

Psychological Factors Influencing Post-COVID Real Estate Investment Trends in India

Pritish Chaudhuri*

Abstract

This research examines the influence of key psychological factors on real estate investment trends in India during the post-COVID-19 period. The study aims to understand how behavioural biases shape investor decision-making in a developing real estate market recovering from an unprecedented global crisis. A cross-sectional and quantitative research design was adopted to investigate the proposed relationships between psychological variables and investment trends. Primary data were collected through structured survey questionnaires administered to individual investors actively participating in the Indian real estate market. The collected responses were analysed using Smart-PLS statistical software to test the research hypotheses and assess the strength and significance of the relationships among the constructs. The findings indicate that loss aversion, herd mentality, and overconfidence exert a significant and positive influence on post-pandemic real estate investment trends. These results suggest that investors' emotions, social influences, and self-perceptions play a crucial role in shaping investment behaviour during periods of uncertainty and recovery. In contrast, mental accounting shows a positive but statistically insignificant impact on investment trends, indicating a relatively weaker role in post-pandemic decision-making. Overall, this study contributes to the growing body of literature on behavioural finance by providing empirical evidence from a developing real estate market. It enhances understanding of investor psychology and offers valuable insights for policymakers, market participants, and researchers examining post-pandemic investment behaviour in India.

Keywords: Psychological Factors, Real Estate investment, COVID-19, India

Introduction

The highly contagious COVID-19 pandemic severely interrupted human existence. Social distancing, self-isolation, the closing of businesses and organisations, the limitation of transportation options, and lockdowns across the country were among the countermeasures used against the epidemic. Even though there was no known cure for this unusual illness, taking such action felt appropriate given its enormous influence on global economic activity. Several economists and policymakers pondered over this situation as soon as the crisis was declared as global pandemic.

According to media reports, on January 30, 2020, the first COVID-19 positive case was reported in India. The Indian government implemented a three-week lockdown in all over India in March 2020 to control the rapid spread of the virus. This lockdown closed all public spaces, educational institutions, public utilities, places of worship, and non-essential businesses and services. The lockdown was extended multiple times until May 31, 2020, when services gradually resumed. The prolonged lockdown led to a prolonged economic decline, resulting in millions of job losses and significant business impacts.

The financial crisis of 2008, which has been thoroughly examined in the literature on financial interconnection and the overabundance effect (Kenourgios et al., 2011; Bekiros, 2014; Luchtenberg & Vu, 2015; Yarovaya et al., 2016), has been frequently contrasted with the effects of

* Management Science, IAE, Aix-Marseille University, Aix-in-Provence, France. Email:prish.chaudhuri@iae-aix.com

How to cite: Chaudhuri, P. (2025). Psychological factors influencing post-COVID real estate investment trends in India. *International Journal of Financial Management*, 15(3), 23-34.

the COVID-19 epidemic. Since the COVID-19 pandemic has been linked to systematic risk, it is necessary to investigate how it may affect financial transactions. Orlweski (2008) distinguished five distinct phases in the global financial crisis of 2008: (1) the start of the subprime mortgage crisis; (2) the growth of credit risk as financial institutions' losses grew; (3) the shortage of liquidity; (4) the boom in commodities prices; and (5) the final credit market standstill. The current body of literature extensively discusses the causes of the financial crisis and its consequences for the securities markets, corporate investment choices, financial establishments, bank loans, finance policies, and venture capitalists. A great deal of research has also been done on how the COVID-19 epidemic has affected the price of gold, crude oil, cryptocurrencies, and financial indices. However, the impact of the COVID-19 on the behaviour of individual investors, however, is still a topic that receives little research.

One distinctive area of the domestic and international economies is the real estate market. The availability and imprecision of property information, as well as the frequent abrupt and unpredictable changes in analyses of properties and their locations, are linked to the specific characteristics of information characterising the real estate market and real estate (Renigier-Biłozor, 2014; Renigier-Biłozor et al., 2021). The real estate market experiences a high level of investor activity, which is influenced by the characteristics of real estate that affect investment profitability as well as the relationship between the real estate market and other economic sectors (such as banking, construction, and finance) (Chmielewska et al., 2022). Non-linear information availability and reaction (processing and interpretation capacity; degree of assimilation) is another factor contributing to investor activity unpredictability. Making decisions about real estate investments also requires a lot of emotional commitment - "when houses become homes" (Salzman & Zwinkels, 2017). Samuel Butler once stated, "Life is the art of drawing sufficient conclusions from insufficient premises." Chmielewska et al. (2022) cites Butler to highlight the ambiguity and possibility of error involved in making decisions. Every choice, according to theory, has a 50% chance of succeeding and a 50% risk of failing.

In the housing market, choices can be made by both professional investors and "average" market participants.

The former primarily obtains information from publicly accessible sources, bases purchases on partial facts, and frequently acts on instinct and feelings (Chmielewska et al., 2022). When faced with unclear outcomes from their choices (such as an unstable national economy, unstable financial conditions, or uncertain health conditions), investors have the option to make no judgements at all, which ensures avoiding mistakes. However, according to Chmielewska et al. (2020), this strategy impedes progress.

During the COVID-19 pandemic, the situation has been further complicated by lockdowns and the widespread adoption of home-based remote working. As a result, residential properties have expanded to serve as workplaces and areas of freedom where people can spend their free time in a restricted public space. The author therefore investigates the psychological factors affecting the real estate market trends in India under the effects of the uncertain economic situation caused by the COVID-19 pandemic.

Literature Review

The COVID-19 pandemic has significantly impacted real estate markets worldwide, influencing investor psychology and decision-making processes. Psychological factors play a crucial role in the decision-making process, not only in the real estate market but also in other aspects of life. External factors like the influence of others, reference groups, and cultural background, as well as internal factors like motives, sentiments, feelings, behaviour, knowledge, and insight, can affect buying decisions. Emotions, such as fear, stress, curiosity, anger, and happiness, can lead to irrational choices and can provoke certain behaviours or avoid them. In the real estate market, buyers often make purchase decisions based on visual observation and Maslow's hierarchy of needs. Primary motives for real estate investment include high occupancy or maintenance costs, insufficient space, family status changes, and improving living standards.

The decision-making process is often flawed due to human imperfection, as people are vulnerable to external and internal factors. The human mind uses simplified judgement methods (heuristics) due to their fast and automatic nature. To make effective choices, particularly within the housing market, certain anomalies, mental shortcuts, and unconscious prejudices play a role.

However, these factors are not the entire picture and often complicate the selection process. This literature review examines the psychological factors influencing post-COVID real estate investment trends, drawing insights from recent academic studies. The pandemic has influenced investor psychology, impacting real estate investment decisions. Factors like perceived asset value, overconfidence, and herding significantly predict investment decisions, while disposition effect and risk aversion show insignificant impacts. Investors who are aware of these cognitive biases and psychological factors can better navigate the uncertainties brought about by the pandemic.

By being mindful of the influence of emotions and biases on decision-making, investors can make more rational and informed choices when it comes to real estate investments. Ultimately, understanding how psychological factors impact decision-making can help investors mitigate risks and maximise returns in the ever-changing real estate market. Ali et al. (2024) investigated the interconnectedness between investors' perceptions of assets and their behavioural factors in Pakistan's real estate market during the COVID-19 crisis. Their study found that perceived asset value, overconfidence, and herding significantly predicted investment decisions, while disposition effect and risk aversion had insignificant impacts. Jan et al. (2022) examined the influence of psychological biases on Chinese individual investors' decisions post-COVID-19. Their findings revealed that overconfidence, representativeness bias and anchoring bias positively influenced investment decisions. Interestingly, availability bias had a negative effect on investment decisions. This suggests that investors may be relying more on their own judgments and past experiences rather than readily available information.

Information availability significantly moderates the relationship between psychological biases and investment decisions, emphasising the importance of reliable information for informed decision-making in uncertain times. In times of uncertainty, such as during a pandemic, having access to accurate and up-to-date information is crucial for investors to make sound decisions. By relying on reliable sources and conducting thorough research, investors can better navigate the complexities of the real estate market and minimise the impact of emotional biases on their investment choices. In doing so, they can

position themselves to capitalise on opportunities and achieve long-term success in their real estate investments. Jan et al. (2022) confirmed that information availability significantly moderated the relationship between psychological biases and investment decisions in the post-COVID-19 context. This highlights the importance of access to reliable information for investors to make informed decisions in uncertain times.

The pandemic has influenced real estate sector performance, with industrial REITs showing strongest recovery post-crisis. Investors re-evaluating sector allocations based on perceived resilience and growth potential. This shift in the market highlights the importance of staying informed and adaptable to make informed decisions. By taking into consideration the changing landscape of the real estate sector, investors can adjust their strategies accordingly to capitalise on emerging trends and opportunities. In the face of uncertainty, staying diligent and informed is key to achieving success in real estate investments. The pandemic has affected various real estate sectors differently, influencing investor perceptions and decisions. Balemi et al. (2021) reported significant variations in the performance of different REIT indices, with industrial REITs showing the strongest recovery post-crisis. This suggests that investors are reassessing their sector allocations based on perceived resilience and growth potential in the post-COVID landscape. Ling et al. (2020) found varying sensitivities to COVID-19 risk across different real estate markets. Consumer-oriented businesses were most affected, whereas medical sector stocks proved the most resilient. This differential impact has likely influenced investor psychology and sector preferences in the post-COVID era.

The geographical aspect of COVID-19's impact on real estate investments has also been a focus of research. Xie and Milcheva (2020) found a negative correlation between proximity to COVID-19 cases and real estate company returns in Hong Kong. Properties within two miles of a COVID-19 case resulted in 0.02% lower returns one day after case disclosure, with the effect being stronger for buildings located closer and weaker for residential properties. This suggests that investors are considering location-specific risks more carefully in their decision-making processes. As the pandemic continues to evolve, investors are likely to pay even closer attention to the geographical spread of COVID-19 and its impact

on real estate investments. Understanding how proximity to cases can affect returns may lead to more cautious and strategic investment decisions in the future.

The geographic dimension of the pandemic has played a significant role in shaping the real estate market, and investors will need to adapt to this new reality to mitigate risks and maximise returns. The pandemic has influenced investor preferences and risk perceptions, leading to new evaluation criteria for real estate investments, potentially impacting future crises in the sector. Investors will likely prioritise properties located in areas with lower infection rates and strong healthcare infrastructure, while also considering potential future pandemics or similar crises. As the world continues to navigate the uncertainties brought on by the pandemic, it is crucial for investors to remain vigilant and adaptable in their decision-making processes. By staying informed and proactive, real estate investors can position themselves to thrive in a post-pandemic market characterised by changing consumer preferences and heightened risk awareness. Ali et al. (2024) noted that their findings could have implications for future crises in the real estate sector. The increased importance of factors like perceived asset value and the influence of behavioural biases indicates that investors may be adopting new evaluation criteria for real estate investments in the post-COVID era.

The pandemic has brought about substantial changes in the Indian real estate sector, affecting both demand and supply dynamics. Bothlikar and Nanda (2021) conducted a thematic literature review highlighting how consumer emotions and behaviour have shifted, affecting demand and investment trends in Indian real estate. A Deloitte (2021) survey report highlighted increased safety and security needs as key drivers of housing demand. Post-COVID-19, factors affecting residential property buying decisions in India include safety concerns, larger living spaces, and work-from-home amenities. These findings align with global trends, as the pandemic has altered work patterns and influenced real estate preferences. Majumder and Biswas (2021) examined COVID-19's impact on work-life quality in the real estate sector, providing insights into how changing work dynamics are shaping broader sector trends. The COVID-19 pandemic has reshaped housing needs and preferences globally, with safety and security concerns driving demand in India. The demand for features like contactless entry systems, improved ventilation, and sanitised spaces has

increased, aligning with global observations. The Indian real estate market has also shifted investment patterns, favouring stable, long-term investments as hedges against economic uncertainty. The digital transformation of the sector has made real estate investments more accessible to a broader audience, including Non-Resident Indians (NRIs). Emotional factors in real estate decisions have become more pronounced post-COVID, with people viewing living spaces as multifunctional environments. Sustainability and eco-friendly investments have gained prominence, with a growing interest in green buildings, energy-efficient designs, and properties incorporating natural elements.

Conceptual Framework

Bartkowiak et al. (2019) concentrated on behavioural and psychological elements like motives, emotions, attitudes, personality, learning, memory, and perception to better understand the factors impacting real estate purchasing decisions. A few major psychological factors are included in this research from among these elements. These factors outline the primary factors that impact individual real estate investors' decisions and have an impact on real estate investment trends. The factors included in this study are briefly discussed below.

Overconfidence

Overconfidence is a common issue in the real estate market, arising from a false sense of control that leads investors to underestimate risks. This overconfidence appears in four forms: an inflated sense of one's abilities, miscalibration, a belief in controlling outcomes, and excessive positivity (Odeon, 1998). Individuals frequently overestimate their own abilities and expertise during the decision-making process, which shapes their ultimate selections. Consumers tend to think that decision accuracy improves with more information, often overlooking random factors that impact future price assessments based on past data. Over-optimism leads individuals believe situations will unfold as they desire. The illusion of control causes people to overestimate their chances of success (Langer, 1975). Overconfidence typically results in negative outcomes because individuals rely heavily on their perceived knowledge and experience, which may not be accurate. This illusion of control leads to decisions that do not

align with objective reality. Overconfidence is frequently accompanied by over-optimism, leading people to believe that things will turn out favorably.

Overconfidence in real estate investment can lead to significant pitfalls, such as ignoring market trends, overestimating property values, underestimating risks, taking on excessive leverage, and neglecting due diligence. Investors might believe they have superior knowledge, causing them to overlook critical market signals, professional appraisals, and potential risks like market volatility and maintenance costs. This overconfidence can result in overpaying for properties, financial losses, and dangerous levels of debt, especially if unexpected issues arise. After reviewing the literature, the following hypothesis is put forward:

Hypothesis 1: Overconfidence affects real estate investment trends in India significantly in the post-COVID period.

Herd Behaviour

Herd behaviour, where individuals rely on others' actions, significantly influences decision-making processes, especially in real estate markets. This behaviour contributed to insolvency and the 2008 global financial crisis. If individuals had not repeated each other's mistakes, their actions might have balanced each other out (Bartkowiak et al., 2019). Herd behaviour in real estate, including rapid price increases, panic selling, gentrification, early buyers, and speculative buying, significantly impacts markets, leading to price volatility and inefficiencies. Herd behaviour in real estate markets is a significant factor, particularly during periods of market volatility and uncertainty.

Annin et al. (2024) highlighted that during the COVID-19 pandemic, international real estate investment trusts (REITs) exhibited strong herding behaviour due to the scarcity of independent information, prompting investors to follow market trends. Similarly, Ro et al. (2019) found that U.S. residential developers displayed herd-like behaviour, especially in bullish markets, where optimism limited access to reliable data. This phenomenon is further supported by Akinsomi et al. (2018), who observed that UK REITs exhibited herding behaviour under low volatility conditions, driven by broader equity market uncertainty. Finally, Lin et al. (2018) demonstrated that

increased information demand via the internet could either mitigate or exacerbate herding among U.S. REIT investors, depending on market conditions. Collectively, these studies emphasise that herding behaviour in real estate is deeply intertwined with market dynamics and investor psychology, often resulting in heightened market volatility and collective irrational decision-making. After reviewing the literature, the following hypothesis is put forward:

Hypothesis 2: Herd Behaviour affects real estate investment trends in India significantly in the post-COVID period.

Loss Aversion

Loss aversion influences buyers and sellers in their decision-making processes. Customers tend to avoid losses more strongly than they seek gains, making the impact of a loss more significant than the satisfaction from a gain. In the real estate market, buyers and sellers both aim to avoid financial losses. According to Salzman and Zwinkels (2017), property owners at risk of nominal losses tend to list their homes at higher prices, secure better sale values, and experience longer market times than their counterparts. This behaviour of loss-averse sellers helps explain the positive correlation between prices and sales volume in the housing market (Salzman & Zwinkels, 2017).

Loss aversion in real estate investment often leads to behaviours such as holding onto properties that have decreased in value, setting higher asking prices to avoid selling at a loss, and being reluctant to lower prices during market downturns. This tendency can result in properties staying on the market longer and reduced market liquidity. In booming markets, sellers might overprice properties to avoid the regret of selling too low, further slowing sales volume. In commercial real estate, investors may hold onto underperforming properties rather than selling at a loss, contributing to lower liquidity in the market. These behaviours illustrate how loss aversion can significantly impact decision-making and market dynamics in real estate. After reviewing the literature, following hypothesis is put forward:

Hypothesis 3: Loss Aversion affects real estate investment trends in India significantly, in the post-COVID period.

Mental Accounting

Mental accounting is a phenomenon where individuals categorise their investments and evaluate each based on its potential gains or losses (Bartkowiak et al., 2019). This bias is particularly evident in the real estate market, where people use past experiences to assess costs and mentally allocate them into different accounts (Thaler, 1985). This behaviour often leads to decisions like opting for high-interest loans while keeping personal savings in low-interest accounts.

The consequences of mental accounting include a lack of diversification in risky assets or avoiding such investments altogether. Individuals with lower education levels and less market knowledge are more susceptible to this bias. In the real estate market, mental accounting often leads individuals to compartmentalise their finances in ways that can be suboptimal. For example, homeowners might set separate budgets for different renovation projects, use large portions of savings for down payments while keeping emergency funds untouched, or treat rental income separately from maintenance expenses. Investors might also differentiate between personal residences and investment properties, opting for high-interest loans for the latter while keeping personal savings in low-interest accounts. Additionally, tax refunds or bonuses might be spent on home improvements or luxury items instead of paying down mortgages or investing in higher-return opportunities. These behaviours illustrate how mental accounting can result in less effective financial decisions by not considering the overall financial picture. After reviewing the literature, following hypothesis is put forward:

Hypothesis 4: Mental Accounting affects real estate investment trends in India significantly, in the post-COVID period.

Research Technique

Data Collection

This research aims to examine the impact of psychological factors on post-COVID real estate investment trends in India. A quantitative study using a questionnaire is a suitable method for accomplishing the research objective (Sabir et al., 2021). The survey was crafted with Indian

individual property investors as the intended respondents. The population under investigation in this study consisted of Indian real estate investors. When the survey questionnaires were sent, 200 respondents were targeted. However, only 133 respondents returned the filled survey questionnaires and among those, 3 respondents had filled partial information, so only 130 responses could be used in this study. This represents a response rate of 65%. There were two sections in the questionnaire. The questions about respondents' demographics make up the first section, and the questions about investing decisions and psychological factors make up the second. A five-point Likert scale was used to evaluate the psychological aspects of real estate investment trends, where 1 meant "strongly disagree" and 5 meant "strongly agree." The statistical software Smart-PLS was used to evaluate the data and estimate the hypotheses. Smart-PLS is user-friendly software for PLS-SEM, handling complex models and non-normal data, offering robust analysis tools for researchers (Hair et al., 2012; 2013). Following the recommendations outlined by Hair et al. (2013), a bootstrapping approach with 1000 resamples was applied to assess the research hypotheses and path coefficients. Within the framework of this investigation, the researchers employed Confirmatory Factor Analysis (CFA) methodology to examine and validate the structural integrity of the proposed model.

Measurement Model

A measurement model was utilised to examine both convergent validity (CV) and discriminant validity. CV helps determine the extent to which various items measure the same construct. Following Hair et al. (2021) and Hair et al. (2013) guidelines, CV is calculated using factor loadings, composite reliability (CR), and average variance extracted (AVE). The recommended thresholds are 0.5 for loadings, 0.5 for AVE, and 0.7 for CR.

The measurement model also serves to assess discriminant validity, which demonstrates how variables in the model differ from one another. To quantify discriminant validity, researchers employ HTMT ratios, as well as the criteria established by Fornell and Larcker (1981). According to the latter, the square root of AVE should exceed the correlations between that measure and other factors. An evaluation of the measurement model is presented below in Fig. 1.

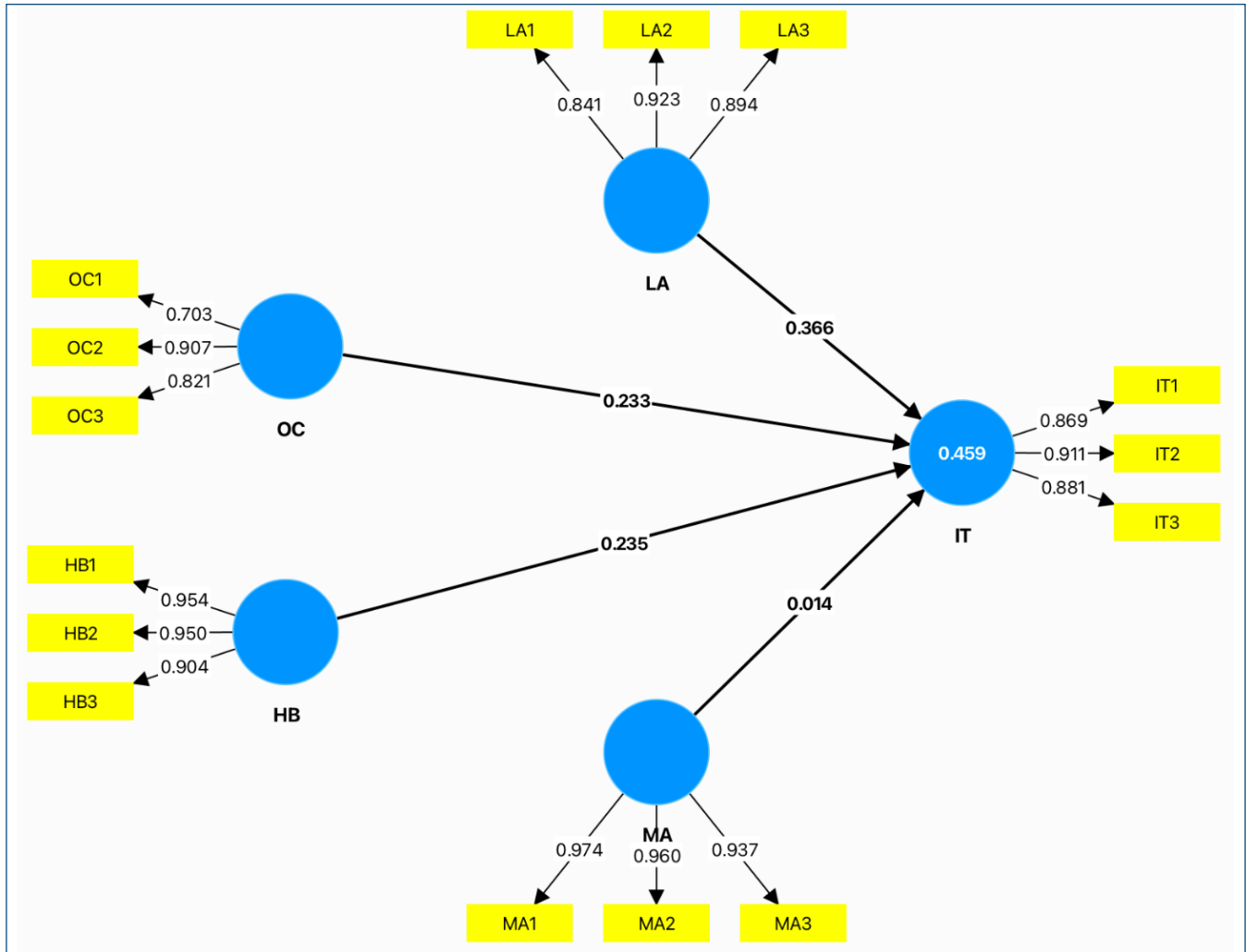


Fig. 1: Measurement Model Evaluation

In accordance with the recommendations provided by Hair et al. (2013), Table 1 evaluates the convergent validity criteria, which successfully meet the established thresholds. The analysis reveals that the loading values

surpass 0.6, the Composite Reliability (CR) values exceed 0.7, and the Average Variance Extracted (AVE) values are above 0.5, all of which satisfy the prescribed standards for convergent validity.

Table 1: Convergent Validity Criteria

Construct	Indicators	Outer Loadings	Cronbach's Alpha	Composite Reliability (rho_c)	Average Variance Extracted (AVE)
Herd Behaviour (HB)	HB1	0.954	0.930	0.955	0.877
	HB2	0.950			
	HB3	0.904			
Investment Trends (IT)	IT1	0.869	0.865	0.917	0.787
	IT2	0.911			
	IT3	0.881			

Construct	Indicators	Outer Loadings	Cronbach's Alpha	Composite Reliability (rho_c)	Average Variance Extracted (AVE)
Loss Aversion (LA)	LA1	0.841	0.864	0.917	0.786
	LA2	0.923			
	LA3	0.894			
Mental Accounting (MA)	MA1	0.974	0.954	0.970	0.916
	MA2	0.960			
	MA3	0.937			
Over Confidence (OC)	OC1	0.703	0.750	0.854	0.664
	OC2	0.907			
	OC3	0.821			

Specifically, the square root values of all Average Variance Extracted (AVE) measurements exceed the correlations of their respective variables, thereby confirming the discriminant validity of the constructs in the study.

Table 2 presents an assessment of the discriminant validity criteria, following the guidelines set forth by Fornell and Larcker (1981). The results demonstrate that the criteria fall within the acceptable range for establishing validity.

Table 2: Fornell-Larcker Criterion

	HB	IT	LA	MA	OC
HB	0.936				
IT	0.553	0.887			
LA	0.484	0.566	0.887		
MA	0.414	0.289	0.267	0.957	
OC	0.579	0.504	0.356	0.340	0.815

The HTMT ratios less than 0.85 are shown in Table 3. Therefore, the study model satisfies the HTMT-described criterion of discriminant validity.

Table 3: Heterotrait–Monotrait Ratio (HTMT)

	HB	IT	LA	MA	OC
HB					
IT	0.613				
LA	0.538	0.649			
MA	0.431	0.311	0.289		
OC	0.685	0.602	0.424	0.387	

Structural Model Assessment

According to Hair et al. (2013), this research decided to use the bootstrap approach to assess the hypothesis by evaluating the relationship between independent

and dependent variables. To evaluate the hypothesis, a bootstrapping technique employing 1,000 resamples was implemented. The assessment of the measurement model is displayed in Fig. 2, and the structural framework's outcomes are shown in Table 4.

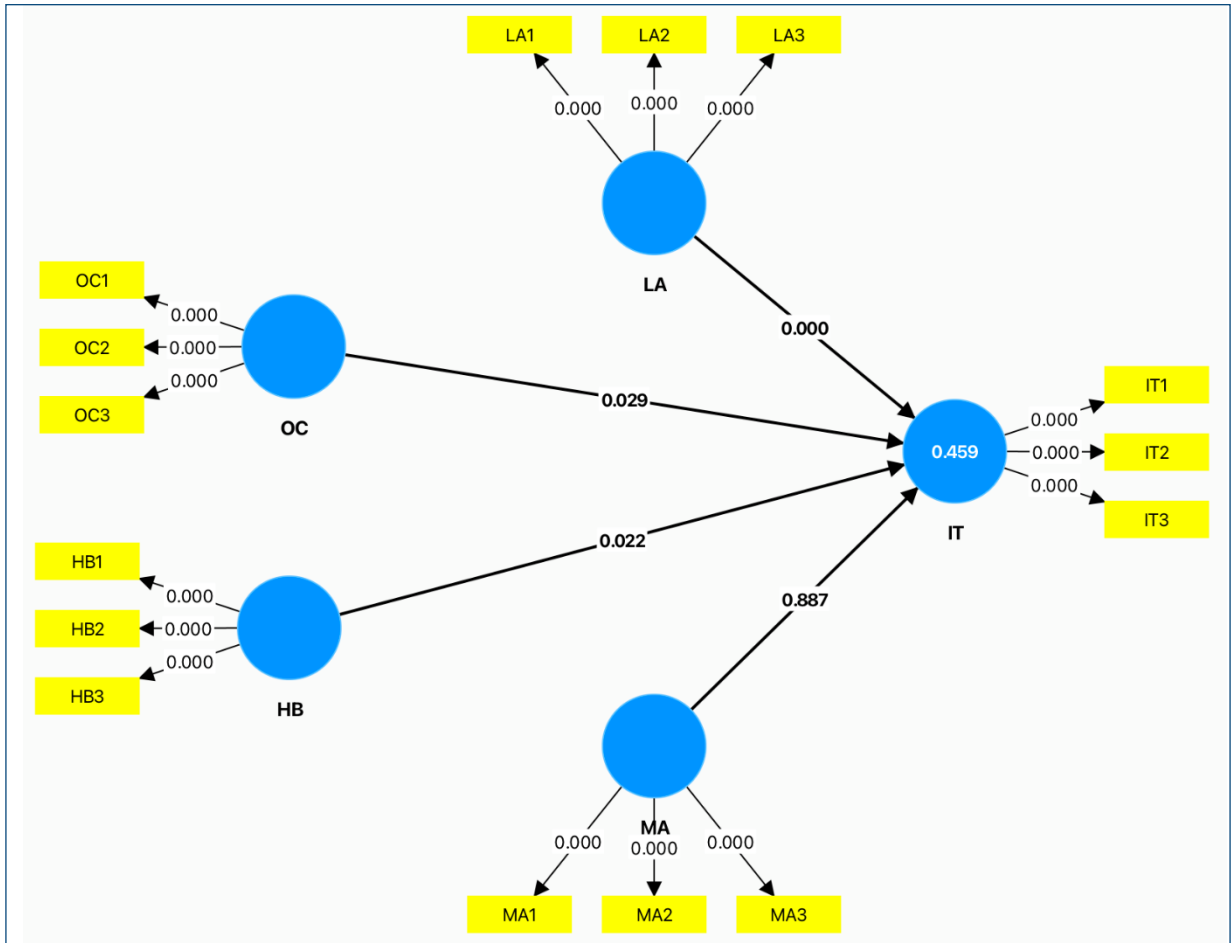


Fig. 2: Structural Model Evaluation

The effects of the direct influences of psychological factors on investment trends are shown in Table 4. The findings demonstrate that overconfidence has a significant and positive impact on Indian real estate investors’ investment trends ($\beta = 0.233, t = 2.189, p = 0.029$), and that Herd Behaviour has a similarly positive and significant impact

($\beta = 0.235, t = 2.289, p = 0.022$). Additionally, Loss Aversion significantly affects investment trends ($\beta = 0.366, t = 4.512, p = 0.000$). Lastly, Mental Accounting with ($\beta = 0.014, t = 0.142, p = 0.887$) indicates positive but insignificant impact on investment trends. H1, H2 and H3 are therefore supported, however, H4 is not supported.

Table 4: Structural Model Evaluation (Total Effect and Decision)

Hypothesis	Relationship	Beta	Standard Deviation (STDEV)	T statistics (λ /STDEV)	P Values	Remarks
H1	OC -> IT	0.233	0.106	2.189	0.029	Supported
H2	HB -> IT	0.235	0.103	2.289	0.022	Supported
H3	LA -> IT	0.366	0.081	4.512	0.000	Supported
H4	MA -> IT	0.014	0.100	0.142	0.887	Not Supported

Result Discussion

The aim of the research was to examine the investment trends of the Indian real estate market following the COVID epidemic. According to this research, the investment trends in India are directly affected by the psychological factors studied here and this effect is significant e.g. Overconfidence ($\beta = 0.233$, $p = 0.029$) and Herd Behaviour ($\beta = 0.235$, $p = 0.022$). The investment trend is also highly influenced by Loss Aversion and it has a positive impact ($\beta = 0.366$, $p = 0.000$). On the other hand, the investment trend is not significantly impacted by the Mental Accounting ($\beta = 0.014$, $p = 0.887$). The results align with the research conducted earlier.

Conclusion

In conclusion, the psychological factors influencing post-COVID real estate investment trends in India are multifaceted and interconnected. Safety concerns, changing work patterns, emotional connections to living spaces, digital transformation, and sustainability considerations are shaping the market, influencing individual decisions and driving broader market trends. This real estate investigation adopted a quantitative methodology. Findings indicate that Overconfidence, Herd Behaviour and Loss Aversion have a positive and significant effect on the investment trends. Out of the above behavioural biases used for the study, loss aversion had the most impact.

Although avoiding loss is unavoidable, for Indian real estate investors it becomes increasingly important after COVID-19 pandemic. A major factor in making real estate investment decision has been loss aversion. Investors become more cautious and focused their investments on the COVID development in an effort to reduce loss. According to the study, individual investors are now more reactive to incurring losses than gains after the pandemic. As the sector evolves, further innovations in property design, development, and marketing are likely. Adapting to these changing psychological factors will be crucial for success in the Indian real estate market post-COVID. Moreover, when making real estate investing decisions, other investors may find value in the study's conclusions. The study's findings will add to the body of research on behavioural finance because they demonstrated the

prospect theory's applicability in shedding light on how psychological factors, and individual real estate investment choices interact within a single model. In the context of India, this study provides a new avenue for research on the factors that forecast investment trends following the COVID-19 epidemic.

Theoretical and Managerial Implications

The findings have important implications for investors, policymakers, and financial institutions in the real estate sector. Understanding the psychological underpinnings of investment decisions can help in developing more effective strategies and policies to navigate the post-COVID real estate landscape and make logical investment choices. This research also recognises the prominence of three psychological factors that have a significant influence on real estate market trends in the wake of the COVID-19 epidemic. Governments and real estate professionals would benefit from this study by understanding the significance of Overconfidence, Herd Behaviour and Loss Aversion biases in investing decisions. This study will also help new real estate investors who have not yet acquired investment experience, to develop better investment strategies after the COVID-19 epidemic.

Research Limitations and Scope of Future Research

Although the hypothesis in this research is novel, there are certain issues that need to be resolved in follow-up research. To begin with, a sample of Indian real estate investors was used in this investigation. As a result, the generalisability of the data is limited, yet they might still be validated by another research using a different sample. Moreover, the three psychological factors that affect investment trends have been narrowed down by this study.

Subsequent studies could examine the impact of other psychological factors on real estate investment trends in the wake of the COVID-19 pandemic. Also, future research could focus on the long-term sustainability of these trends and how they might evolve beyond the immediate impacts of the pandemic.

Data Availability Statement

The survey questionnaire and the data that support the findings of this study are openly available in Zenodo at <https://doi.org/10.5281/zenodo.14052478>.

Disclosure of Interest

The author reports that there are no competing interests to declare.

References

- Akinsomi, O., Coskun, Y., Gupta, R., & Lau, C. K. M. (2018). Impact of volatility and equity market uncertainty on herd behavior: Evidence from UK REITs. *Journal of European Real Estate Research*, *11*(2), 169–186. doi:<https://doi.org/10.1108/JERER-06-2017-0021>
- Ali, M., Leong, C.-M., Aw, E. C.-X., Puah, C.-H., & Barut, A. (2024). Real estate investment decisions in COVID-19 crisis: The effect of perception and behavioral biases. *International Journal of Housing Markets and Analysis*, *17*(1), 32–47. doi:<https://doi.org/10.1108/IJHMA-12-2022-0173>
- Anin, K., Ababio, K. A., & Sarpong, S. (2024). Herding behavior in sector-specific international real estate investment trusts market during COVID-19. doi:<https://doi.org/10.2139/ssrn.4703161>
- Balemi, N., Füss, R., & Weigand, A. (2021). COVID-19's impact on real estate markets: Review and outlook. *Financial Markets and Portfolio Management*, *35*(4), 495–513. doi:<https://doi.org/10.1007/s11408-021-00384-6>
- Bartkowiak, P., Potrawiak, P., & Pavlenko, J. G. (2019). Psychological factors affecting purchasing decisions on the real estate market. *Zeszyty Naukowe Uniwersytetu Ekonomicznego w Krakowie*, *6*(978), 153–168. doi:<https://doi.org/10.15678/ZNUEK.2018.0978.0609>
- Bekiros, S. D. (2014). Contagion, decoupling and the spillover effects of the US financial crisis: Evidence from the BRIC markets. *International Review of Financial Analysis*, *33*, 58–69. doi:<https://doi.org/10.1016/j.irfa.2013.07.007>
- Bothlikar, M., & Nanda, T. P. (2022). A thematic literature review on the impact of COVID-19 pandemic on Indian real estate. *CSID Journal of Infrastructure Development*, *5*(1), 87. doi:<https://doi.org/10.32783/csid-jid.v5i1.255>
- Chmielewska, A., Adamiczka, J., & Romanowski, M. (2020). Genetic algorithm as automated valuation model component in real estate investment decisions system. *Real Estate Management and Valuation*, *28*(4), 1–14. doi:<https://doi.org/10.1515/remav-2020-0027>
- Chmielewska, A., Ciski, M., & Renigier-Biłozor, M. (2022). Residential real estate investors' motives under pandemic conditions. *Cities*, *128*, Article 103801. doi:<https://doi.org/10.1016/j.cities.2022.103801>
- Deloitte. (2021). *Reality of realty in the post-COVID-19 world: An India survey report*. November 18, 2021. <https://www2.deloitte.com/content/dam/Deloitte/in/Documents/consumer-business/in-consumer-reality-of-realty-noexp.pdf>
- Fornell, C., & Larcker, D. F. (1981). Structural equation models with unobservable variables and measurement error: Algebra and statistics. *Journal of Marketing Research*, *18*(3), 382. doi:<https://doi.org/10.2307/3150980>
- Hair, J. F., Ortinau, D. J., & Harrison, D. E. (2021). *Essentials of marketing research* (5th ed.). New York: McGraw-Hill Education.
- Hair, J. F., Ringle, C. M., & Sarstedt, M. (2012). Partial least squares: The better approach to structural equation modeling? *Long Range Planning*, *45*(5–6), 312–319. doi:<https://doi.org/10.1016/j.lrp.2012.09.011>
- Hair, J. F., Ringle, C. M., & Sarstedt, M. (2013). Partial least squares structural equation modeling: Rigorous applications, better results and higher acceptance. *Long Range Planning*, *46*(1–2), 1–12. doi:<https://doi.org/10.1016/j.lrp.2013.01.001>
- Jan, N., Jain, V., Li, Z., Sattar, J., & Tongkachok, K. (2022). Post-COVID-19 investor psychology and individual investment decision: A moderating role of information availability. *Frontiers in Psychology*, *13*, Article 846088. doi:<https://doi.org/10.3389/fpsyg.2022.846088>
- Kenourgios, D., Samitas, A., & Paltalidis, N. (2011). Financial crises and stock market contagion in a multivariate time-varying asymmetric framework. *Journal of International Financial Markets, Institutions and Money*, *21*(1), 92–106. doi:<https://doi.org/10.1016/j.intfin.2010.08.005>
- Langer, E. J. (1975). The illusion of control. *Journal of Personality and Social Psychology*, *32*(2), 311–328. doi:<https://doi.org/10.1037/0022-3514.32.2.311>

- Lin, W.-Y., Wu, M.-H., & Chen, M.-C. (2018). Asymmetry herding behavior of real estate investment trusts: Evidence from information demand. *Journal of Risk*, 21(2), 99–137. doi:https://doi.org/10.21314/JOR.2018.398
- Ling, D. C., Wang, C., & Zhou, T. (2020). A first look at the impact of COVID-19 on commercial real estate prices: Asset level evidence. *SSRN Electronic Journal*. doi:https://doi.org/10.2139/ssrn.3593101
- Luchtenberg, K. F., & Vu, Q. V. (2015). The 2008 financial crisis: Stock market contagion and its determinants. *Research in International Business and Finance*, 33(January), 178–203. doi:https://doi.org/10.1016/j.ribaf.2014.09.007
- Majumder, S., & Biswas, D. (2022). COVID-19: Impact on quality of work life in real estate sector. *Quality & Quantity*, 56(2), 413–427. doi:https://doi.org/10.1007/s11135-021-01136-4
- Odean, T. (1998). Volume, volatility, price, and profit when all traders are above average. *The Journal of Finance*, 53(6), 1887–1934. doi:https://doi.org/10.1111/0022-1082.00078
- Orlowski, L. T. (2008). Stages of the 2007/2008 global financial crisis: Is there a wandering asset-price bubble? *SSRN Electronic Journal*. doi:https://doi.org/10.2139/ssrn.1726700
- Renigier-Biłozor, M. (2013). Structure of a decision support subsystem in real estate management. *Folia Oeconomica Stetinensia*, 13(1), 56–75. doi:https://doi.org/10.2478/fofi-2013-0007
- Renigier-Biłozor, M., Chmielewska, A., Walacik, M., Janowski, A., & Lepkova, N. (2021). Genetic algorithm application for real estate market analysis in the uncertainty conditions. *Journal of Housing and the Built Environment*, 36(4), 1629–1670. doi:https://doi.org/10.1007/s10901-020-09815-8
- Ro, S., Gallimore, P., Clements, S., & Fan, G.-Z. (2019). Herding behavior among residential developers. *The Journal of Real Estate Finance and Economics*, 59(2), 272–294. doi:https://doi.org/10.1007/s11146-018-9675-y
- Sabir, S. A., Javed, T., Khan, S. A., & Javed, M. Z. (2021). Investment behavior of individual investors of Pakistan stock market with moderating role of financial literacy. *Journal of Contemporary Issues in Business and Government*, 27(2). doi:https://doi.org/10.47750/cibg.2021.27.02.134
- Salzman, D., & Zwinkels, R. C. J. (2017). Behavioral real estate. *Journal of Real Estate Literature*, 25(1), 77–106. doi:https://doi.org/10.1080/10835547.2017.12090455
- Thaler, R. (1985). Mental accounting and consumer choice. *Marketing Science*, 4(3), 199–214. doi:https://doi.org/10.1287/mksc.4.3.199
- Xie, L., & Milcheva, S. (2020). Proximity to COVID-19 cases and REIT equity returns. *SSRN Electronic Journal*. doi:https://doi.org/10.2139/ssrn.3641268
- Yarovaya, L., & Lau, M. C. K. (2016). Stock market comovements around the global financial crisis: Evidence from the UK, BRICS and MIST markets. *Research in International Business and Finance*, 37(May), 605–619. doi:https://doi.org/10.1016/j.ribaf.2016.01.023