



IMPACT OF COVID-19 ON REAL ESTATE AND CONSTRUCTION SECTOR

Ojas Singh Garcha¹, Raghav Aggarwal², Megh Dave³, Aditya Modi⁴

BBA Students, SVKM'S Narsee Monjee Institute of Management Studies Deemed-To-Be-University
Bengaluru

ABSTRACT

DOI No: 10.36713/epra11760

Article DOI: <https://doi.org/10.36713/epra11760>

COVID-19 outbreak is the greatest global health crisis in many years. It has had a dramatic effect on workforces and workplaces all around the world, as it has spawned a massive change in the working atmosphere and raised the level of employees' concerns about their mental health and physical wellbeing. The construction industry has been significantly affected by the COVID-19 pandemic and has been challenged to improve the safety and wellbeing of its workforce. Overall this sector was impacted negatively but not that much due to government and this sector is again regaining control at a faster pace post covid as compared to other sectors.

KEYWORDS: COVID-19, Real Estate, Construction Sector

INTRODUCTION

To start with much has been expounded on Coronavirus in the beyond couple of months. Gradually India is detaching its attack attitude and preparing itself for the financial effect of this pandemic. Studies are progressing about the effect of the pandemic on land and development with respect to the effect of Coronavirus on their business activities. The goals of the review were twofold:

- To investigate the impact of COVID 19 across industry sectors
- To investigate perceptions about the future

The study was exploratory in nature. Given the lockdown all over the country, data was collected through a *questionnaire* administered through Google forms. Respondents were given a list of questions

The presence of Coronavirus has not just prompted changes in the medical care framework, but its effect has additionally prompted changes in the worldwide economy. The results of the downturn from a decade prior, which caused high joblessness, are yet

to be felt in the economy, and with the ongoing difference in business, the monetary emergency is developing. The world is encountering a decrease in stock costs and a decrease in oil costs. Modern creation has declined, and the administration market is keeping a decrease in benefits (*McKibbin, and Roshen, 2020*). There was a conclusion of associations, employment misfortunes, and, surprisingly, an adjustment to way of life. The population has decreased its developments to a base, by going less to business and public structures, and the significance of the rural family is progressively perceived.

To answer the current and critical danger of Coronavirus, and to lay the basis to manage what might be extremely durable changes for the business after the emergency, land pioneers should make a move now. Many will concentrate cash the board to zero in on proficiency and change how they go with portfolio and capital use choices. A few players will feel a much more noteworthy need to keep moving than before to digitize and give a superior — and more

unmistakable — occupant and client experience. Furthermore, as the emergency influences business occupants' capacity to make rent installments, numerous administrators should settle on a great many choices for explicit circumstances instead of making only a couple, expansive based broad choices.

Most real estate players have been shrewd in any case choices that safeguard the wellbeing and soundness of all workers, occupants, and opposite end clients of room. The savviest will currently likewise contemplate how the land scene might be forever different later on, and will adjust their procedure. Those that prevail with regards to fortifying their situation through this emergency will go past adjusting: they will have made intense moves that develop associations with their representatives, financial backers, end clients, and different partners.

After covid-19 we have seen a gradual growth in the metaverse real estate has been seen From 2021 to 2026, the metaverse real estate market is expected to grow by \$5.37 billion, at a compound annual growth rate of 61.74%, driven by the growing popularity of mixed reality and cryptocurrencies, according to a report from global market research firm Technavio.

The COVID-19 experience could also permanently change habits that may affect demand for other real estate assets, such as hospitality properties and short-term leases. Even a short moratorium on business travel could have lasting impact when alternatives such as video conferences prove sufficient or even preferable. Near-shoring of supply chains may further reduce demand for cross-border business travel, and consumers who are afraid of traveling overseas may shift leisure travel to local destinations.

STATEMENT OF THE PROBLEM

Construction industry members — including owners, developers, contractors, subcontractors and supply chain vendors — have experienced varying degrees of impacts as a result of the COVID-19 pandemic. The nature of the impacts and extent of the ramifications are in large part dependent upon the location of both the respective businesses and underlying projects. Direct impacts have ranged from a slowdown of available goods and labour through to suspensions and, in some instances, terminations of parties or entire projects. Construction activities remain in flux in some states and cities depending upon whether construction is classified as an essential business.

As a result, the COVID-19 crisis has led to the need for industry members to address both short-term and long-term business challenges, as well as formulating project-by-project solutions in the face of a new global and national environment. The full breadth and scope of the changes needed to address issues arising from the pandemic are still unknown, and this analysis is likely to continue to evolve until a

vaccine or other curative measures are in place on a global basis.

These new realities touch almost every aspect of the construction process, and specifically such issues as: contract or project notices for default, scheduling and adjustments; project suspension, termination and reinstatement; Occupational Safety and Health Administration (OSHA) and workplace safety compliance; work force management; material, subcontractor and supply chain delays and impacts; risk management and insurance; claims avoidance or, alternatively, claims management; and the disputes process.

OBJECTIVE

1. To know, what were the challenges faced by the brokers.
2. To know, what were the challenges faced by common people.
3. To analyse the future outcomes if something like Covid hits again.
4. To analyse the consumer behaviour that is how the rich behaved vs the poor.
5. Challenges faced by businesses in both real estate as well as construction sector.

METHODOLOGY

In this study, the base of data provided is through primary research. Primary research has been done with help of questionnaire through google forms. Our study is focused on how the common people have been affected by covid-19. How the prices of land increased and decreased and supply and demand of it as well. What was the scenario in India as compared to the rest of the world. The other method used is secondary research. This collection of data has been mainly done from news and media, advertisement, comments and other articles.

RESULTS AND DISCUSSION

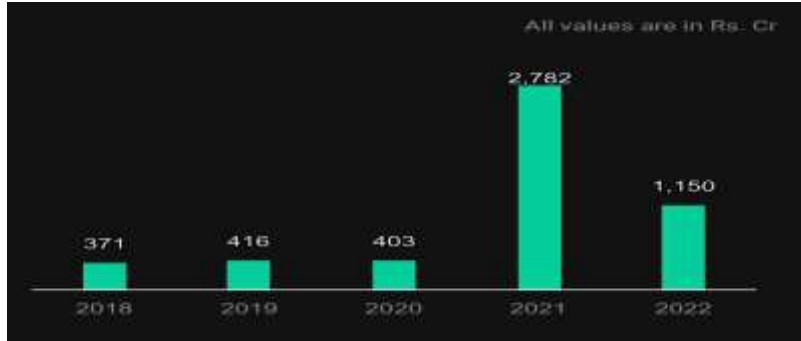
The impact of Coronavirus on the Indian real estate sector was stifling to the point that it brought property transactions to a near-halt when the nation went into a complete lockdown during both waves. Since then, the market has taken several strides towards recovery, and just when it seemed the revival was not far.

Through the studies we have found that the real estate as well as the construction sector was negatively impacted. This was due to various factors, these factors did not damage it directly but indirectly. The first lockdown had lead many labour workers to migrate to their homes. The skilled as well as unskilled workers had to stop work and go back to their homes. The big construction companies had to bear heavy losses as they had to pay the workers even in lockdown when there was no work. The rate of inflation was also increased during covid due to which the prices of raw materials increased. Nobody was willing to or able to

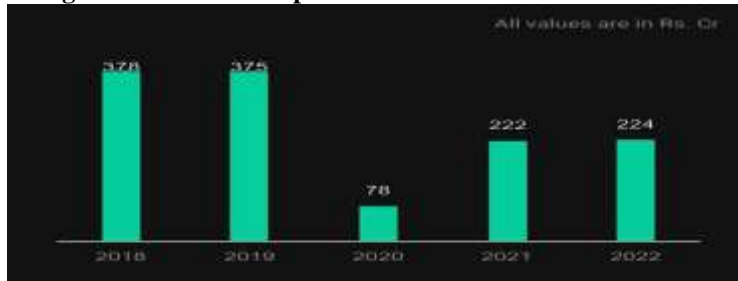
pay for the raw materials as people had no income and unemployment rate was also increasing. The supply of raw material also decreased due to which there was delay in work.

The unprecedented scale of the impact of COVID-19 on Indian real estate can be gauged from the fact that the sector has incurred a loss of over Rs 1 lakh crore since the pandemic broke out . According

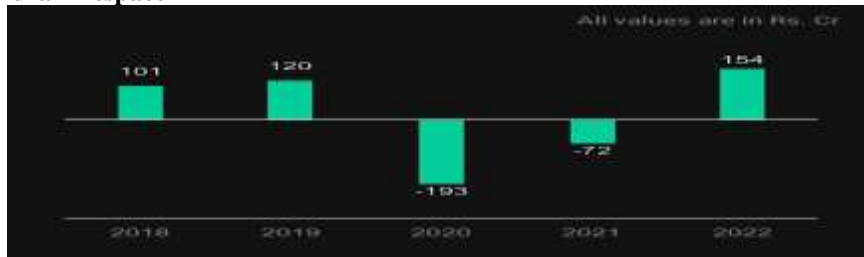
A. PRESTIGE ESTATES



B. National Buildings Construction Corporation Ltd.



C. Mahindra Lifespace



Due to high reducing profits, government increased liquidity of funds. This led to a little stable market. The government also invested in many projects during covid, to save real estate and construction sector. For example, The National Highways Authority of India (NHAI) , has continued with all its 480 projects — worth Rs 5.1 lakh crore and covering a length of 25,000 km. The new project launches across India increased by 71 percent between January and June 2021. This boost in new launches can be attributed to the stamp duty reductions in various States.

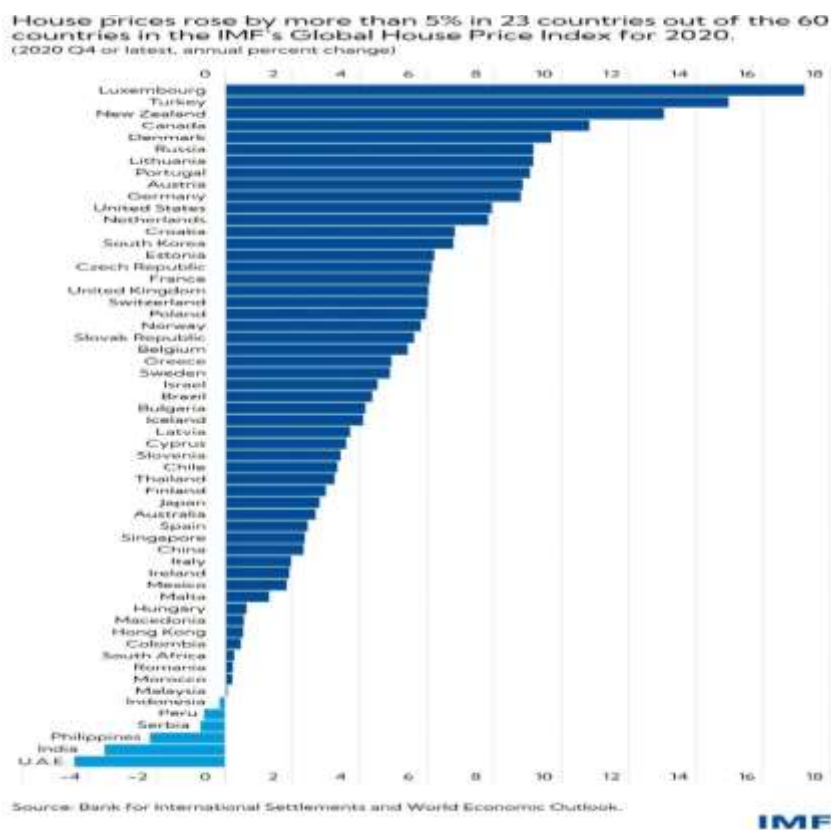
As compared to the rest of the world , India was affected less and it also showed a decrease in prices in

to the report, the pandemic resulted in a serious liquidity crunch for real estate developers. The credit shortage brought down 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.

Many construction companies were seen with reducing profits as we can see in the below chart.

land in some areas. The overall residential demand declined by over 40 percent. People also believe that if they had invested in land in covid it would have become very profitable. The government pumping money in the market , reducing interest rates , increasing number of loan sanctions had helped business men and companies to be stable.

Below is the given chart showing change in the prices of housing lands in India as well as rest of the world during covid. This is given by IMF that is international monetary fund.



In addition to the effects on residential sales, the work-from-home concept also proved detrimental to the growth of office space leasing companies. According to a report by Cushman and Wakefield, the net leasing of office spaces declined to around 35 lakh sq ft in Jan-Mar 2021 from approximately 70 lakh sq ft in the corresponding period of the year 2020. The potential leasing transactions were further delayed and impacted leasing rates.

Already, the net leasing rates dipped by 33 percent till the year 2021, and the average commercial property prices have declined by 7-10 percent. Blackstone Group, one of the largest office space owners of India, had stated last year that the COVID-19 outbreak had delayed project completion timelines, reduced demand and softened rentals.

The demand for flexible workspaces, which had resurged in the last few months, has also taken a hit again. Occupiers' Survey by CBRE reveals that the adoption of technology and renewed business practices has rekindled investors' interest in the commercial real estate space.

The retail segment has been hit badly in the second phase as consumers are wary of visiting malls and shops. According to data, the retail mobility has declined by 55-60 percent across India. However, riding on the positivity lent by the mass vaccination programme, the retail segment has witnessed a sharp recovery at 72 percent of the pre-pandemic levels in July 2021.

So far, the effect of the second wave of the pandemic has not translated into a price movement in the residential market. Like the year 2020, developers continue to withhold prices due to limited profit margins. While liquidity constraints weaken the prices in the long-term.

The second wave of COVID-19 affected the industry a little because after the first lockdown stage in April 2020, people realised the value of home ownership. There was not any drastic drop in real estate prices as a result of the second wave; but, there was some domino effects. Not directly because of COVID-19, but because of the related constraints imposed on the general public's movements and delayed assistance on other support facilities, such as processing papers for home loans, registration of sale deeds, or reaching out to sales and marketing personnel to garner more information about the project.

Not only the real estate sector but the allied industries dependent on the construction sector also inflicted heavy losses during the year 2020. On average, 250 small and medium-sized businesses, such as aluminum panels, steel bars, construction machinery parts, and many others, are directly related to the real estate industry. All of these industries reported losses in 2020 along with an increase in costs, further hampering sales. In the year 2021, developers and manufacturers were more positive since they are better prepared to handle the crisis.

The lockdown has helped India digitalized . This has created awareness among people of the new trends that are going in the market. Real estate in the metaverse addresses parcels, structures, or foundation that consumes a space. To lay it out plainly, the digitized rendition of land properties from the actual world inside the virtual world, with a connection layer is the metaverse land. Metaverse land empowers customers to purchase land in the metaverse. These bundles of land work like pixels yet are considerably more than advanced pictures. Land spaces in the Metaverse are programmable so clients can mess around, associate quiet, sell their NFTs, and go to gatherings and virtual shows alongside endless different exercises progressively. Besides, the rising prevalence of VR is pushing the completion of metaverse projects. Not at all like prior when individuals needed to visit the actual site, the metaverse is open from the solace of a room. The vivid innovation presently permits likely clients to trade their properties regardless of their area in a 3D world. Clients can likewise make their own 3D encounters be it perusing a virtual shop or playing a game progressively. They can likewise purchase land in One of the major upcoming trend is METAVVERSE. In this people buy land in a virtual world with help of crypto currencies. Many big MNC'S like Nike , Adidas have bought land in this place and opened up stores which any person can visit and in the coming years can also buy products from the store and get it delivered at their homes in the real world.

SUGGESTIONS

1. This research can be used as a medium for future predictions for the common people and also for the people who want to invest in land , if something like covid hits again or there is a economic recession.
2. The lockdown has led awareness among people of having their own personal space, so for the investors and construction companies should invest and build more apartments with good facilities which attract customers.
3. The real estate players should begin with decisions that protect the safety and health of all employees, tenants, and other end users of space.
4. With increasing digitalisation , the big companies can digitalise their many operations which will help the customer for example in finding good places , extra services and also it will improve the image of the company.
5. Digitalisation will also help the companies , the need of the people and what will be the change of trends as well as their competitors.
6. The companies getting more digitalisation cab also get FIRST MOVER ADVANTAGE.

CONCLUSION

We can conclude that the real estate and construction sector have been negatively impacted but not as much as other sectors were impacted. India's real estate has been impacted less as compared to the rest of the world. One of the major reasons can be investment by the central as well as state governments in many small , medium and large projects. The rbi had also stressed upon the monetary policy by liquidating and as well as reducing the interest rates. The decrease in the prices of residential land can be seen, which also shows that people can buy land during that time. The price increase in commercial land and increasing prices for leasing and reducing demand of leasing has put a loss to many companies. As most of the work was from work from home the big companies did not lease. The increase investment in metaverse is also seen post covid.

Overall this sector was impacted negatively but not that much due to government and this sector is again regaining control at a faster pace post covid as compared to other sectors.

REFERENCES

1. Aggarwal, S. (2003). *Challenges for Construction Industries in Developing Countries, Proceedings of the 6 th National Conference on Construction, 10-11, New Delhi, CDROM, Technical Session 5, Retrieved From: http://shodh.inflibnet.ac.in/bitstream/123456789/303/3/03_literature%20review.pdf*
2. Ammannaya K.K (2008) "Inclusive Housing and Housing Micro Finance", *Southern Economist, Vol47, September, Pp.5-7.*
3. Ammannaya K.K (2008) "Inclusive Housing and Housing Micro Finance", *Southern Economist, Vol47, September, Pp.5-7.*
4. Naidu, M. G. (2012). *A study of financial performance of reputed public bank in India during 2006 to 2010. Asia Pacific Journal of Marketing & Management Review, 1(3), 82-101.*
5. Mandala, G. N., & Mohanty, A. (2019). *A study on demonetisation and its impact on Indian economy. Journal of Computational and Theoretical Nanoscience, 16(5-6), 2377-2380.*
6. MANDALA, G. N. (2018). *A STUDY ON IMPACT OF INVESTORS' DEMOGRAPHICS TOWARDS PREFERENCES OF MUTUAL-FUNDS IN NORTH COASTAL ANDHRA PRADESH.*
7. Mandala, G. N., & Kakkar, R. (2019). *A Study on Impact of Exchange Rate Factor on Indian Stock Market. Journal of Computational and Theoretical Nanoscience, 16(5-6), 2128-2130.*
8. Mandala, G. N., Buddhi, D., Arumugam, M., Harbola, S., Othman, B., & Almashaqbeh, H. A. (2022, April). *A Critical Review of Applications of Artificial Intelligence (AI) and its Powered Technologies in the Financial Industry. In 2022 2nd International Conference on Advance Computing and Innovative Technologies in Engineering (ICACITE) (pp. 2362-2365). IEEE. Commerce and Management, Volume No-2, Issue No-2, Retrieved From:*

- https://www.abhinavjournal.com/images/Commerce_&Management/Feb13/9.pdf
9. Singh, V. and Komal (2009). *International Research Journal Of Finance and Economics-Prospects and Problems of Real Estate in India*, Abhinav National Monthly Refereed Journal of Research in Commerce and Management, Volume No-2, Issue No-2,
 10. Vimala (2007) "Housing Advances and Commercial Banks; A Review", *Southern Economist*, Vol. 46, May, Pp.65-66.
 11. <http://www.businesstimes.com.sg/industry/COVID-19-Impact-On-Real-Estate-Industry-In-India/27-08-2020-313687/>
 12. https://www.abhinavjournal.com/images/Commerce_&Management/Feb13/9.pdf
 7. <https://www.savills.in/blog/article/184509/india-articles/impact-of-covid-19-on-the-commercial-real-estate-sector.aspx>
 13. <https://housing.com/news/impact-of-coronavirus-on-indian-real-estate/>
 14. <https://www.99acres.com/articles/impact-of-coronavirus-outbreak-on-indian-real-estate.html#hashtag3>
 15. Vimala (2007) "Housing Advances and Commercial Banks; A Review", *Southern Economist*, Vol. 46, May, Pp.65-66. 9.
 16. <http://www.businesstimes.com.sg/industry/COVID-19-Impact-On-Real-Estate-Industry-In-India/27-08-2020-313687/>https://www.abhinavjournal.com/images/Commerce_&Management/Feb13/9.pdf
 17. <https://www.savills.in/blog/article/184509/india-articles/impact-of-covid-19-on-the-commercial-real-estate-sector.aspx>
 18. <https://housing.com/news/impact-of-coronavirus-on-indian-real-estate/>
 19. <https://www.mckinsey.com/industries/private-equity-and-principal-investors/our-insights/commercial-real-estate-must-do-more-than-merely-adapt-to-coronavirus>
 20. <https://www.99acres.com/articles/impact-of-coronavirus-outbreak-on-indian-real-estate.html>
 21. <https://www.99acres.com/articles/impact-of-coronavirus-outbreak-on-indian-real-estate.html>
 22. <https://housing.com/news/impact-of-coronavirus-on-indian-real-estate/>
 23. https://www.researchgate.net/publication/346051366_The_Impact_of_Covid-19_Pandemic_on_the_Real_Estate_Market_Development_Projects
 24. <https://metaverse.properties>
 25. <https://www.99acres.com/articles/impact-of-covid-19-on-real-estate-in-india.html>
 26. <https://www.google.com/amp/s/housing.com/news/impact-of-coronavirus-on-indian-real-estate/amp/>
 27. <https://www.kwggroup.in/blogs/impact-of-COVID-19-on-real-estate-industry-in-india.html>
 28. <https://www.mckinsey.com/industries/private-equity-and-principal-investors/our-insights/commercial-real-estate-must-do-more-than-merely-adapt-to-coronavirus>
 29. <https://reader.elsevier.com/reader/sd/pii/S2666721521000120?token=616AFD016E6A73F6D091E0780CBB7286E76D8AA2983622B79A6DE57C9D1570C7B1D4B44A741CAFD7D7C41F93F08A10FD&originRegion=eu-west-1&originCreation=20220915105308>
 30. <https://metaverse.properties>
 31. <https://www.99acres.com/articles/impact-of-coronavirus-outbreak-on-indian-real-estate.html>
 32. https://www.ilo.org/sector/Resources/publications/WCMS_767303/lang--en/index.htm