

CaseTech Team Presents

CASE STUDY - INDIAN REAL ESTATE MARKET

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IMPACT OF COVID-19 ON THE REAL ESTATE SECTOR IN INDIA



IMPACT OF COVID-19 ON INDIAN REAL ESTATE HOUSING MARKET (Builders, Brokers and Buyers)

❑ REAL ESTATE HOUSING MARKET??

Real estate is **real property that consists of** land at, above, and below the earth's surface, including all things permanently attached to it **and improvements**, which include buildings. Examples include property, plant, and equipment. Real estate sector is one of the most globally recognized sectors. It comprises of four sub-sectors - housing, retail, hospitality, and commercial.

The Housing market is the type, cost, and number of houses and apartments available in a particular area. It tries to describe, explain, and predict patterns of prices, supply, and demand.

A **strong economy** produces a strong housing market. When people are spending a lot of money as consumers, that usually means that they are in a better position to purchase real estate. The more people that are buying houses, the more demand is created, and property values begin to rise.

❑ Understanding Broker, Builder and Buyers

Broker : A real estate broker or real estate agent is a person who acts as an intermediary between sellers and buyers of real estate/real property and attempts to find sellers who wish to sell and buyers who wish to buy.

Builder/Developer : Person or a firm that improves raw land with labor and capital, and arranges for utilities and essential services, in order to sell subdivided parcels of land or to build structures for rent and/or sale.

Buyers : The person recognized by the law, having the ultimate control and right to use property as long as the law permits and no agreement or Covenant limits his or her rights after he buy property.

❑ Factors Affecting Real State Market

Trends in
interest rates

National
home prices

New housing
starts

Recession

Crisis

Pandemic



SUPPLY AND DEMAND IN REAL ESTATE

□ Demand and Supply



Framework use to explain and predict equilibrium price and quantity.

Supply Curve: Quantity that suppliers are willing to sell for a given price.

Demand Curve: Quantity that consumers are willing to buy for a given price.

Equilibrium Price: Intersection of demand and supply curve determines the equilibrium price and quantity.

□ Factors Affecting Demand

Wealth of households

Current income

Interest rate

❑ Factors Affecting Supply

Price of input

Changes in Supply

Price of Housing

□ Equilibrium Price and Quantity

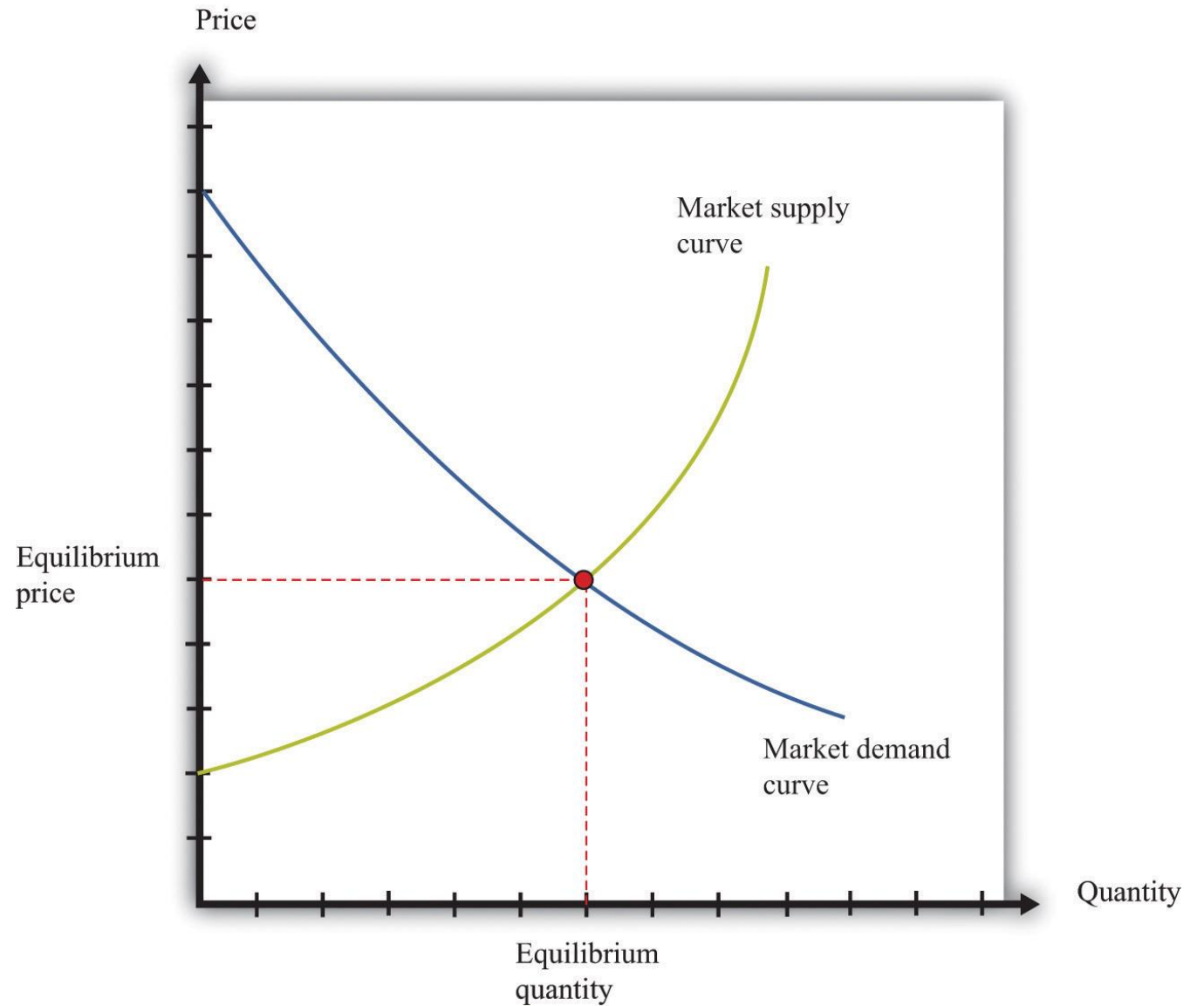


Fig. 3: Intersection of Demand and Supply Curve

□ Impact of Covid-19 on construction sites.

1st Wave

- 95% Labours left construction sites in Delhi-NCR for their villages
- 5% Remaining Labours were surviving with the help of builders

After 1st Wave

- 70% returned after few months on constructions

2nd Wave

- 60% Labours again left
- Remaining 40% were not much fearful like 1st wave and they were working

Now

- Presently around 90% Labours are working normally
- 80% of the Labours are vaccinated now
- They are now fearless and working like prior Covid-19

*survey done with Delhi-NCR contractors at construction sites.



Impact of Covid-19 on Builders

1. construction sites were mostly shut

2. Taking more than expected time for work completion

3. Taking more time in selling the completed buildings

4. Basic expanses were still there.

5. During increased for the loan taken

Impact of Covid-19 on Brokers

Broker is a person who represents sellers or buyers of real estate or real property

Demand decreased

Supply also decreased

Very few buying and selling



Impact of Covid-19 on Buyers

Many people lost their jobs and hence source of income

Many people had to spent their savings in order to save life

Fear of never ending covid-19



The background image is a composite of medical data. It features a central axial MRI scan of a human brain, showing the gyri and sulci. Overlaid on this and other parts of the image are various technical data points and text in a light blue/cyan color. These include patient identifiers like 'AF', 'BROOKES', and 'STUDY 1', as well as dates and times such as '12/11/01', '18:41:56', and '2 MA 18'. There are also some numbers like '23 / 180' and '280863'. The overall color scheme is dark with blue and red highlights.

Impact of Covid-19: Graphical Analysis

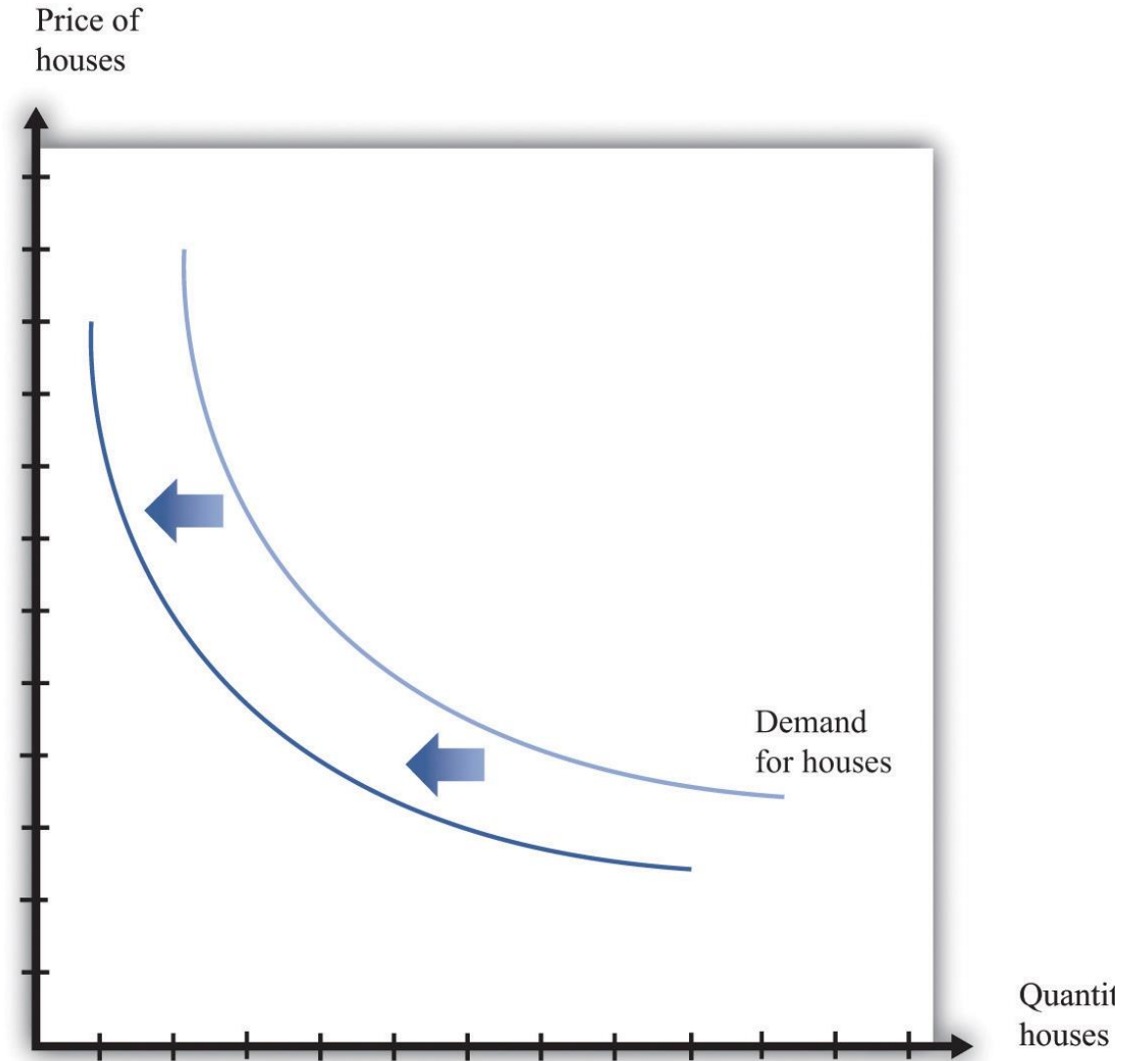
Change in Demand & Supply

It is obvious by now that due to Covid-19, Supply chain has disturbed a lot and hence supply has decreased significantly.

It is also obvious that demand for the houses has significantly decreased and Hence number of sales has decreased a lot.

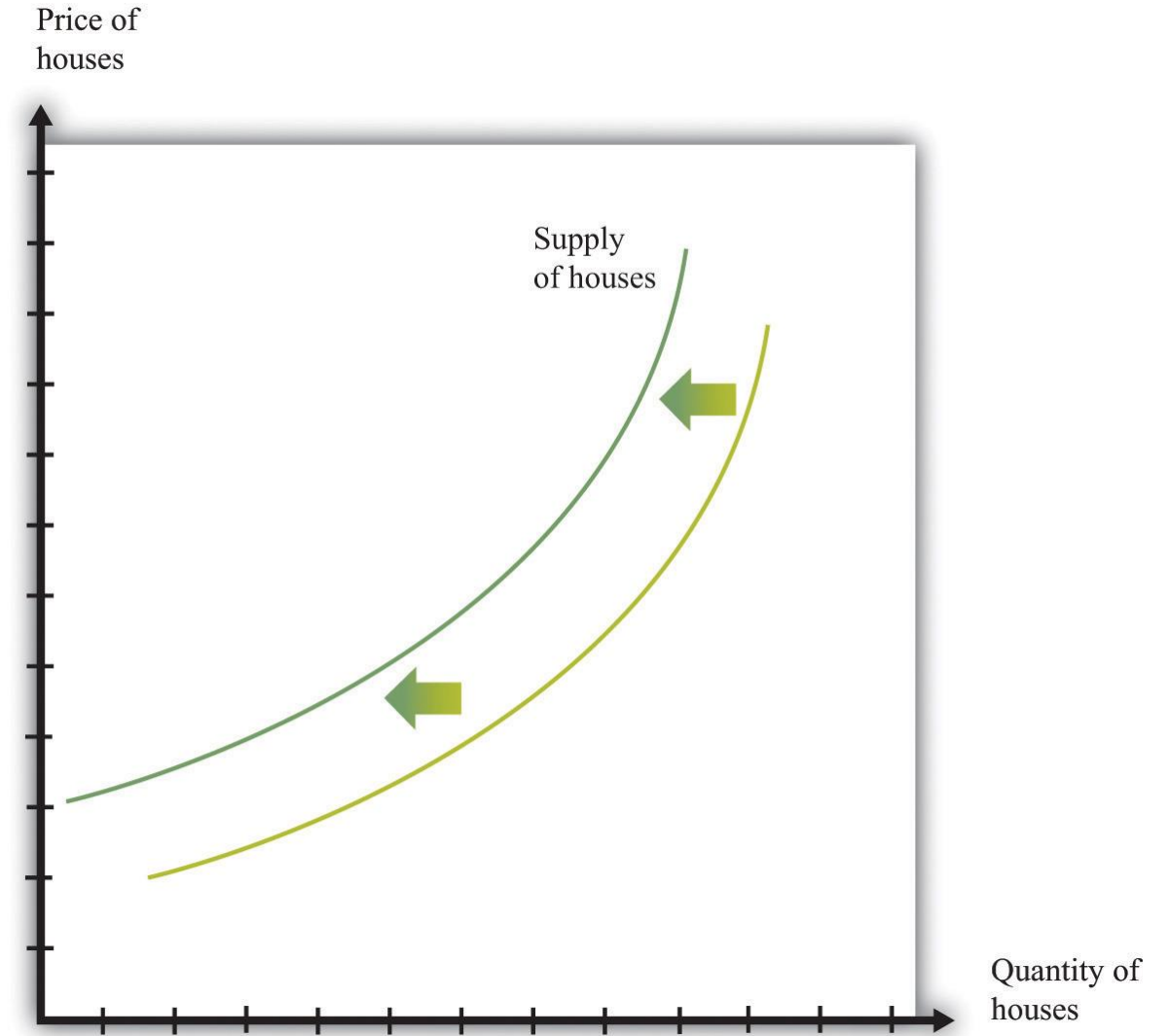
Shift in Demand Curve

- Demand Curve has shifted leftwards because due to pandemic quantity demanded on a given price has decreased



Shift in Supply Curve

- Supply Curve shifts leftwards because due to pandemic quantity for a given price has decreased



*Overall
Impact due to
covid-19:
Statistics*













Housing sales down 67% in April-June, Says PropEquity

- Dropped from 62,851 units in a year ago period to 21,294 units
- Supply of new Units also dropped by 81% to 11,967

NOIDA BUCKS THE TREND

Barring Noida, other eight cities witnessed a decline in sales during April-June this year

	Units sold	Growth/decline (%)	
Noida	1,177	5	
Thane	5,999	-56	
Mumbai	2,206	-63	
Pune	5,169	-70	
Bengaluru	2,818	-73	
Chennai	996	-74	
Hyderabad	1,522	-74	
Kolkata	1,046	-75	
Gurugram	361	-79	
Total	21,294	-67	

□ EFFECT IN REAL ESTATE HOUSING MARKET DUE TO COVID-19

Covid-19: Short and medium term impact on Indian real estate

Housing sector

Price growth to be muted as sales may decline in the near term



Builders

Profit margins may dip further as well as liquidity scarcity to tighten more



Co-living

Short-term impact to be visible especially on co-working and co-living space



Homebuyers

Increased usage of digital medium for house hunting, project shortlisting; cheaper home loans.



Commercial sector

Office occupancy level may fall as remote working takes over



Mall operators

Profit-margins of mall operators to fall in short term amid nationwide lockdown



The Coronavirus has resulted in the closure of malls, retail outlets and entertainment venues. This could put future commercial real estate deals on hold.

Home buyers are likely to postpone their property purchase decisions as they wait for clarity on job security.

Delays in supply of construction materials and shortage of labour, could further push delivery timelines of ongoing projects.

Companies worldwide have announced remote working for employees, to contain the spread of Covid-19. Consequently, office utilisation rates may fall, as remote working increases.

Covid-19 impact

COVID-19 crisis could mean more than a short-term reduction in revenue and margin – Need for companies to prepare for the future



DIGITIZIATION

IN REAL ESTATE INDUSTRY

1. How is it helping
2. Standards in COVID Pandemic
3. Future in the industry



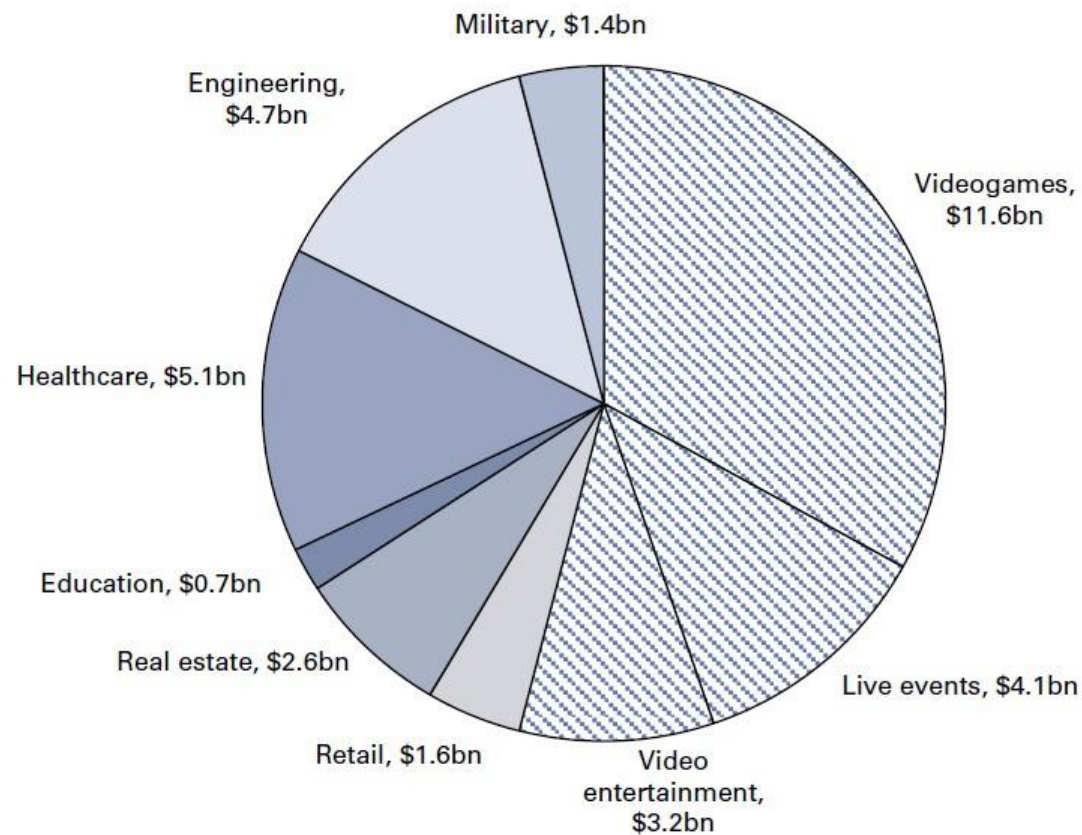
What is a virtual tour in real estate?

A virtual tour, or VR tour, is a digital walkthrough used in the real estate industry that allows prospective buyers to carry out a full property viewing online. A typical virtual tour comprises of either still images or videos of a property. The shots are carefully merged to create a digital space that is practically indistinguishable from the real property.



We can see from the huge market of VR, Real Estate takes up only \$2.6 bn. And this shows that there is a huge potential for this industry to grow and earn more.

Exhibit 4: Our 2025 base case VR/AR software assumptions by use case



Source: Goldman Sachs Global Investment Research.

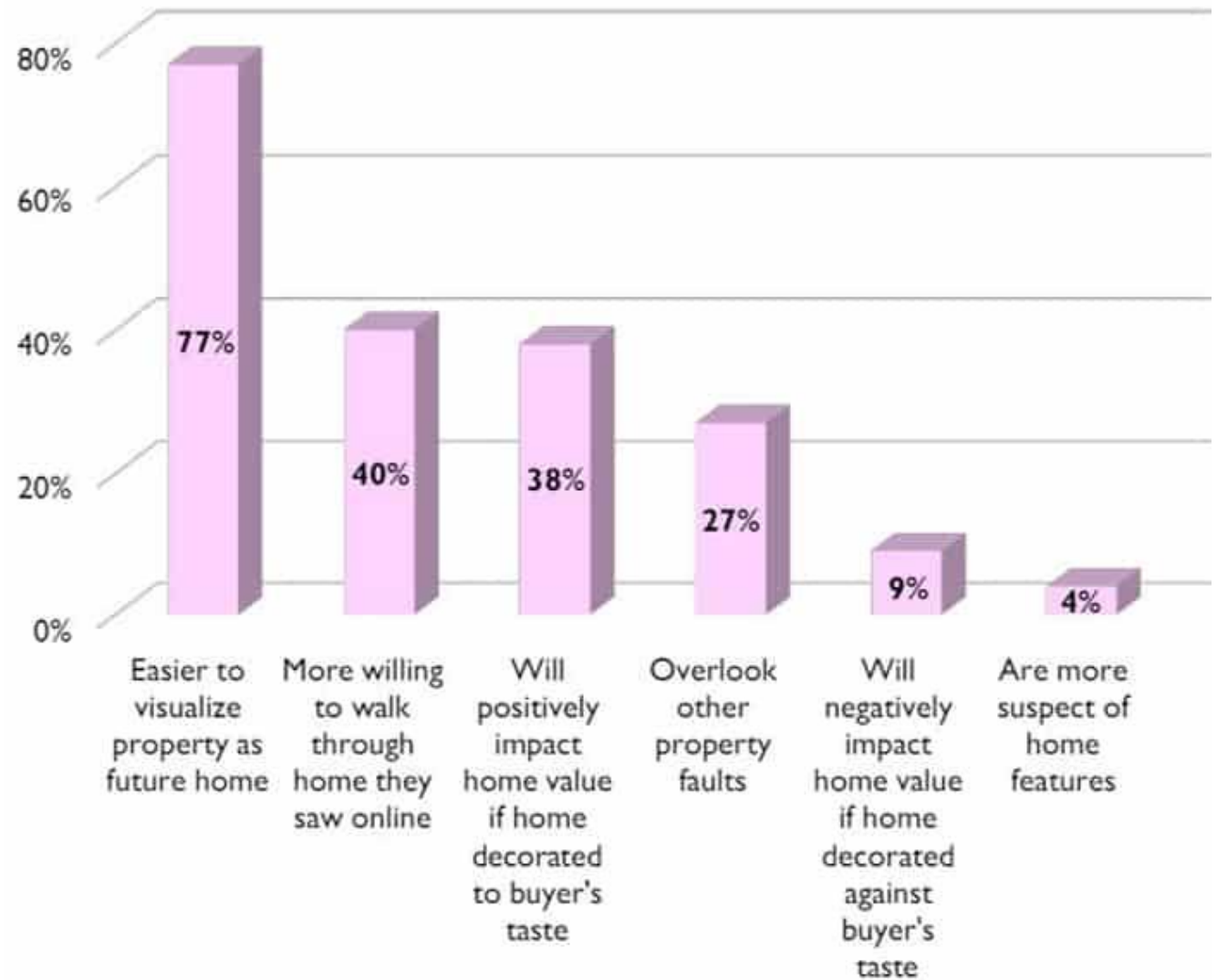
How is VR helping clients and businesses?

❑ By embracing the Digital Transformation, real estate professionals can shorten the buying journey and help both buyers and sellers navigate the process more efficiently and easily. The main advantages include:

1. **Cost-Effectiveness:** AR and VR transform and replace some of the traditional marketing initiatives – providing better ROI, while also eliminating the costs of staging a property.
2. **Save Time:** With these technologies, there's no need to organize your schedule and travel to a property to see it; you can take a virtual tour from wherever you are at any hour of the day.
3. **Global Reach:** Because users can virtually view properties from anywhere in the world, real estate professionals are no longer limited to a local audience.
4. **Enhanced Customer Experience:** Unlike scheduled physical visits, AR and VR provide entertainment, personalization and time to experience home.
5. **In-depth Analytics:** These immersive technologies also provide realtors with key insights into user behavior and preferences, allowing them to improve future interactions.

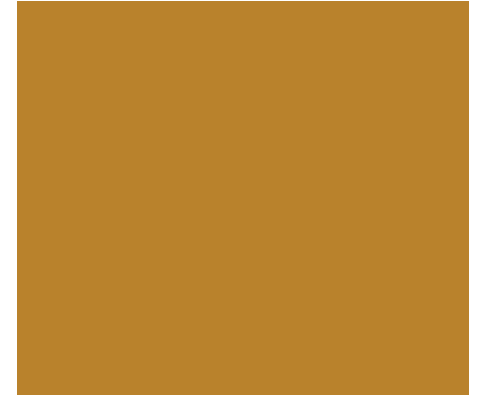
Do virtual tours help sell houses?

- Virtual tours can help to sell all kinds of real estate properties, from houses and apartments to offices and commercial buildings.
- One of the most important ways in which a virtual tour helps to sell a house is through virtual staging. Staging is a well known method of improving the chance of a sale by preparing the house and its furnishings in a way that allows the property to appeal to its target market.



IKEA's AR Application

- The Swedish department store giant, IKEA launched an AR application that allows its users to try out IKEA products before purchasing them.
- The app called IKEA Place shows realistically rendered 3-D versions of products that can then be placed inside of a user's home.





❑ Effect of COVID 19 Pandemic on use of VR in Real Estate

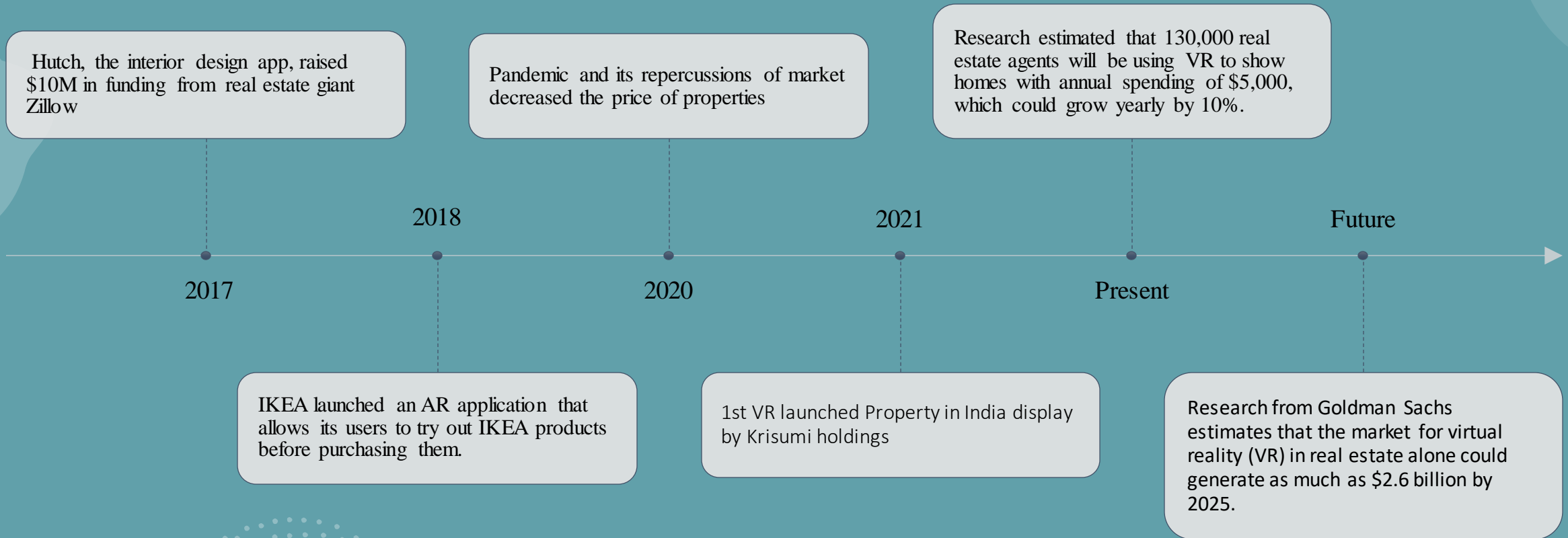
In this pandemic, commuting has become a big issue. That's why real estate brokers have resorted to use VRs to show the clients around the area.

In India, the first instance of VR:

“Digitization is driving the next wave of growth in the Indian real estate sector. Developers have taken the virtual route for interaction with homebuyers and stakeholders for closing the sales loop,” said Ashok Kapur, Chairman, **Krishna Group & Krisumi Corporation.**

Krisumi has also launched a **360-degree immersive film** for ‘Krisumi Waterfall Residences’ through a webinar during April 2021.

❑ Growth History of VR in this Industry





Government Initiatives

The Effect of Government Policies on the Real Estate Sector



Government Initiatives

- Government of India along with the governments of respective States has taken several initiatives to encourage development in the sector. The Smart City Project, with a plan to build 100 smart cities, is a prime opportunity for real estate companies. Below are some of the other major Government initiatives:
- Under Union Budget 2021-22, tax deduction up to Rs. 1.5 lakh (US\$ 2069.89) on interest on housing loan, and tax holiday for affordable housing projects have been extended until the end of fiscal 2021-22.
- The Atmanirbhar Bharat 3.0 package announced by Finance Minister Mrs. Nirmala Sitharaman in November 2020 included income tax relief measures for real estate developers and homebuyers for primary purchase/sale of residential units of value (up to Rs. 2 crore (US\$ 271,450.60) from November 12, 2020 to June 30, 2021).



Government Initiatives

- On October 27, 2020, the government announced the application of Real Estate (Regulation & Development) Act, 2016 in the union territory of Jammu & Kashmir. This has paved the way for any Indian citizen to buy non-agricultural land and property, as opposed to the eligibility of only local residents earlier.
- In order to revive around 1,600 stalled housing projects across top cities in the country, the Union Cabinet has approved the setting up of Rs. 25,000 crore (US\$ 3.58 billion) alternative investment fund (AIF).
- Government has created an Affordable Housing Fund (AHF) in the National Housing Bank (NHB) with an initial corpus of Rs. 10,000 crore (US\$ 1.43 billion) using priority sector lending short fall of banks/financial





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