Turkish Online Journal of Qualitative Inquiry (TOJQI)
Volume 12, Issue 3, June 2021: 4620 - 4632

Research Article

Sustainable Strategies for Real Estate Sector in the Context of Covid-19

Dr. R. K. Jain[1], Dr. Meenakshi Duggal[2]

Abstract

Thereal estate and construction sectors have a significant influence on the economy; environment and society.This sector is considered as a robust and profitable one in India and has seen strong development over the period 1991 to 2012. Throughout the present decade, the infrastructure sector is experiencing difficulties in the face of significant production shortfalls. In COVID-2019 scenario, the rates of inflation and unemployment have gone up. At the same time, the potential buyers for real estate products have fewer funds to invest in the said products. The industry survey released on 6th May 2020 by Economic Times reported that businesses are grappling with 'tremendous uncertainty' about their future. The Government has issued notifications to commence operations in the real estate sector. Still, problems have many facets like availability of material, labourers & working capital on one side and creating a readymade market to sale the real estate products on the other side. The research paper aims at finding out the sustainable strategies after considering all the constraints and challenges to be faced by the real estate industry because of COVID-19.

Keywords: Sustainable Strategy, Real Estate Sector, Liquid Money, COVID-19.

---

[1]Director, JSPM's Rajarshi Shahu College of Engineering, Pune

Email id: jainrb20@gmail.com

[2]Professor, JSPM's Rajarshi Shahu College of Engineering, Pune

Email id: duggalm2@gmail.com

1.0 Introduction:

The real estate sector is one of the most worldwide acknowledged sectors. This sector encompasses four segments: Residential properties, Commercial Properties, Industrial properties and Land. The expansion of this sector is complemented with rapid urbanization and augmentation of the corporate environment leads to increase in property demand in Tier 1 and Tier 2 cities for office space as well as urban and semi-urban accommodations. There is a clear association between GDP growth rate and real estate production. As per the report of India Brand Equity Foundation (IBEF) the construction industry ranks third among the 14 major sectors in terms of direct, indirect and induced effects in all sectors of the economy. This sector is also termed as second largest employment generator with the contribution around 6.5 to 7% to the Gross Domestic Product (GDP) in the country. The report before the COVID-19 by IBEF projected that by 2040, real estate market to grow to Rs 65,000 crore (US$ 9.30 billion) from Rs 12,000 crore (US$ 1.72 billion) in 2019. 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 13 per cent of the country's GDP by 2025.

The commencement of the financial year 2020-21 is coinciding with the outbreak of pandemic COVID-19 which has infected more than eight hundred thousand people in more than 150 countries and disrupted the political, social, religious, economic and financial structures. As discussed above prior to COVID-19, the base fundamentals of real estate sector were strong but now it is being affected in multiple ways, depending on the geographical region and asset class. Presently, decision-makers are worried with preserving values and liquidity, keeping tenants and visitors safe and complying with government norms. Various subsectors, such as retail, hospitality, developers, owners of towers / data centers, office and industry are trying to understand the impact depending on future work culture, supply chain, investment opportunities and governmental support in terms of policies /incentives. Thousands of staff across the globe have been declared obsolete or put on extended, unpaid leave of absence. Nevertheless, the influence of COVID-19 is too early to speculate; over the next one year, the leaders of the sector will have to resume its planned developments, expansions and investment along the three dimension approach to survive from this crisis: respond, restore and thrive.

2.0 The objective of the study

The study aims to understand the impact of COVID-19 pandemic on the real estate sector by assessing pre and post COVID-19 scenario of the same.The research paper finally suggests the sustainable strategies for the growth of real estate sector after considering all the constraints and challenges faced by the industry because of COVID-19.

3.0 Research Methodology

Initially, specified keywords search in the different reputed databases have been carried and selectedarticles&reports have been finalized based on their correlation with the present study.Then the researcher chose these selected articles/reportsfor systematic analysis to understand pre and post COVID-19 impact on the real estate sector. Along with literature review of various reports and analysis prepared during this period by professional agencies a questionnaire survey was also conducted by the team of experts in urban planning and economics during last week of May 2020. In this survey, 25 professionals/expert from real estate sectors, academicians and economist were requested to answer a questionnaire. The survey form was divided into two parts. Part-I had questions related to impact, and Part-II was included with the questionnaire for suggesting revival strategies of real estate sector. Finally, based on the analysis and opinion of the expert suitable strategies for the sustainable growth of growth of real estate sector has been proposed in this paper.

4.0 Pre COVID Scenario for the Real Estate sector

The Era of Real Estate:

In India, the period from 1991 to 2012, considered historically as an era when real estate sector was robust and most profitable. It attracted good investment and capitulated high returns on the investment with the profit of around 20%. This high rate of returns was getting pushed more money in the property market and ultimately led to the construction of luxury and more extensive housing units with higher prices.

Market Instability:

Post-2012, the industry started experiencing a slowdown because costly units were beyond the reach of typical buyers and resulted in the accumulation of unsold inventory. This decline in the sales of the properties forced developers for a reduction in the price, and finally, cash flow got affected. This shortage of cash flow ultimately hampered the construction of new projects. Ultimately this sector experienced a slowdown. Some attribute this stagnation to the lack of planned policies, while others consider the booming stock market as responsible. This period of negative growth coincides with demonetization, and many projects could not fulfil the expectation of the stakeholders due to a compromise in the quality of the construction and overall delay in the timeline of completion. These developments in the real estate sector created distrust among the customers.

The Revival of the Sector:

Reforms such as the “Real Estate Regulatory Act (RERA)” and the” Goods and Services Tax (GST)” have been implemented by the Government to support the sector's recovery. Initially, these changes have harmed the real estate market, and property prices in India started to decline. However, gradually, these reforms gave the push and revived consumer sentiment. The consumer got assured that their money was getting used for the project in which they invested as RERA gave a unique number to each project and ESCROW account in place. Besides, GST helped in regulating the construction cost and in turn the property price. This is helping to bring back the consumers and investors in the real estate sector. Figure 1.0 reveals various supporting factors to flourish this sector in India from 2017-18 onwards. The "Smart City Project" by the Government is giving a further push to the **Indian real estate market.** The central government has initiated this project with the state governments to facilitate the development of this sector. Over 100 smart cities have been developed around states and counties, serving as a prime platform for real estate firms to recover. These are some of the other main policy programs:

- To reopen some “1,600 unfinished housing schemes in the nation's leading cities, the central government has agreed to set up an Alternative Investment Fund (AIF) of Rs 25,000 crore (US$ 3.58 billion”).
- Blackstone has crossed the $12 billion expenditure mark in India.
- “Puravankara Ltd, a real estate firm, plans to invest approximately Rs 850 crore (US$ 121.6 million) over the next four years on the development of three luxury residential projects in Bengaluru, Chennai and Mumbai”.
- According to “PradhanMantriAwasYojana (Urban) [PMAY(U)], 1.12 crore houses have been approved in urban areas generating 1.20 crore jobs”.
- Government has set up “the Affordable Housing Fund (AHF) in the National Housing Bank (NHB) with an initial corpus of Rs 10,000 crore (USD 1.43 billion) utilizing the shortfall priority funding segment of banks / financial institutions for microfinance of HFCs”.
- As of 16th September 2019, “India officially authorized 419 SEZs, 234 of which were in service”.
- In February 2018, “the establishment of the National Urban Housing Fund was authorized at the cost of Rs 60,000 crore (US$ 9,27 billion)”.
- Establishment of the “National Urban Housing Fund with a contributionof US$ 9.27 billion”.

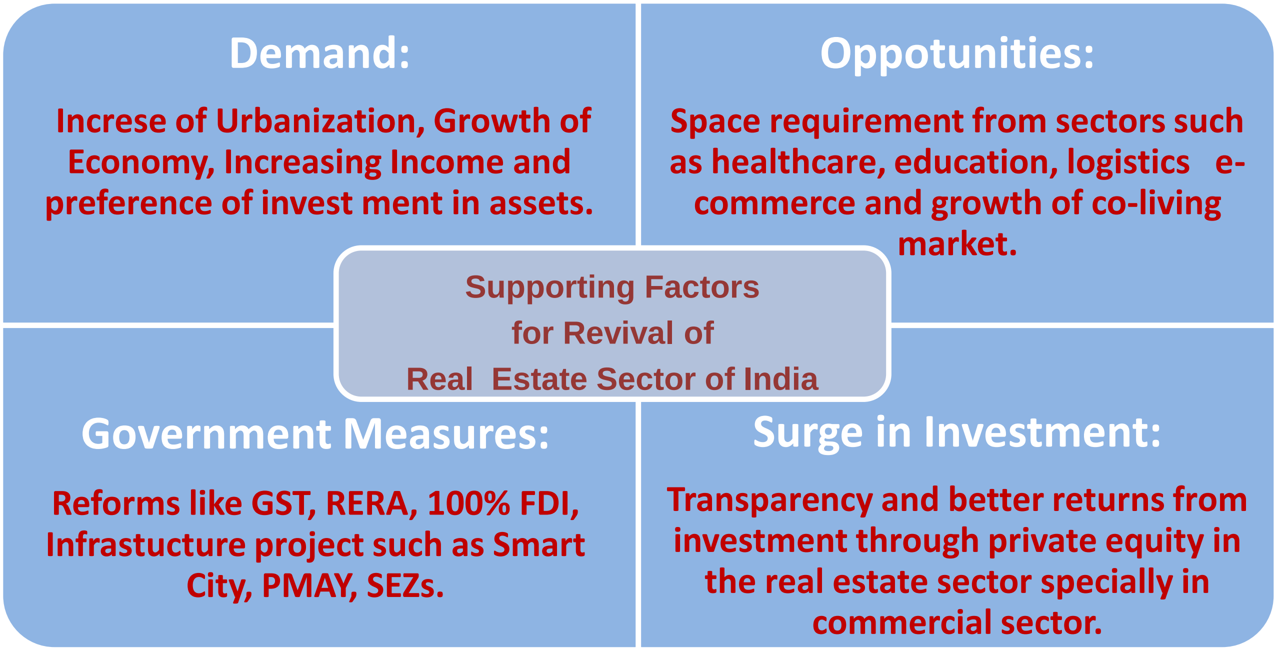

Figure 1.0 Factor Supporting the Revival of the Real Estate Sector

5.0 Pre COVID Market Projections:

The real estate growth and overall economic growth are strongly related to each other. Pre COVID IMF study and the Government's bold vision of a $5-trillion economy, projected that by 2030, India will become the third-largest economy in the world.It was also indicated that India is witnessing a megatrend of entrepreneurship with more than 700 start-ups have been incepted growing by 12-15% on an annual basis, thus demanding more office space. It was expected that growing urbanization, new business models,strong growing ambitions, new office space demand by broad businesses such as e-commerce, accounting, finance, ITES and ITESwill support retail; leisure and commercial real estate to have tremendous scope in terms of supplyingthe standardized infrastructure. Scheme such as PradhanMantriAwasYojana, efforts by the Government to attract FDI and offer to MNCs like Apple, Google to start its manufacturing units in India projected bright future for real estate sector.

6.0Post-COVID Status of Real Estate Sector:

The worldwide coronavirus epidemic is leaving its scars quite visibly on all the sectors of the economy. According to the International Monetary Fund (IMF), in the year 2020, the global economy is going to drop by over 3 per cent. This is the steepest slowdown since the great depression of the 1930s. This pandemic is posing an unprecedented challenge to all sectors within real estate, and its impact has pressed sentiment to its lowest level. To understand the impact of Covid-19 on the real estate sector and to frame sustainable strategies for its revival, a survey was conducted by the team of experts in urban planning and economics during last week of May 2020. In this survey, 25 professionals/expert from real estate sectors, academicians and economist were requested to answer a questionnaire. The survey form was divided into two parts. Part-I had questions related to impact, and Part-II was included with the questionnaire for suggesting revival strategies of real estate sector. Along with this survey, various reports and analysis prepared during this period by professional agencies were also reviewed. Following are the major conclusions drawn from this survey and professional reports.

Financial Impact:

According to KPMG's study called 'COVID 19: response, change and recovery – the new truth,' it is projected that India's property market will be losing up to 1 trillion USD by the end of the present fiscal year (2020-21), owing to the COVID 19 pandemic.

Period of Impact:

This pandemic will dampen real estate activity in the next 6-12 months, and things are likely to look up only after 24-30 months.

Employment Uncertainty:

Uncertainty due lockdowns and social distancing is resulting in economic losses and ultimately impacting the employment. Labour shortage at the project site is evident because of reverse migration of low-income workforce. It is projected that this bleak situation shall continue for the duration of next 6-12 months and low pace of site work progress to worsen delays in completion of under-construction projects and commencement of new projects. Liquidity crunch impacted by slowdown of sale rate, delayed purchase decisions, spending contraction owing to threatening possibilities of curtailment of jobs and payment cuts, bringing further negative credit implication.

Delay in Launch of New Projects:

According to ANAROCK estimates, about 8.4 Mn sf of the mall rooms was projected to be developed in the top seven towns in 2020 however, considering the current scenario, it could crash about 30%-50% overall in 2020 as there could be minimal improvements in the timeframe of the

H1 2020 cycle and the subsequent second half could also remain fairly quiet. In addition, investors and developers can delay the building of a new mall in Tier-II cities.

Declination in Sales and Leasing activity:

Declination, the in the sales, might continue for the next two to three quarters as social distancing and lockdown measure restricted site visits, the commencement of new projects and legal activities. It was also revealed from the survey that present COVID-19 pandemic, also resulting in significant declination of leasing activity as retailers are assessing the situation. Retailers may also plan to relocate themselves from present locations as norms of social distancing restrictions in a few locations do not generate considerable footfalls.

Impact on Demand of Shared Living:

Social distancing limitations, work from home concept, health concerns, and reverse migration significantly affected shared accommodation based businesses. This business of co-living will have long term impact owning to change of mindset due to apprehension of health amongst parents in case of students and working professions. This business will have an implication.

7.0 Revival Strategies for theReal Estate Sector:

While the novel coronavirus, Covid-19, travels exponentially across the world, health systems in several countries become steadily exhausted, as the global economy is collapsing into an unparalleled recession. India's 2020-21 development outlook has been reduced to 1.9% by the International Monetary Fund opposed to its earlier January projection of 5.8%. When salaries fall, migrant employees and leaders of the lower-income classes were especially affected. It is reported that in India, 400 million people face slipping further into poverty the as per International Labor Organisation.

The pandemic has demonstrated a secure connection between economy, environment and health. This study reveals that systematic and dynamic actions are needed to convert an unprecedented recession into a more sustainable and resilient economy. In this dynamic action plan, The “Government of India”, together with the Governments of the respective States, has a major role to play in putting forward new measures to promote growth in this field. Also, individual organizations/sectors have to build resilience for the most vulnerable and plan for continuity of the business.

7.1. Measures to be taken by the Government:

7.1.1. Provision of Healthcare Facility:

According to a study published in the medical journal “The Lancet” India ranks 154th among 195 countries on the health index. Significant challenges include lack of facilities for the rural population, insufficient budget allocation from Government, shortage of trained medical personnel, insufficient medical research, lack of health awareness and expensive health service. The Government of India has taken a variety of steps to address this problem and aims to boost public health investment to 2.5% of the country's GDP by 2025. According to the IBEF report, the health care system has become one of India's largest sectors – both in terms of income and jobs, which can increase by three times to the US $133.44 billion by 2022. Thisboost in the system for public safety shall ultimately provide more opportunities in the reality sector.

7.1.2 Regulatory Policies and Ensuring Liquidity:

Studies conducted by various organizations such as KPMG and conclusions from the survey conducted by us reveals that policy initiative and government funding in terms of incentives, relaxation of External Commercial Borrowings (ECB) requirements, acceptance of the Alternative Investment Fund (AIF), direct financial aid to small and medium-sized businesses, , an extension of the moratorium duration on fixed-term loans and working capital, soft credit for defaulters and subsidizing deferrals of regulatory payments, an extension of the RERA deadlines, extension of Non Banking Financial Company (NBFC) loans beyond one year, etc. are supposed to encourage confidence throughout the industry.

Legislative measures to protect the rights of creditors, regulatory changes to catalyze demand, opportunities to boost investor trust and formalized frameworks for opening up companies would all play a supportive role in driving the recovery of the real estate industry.

7.1.3 Reformsfor Foreign Direct Investment (FDI):

After 2017, FDI in building finance ventures has been slowing down. It is also predicted that due to the uncertainties of COVID-19 there will be more decreases in FDI inflows into the sector in the current year. India's real estate industry has to show tremendous flexibility to solve this crisis. Further reforms such as RERA, IBC and post-COVID-19 initiatives such as Ease of Doing Business (EoDB), continuity in state policies, a dream of developing improved infrastructure such as self-contained industrial parks and industrial corridors by offering GOI financing are likely to produce promising outcomes in the future. Foreign investors will again see Indian real estate as their chosen destination. Quick monitoring of land acquisition procedures, procurement systems, licenses and clearances, labour reforms, etc. to encourage international investment, considering India, would also emerge as an alternate manufacturing centre, creating stimulated demand for industrial and allied asset groups.

7.1.4 Building Infrastructure for Sustainable Development:

Investments for sustainable development by creating suitable infrastructural facilities are required to augment economic growth and employment generation. During the great recession in 2008-09 United States invested in clean energy and public transport that created more employment also. Similarly, South Korea dedicated 70% of total investment towards green development and recovered faster than other economies in the world. We should invest in supporting alternative energy generation, public transport, drinking water, sanitation, scaling up the electrification. Supply chain management including providing warehouses, cold storage facilities will ensure the preservation and efficient supply of agricultural produce, and ultimately farmers will get a better price for their produce.

7.2. Measures to be taken by Business Sector:

7.2.1Resilient, Consistent and Efficient System:

The change in the work culture such as flexible working or work from home due this pandemic is resulting in a shift into the consumption of electricity, usage of transport services and temporary reduction of non-essential purchases. Such developments present an incentive to incorporate demand-side approaches that render long-term behavioural improvements more manageable. The essential services will, therefore, be given to facilitate the continuity of these latest trends. For example, to draw consumers of public transit by growing access to business areas, upgrading and reorganizing the network and reducing the usage of cars by initiatives such as road congestion charging, paying street parking and higher taxes on luxury automobiles.

Real estate sector has to be vigilant and better prepared in adapting policies to improve risk management abilities. More than 95% of workers of this sector are susceptible to such type of fiscal shock and needs better social safety nets such as insurance and pension schemes. Post lockdown resumption of the business should be as per defined guidelines in terms of Standard Operating Procedures (SOPs) and practices framed by the Government. They're scrupulous follow up by all the stakeholders of the sector. Better preparedness by learning lessons from this pandemic and taking the suitable measure in the planning for continuity of business and preventive measure against disruption and subsequent steps for revival from situations that potentially threat productivity and endanger the services of any business.

7.2.2 Technology-Enabled Business:

Real estate firms generally depend extensively on personal interactions, face-to-face discussions and direct sales. Investment in technological enhancements, the integration of Artificial Intelligence (AI), Virtual Reality (VR) and electronic purchases will not only help the business withstand such a crisis but also have rich dividends in the long run. With 451 million active internet users per month, India is now second to China in terms of Internet usage, as per the Indian Internet and Network Association (IMAI). Nonetheless, with a penetration rate of only 36% relative to 61.20% for China, the payoff opportunity is immense. It is also crucial to improve online participation as the interactive mode of operation, like commodity presentation, conversation, compare, and purchases are comparatively less influenced by such a pandemic and other crisis-like circumstances that dissuade customers from entering business centres physically.

7.2.3 Optimization of Resources:

Prevailing situation of COVID-19 could result in novel approaches or synchronized job changes and timings. Most businesses may every their reliance on the usage of office premises and services, based on their type of operation. This can result in a limited space project that saves rent and repair costs. This will be an eye-opening for others to rethink their strategies and build case studies for room optimization. This will be an effective measure to rationalize costs, particularly in periods of turbulence.

7.2.4 Focus on Liquidity and Cash Flow Management:

When these incidents arise as a modern trend, there is a significant need for companies to concentrate on efficiency and cash flow control in unpredictable times. Amid such uncertain situations, firms need to consider prudent trade-offs between pushing the top line and managing cash flows at the same time. If unpredictable circumstances need corporate flexibility, cash is the savior, and only companies with adequate cash flow control can ride the wave. Throughout the new pandemic scenario of COVID-19, policymakers and central banks across the world are introducing ambitious initiatives and investment programs to ensure that the economy continues to click throughout this tough time.

8.0Conclusion

The following are the conclusions of this study:

- Pre COVID-19 period Indian real estate sector was getting stronger with multiple reforms and changes brought in by demonetization, RERA, GST, IBC and other schemes implemented by the Government. Initially the sector was facing difficulty in adopting these changes and reforms, but ultimately these measures brought the sector on the growth trajectory by inculcated transparency and accountability. These measures were helping to bring back the consumers and investors in the real estate sector and was likely to emerge stronger than before, but the current circumstances has surely put brakes on its momentum of growth.
- The reports published by agencies such as Dun & Bradstreet, World Bank, KPMG, ANAROCK etc and the survey carried out as part of this research confirmed that COVID-19 is having a "high to very high" level impact on the real estate sector. It is also indicated from such studies that approved expansion plans may get postpone for a period of up to 10 or 12 months and in few cases it is expected to take more than 12 months.
- One of the quandaries is that the property market in India has a large variety of knowledge inconsistencies and businesses have all the data but there is no way to verify their accuracy.Today, Indian real estate conglomerates are being advised to concentrate on consumer services. The sector is no more under the influence of the promoter, throwing the buyer's expectation on the offstage, and conducting it on its own daunting willpower.
- This study reveals that systematic, timely and dynamic actions are required to be taken to overcome from this extraordinary slump in the reality market. This dynamic action plan has two players: one side government and their agencies have to prepare supportive legal and financial framework other major role shall be played by various individual organizations/sectors by building resilience and sustainable environment for continuity of the business.
- Indian real estate pacts are planned to be a cost-effective outlet for international entrepreneurs in the region. If properly established, the Indian real estate market that, through its internal and external partnerships, project the growth of a number of other sectors in India.

References

1. Katole, D. H. J. (2016). A Study of Contract Labour at A Real Estate and Construction Company. *International Journal of Management (IJM)*, *7*(3), 128-135.
2. Addae-Dapaah, K., Hiang, L. K., & Sharon, N. Y. S. (2009). Sustainability of sustainable real property development. *Journal of Sustainable Real Estate*, *1*(1), 203-225.
3. Ahmed, A., McGough, D., & Mateo-Garcia, M. (2017). Testing innovative technologies for retrofitting: Coventry University as a living lab. *Entrepreneurship and Sustainability Issues*, *4*(3), 257-270.
4. Ao, Y. B. Wu, Y. X., Zhu, H. Y., & Yang, D. J. (2008, September). Sustainable development-based evaluation model for investment efficiency of the residential district. In *2008 International Conference on Management Science and Engineering 15th Annual Conference Proceedings* (pp. 1698-1705). IEEE.
5. Boyd, T. (2006). Evaluating the impact of sustainability on investment property performance. *Pacific Rim property research journal*, *12*(3), 254-271.
6. Bell, E., Bryman, A., & Harley, B. (2018). *Business research methods*. Oxford University Press.
7. "Covid-19: Impact on the Indian Real Estate Sector", Report by ANAROCK Property Consultants Pvt. Ltd. in April 2020.
8. "Covid-19: React, adapt and recover- The new reality" a report published by KPMG International, May 2020.
9. Daher, E., Kubicki, S., &Guerriero, A. (2017). Data-driven development in the smart city: Generative Design for refugee camps in Luxembourg. *Entrepreneurship and Sustainability Issues*, *4*(3), 364-379.
10. Dent, P., Patrick, M., & Ye, X. (2012). *Real estate: property markets and sustainable behaviour*. Routledge.
11. Dezellus, E., Ferreira, L., Pereira, N., &Vasiliūnaitė, R. (2015). Entrepreneurship conditions: energy resources' Prices and energy consumption peculiarities in developed countries. *The International Journal ENTREPRENEURSHIP AND SUSTAINABILITY ISSUES*, 163-170.
12. Edwards, B. W., & Naboni, E. (2013). *Green buildings pay Design, productivity and ecology*. Routledge.

13. Ekman, P., & Röndell, J. (2016, September). Smart indicators for real estate management: Dealing with institutional logics when developing and implementing indicators for real estate sustainability. In *2016 IEEE International Smart Cities Conference (ISC2)* (pp. 1-4). IEEE.
14. Ellis, C. R.; 2009. Who pays for green? The economics of sustainable buildings. EMEA Research. doi: 10.1108/pm-03-2014-0015
15. Ellison, L.; Sayce, S. 2007. Assessing sustainability in the existing commercial property stock: Establishing sustainability criteria relevant for the commercial property investment sector, Property Management 25(3): 287-304. dx.doi.org/10.1108/02637470710753648.
16. Report on "Indian Real Estate Industry" by India Brand Equity Foundation (IBEF), September, 2020.
17. Piyush Sharma and Sakshi Gupta, The Riseand Fallof Indian Real Estate Sector: Impact of Real Estate Bill on Buyers and Realty Market, Journal of Civil Engineering and Construction Review, Vol. (29), Dec 2020.