commercial real estate demand has been impacted due to the Covid 19 as there is delay in the projects due to lockdown in the whole country. This impacted the business of real estate sector in India.

CDC (2020) shows that the coronavirus is an infectious disease and spreads from person to person and it has no special treatment or vaccination. It comes from the animal source but now it has been spread from the person to person.

Crisil (2020) shows that there is the slowdown in the economy because of Covid-19. There is high risk for the sectors like airlines, hotels, malls, multiplexes, restaurants and retailers due to the impact of coronavirus. As because of lockdown by the government these sectors will not generate revenue to increase the gross domestic product of the country.

Fitch Ratings (2020) has shown the global economic crises because of the impact of Covid-19. The Gross domestic product is decreasing because of the Covid-19 all over the countries in the world. The main reason is the lockdown which has been imposed by the government of different countries in their country. This has become the global recession in the world and causes huge losses for the world's economy.

Objective:

This paper provides an insight into the present dynamic conditions of Covid-19 and try to analyze the impact of covid-19 on future growth of real estate sector development in India.

Methodology:

The following research is descriptive in nature and have been taken from the various published sources like newspapers, Anarock Report, Crisil Reports, Fitch Ratings and KPMG Reports. This has become the full source of knowledge and has played the key role for modelling up research.

Overview of coronavirus:

This Coronavirus disease has been identified in Wuhan in December 2019, the capital of China. The various symptoms include cough, cold, fever and breathe shortness. The virus is spread between the people when come in close contact with the infected person. The WHO (World Health Organization) has declared coronavirus a public health emergency in January 2020 and pandemic in March 2020. The measures taken to prevent the coronavirus is frequent hand washing, by maintaining the physical distance from the others and covering the cough and sneezes with the tissue paper (Chen, 2020).

Impact of Covid-19 on Real Estate Sector Development in India:

- In the year of 2019 the institutional investments that have come from Hong Kong, Singapore and Mainland China accounted for 27.9% of the total real estate investment in India. The Asia is increasing focuses towards Grade A office assets but due to covid-19 there is slower decision making in 2020 which results in capital deployment in India (Colliers, 2020).
- According to the KPMG Report (2023) the real estate sector will see:
 1. There is slowdown in the housing demand and decreased new launches of housing sector.
 2. The slowdown in the economy of US and Europe results in the postponement or no demand for the commercial real estate till fourth quarter of 2020.
 3. The retail sector will see the slowdown as because of lockdown as there is impact on the supply chain and transportation.
 4. There is massive financial and employment loss in the hospitality sector because of the outbreak of covid-19.
 5. The new equity investment will not come in real estate as there is the slowdown in the all the sectors because of covid-19.
- The 15 lakh units which has been launched in 2011 to 2019 across all the top 7 cities are in the various construction stages. The NCR (National Capital Region), MMR (Thane, Navi Mumbai, Greater Mumbai) have about 8 lakh units and because of lockdown there is delay in projects related to residential and commercial real estate which reduces the demand in India (Anarock, 2020).
- The prices of the real estate will become stagnant as no transactions are taking place because of the lockdown. The India imports steel, iron products, construction equipment and fiber elements from China. But because of less production of these products in China, the prices of these raw materials for making buildings will rise, which increases the cost of projects (Kumar, 2020).
- The housing sector in India will not growth till the economy does not show any signs of the improvement. The problems in the affordable housing loans will rise in India. It also depends on the workers who have gone back to their villages, when they will come back. This results in the loss of demand of housing sector in India (Tripathi, 2020).

Recovery of Real Estate Development in India (Post Covid-19):

- The relaxation should be given to the project delays due to Covid19 in the residential real estate sector for at least six months. (KPMG, 2023).
- The lending rate for the real estate sector should be fixed at a lower repo rate (Kumar, 2020).
- The NPA(Non-performing assets) classification should be extended for stressed assets at least for 90 days

- The interest repayments for real estate developers should be extended to 12 months.
- The government should provide subsidy on salaries for tourism/hospitality sector.
- The GST tax holiday should be given to the tourism/hospitality sector for one year.

Conclusion:

The real estate is one of the fastest growing sectors for the developing country in India before the impact of Covid-19. The impact of covid-19 will be more on real estate in coming months that will come. So, the government should take more steps that reduce the covid-19 impact on real estate sector in India. The banks should provide more relaxation in providing loans to real estate developers after the impact of covid-19 so, that the projects should be completed on time. Despite the challenging situation of covid-19, there will be a growth pattern in the residential and commercial real estate sector in India.

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