IMPACT OF COVID -19 PANDEMIC

ON

REAL ESTATE.

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Real estate industry post Covid -19 pandemic.

The real estate business was at its peak few years back. The housing prices were sky-rocketing and buying a house for a middle class family seemed a far fetched dream. Even after that a small setback in the industry seemed minuscule. DCPR 2034 was introduced in February 2015 but finalised and implemented only in Dec 2018. During this time period of 3.5 to 4 years Hon. High court had put many restrictions on new proposals due to Sewage and waste management and Debris deposit policy. This caused huge delay in many projects.



- The real estate Industry suffered a lot because of Demonetisation.
 The investor fraternity vanished and a scarcity of cash flow was experienced.
- 3. The MAHA RERA Act was implemented on 1st May 2017. Because of this property buyers were safeguarded but the developers faced numerous difficulties. It would definitely take time to infuse some discipline in this industry. Due to RERA, the developer had to raise his own funds and procure bank funding with a lot of difficulties and constraints.





In July 2017 GST was introduced in India and once again it was a jolt on the real estate industry. Buying a house in under construction building caused for a payment of GST which was very much on a higher side. This had major impact on the under construction bookings. The developers either had to raise their own funds or take loan from banks for completion of their projects. GST was waived off on buying house with occupation certificate, due to which people preferred completed projects. This affected the financials of the developers greatly.





5. Due to increased initial capital investment, only major players in the industry survived while small medium scale developers disappeared. Many redevelopment project got stuck up due to inconsistent fund flow



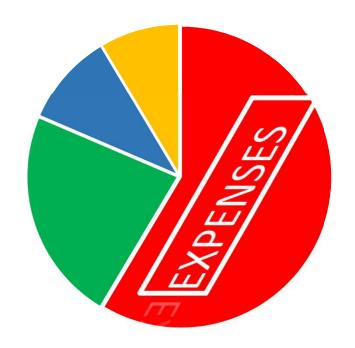


On this background we are facing the Covid -19 pandemic and for almost 40 days now the complete construction activity in India has come to a standstill. The developers and the contractors have to face additional expenses while the income remains nil. Let us try to comprehend the issues that might be faced by this industry after the lockdown is opened.





1. First and foremost, the developers will face a shortage of working capital. Due to lockdown, many expenses have added up while the income is nil. The Contractors, Consultants and material suppliers will be expected to co-operate with the developer during this time. The time period for credit for building material purchase may be increased. Plus the developers will have to accelerate recovery of their revenue.





- 2. The construction workers who have returned to their native places might take days or months to return back to work. The farming season may start causing further delay in their return to construction work. The workers who are in the city may ask for a raise in the wages and this will add to the financial woes of the developer and contractor.
- 3. The construction material, finishing material shortage might be experienced as many factories are closed during the lockdown. In absence of due to branded construction material, there is also a possibility of the quality of construction being compromised. After lockdown many Industries will re-open after a long period because of which transportation and logistics might face a load and delivery of building materials may be delayed.

4. Many projects which are submitted to the authorities for approvals might be expected to be quickly reviewed and approved by the developers so as to make up for the lost time and overhead expenses may be controlled. The load of all the pending approval would ultimately be on Government employees. In this case cooperation from Government employees and their guidance would prove to be of utmost importance.





5. As the lockdown is extended, completion of projects will also be delayed. Approaching monsoon will also bring further obstacles. Many new projects might start only after the monsoons. RERA will definitely give a deferment for completion of the projects to developers but in redevelopment projects, the owner societies should also grant a mutually agreed grace period to the developers.





A global financial crisis will emerge as an after effect of Covid -19 pandemic. The real estate market will not be and exception to it. There are chances that the sale prices of the properties may go down. In this scenario, a developer can sustain only if they have a good quality of construction, good amenities, faith & transparency with the buyers. To sell the properties at good rate, the developers need to come up with innovative and the attractive marketing schemes. They also need to advertise their projects on various social media. Most of the buyers may prefer to buy ready to move properties (having occupation certificate) instead of buying under construction properties for additional safety and saving GST.

- 7. The Indian government has given ample financial support to the banks, making housing loans easy. Hopefully, the rate of interest of housing finance will also reduce. Due to this more of ready flat inventory may be sold as people will feel safe and have added saving of GST.
- 8. Due to the possible reduction in the sale rate & revenue, the Government should give the concessions in the development charges, premium Charges, TDR charges etc. The Ready Reckoner rates should also be reduced by 10% to 15% in order to save in the project expenses going by the quote 'Money saved is money earned'.

9. In the redevelopment process also, the society needs to extend a helping hand to the developer. If the Developer, Society, Consultants and new buyers all work together in harmony towards a common goal, the redevelopment project will also be successfully completed in a particular time frame.





- 10. On the background of all above facts, self-redevelopment will immerge to be more advantage to Co – Operative Housing societies. Even in this situation of Covid-19, The Mumbai District Central Co-operative Bank Ltd. & The Thane District Central Co-Op Bank Ltd. are financially sound and can give loans upto 95% of project cost for the self-redevelopment. Thus societies will get easy finance at a very reasonable rate of interest. As the finance will be from the bank loan, self-redevelopment projects will be more successful.
- 11. Self redevelopment project will be successfully completed if all the society members take practical approach towards redevelopment, identify their objectives, have no greed from the process and keep a lower sale rate than other projects.

12. The Government has published a notification dtd. 13/09/2019 for self-redevelopment extending many discounts & concessions, but the same has not been implemented till date. It is essential to get more clarity on the notification & its implementation at earliest. If the detailed circular is published & implemented soon then self-redevelopment projects will be huge success.





- 13. During the Second World War, many countries were completely ruined. Their economic condition was also in shambles. All those countries have over come adverse situations and are now known as developed countries. We believe, the Covid -19 pandemic situation is not as big as Second World War. So instead of being scared by this situation, we should positively go forward and focus on our efforts & the solutions.
- 14. The Real estate Industry has successfully overcome many tough situations in the last few years. We have confidence that this too shall pass and our Real estate industry will emerge successfully with its commitment, determination and positive attitude.

BEST OF LUCK

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