



Indian Real Estate Shows Resilience in the face of **COVID-19**

A White Paper by 360 Realtors

“ Foreword

The world is grappling with the outbreak of COVID-19, a deadly virus that has resulted so far in over 14,000 casualties (as per the data revealed by John Hopkins University). Originating in the Wuhan district of China, the menace has crossed over the Chinese borders & has spread around the world like wildfire.

It has adversely impacted Europe as well, with major economies such as Spain & Italy forced into a countrywide lockdown. The adverse impact of COVID is visible in other parts of the world as well with total affected cases reaching 335,000 (at the time the report was compiled).

In India as well more than 650 Plus COVID cases have been registered. If not put under control, the crisis will surely widen. The rapid spread of this virus has also crippled the world economy. As Chinese manufacturing is badly hit, the global supply chain has been disrupted.

The negative impacts are reverberating around the globe & hinting towards a possible slow-down. Tourism, aviation, entertainment, food & retail are some of the worst-hit sectors worldwide as revenues have plummeted drastically in the past few weeks. Amidst such a mounting crisis, it is unlikely that India, which is already suffering from economic slowdown & liquidity crunch, will remain unscathed.

The downtrends are also visible in the housing markets, marked by a slowdown in site visits, transaction volumes & new launches.



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However, the industry continues to fight against the odds. Most of the Realty companies have given Work from Home (WFH), yet continue to give their best possible productivity. At 360 Realtors & in its sister companies as well, we are following the policy of WFH & adhering to the best possible hygiene measures.

We are also bringing a lot of sales & operational processes online to maximize social distancing & play our part in containing the further spread of the disease. Earlier as well, the sector has shown resilience & successfully absorbed many shockwaves such as RERA, Demonetization, GST implementation, NBFC crisis, etc.

This time as well we are hopeful that with combined efforts, the sector will be able to contain the risk from escalating into a larger extent & emerge stronger.

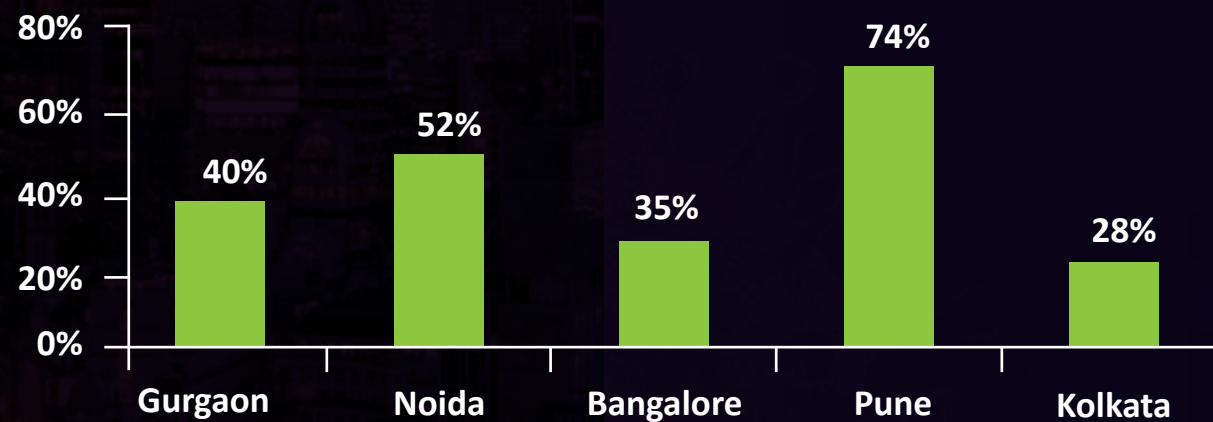
Impact of COVID-19 on Indian Real Estate

It might take some time to evaluate the long-term loss in the industry, triggered from the outbreak of COVID-19; initial research has shown a considerable dip in the site visits & transactions alongside drying of new launches. This is even though the given time is one of the most opportune for home buying as we have many festivals such as Navratri, Gudi Padwa & Baisakhi, etc.

As of March, new launches have either been suspended or have been delayed due to the perennial Coronavirus. Developers are taking a backseat & are back to the drawing board to relook into their sales strategy. There were numerous events planned but have been cancelled. This time of the year usually sees a lot of festive offers & freebies from the developers; however, not this time!

Site inspections & visits have naturally suppressed, thereby affecting the sales momentum as well. Many buyers are in a wait & watch mode & want to wait till the crisis abates. Although this does not mean that serious buyers have completely fled away. Most of the people are working from home & are getting ample time to discuss & research more about properties. Enquiries over the phone & online meetings are happening, although physical meetings are being avoided. Marketing campaigns are still being run, however, the budgets have been suppressed.

Monthly Reduction in Site Visits (till 3rd week of March)



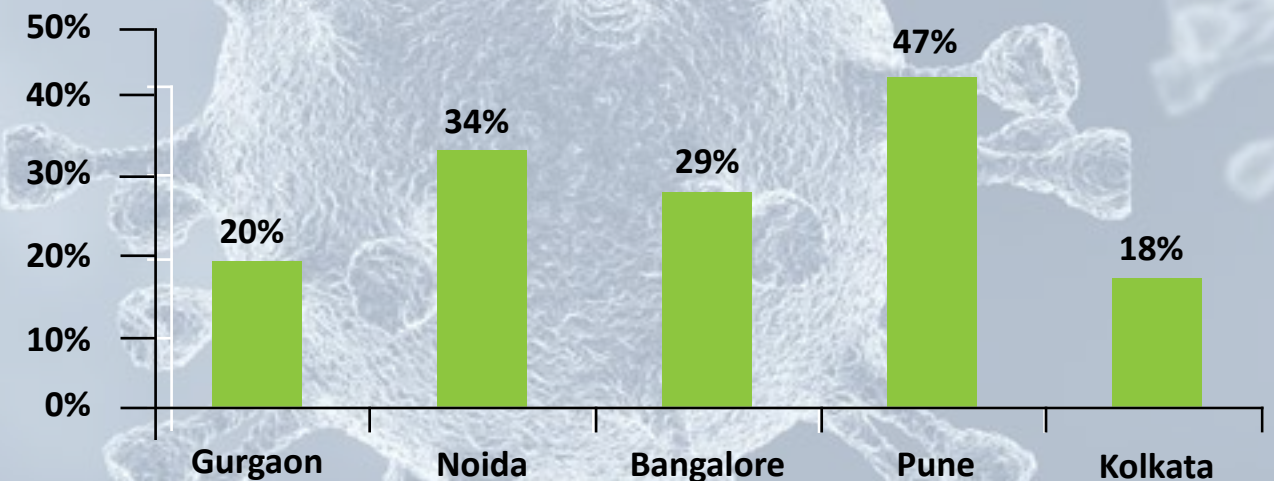
Source: 360 Realtors Research



As per the initial research by 360 Realtors, till the 3rd week of March, site visits & physical inspection of properties in Gurgaon have reduced to the tune of 40%, when compared to the same period a month before. The reduction has been even higher in markets like Pune & Noida. Pune has seen one of the hardest hits, as site visits have come down by almost three quarters.

Although telephonic inquiries have also reduced, the decline is not very steep. Work from Home (WFH) & social distancing is enabling many buyers to have a more detailed discussion on properties over the phone.

Monthly Reduction in Telephonic Enquiries (till 3rd week of March)



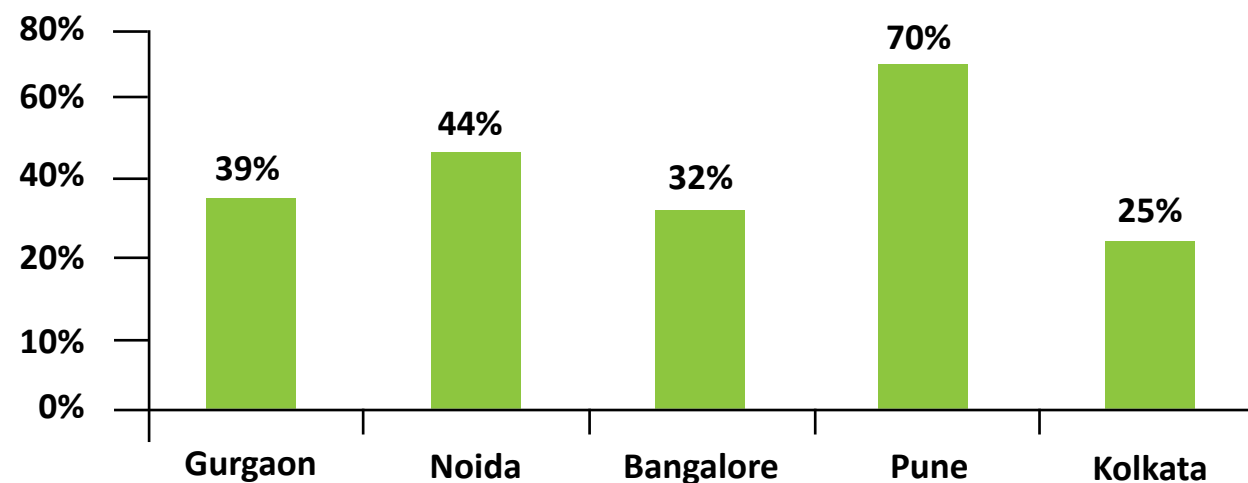
Source: 360 Realtors Research

Hidden Opportunities

As Maharashtra was one of the 1st states to implement a lockdown, the adverse impact on Pune's property market is visible. However, Pune also has one of the least volumes of unsold inventories & hence, the adversities are not expected to stay long. The market will revive sooner or later fuelled by healthy demand & lower inventory volume.

Overall, looking at the current numbers, the adverse impact of COVID-19 will reverberate across the various parts of the economy & strain is visible in the Real Estate industry as well. The Q1 sales of most of the major developers in India are expected to come down. As the government is further tightening the control measures, in the weeks to come, sentiments & actual sales both might take a beating. Poor Real Estate sales will weigh on the Q1 growth of the country's economy as well.

Monthly Reduction in Closures (till 3rd week of March)



Source: 360 Realtors Research

However, as every distress is an opportunity to transform, there are also a lot of hidden opportunities for the sector amidst the current crisis. The fraternity is once again looking forward to investing more in online platforms, digital walkthroughs, innovative transaction spaces, etc. that can facilitate site visits & transaction digitally without the hassle of physical site visits.

Although digitally backed virtual realities & transaction platforms have been in the country for some years, they have not passed the contours of academic & theoretical discussions. The outbreak of crisis such as COVID once again reinforces the pressing need to invest more in online transactions & make it a popular medium for property purchase.

As the stock market is already bearish & the Banking & Financial sector is going through tough times, there might be a further revival in interest for Real Estate as an asset class amongst the investor fraternity. As a hard asset, Real Estate is believed to be a safe tool to invest to neutralize any possible inflationary pressure & mitigate market-induced risks.

RBI, in lock-up with other major world economies, has hinted about a possible rate cut & take further steps to infuse more liquidity in the market. This will further help in reviving investor interest in Residential & Commercial assets. There are also other long-term potential opportunities for the country. After the outbreak of the COVID, factories across China have shut down, resulting in the collapse of manufacturing & export.

The economic growth forecast of China has been revised to 2.9% from an earlier estimate of 4.8% by S&P. As the forces of global trade flows are in the doldrums, India can become a key player in determining the flow in the foreseeable future. This might be an opportune time for Indian manufacturers & exporters to step up their game & fill in the current gaps in the global supply chain.

Through targeted efforts both from the public & the private organizations, the Indian manufacturing sector can be set for higher growth trajectories & deepen its foothold internationally. This will also help in economic growth in the country & positively boost the demand for commercial & residential Real Estate.

Research Methodology

To track the market sentiments & gauge the exact risk after the outbreak of COVID-19, 360 Realtors has compiled the given report. 100+ active projects have been tracked across 5 major markets including Gurgaon, Noida, Pune, Kolkata & Bangalore.

Due to the lockdown, exact data on the Mumbai market cannot be traced. The key trends scrutinized includes details on-site visits, telephonic queries & actual transactions. These trends have been compared with last month's data to evaluate & quantify the impact.

Likewise, few qualitative interviews have been conducted with Realty sales professionals, developers & marketers to further understand the impact & analyze long-term possible threats to the sector & also to learn how the industry is coping with it.

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