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# COVID-19 to have a ripple effect on real estate

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*Novel Coronavirus initially broke out in Wuhan (China). However, it has now gripped the world, and strong tremors are being felt in India as well. The pandemic outbreak has immobilised industries, markets and economies across the globe. While the impact of COVID-19 might be short-lived for other industries, it is completely a different scenario for real estate.*



The outbreak of COVID-19 will have a long-term impact on real estate. As per an estimate provided by real estate body NAREDCO, the sector would incur a loss of almost Rs one lakh crore due to the outbreak and the resultant lockdown.

The sector is eagerly looking forward to getting some relief package from the government to make up for the loss. However, the government is already on its toes to ensure that the deadly virus outbreak does not leave a big dent on the economy.

The real estate sector is likely to face the major brunt of this outbreak. To apprise, the sector has already been under turbulence from the last few years. In such a situation, the sector needs to show immense resilience to overcome the multiplier effects of coronavirus.

The pandemic outbreak has been at a time when the Indian economy was treading on the path to revival. The problems for the real estate sector will further add on to the existing woes regarding the sluggish demand. While it is important to revive all the industries from the aftermath of the pandemic, real estate and infrastructure should be given the utmost importance.

However, ahead of addressing the problem, we need to first take stock of it so that we can prepare a better plan to address the situation. The real estate sector is going to face problems in terms of labour, liquidity crunch and the demand for properties.

## Labour woes to hurt the most

The pandemic outbreak forced thousands of migrant labours to go back to their native places as the activities came to a halt, especially post the nationwide lockdown. While this might not seem a big issue in the absence of construction activities, it is indeed a factor that is likely to hurt the most in the times ahead.

With no clarity on the period of lockdown, the labours are already in a dilemma about their daily wages or monthly salaries. The way real estate labours have expressed their displeasure while they were moving back to their homelands, it can be expected that they are unlikely to return before six months, depending upon the situation.

Unavailability of labours, even after the withdrawal of the lockdown, will not let the developers start their projects. With almost zero construction, it will be very difficult for the sector to make up for the loss.

## Liquidity crunch will hit the sector

The real estate sector has already been reeling under immense liquidity crunch. The situation will even aggravate further. The projects are stalled; the inventories have piled up, and the investments that were expected from the foreign nationals also seem unlikely. Apart from this, loan repayments will also continue to bother the developers until the government announces relief measures for it.

## Demand to remain slow

The investors and buyers will now continue to wait-and-watch before putting in their hard-earned money. It is expected that the buyers will prefer rental housing for some time due to the prevailing uncertainty. Though the demand for rental housing can be fulfilled with the unsold inventories in various projects, lack of demand in the market will persist. The demand in the commercial segment is also expected to slow down as the pandemic has instilled a fear among the people concerning store visiting.

We can expect that the co-working space might pick up, but it will not make up for the huge loss. The real estate sector is eyeing for relief measures and a stimulus package during the crisis situation, which will help ensure transparency and facilitate speedy revival.