

Impact of COVID-19 Pandemic in the Real Estate Industry of Bangladesh: A Study on the Prospective Buyers

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ABSTRACT

This study intends to analyze the adverse impact of Corona Virus Pandemic on the real estate industry of Bangladesh for which the study has analyzed how the spread of COVID-19 pandemic has affected the organizational activities of different professions and other related issues. Purposive random sampling technique has been adopted and primary data have been collected through a structured survey among the prospective buyers of the real estate properties in Bangladesh. 180 respondents participated in the survey. The collected data were analyzed by using SPSS software to perform required test. Different statistical tables are used to display the research results. The study finds a moderate positive correlation between Corona virus pandemic and detrimental effect on organizational activities. This pandemic has greatly interrupted the regular activities of the organizations and as a result the income level of the employees of private organizations has been affected very much although the public sector employees are still safe. The research result reports that in next six months only 6.11% prospective buyers are ready to buy real estate property but good thing is that 60.55% respondents have plan to buy real estate property. To tackle the situation the study suggests formulating different strategies by the real estate companies and other stakeholders. The researchers suggest to initiate low cost apartment projects at small flexible installments facility and trusted joint venture with the banks, finance companies and other creditors so that long term housing loan facilities may be offered to the buyers.

Keywords: Real estate properties, COVID-19 pandemic, Low cost apartment,

Trusted joint venture, Flexible installment.

Introduction

1. Background of the Study:

The global pandemic due to corona virus, COVID-19 has been spread almost all the countries of the world including Bangladesh. The spread of COVID-19—the disease caused by the novel coronavirus—was officially declared a pandemic by the World Health Organization on

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March 11, 2020 and still no successful vaccine or other medicine has been discovered.

That is why prevention is the best policy everywhere. The capacity of the countries to provide satisfactory treatment among the COVID-19 positive patients is very poor unsatisfactory even in the developed countries. As a preventive measure against COVID-19 pandemic almost all the countries have declared lockdown or general holiday. Till now in Bangladesh general holiday is going on since 25th March 2020. All the industries are shut-down except the emergencies. Business activities have been hampered heavily of all the industries. Situation of the real estate companies are also same. Trading of real estate products like apartments or lands is largely dependent on the financial solvency of the buyers which is related to the income level. The property market in the United Kingdom has been doing very well in last 4 years but COVID-19 has affected it on its way of growth, Rebecca Knight (May 2020). On the other hand Andrews, J. (2020) reports that COVID-19 has shocking impact on the financial sector and the health of the people. It was further reported that more than 1.3 crore people in the United States might become unemployed and have made application for unemployment allowance. The Bangladesh real estate market is also facing crucial time no doubt. TBS. (2020) reports that the entrepreneurs of the real estate industry in Bangladesh have appealed to halt installment payment for their housing and construction loans. Additionally, they are looking for government special stimulus to continue their business. From this report it can be predicted about the reduced turnover of the real estate industry. So, what will be the upcoming days of real estate industry of Bangladesh is very tough to predict. If proper strategies are not formulated based on the condition of the prospective customers it might very tough to sustain in the long run specially for the growing real estate companies. Actually, real estate companies will be required to modify their business policy and marketing and promotional strategy according to the market situation and the financial solvency of the prospective buyers. Otherwise many of them may face the challenges of survival. This study may be helpful in formulating new strategies as well as for the decision making purpose of the real estate companies.

2. Literature review:

How do real estate markets respond to a global pandemic? This is a crucial question to the businesses of real estate. However, a study finds that COVID-19 pandemic had severe impact on the price level of real estate property and comparatively lower impact on the rent rate. But the study suggested that real estate market of the city area will still remain good after the

pandemic even if the pandemic causes death of a substantial number of people, Francke & Korevaar (2020).

Before the COVID-19 pandemic the world experienced many pandemic and previous studies show the effects of those pandemics. Karlsson, Nilsson & Pichler (2014) studied that in the year of 1918 that the influenza pandemic increased the poverty rate and decreased the rate of return from capital in Sweden.

Any pandemic may create different risks for the people of the affected area and cause financial crisis to the people and Avian flu caused concern of global pandemic in the year of 2003, Bloom, et al. (2005).

During a global pandemic the controlling authorities or the governments of the countries should focus more on the health related issues of the people because if the healthcare sectors do not function properly a broad financial influence is supposed to be generated causing financial crisis and insolvency of the people, Smith, et al. (2011).

Shantharam (2005) recommends that government of the developing countries should be permitted to use the flexibilities of provisions of TRIPS agreement so that they can face the challenges of a pandemic like the present corona virus pandemic.

In the United States federal government has announced for facilities related to mortgage payment of the homeowners who have been affected by COVID-19 pandemic. In California, a state of US the commercial banks has stopped installment payment for three months for the COVID-19 affected clients, Andrews, J. (2020).

In the UK property market, the price was increasing which was definitely a good sign for the real estate market of UK. But this information might not be reliable when the corona virus pandemic will say good bye because the increasing trend of property price was based on the transactions before lockdown, Rebecca Knight (May 2020).

Disease Control and Prevention of US predicted that Corona Virus might become a global pandemic due to our global connectivity because of the inter dependency of different goods and movement of the people, Watkins, J. (2020).

With the increase of COVID-19 pandemic people started to change their spending pattern emphasizing on more important categories and perhaps they will not make budget to buy for new houses, Baker ,et al. (2020).

A very recent study found that COVID-19 pandemic may hamper the UN goal of eradicating poverty by the year of 2030. The study also mentioned that number of people below poverty line may increase by 420-580 million, Summer, et. al., (2020).

Previously Bangladesh experienced improper communication strategy in dealing with avian influenza pandemic, Haider, et al. (2008). So, the government of Bangladesh should be more conscious about the communication and media related activities to fight against the COVID-19 pandemic.

Ling, et al. (2020) identified an inverse relationship between the geographical growth rate of COVID-19 positive cases and the price of commercial properties of real estate industry in the US. So it can be predicted that after the COVID-19 pandemic the real estate industry of Bangladesh may experience reduced sales turnover.

3. Lockdown, Personal Income and Real Estate Market:

A tri party relationship exists among lockdown, personal income and the real estate market. It is very tough to predict how long this lockdown situation continues. During this ongoing lockdown situation regular activities in all the sectors have been interrupted a lot. Particularly the manufacturing industries have been more affected than the service industries. Because of the lockdown caused by COVID-19 regular income of the employees of different sectors have become affected. Specifically, the private sector employees are experiencing worse sufferings. Salary postponed or delay, salary cut, and even job losses are being experienced by the employees of the private sectors. These things show hint prospective vulnerability of the private sectors. Public sector employees have not been affected so far. Although private university industry is supposed to be better than many other industries in term of pay-package, job environment etc. some of the private universities have cut the partial salaries for their faculties and other staffs, Neazi (2020). So the personal income has been interrupted by the COVID-19 lockdown. As these people are a big part of the prospective buyers of real estate properties, the demand for real estate products in the market seems to be affected in the upcoming days after the pandemic.

4. Objectives of the Study:

The prime objective of this study includes to analyze the impact of the ongoing COVID-19 pandemic in the real estate industry. For the accomplishment of the above objective the study will analyze the effect of COVID-19 pandemic on the income level and the sources of income of the prospective buyers of real estate properties as well as their personal worriedness about

financial insecurity due to the Corona Virus pandemic. Finally, the study may suggest some guidelines for formulating strategies of real estate and related industries of Bangladesh so that they can continue and sustain in adverse situation like COVID-19 pandemic.

5. Nature of the Study and the Methodology used:

By nature, this is a descriptive study based on primary data and the data were collected through a formal questionnaire. In conducting this research purposive random sampling method has been adopted for selecting the respondents. The sample include the prospective buyers of real estate properties who are supposed to be working in good organizations with handsome income level. Total 180 respondents responded to the survey and the accumulated data were analyzed by various statistical tools like mean, correlation, cross tabulation etc. SPSS software was used for data analysis and interpretation of the study result. Statistical tables have been used to display the outcome of the study.

6.1 Demographic description of the respondents:

Table 01 show that 51.7% and 18.9% respondents belong to below 35 years and 35-40 years age group respectively on the otherside 43.9% respondents have 5-10 years of work experience while 19.4% respondents have less than 5 years of experience. These indicate that young people responded to the survey who might be the prospective buyers of real estate properties. Table 03 displays that 45.6% future buyers of the real estate properties work with local private organizations and 32.8% respondents are government employees, very respondents are from MNC and NGO/ development organizations. 77.8% respondents are male and 22.2% are female according to table 02. It is noticed from table 04 that major number of respondents (71.7%) have master degree while 12.8% and 13.3% have PhD/equivalent or graduation degree.

6.2 COVID-19 pandemic and Real Estate market of Bangladesh:

From table 05 it is seen organizational activities of 130 respondents which is around 73% of total respondents have been much affected, 55 out of 82 respondents working with local private organizations and 48 out of 59 government employees responded that their organizational activities have been affected very much while the business activities affected much according to all 18 respondents who are involved in business. 36 respondents from all the professions said that their organizational activities moderately affected due to the COVID-19 pandemic. Here the correlation of 0.348 indicates moderate positive correlation between Corona virus pandemic and detrimental effect on organizational activities. From table 06 the

study found that it is find that monthly income of 47 and 31 respondents affected very much and moderately respectively out of total 82 respondents who are working with local private organizations. But income of the government service holders and MNC employees have not been materially affected. Statistically there is ignorable negative correlation between COVID-19 pandemic and detrimental impact on income. On the contrary, table 07 reflects that 42 out of 46 respondents 1`having monthly income of more than BDT 1,20,000 wish to buy real estate property and 39 out of 75 respondents with monthly income of less than BDT 60,000 have plan to buy real estate property in future. 52 respondents of total 180 respondents are not interested in buying real estate property. It is further noticed from the study that irrespective of the monthly income level only 11 respondents of total 180 respondents are ready to buy real estate property in next six months and 23 of total 180 respondents maybe buy real estate property in next six months while 146 of 180 respondents are not ready to buy real estate property in next six months.

6.3 Conclusion and Policy recommendation

From the results of the study it can be summarized that the ongoing COVID-19 pandemic has a devastating impact on the organizational activities and subsequently on the monthly earnings of the prospective buyers of real estate products. A moderate positive correlation has been found between the detrimental impact of Corona Virus pandemic and the interruption of organizational activities. However, a good number of young people have (109 out of 180 respondents) plan to buy real estate properties in future which can be highlighted as a good sign for the real estate industry of Bangladesh. In some cases, the working spouse of the respondents seemed to be a financial strength that sometimes influences the decision of buying real estate property. It can further be noted that in spite of decreasing the monthly earnings of the prospective buyers they wish to buy real estate property in future and the real estate companies can strategically materialize this wish of the prospective buyers through the business process. The study suggests new strategy formulation focusing on the decreased financial capacity of the future buyers. Based on the results of the study the researchers suggest to initiate low cost apartment projects at small flexible installments facility. At the same time real estate companies should initiate trusted joint venture with the banks, finance companies and other creditors so that long term housing loan facilities may be offered to the buyers. Finally, the real estate companies with their related stakeholders are recommended to initiate joint industrial research to sustain during and immediately after the COVID-19 pandemic which seems to be more uncertain as displayed in table 09 and 10.

7. List of Tables

Table 01: Age & Work Experience of the respondents

Age of the respondent s				Work experience of the respondents			
	Frequency	%	Cumulative %		Frequency	%	Cumulative %
Below 35 years	93	51.7	51.7	Less than 5 years	35	19.4	19.4
35-40 years	34	18.9	70.6	5- 10 years	79	43.9	63.3
41-45 years	29	16.1	86.7	11-15 years	24	13.3	76.7
46-50 years	20	11.1	97.8	16-20 years	30	16.7	93.3
Above 50 years	4	2.2	100	Above 20 years	12	6.7	100
Total	180	100		Total	180	100	

Source: Author's compilation from survey data

Table 02: Gender

	Frequency	%	Cumulative%
Female	40	22.2	22.2
Male	140	77.8	100
Total	180	100	

Table 03: Profession of the respondents

	Frequency	%	Cumulative %
Business	18	10	10
Govt Service	59	32.8	42.8
Private service with local organization	82	45.6	88.3
Private service with foreign or Multinational Organization	8	4.4	92.8
NGO/Development Organization	7	3.9	96.7
Other	6	3.3	100
Total	180	100	

Source: Author's compilation from survey data

Table 04: Educational qualification of the respondents

	Frequency	%	Cumulative %
Below graduation	2	1.1	1.1
Graduation	24	13.3	14.4
Master	129	71.7	86.1
PhD/Equivalent	23	12.8	98.9
Professional (CA/CMA/ACCA etc)	2	1.1	100

Total	180	100
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Source: Author's compilation from survey data

Table 05: Cross tabulation showing impact of COVID-19 pandemic in different professions

Has your organizational activities hampered?	Yes , Much affected	Yes, Affected Moderately	Not that much affected	Not affected at all	Total	Correlation
Business	18	0	0	0	18	
Govt Service	48	9	2	0	59	
Private service with local org	55	21	6	0	82	
Private service with foreign or Multinational Organization	0	4	0	4	8	0.348
NGO/Development Org	7	0	0	0	7	
Other	2	2	0	2	6	
Total	130	36	8	6	180	

Source: Author's compilation from survey data

Table 06: Cross tabulation showing the detrimental impact of COVID-19 pandemic on monthly Income level of the respondents of different professions

How your income has affected due to COVID-19 pandemic?	Yes, much affected	Yes, affected moderately	Not affected	Total	Correlation
Business	18	0	0	18	
Govt Service	8	14	37	59	
Private service with local organization	47	31	4	82	
Private service with foreign or Multinational Organization	0	2	6	8	
NGO/Development Organization	3	4	0	7	-0.053
Other	4	0	2	6	
	80	51	49	180	

Source: Author's compilation from survey data

Table 07: Relation of income level with plan to buy real estate property and readiness to buy it

Monthly Income level and plan to buy real estate property						Income level and ready to buy real estate property					
Do you have plan to buy real estate property?						Are you ready to buy real estate property in six months?					
	Yes	No	Maybe	Total	Correlation		Yes	No	Maybe	Total	Correlation
Below 60,000	39	25	11	75		Below 60,000	3	69	3	75	
60,000-80,000	9	12	3	24		60,000-80,000	0	22	2	24	
81,000-1,00,000	9	6	4	19	-0	81,000-1,00,000	0	19	0	19	0.1
1,01,000-1,20,000	10	6	0	16		1,01,000-1,20,000	0	12	4	16	
Above 1,20,000	42	3	1	46		Above 1,20,000	8	24	14	46	
Total	109	52	19	180		Total	11	146	23	##	

Source: Author's compilation from survey data

Table 08: Relation of spouse's profession with plan to buy real estate property and readiness to buy it

Whether spouse in job and plan to buy real estate property					Whether spouse in job and ready to buy real estate property in six months				
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Do you have plan to buy real estate property?					Are you ready to buy RE property in 6 months?				
	Yes	No	Maybe	Total		Yes	No	Maybe	Total
Spouse in Job	46	21	12	79	Spouse in Job	0	73	6	79
Spouse not in Job	50	25	2	77	Spouse not in Job	3	58	16	77
Not applicable	13	6	5	24	Not applicable	8	15	1	24
Total	109	52	19	180	Total	11	146	23	180

Source: Author's compilation from survey data

Table 09: Impact of COVID-19 pandemic on income and readiness to buy real estate property

Whether your income is affected	Are you ready to buy real estate property?				Correlation
	Yes	No	Maybe	Total	
Yes, much affected	11	62	7	80	
Yes, affected moderately	0	49	2	51	
Not affected	0	35	14	49	0.313
Total	11	146	23	180	

Source: Author's compilation from survey data

Table 10: Anxiety rate towards Corona Virus Pandemic

Yes	No	Maybe	Total
125	6	49	180

Source: Author's compilation

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