IMPACT OF COVID-19 ON REAL ESTATE (MUMBAI): A REVIEW

Rakesh Kumar Beniwal
MBA
Symbiosis Institute of Management Studies, Symbiosis International University, Pune.

Abstract:
The global economy seems to be in one of the biggest downturns in last years. For about three months, the real estate industry is much more valuable. The resumption of work was made more difficult due to the surprising return of the workers to the laborers from underground. Developers found it difficult to find an adequate amount of job-producing work since the labour market was seriously hampered. People are burdened by the great pestilence that's threatening the nation. As a result, home values dropped, and the supply of new housing decreased, the state's revenues declined significantly. The market appears to be heating up as well, with people taking advantage of lowered demand and improved negotiating power in the short-power supply market. Work has already begun on the locations, albeit at a slower rate. This paper explores the impact analysis of the Covid -19 on the real estate and special attention toward the Mumbai.

Keyword: Covid -19, Real Estate, Global Economy, Mumbai

1. Introduction:
The World Health Organisation (WHO) said it is on target to announce a global public health emergency and a pandemic on or shortly after on the 11th of March, 2019, and companies around the globe are bracing for a harsh impact. Because of the outbreak of the epidemic, trade and import and foreign exchange prices across the world have been deeply confused. Based on early data, the number of casualties of the COVID-19 epidemic tends to be immense. National GDP [the Gross Domestic Product] is approaching the troughs and the globe appears to be in the middle of the most destructive economic crisis it has seen in history. the three-month low during the almost as well, thus the real estate sector also reached a new peak during the three-month-long national lockup Though constructing activity came to a standstill, the workforce began moving backwards as immigrants returned to their home countries, delaying construction resumption. Since the labour market was so depressed, developers were given constraints, and customers also reduced their willingness to purchase a property, developers no longer have an opportunity to search out contractors to grow their business. In addition to containing the H1N1, house values and new land launches took a huge hit during the pandemic. The demand for real estate has increased during the six months after this matter went public. People are using some of their negotiating leverage, and the market has reacted positively to that suggests they believe the benefit would outweigh the cost. Forthcoming developments were recorded with regards to having begun with respect to construction sites, albeit at a somewhat slower pace.

1.1 Impact of COVID-19 on commercial and retail real estate
According to Cushman & Wakefield, the Indian commercial real estate sector is fair in relation to the city's overall financial health and provides plenty of opportunities. The influence on the pandemic has reached global commercial markets is similarly visible in the farm animal agriculture, for the new phenomenon has recently extended to animal farms. If only the short-term consequences are taken into consideration, so the
lease and co-operating of businesses would be heavily damaged. On the other hand, the commercial real estate market will emerge from the recession with the first bounce, but it will take time. All we fail to learn in the latter half of 2020, can be gained in the latter half of 2020. Based on reports from the company's primary sector provider of commercial space in India, COVID-19, the occurrence of this disease has delayed projects, the market is glutted, which implies projects are in short supply, and thus affecting demand, and thus the prices, and rental prices are down, to some degree. FDs will be the preferred by the larger majority of retail investors due to this growth in the second quarter of 2020 according to LiasesForas, there would expect a decrease in commercial property prices of 10-30% by the end of the year, but they predict a drop in the land price of 30% Among the Federation of Indian Chambers and Other Chambers. This represents high to very high levels of effects for 71% of respondents, according to a survey conducted jointly by the Federation of Indian and Dhruva Advisers, Twenty-two percent of the respondents stated that their firms experience very strong effects. of the studies find that around 60% of respondents have delayed their expectations for business development for the next 12 months to the research found that about 60% of the individuals prepare 6-12 months ahead as in the other markets, the month-long national lockdown has had its consequences for the retail sector as well. There are reasons to believe that the commercial sector seems to be recovering, but the retail market continues to suffer a little more.

I. Literature Review:

Tanrıvermis et al. (2020), share their thoughts on the potential effects of the COVID-19 epidemic on the real estate industry, as well as any improvements that could be made. Via quantifying the implications and risks associated with the implementation of the COVID-19 outbreak, development and administrative problems were discussed in this study. the costs and losses caused by pandemics have been identified as an unexpected phenomenon that decreases project development in the property market, property prices, property values, and investment projections for the entire sector.

Milcheva et al. (2020), During Covid-19, researchers looked at volatility and the cross-section of real estate equity returns. The presence of a low-risk impact for real estate firms and their networks before and after the Covid-19 epidemic is investigated in this article. This research adds to the body of knowledge in a number of respects. It is one of the first studies to look at the low-risk impact for real estate companies. The development of a Covid-19 Risk Factor to measure the vulnerability of particular companies to Covid-19 threats is another contribution. The risk factor is unrelated to other equity market variables and is due to frequent fluctuations in reported global Covid-19 events.

D'Lima et al. (2020), Published an article on COVID-19 effect on Housing Market Effects. The implications of COVID-19 and subsequent closure and reopening instructions on residential real estate markets are discussed in this article. They use micro-level data from a vast number of multiple listing sites to find mild aggregate price effects across closure and re-opening times. They also show that revenue dropped significantly during the closure and reopening times. Their estimates suggest that preventing a COVID-19-related death is worth at least $1.15 million in terms of statistics.

Singh et al. (2020), Introduced the COVID-19 outbreak's contagion effect: Another formula for failure for India's economy. This article puts CO19 in a larger context by using a few basic statistics and economic terms to help the reader see how much growth there is going on in India. Instead of focusing on static statistics, they are employed in studies of macroeconomics, travel and tourism, transportation, commerce, labour capital, the economy, and human resources, and exchange analysis. Results have shown that in part reveal that if the government struggles to adopt a suitable policy, India may now face a health problem and a very difficult economy in the future.

Bartik et al. (2020), The effect of COVID-19 on small business results and preferences was investigated. Between March 28 and April 4, 2020, they performed a survey of over 5,800 small businesses. There were a few recurring patterns. First, cutbacks and closures also occurred almost immediately since the crisis. The rate of closure was approximately inverse to the length of the crisis. Furthermore, businesses took things into
account while making their various COVID plans. More than half of all American workers are employed by small businesses. This study points to the financial insecurity of many micro-businesses, and the breadth of the economic downturn. They discovered that 43 percent of companies were briefly closing and that jobs has dropped by 40 percent in the study, which is biased against the retail market.

Chaudhary et al. (2020), Introduced COVID-19's Economic Impact in India the effect on affected sectors such as aviation, travel, retail, capital markets, MSMEs, and oil is the subject of this report. International and internal mobility are limited, and revenues from travel and tourism, which account for 9.2% of GDP, would have a significant impact on GDP expansion. Revenues from aviation would drop by USD 1.56 billion. In March, oil fell to an 18-year low of $22 a barrel, and Foreign Portfolio Investors (FPIs) withdrew massive sums from India, totalling USD 571.4 million. Lower oil prices will help to reduce the current account deficit, but reverse capital movements will widen it. The rupee is steadily losing value. MSMEs would face a serious cash shortage.

Gujral et al. (2020), Commercial real estate could do more than react to coronavirus, according to an article he published. Most buyers and operators are reconsidering all capital decisions in the post-coronavirus environment. Due to the extreme uncertainties around the period of cash-flow depression and exit capitalization rates, underwriting acquisitions and discretionary capital spending with trust is extremely difficult. Even private sector participants who are not in immediate financial trouble intend to retain investments through the downturnsorne see the present situation as a valuation problem rather than a value issue. Despite this, market sentiment is influenced by record-high dry powder levels.

Liu et al. (2020), The Impact of the COVID-19 Pandemic on Density Demand was researched. They use extremely localized data on the US housing sector to investigate the effect of the COVID-19 pandemic on demand for cities and communities. They prove that the pandemic reduces housing demand disproportionately in towns and suburbs with higher population densities. They also show that the decreasing need for density is motivated in part by a reduced desire to live near workers that are telework-compatible, owing to the pandemic's increased prevalence of telework.

Chetty et al. (2020), First introduced Using private sector data, a new platform is being developed to track the effects of COVID-19 on people, businesses, and communities. They also created a publicly accessible forum in this paper that harnesses the same data with the aim of assisting politicians, both pro and non-pro policymakers. They hope that this real-time economic tracker can help them grasp the condition of the economy and facilitate the country's recovery in these turbulent and unpredictable times. They intend to build on and improve this tracker while more businesses submit data and update on the findings.

Chauhan et al. (2021), Share their thoughts on the effect of the coronavirus on the Indian real estate market the novel Coronavirus has had an unparalleled influence on Indian real estate. It halted building operations and dramatically eroded the demand of its prospective buyer-base in the first three months of its outbreak.

Ling et al. (2020), This is the first study to investigate how the COVID-19 shock spread from asset to financial markets. They found that a one-standard-deviation rise in Geo-COVID on day t-1 is correlated with a 0.24 to 0.93 percentage point decrease in irregular returns across 1- to 3-day windows, using a novel calculation of CRE portfolio sensitivity to the increase in the number of COVID-19 cases (Geo-COVID). There is a lot of difference between property groups. Geo-detrimental COVID's return effect was mitigated by local and state policy initiatives. However, there is no indication that re-openings have an effect on CRE business results.

Tanrıvermiş (2020), Through evaluating and analysing administrative and media data, the potential consequences and impacts of the COVID-19 epidemic on real estate production and management processes were investigated in this report. Global crises and their impact on project activity, costs, and business development have been labelled a “unforeseeable,” Precautionary travel bans and restrictions have decreased tourism, while real estate transactions, such as retail, office, and particularly hotel, has suffered.
strategic, practical, social, communication, process, and living standards improvements entail a revision of our policy, programmes, projects, and communication plans is ongoing. The Turkish government just wants to revive the real estate industry by selling new and industrial land, but their long-term changes aren't adequate. One factor that hasn't been researched is how long the impact would continue, and how much financial burden it would bring on March 2020, when the first case is recorded.

Adams-Prassl et al. (2020), They present real-time sample data from the United Kingdom, the United States, and Germany, demonstrating that the immediate labour market impacts of Covid-19 vary greatly across nations. Employees in Germany, which has a well-established short-time job system, are significantly less vulnerable to the crisis. The effects are deeply disproportionate inside countries and worsen current disparities. Workers with alternative employment plans that can only perform a limited portion of their work from home are more likely to have lost their jobs and seen their wages reduced. The recession has a greater impact on women and jobs with fewer education.

Del Giudice et al. (2020), The COVID-19 (also known as "SARS-CoV-2") pandemic has resulted in a significant decline in demand, as well as a drop in rates and a drop in workers' per capita wages. A rise in unemployment would be applied to this, thus depressing demand. In the short to medium term, the real estate industry, including other profitable and industrial markets, may not appear to change independently of the aforementioned economic factors. The consequences of pandemics and other health problems have been almost neglected in the literature. Many important results are discovered, but the impacts of terrorism attacks and natural hazards on property prices are still studied. The numbers are compared to the way they were previous to the Campania's real estate and economic indexes before the crisis (focusing on unemployment, personal and household income, real estate judicial execution, real estate dynamics). CO19 to mid-term effect of a real estate concept is completed the Lotka–Vol model (also known as "prey–predator") was used to predict short-term changes in the mid-term judicially forecast forecasts a 4.16% fall in house prices and a 7.49% decrease in the middle term

Uchehara et al. (2020), shows that the deadly threat that the global pandemic of Covid-19 presents to the whole real estate industry the rapid and widespread effects of Cov-19 Nothing is moving as a consequence of the stay-at-home plan. Both lenders, and real estate brokers are taking challenges and prospects into consideration. Developers also found that stay-at-home programmes have a detrimental impact on the climate and property chain. A global depression has erupted due to the inevitable return of the pandemic, in the long-term, rental and mortgage payments would be affected as well the goal of the research is to look for any effects of CO19 in the housing, as well as their prevention. This research utilises a qualitative approach. Most of the information was gained by analysing secondary sources. The index's findings and recent recession details were used to forecast a large effect on the economy. as a consequence, two procedures are used: first, the V, U, W, and L supply-chain trends are mapped for the future. Furthermore, use of a pandemic risk prevention system can facilitate product protection. The findings reflect an emerging contract clause change trend that could be seen as a market response. The value of this analysis provides a long-term response to any possible pandemic into the developing world.

Milcheva(2020), This paper explores risk-return in a global cross-section of stock markets utilising the novel coronavirus element. To establish a single-stock pandemic, he describes the COVID danger. There are also some low-risk puzzles studied in the study. On average, firm CO19 pandemic risk increases from zero to 0.6 in the years previous to the epidemic, differing across sectors and countries. F and C R* findings reinforce the view that market danger and CO19 threats have low effect on risk returns. These findings indicate that investors believe that CO19 shocks are worsened by financial factors, also seen in previous studies.
Rahayu et al. (2021), findings were examined during the Covid-19 pandemic (empirical study of real estate companies listed on the Indonesian stock exchange). This is a qualitative analysis where only, and comparative financial statements are used. For 2019, and second quarter reporting on the Indonesia Stock Exchange, this study's dataset represents 46 real estate companies. However, according to the results, PSAK 72 has a negative influence on all three of the different ratios, namely liquidity, profitability, and service. Given the reality that PSAK 72 has a significant effect, organisations have prepared for compliance, reviews, and management training prior to this action being enforced. Thanks to the ideas that were already applied with the Covid-19, which had a negative impact on income in the corporate field, PSAK 72 was not fully implemented in the real sector.

Hoesli&Malle(2021), The impact of the Covid-19 pandemic on commercial real estate values is examined in this paper. They begin by pointing out several caveats to keep in mind when using direct real estate indices. Then look at how commercial real estate values changed after the pandemic, focusing on variations between property types. They use data from both direct and classified real estate for this reason. They go on and talk about how the key variables that influence commercial real estate prices have changed. The essay then moves on to a discussion of the probable future course of commercial real estate markets. They say that Covid-19 has had the greatest impact on retail and hospitality properties, as well as a lesser degree, office buildings. Other sectors, especially residential and industrial, have proven to be more resilient. They believe that the potential direction of real estate values will differ by market, and that asset class and position will become increasingly critical in determining their value.

Choudhury (2020), according to this article, all domestic migrant laborers in India were seen returning home to their initial villages or small towns. Since these workers make up the majority of the human resources in the real estate and hotel sectors, this paper examines how the arrival of refugees brought these industries to a halt. Aside from that, the paper emphasizes the overall effect of Covid19 on all sectors and the potential turnaround steps that can be implemented.

Ngoc et al. (), In the post-Covid19 period, this study aims to present opportunities and challenges for Vietnamese real estate brokerage firms. The study has chosen a variety of real estate-related articles from which to gather data in order to assess, forecast, and include relevant reasons for the study. According to the findings, real estate brokerage firms were still able to grab several opportunities to return to normal in the post-Covid century. In particular, the aspect of transforming market mentality is the most important consideration for businesses; a new sales approach would be especially important for businesses today, as the global crisis continues to exacerbate things. This is also the time for real estate agents to fine-tune their employees and develop better practices and strategies for the coming year, as well as companies to approve their goods. a sector Any real estate brokerage company that holds firm and seizes chances to get its business out of this recession is a winner. In addition to the prospects, Vietnamese companies face several difficulties in the post-Covid-19 era. Since the Covid-19 pandemic is still ongoing, the most concerning aspect of the company is its finances and staff, especially the behaviour of customers purchasing land after Covid-19, who prefer safer and more risk-averse goods. This research also provided a range of solutions that brokerage businesses might turn to and offer themselves market directions in this timeframe, based on perspectives on opportunities and challenges.

II. Impact on Real Estate Industry in India:
The COVID 19 pandemic brought the planet to a halt in the year 2020, unsettled different verticals of the world. Businesses have been hit hard, stocks have reached new lows, and COVID-19 has shaken the real estate industry, which has been on a development path over the past few years. Since March 21, 2020, almost 1.3 billion residents have been quarantined, halting the largest business leading to the national economy. According to the ANANROCK H1 2020 PAN India Residential Market survey, the most
impacted quarter was Q2 2020, with the lowest number of launches since 2013. This year, fresh launch availability fell by 97 percent compared to Q1 2020 and 98 percent compared to the same quarter last year.

In terms of launch, selling, and acquisition, both residential and commercial real estate are affected. Due to a shortage of materials and labour, the whole method has been sluggish and erratic. Despite the fact that developers and builders have braced themselves for setbacks, the real estate sector's turnaround has been moved farther out! The recovery of the real estate market is mostly dependent on the labour force. And the labour climate does not seem to be promising.

The consequences of this pandemic can be divided into three categories: labour situations, global business conditions, and the path to recovery ahead. As soon as the lockdown was declared, workers and lower-income households began to experience financial difficulties. People earning regular salaries were still confronted with their greatest fear and struggled to make ends meet here. The majority of the population returned to their hometowns, leaving those who remained without jobs.

When it comes to labour conditions, we might conclude that they are caught in a catch-22 a vicious cycle in which the symbiotic partnership is broken by the absence of one of the two. In this situation, laborers are unemployed since building materials are in short supply, and even though ample raw materials are affordable, many contractors have put their projects on hold. Residential units scheduled to be completed in 2020, according to specialist property consultancy ANAROCK 4.7 lakh, may face delays when migrant workers return home and supply chains for raw materials are disrupted. Under these days of recession, businesses have taken it upon themselves to make it easier for workers to survive. Construction site laborers, site managers, and other human capital were given simple hygiene kits, dry rations, a place to reside, and financial support. While the national lockdown implemented in March 2020 has a significant effect on new launch operation in Q2 2020, the labour crisis did not affect project work because a large portion of staff choose to remain and work. As a result, there will be no unexpected delivery delays.

3.1 Impact on Real Estate Industry in Mumbai:

The Covid-19 pandemic has wreaked havoc on all aspects of the economy, including the housing industry. Landlords, including real estate owners, are bearing the brunt of the consequences. On August 26, 2020, the Maharashtra government gave developers a helping hand by lowering stamp duty. However, for apartment owners in Mumbai, things have only become worse as rental prices continue to fall. Sanjay Kumar, the Additional Chief Secretary (Housing Department), released a circular in April asking landlords not to evict tenants who do not pay their rent during the current era.

Thanks to the lockdown, financial flows have been disrupted in markets and factories, affecting people's income and jobs, according to the official. After that, demand for rentals in India's commercial capital was devastated by a mixture of work from home, employment reduction, and a sluggish economy. In contrast to last year, the number of registrations between January and October 2020 is down 34%. Money Control conducted a thorough investigation of the city's brokers in order to get a complete image of the situation. And things became apparent after many interactions during the past few weeks. According to a Money Control survey, by the first week of November, rents cited by landlords in Mumbai were down 25% from pre-Covid-19 peaks.

Quotes for luxury assets have fallen somewhere between 30 and 40%. According to data from real-estate aggregator Zapkey, the prices of completed rental transactions at Lodha's The Park project have dropped from over INR 220,000 in December 2019 to INR 140,000 in October and November 2020. The rates are for apartments with a 1,526 square foot index area. According to a detailed analysis, certain areas are more affected than others. According to Money Control, the eastern suburbs of Powai and Chandivali are the hardest hit.

This is an overdue correction in areas like Bandra, where landlords have a history of taking tenants for granted. To be honest, the care of tenants by landlords is a Mumbai-wide issue, not just a Bandra issue. According to a No-Broker survey conducted last year, Mumbai tenants vacated their apartments more often than tenants in other metro cities owing to an "uncooperative landlord." This trend pushed 13% of tenants
out of Mumbai, compared to 4% in Hyderabad, 7% in Bangalore, 8% in Pune, and 11% in Chennai. It's difficult to say how far further it will go from here, but before March 2021, it's safe to assume that things can just get worse. Most major corporations have declared that they would enable employees to work from home for at least that time frame. The fear is only going to grow with each passing month of vacancies.

III. Conclusion:

During Covid-19 period, the market value of real estate has become higher. Because the job market was hindered, developers were unable to meet the demand. This disease is oppressive, since thousands are likely to fall victim to it. Home prices plummeted in value, while housing stock fell, as a consequence of which state revenues diminished. Production is increasing due to a drop in demand and rising bargaining power in the short-supply sector the position scouting has already started, albeit at a slower rate. In Mumbai, however, rents have fallen but have not improved. Prices for expensive properties have plummeted anywhere about 30-40 percent. Mumbai tenants vacate their apartments more frequently than other metropolitanism. This paper explored the impact on the real estate in Mumbai during covid-19 and their consequences on underlying factors of real estate.

References:


