

Is COVID -19 a Challenge or an Opportunity for the Real Estate Market and Economy of Sri Lanka?

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Abstract

COVID-19 has been an unprecedented challenge ever faced by the global society and global markets. Even though the Sri Lanka situation is comparatively less dangerous, as it is able to controlled with fewer number of infected persons and deaths, implication of COVID-19 on overall socio-economic context of the country is not easy to measure. As it is highly affecting to all market operations, what implications on real estate sector is a special inquiry among real estate actors. “Whether it is a challenge or an opportunity” is a debatable theme to move ahead in the market under the compressed scenario due to an abnormal uncertainty made by the COVID-19. However, it can be suggested that recognizing opportunities from challenges and/or transforming challenges into opportunities is the strategic way of action in the real estate sector of the country at this very important movement.

Keywords: *Abnormal Uncertainty, Challenges and Opportunities, Corona Virus Outbreak, COVID-19 Pandemic, Real Estate Markets*

Challenges and Opportunities

First of all, it is needed to understand what opportunities and challenges in a simple way are. Then, it is able to identify the opportunities and challenges posed with the spread of the corona virus. At the same time, it is able to identify opportunities and challenges related to the real estate market in Sri Lanka.

As you know, challenges and opportunities are forces that come from outside of an individual, an organization, or a country. Challenges are troublesome situations to be tackled with and opportunities are situations from where one can obtain chances to gain some benefits (<https://www.labmanager.com/business-management/4-ways-to-transform-challenges-into-opportunities-19417>). These two forces can come separately as challenges to one party and opportunities to the other. Or the same party may have to face both challenges and opportunities at the same time too. We should understand this corona virus outbreak as a situation that came to the whole country and the world with both challenges and opportunities at the same time.

Challenges and opportunities are appearing, sometimes, as two sides of the same coin. But there is something special about this coin. In fact, the challenge side of this coin is appearing first. If we do not turn the other side of the coin, opportunities will disappear. Likewise, we often saw all the challenges faced by the country in the past only as challenges. For instance, people considered past incidences of the country such as the tsunami disaster in 2004, the 30-year war prevailed until 2009, the Easter attack in 2019 only as challenges.

More important is how to identify opportunities from challenges or how to transform a challenge into an opportunity. Challenges are coming to us. But opportunities do not come to us. Opportunities must be strategically identified through challenges. For instance, if a question is asked regarding corona crisis as “what is the effect of the corona virus on the economy”, it is possible to identify the damage done. Then identified damages can be repaired. If so, what happens there is that the challenges are treated only as challenges. Thus, no improvement in the status quo can be expected.

However, if it is asked a question as “how can we get prevent from corona virus?”, it is able to create direct opportunities for some effective short-term planning. “How has the virus been originated and spread”? is another form of question through which it is able to create opportunities for medium and long-term planning that can correct the shortcomings of the status quo. And “how do we deal with a recurrence of such or even more serious incidence in future?” will be more effective way of questioning. Through such way of inquiring, it is able to identify opportunities for long term plans. Accordingly, it can be argued that only by inquiring into the logic in this way, it is able to identify hidden opportunities in any challenge even in COVID-19 pandemic faced by the country at present.

Challenges and Opportunities in Real Estate Sector due to COVID-19

Let us now examine the challenges and opportunities faced by the real estate market due to COVID-19 pandemic. The corona virus crippled the overall market, including the real estate market in the whole world. That is the direct and short-term nature of this challenge or the direct impact of COVID-19. The indirect and long-term nature of this challenge can be seen if we face the challenge without recognizing the hidden opportunities getting benefit of such opportunities.

But, if the hidden opportunities to successfully meet this challenge are identified, it can lead to overall socio-economic development or positive change in the long term. In fact, it is very sure that if this overall development process is successful to have new positive changes, the real estate market will have the most direct and indirect opportunities. This happens as the real estate has derived demand (Harvey, 2009). For example, the growth of the tourism

industry creates direct and indirect opportunities for the real estate market. “How is the tourism industry rising?” will be a question from the audience in this regard. The fact that if Sri Lanka is successfully facing this corona challenge, it itself can be used to create an opportunity to attract more foreign tourists to the country in the future. Accordingly, the growing tourism industry will inevitably increase the opportunities in the real estate market as these two sectors are having direct relationships (Lamudi.lk, 2018).

The Corona challenge has made a positive impact on local agricultural sector of the country through which many opportunities will be emerged in the real estate market. For this, more attention should be paid non-urban property development than urban property development. For example, there may be a high demand for Sri Lanka tea (Ceylon-tea) from all around the world as Ceylon tea has many medicinal impact on several non-communicable diseases (<https://www.halpetea.com/ceylon-tea-guide.html>, <http://www.zestaceylontea.com/blog/6-benefits-of-ceylon-black-tea/>). It is also able to predict that minor exports crops such as real cinnamon, ginger and turmeric etc, local spicy foods and local indigenous medicines are highly demanded emerging markets for local and international consumers. Sri Lanka has several world-best agro products due to the special climatic conditions of the country such as best real cinnamon, best pepper, best rubber, best tea, best orange, best pineapple and so on (<https://theculturetrip.com/asia/sri-lanka/articles/the-most-important-sri-lankan-spices-you-should-know-about/>, <https://www.srilankanspices.com/>).

As an agricultural country, a huge amount of land and property development opportunities can be expected in the entire economy of the country if such agricultural products are promoted as to face for health challenges like corona virus in future. In this regards,

real estate investors should identify opportunities in alternative areas such as production of food, medicine, timber, agriculture related inputs and infrastructure etc without confine to urban property development.

It is a publicly motivated fact that Sri Lanka should move towards a locally produced economy. In fact, Corona epidemic teaches to the world nations to make a balance between globalization vs localization (Bruce and Doug, 2020). Further, Sri Lanka's current political-economic policy is emphasizing the growth of local economy (<http://www.treasury.gov.lk/vision-and-mission>). Hence, if this becomes a reality in the country, it is inevitable that a huge number of land and land use opportunities will emerge in the real estate sector throughout the country. However, it is the responsibility of real estate actors to identify innovative opportunities in the market rather than general business activities such as land subdivision, construction of buildings and so on.

It is aware that today the country, as a middle income country, is taking necessary steps to transform Sri Lanka into a high income country. The corona experience can be used as a special lesson to reform and reshape the development plans and strategy of the county. I believe that all the initiatives that are being taken to grow the economy as a whole will create a need of a great deal of innovation in the real estate market. Also, in order to attract suitable local and foreign investors, strategic planning and appropriate national policies must be formulated. In this way, it can be argued that with the challenge of COVID-19, a huge number of opportunities can be created in the urban and rural real estate markets of Sri Lanka. It has the potential to steer the country's economy in a positive direction if the challenge is transform into opportunities.

Innovative Opportunities

We especially need to keep in mind that challenges arise and have to face, but opportunities must be recognized otherwise it will be unexploited. To this end, the real estate market should seek innovative opportunities that go beyond the primary business of building and selling homes and plots of land as real estate business. What is the responsibly/bound-duty of real estate professionals, governments in this regards? Our responsibility is to make comprehensive analysis of this COVID-19 pandemic situation and to publicize the positive attitudes that can take the country forward as a nation. Although there are many challenges around the pandemic, they should be used to understand the realities, not the negative side only. For instance, Japan, as a country, emerged after the World War II by changing attitudes and acting as a nation. They still celebrate the war incidence even today, not just as a challenge but as an opportunity to inspire the nation.

Real Estate Research and Innovation

With the experience of the Corona virus challenge, all we need to do is plan to make Sri Lanka a “safer and more livable” country. It should not merely be a “rich” country. At this end, the role of the real estate market is unique. We must understand that it is the responsibility of the real estate market and real estate professionals to optimally manage the limited but very valuable land of the country.

You are aware that in the period of March and April 2020 – during the lockdown period of the country, Sri Lankans have produced over a hundred of new inventions related to corona treatments (Kumara, 2020). It is a very positive situation. At the same time, we need to focus on innovations related to the production, distribution and consumption processes of the entire economy. No one simply tend to focus on such a broad goal. Just imagine as if the corona or even more serious incidence happens again, how do

we deal with it? If we seriously think of novel way of inquiring about it, we can reach such broad goals. In particular, because land is a primary factor of production, land and property are directly and indirectly linked to all other sectors. Therefore, I strongly believe that higher education institutions such as universities and professional bodies should work together to conduct research and make innovation.

In particular, planning legislation related to land and building construction should take place on the joint research of professionals including planners, valuers, lawyers, architects, developers, marketers, sociologists etc. That's how innovation comes about. For that a change of attitude should be made. We need to create an innovation culture. For example, it may be proposed to add compost pit design rules in the construction of all houses and buildings to help with the three cases of “dengue problem”, “garbage problem” and “home gardening” concept. An underground tank design law can also be added to collect used water that is wasted in homes and other buildings. It is true that regulations are already in the section 49, 50 in building regulation related with this matter (<https://www.uda.gov.lk/building-regulations.html>). However, this should be more refined as to applicable for all the development sites including existing buildings in suitable scale. Research and innovations are needed to motivate the community rather than implementing the concept by force. Real estate market should undertake the responsibility. If it is positive accepted, wasted water of even a small housing unit can be used for nondrinking purposes such as home gardening. Although these are simple facts, research should be encouraged to create such things. In fact, it is needed to promote designs of “frugal and safe” home and building premises rather than “expensive and elusive” designs. It is also needed to inculcate property owners and users that “frugality and safety” is more valuable than “expensive and elusiveness” in real estate.

The involvement of real estate professionals in real estate transactions and pricing is a factor to be seriously discussed. Today, it is questionable whether the real estate market price is determined by the actual demand and supply forces of the market or the price is artificially created by a dominant supplier. Accordingly, it is important to note that land prices and transactions are subject to some market distortions. Hence, there is a need of regulatory body to monitor real estate price and market operations even under any abnormal uncertainty conditions like COVID-19.

It is the market's primary responsibility to design buildings and premises that are suitable for emergency management under uncertain situations. It gives people confidence in security of their lives and belongings. For example, in any unrest situation like corona outbreak, distribution and marketing centers should be designed so that goods and services can be delivered efficiently and effectively. Also it is able to consider the advantages of work from home methodology. In order to realize this kind of concepts, it is needed to make aware of all sectors of the advantages of the concept and responsibility for that. For instance, home designers need to design suitable layouts and space of residential places, job designers should design jobs accordingly. Office designers also should design office premises to support for the concept. Further the regulations, infrastructure etc should be in line with the concept. This kind of thoughts are being widely discussed among global communities focusing post-COVID-19 cities in the world (World Economic Forum, 2020). Likewise, this corona experience provides huge volume of lessons based on which it is possible to identify innovative opportunities in the real estate sector of the country.

Data and Information

Creating and managing land and real estate market data and information repositories is also a very important responsibility rest

with the real estate sector. These real estate market data can be used for many other administrative, security and other development activities instead of real estate business related activities. Both generating of data bases and making accessibility for data bases are important. For instance, in managing an epidemic situation like corona virus, correct and adequate data is essential for handling service delivery, monitoring health conditions of each family, monitoring social movements of members etc. Hence, generating, managing and supplying required data and information is a timely needed, novel opportunity to Sri Lanka real estate sector. If the real estate sector will be rich enough with scientific data bases, they will be the most needed sector in managing next disaster or epidemic situation of the country.

Property Quality and Standard

It is no doubt that maintaining higher level of quality and standard of buildings and building premises is an imperative responsibility of the real estate market and professionals. For instance, minimum standards of services related to basic human needs, such as toilets and washrooms, rest areas etc in buildings and premises should be established throughout the country. It is also needed to revisit the regulatory and monitoring mechanism of quality and standard of buildings and building premises in the country. As if the country needs to transform the economy and the society into a safe and more livable, quality and standard of real estate is a fundamental requirement rather than quantity supplied. Is there a genuine need to have separate toilets for foreign tourists? It is practical in promoting tourism? Can a wheel chair be operated on our pavements? If not, is it simply a matter of cost incurred for the development? Not only these problem areas, but also in case of prescribed health requirements in managing COVID-19, what is the condition of private and public building premises: canteens, small and medium scale hotels, work places, lodges etc of the country? Hence, it is very clear that the COVID-19 is really an eye-opening challenge that is leading towards several opportunities for the future development of the country. World Economic Forum (2020) confirming this view indicates that some futurists,

architects, urban planners and social scientists are to anticipate radical changes in post-COVID cities in the world.

Conclusion

It can be proposed that the realization of the role and responsibility of real estate market as well as relevant stakeholders beyond the traditional and limited functions is the best opportunity emerged from the challenge we are facing today with the COVID-19 outbreak. Encouraging the economic growth and social welfare of the country is the primary responsibility of both markets and regulators. It is clear that the real estate market can play a significant role in making our country a safe and more livable country rather than a rich and high income country by directing the overall development towards the highest and best use of the country's land providing high quality and standard buildings and premises suitable for local and other property users.

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