

COVID-19 to Have Ripple Effect on Real Estate

The real estate sector is eyeing for relief measures and a stimulus package that will surely help the sector in speedy revival.



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Corona virus, first broke out in Wuhan (China), has now gripped the world and the strong tremors are being felt in India also. The pandemic outbreak has immobilized industries, markets and economies across the globe. The shock to other industries might be short-lived but when it comes to real estate sector the impact is expected to be long-term. As per an estimate of a real estate body NAREDCO, the sector would incur a loss of almost Rs 1 lakh crore due to corona virus and lockdown.

The sector will be eagerly looking forward to get some relief package from the government so as to make up for the loss. However, the government is already on its toes to ensure that the deadly virus outbreak doesn't leave a big dent on the economy.

The real estate sector will face a major brunt as it has already been under turbulence from last few years. It has been really unfortunate that as the real estate sector tries to overcome the challenging situations and stands up against the turbulent times, another challenge hits it even harder. In this situation, the sector needs to show immense resilience to overcome the multiplier effects of corona virus. The pandemic outbreak has been at an adverse time as Indian economy was slowly on the path of revival. The problem for the real estate sector will further add on to its existing woes of sluggish demand. It is important to revive all the industries from the aftermath of the pandemic but the real estate and the infrastructure sector should be given much importance as it has the potential to give better results when compared to other sectors.

However, ahead of addressing the problem we need to first take a stock of it so that we can prepare a better plan to address it. The real estate sector is going to face problems in terms of labor,

liquidity crunch and demand.

Labor Woes to Hurt the Most

This pandemic outbreak forced thousands of migrant labors to flow back to their native places as everything got stalled due to the nationwide lockdown. However, this might not seem to be a big issue as of now because there is no construction going on due to lockdown but in time to come this will be the factor which will hurt the most. With no clarity about lockdown, the labors are already in dilemma about their daily wages or monthly salaries. The way labors expressed their displeasure while they were moving back to their homelands, it can be expected that they won't return before six months as per present situation.

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

Liquidity Crunch

The real estate sector has already been reeling huge liquidity crunch will now have to face it further. The projects are stalled; the unsold inventories are piling up and the market, which was expecting some investments from the foreign nationals will also not come for now. Apart from this, the loan repayments will also continue to bother the developers until the government announces some relief on it.

Demand to Remain Slow

Investors and buyers will now continue to wait and watch before putting in the money. It is expected that the buyers will prefer for the rental housing as of now due to prevailing uncertainty. The demand for rental housing can be fulfilled with the unsold inventories in the various projects but there won't be fresh demand scaling up. The demand in the commercial segment is also expected to slow down as the pandemic has instilled a fear among the people about visiting the stores.

We can expect that co-working space might pick up but it won't make up for the huge loss, which the sector would suffer. However, the real estate sector is eyeing for relief measures and a stimulus package at this crisis situation along with the prevailing measures, which ensure transparency, will surely help the sector in speedy revival. **CT**