

The Future of Real Estate in a Post-Pandemic Environment

Jagath Munasinghe

*University of Moratuwa
jagathnm@uom.lk*

Abstract

This article presents a hypothetical review of the envisaged changes in built environments, institutionalized planning processes and the real estate sector under the ‘new normal’ post-pandemic situation. While the dominant discourse in planning and urban development envisages a drastic change in human behavior, responding to likely future pandemic situations, causing a major transformation in the order of public spaces, the form of cities and the methods of planning, this article discusses the uncertainties associated with such ideologies. Further, it questions the possibility of catastrophes to change built environments and the necessity of pandemic-adaptive planning.

Introduction

Amidst the abnormalities experienced with the onset of the Covid-19 epidemic, many of us are compelled to hope for a ‘new normal’ where a radical change is purported in human behavior, social relations and in our way of life. Having attended a number of public webinars over the last three months, I noted that both professionals and academics in all fields of specialization, engaged in planning and urban development discourse all over the world, were enthusiastic and hopeful of a substantial change in our cities, their spaces and functional orders along with a paradigm shift in the planning of them. Following suit, estate management professionals and developers too seem to have felt the uncertainties

associated with the future of real estate. Headlines of leading newspapers and news sites aired the concerns of property developers and real estate management companies.

Now that normalcy is being restored, it is time to view, in retrospect, how valid those expectations could be, how much of them have been realized and how much of them are likely to be realized, and to what extent the unprecedented catastrophic conditions prevented us from reverting to business as usual. It is timely to inquire whether there are any possibilities for significant changes in our cities and other urban areas, and in turn, what likely impact they would have on the real estate sector.

The characteristics envisaged in post-pandemic-built environments

A common impression in all societies is that density has a relationship with the spread of diseases, especially the air-borne and aero-hydrosol borne diseases like Covid-19. Under this impression, it is natural that people fear living in multi-storied apartments and enjoying shared facilities under condominium rights. Thus, the result will be a shift in demand from the currently emerging trends towards living closer to work in the city, to keeping away from the city in landed properties with individual units with exclusive rights. This will have an overall impact on the form of cities because such changing demand patterns will encourage the horizontal spread of settlements and lead to what is generally called 'sprawl'. Then a majority of residents will be away from the city and their workplaces and commuting from distant areas will become a common scenario.

This will be aggravated by the understanding that the use of public transport increases the risk of disease spread, in the absence of space in public modes to maintain social distancing. With this

understanding, more and more commuters will be hesitant to use public modes and will shift to private modes of travel, fearing proximity. The result will be worse than the pre-pandemic situation, characterized by crowded roads, frequent traffic congestion, streets polluted with vehicular emissions and many more. They will also cause an additional burden on transport infrastructure exceeding the levels of service and carrying capacities, and leading to wear and tear, demanding frequent maintenance and extra investments on them.

On the other hand, it is believed that 'working from home' will be encouraged as more and more people enjoy the versatilities of communication technology and smart devices. It is frequently stated that the new culture of working from home will reduce the need to commute and therefore, the need to travel. In that situation, living in the city will not be a necessity and those who wish will get the opportunity to enjoy country life with fresh air, nature and peaceful environments. Thus, one may expect a shift in demand towards properties in the countryside.

While working from home provides an excellent opportunity for many to enjoy family life, save travel time and cost, and save on attire, not all professions and vocations are entitled to its virtues. It creates a clear divide between those who must work 24/7 and be away from their loved ones for safety, and the ones who do not have to attend work on a regular basis. It is at the efforts and the expense of the former that the latter manage to enjoy the luxury of being at home.

At the same time, not everyone has a reasonable 'home' to enjoy their stay. In Colombo, nearly half of the residential population reside in sub-standard houses in underserved quarters of the city (UDA). Many of them earn their living through temporary

engagements made daily. When the critical masses are lost in the city, the opportunities for street vending, janitorial services, essential elements of informal vitality, etc., will also be gone, and there will be a large group of people virtually unemployed. This will lead to social instability and space for illegal activities, crime and theft. The result will be a fear of living in the city among socially affluent groups, and thus compulsion to move into suburbs and distance their work from certain areas of the city. Such situations will have an impact on property in prime locations because of the decline in demand. Those who wish to be in the city will demand exclusive enclaves, forming ‘gated communities’, and under-served ‘ghettos’ which have become common phenomena in all large cities around the world.

Parallel to this, if a substantial part of business will be virtual and more people tend to work from home, then there will be a reduction of demand for office space within the city. In fact, there were reports in the forgone weeks that Colombo’s leading businesses are looking for possibilities to trim their rented office spaces as a cost cutting measure. This may have an impact on the office space demand and one can expect an increase in vacancy rates in the office complexes built in city centers.

If social distancing continues to be a requirement then the question is what will be the fate of public spaces, malls and shopping areas of the city. They will lose footfall and the operators will face the challenge of covering up the diseconomies of their operations. It could be observed that regular shopping for daily needs, shopping goods and luxuries is gradually replaced by home delivery services, which have become popular among high income and middle-class groups of the society. Under this scenario, vacancy rates of commercial and institutional properties will increase and it may result in a crash of the on-going commercial developments.

However, while all the above are possibilities they need to be investigated through research. Let us now focus on a few valid questions that leads to alternative thinking

Do catastrophes change the order of cities?

It is also important to query whether the expected ‘new normal’ will be a ground reality or an imagined ideology. The validity of this query is supported by a few facts, discussed below.

The first is that there is no evidence in the history of human civilization of a city that has got its form primarily as a response to a pandemic or any catastrophic situation. Even though different forces gave birth to cities and enabled their transformation at different times, there is no evidence that catastrophic situations such as epidemics, unexpected natural disasters, etc., could physically or functionally change the order of cities or any built environments, except for their total extinction (e.g.: Pompeii in ancient Italy, disrupted by the eruption of Vesuvius). Supporting this fact, Heikkila (2004) exposed that culture, markets, geography and history worked through dual dichotomies as the main forces that gave shape to cities. In a recent study with a different perspective, Guillen and Komac (2020) identified three forces that have historically shaped cities. They include geography’s meeting with the available technology mutually defining what is possible, culture that defined the society’s goals, and government rules and regulations that allowed the desired behaviors of markets. Apart from functional requirements demanded by specific dominant activity types (e.g. sea-ports, industrial activities, etc.) or specific orders set by egotistic or ideologically thinking political authorities (e.g. Houssemanization of Paris, Corbusien Chandighar, etc.), the built environments of cities and all human settlements can be studied either as organically evolved built environments responding to constraints set out by the physical context (e.g. rivers, mountains, etc.), or deliberately adhering to the beliefs and

norms embodied in the cultures of their inhabitants (e.g. historic cities such as Madurai, Jaipur, Beijing, etc.).

Many are of the view that the planning of cities took a different turn in the late nineteenth century to overcome the situations caused by industrialization and the vast spread of epidemics (e.g.: Hall and Tewdwr-Jones, 2010). Even though the cholera pandemic and the consequential Public Health Act of the UK in 1875, is regarded as the impetus of modern town planning, it is clear that what brought in the new order to cities from the early twentieth century and the new profession of Town Planning was not necessarily the official efforts to curb epidemics, but the influence of utopian ideologies to turn policy decisions towards organizing built environments in certain desirable ways (Benevello, 1971). The planning and building regulations, including zoning, street lines, building setbacks, minimum and maximum space requirements, provisions for light and ventilation, safety, etc., that brought in a new order to the cities of this century, are all outcomes more of the political 'will to change' rather than a direct response to epidemics. If it was purely the epidemic, then such change could have happened as early as the seventeenth century or before, when cities of the West were overcome by the bubonic plague and other serious diseases in the middle ages.

Not just pandemics, even natural disasters themselves were not influential enough to transform built environments, unless they were backed by political will. Many quote that the great fires in London were blessed by the rulers owing to their eagerness to change the undesired 'disorder' of the city (e.g.: Hanson, 2001). A recent example to illustrate the inability of catastrophic situations to make drastic changes in the order of built environments is the 2004 Tsunami. In the aftermath of the Tsunami, there was a widespread movement in which government institutions, planning agencies and international organizations involved in framing

planning policies, formulated planning and building regulations, marked out reservations and advised on specific building types, for the coastal areas of Sri Lanka (and other countries). When their efforts were reviewed in retrospect, there is hardly any remarkable change that such intervention brought in. Instead, the developments were continuing as usual, with no regard to the impacts of the Tsunami, even though another wave was not negated.

Considering the above, reasonable doubts can be raised as to whether the envisaged new normal arising after the pandemic will change our built environments or institutionalized planning. Parallel to this, except for the temporary setback in its regular momentum, the real estate sector in Sri Lanka and other parts of the world, is unlikely to experience drastic changes in its mode of operation, as a direct response to the pandemic. However, the global economic downturn resulting from the Covid-19 pandemic will definitely affect the investment portfolios of real estate companies in the next decade. At the same time, the national policies of governments, which seem to be increasingly protectionist, will influence investment decisions and investor confidence in real estate developments.

Proactive and Adaptive measures

The second fact is that epidemics, natural disasters or any other form of catastrophe could have significant impact only when early detection and preventive measures failed. For instance, the spread of Covid-19 was extensive in many countries because the respective authorities failed to control it in the early stages. Had there been early detection, effective isolation mechanisms, and entry controls from epidemic affected zones into epidemic free zones, we wouldn't have experienced any lockdown at all. Similarly, had there been early warning systems in place, the

impacts of the Tsunami or any other natural disasters could have been minimized. While discussions on pandemic resilient cities, adaptive planning and behavioral changes are progressing, expecting similar calamities in future, we shall not forget that a whole gamut of research is underway to develop vaccinations, early diagnosis, anti-viral treatments, early detection, and many other preventive measures.

In a broader context, these can be viewed as ‘proactive’ or preventive measures for pandemic situations, compared to ‘adaptive’ planning measures. When these proactive efforts deliver results, the purpose of pandemic focused planning approaches are likely to be in question. In that light, institutionalized planning may revert to conventional modes and the real estate sector may also be continuing business as usual, except for the setback caused by the global recession and the other factors that have been conventionally associated with it.

Conclusion

This discussion attempted to reveal two possible scenarios of the ‘new normal’ expected and widely discussed among planners, estate developers and other professionals. The first scenario frames a truly ‘new’ normal situation that is characterized by novel behavior of the people, changed order in built environments and innovative approaches to planning, while the second scenario highlights a ‘back to normal’, rather than to a totally new situation. However, we shall not forget that, as it happened in the last century, there is a possibility for change if there is a change in policy and in the political will. If the emerging global concerns over climate change, depletion of natural resources, increasing disparities among communities, and the well acclaimed ‘Sustainable Development Goals’ will be seriously considered by national governments, we will be able to expect some sensible

change in government policies, and thereby, a healthy transformation in institutionalized planning, built environments and in real estate developments.

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