

# A Study on Various Crisis Management Techniques in Real Estate Sector during the Pandemic

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## Abstract

The Indian Real Estate sector is a thriving globally recognised sector amongst all the big sectors established in the economy. This sector attracts the major amount of Foreign Direct Investment (FDI) into the system. Real Estate companies in India are a major source of Gross Domestic Product (GDP) for the economy and ensure that this revenue is duly and positively affecting the growth of the economy. Post the establishment of the RERA Act, 2016, buyers or investors of real estate have increased significantly as the same are protected and safeguarded by the Indian law. The deadly virus COVID 19 started its effect from December 2019, China and has now spread rapidly all over the globe and massacred millions of people. Due to such a cause governments all over the globe have taken a unanimous decision of locking down the entire system individually and ensure to break the chain of the spread of the virus resulting in a stoppage or slowdown of the almost all the sectors of the global economy. This has impacted in the multiple ways in the real estate sector. Can the impact of COVID 19 on the real estate market be curtailed and how? What are the ways in which a real estate company can sustain itself in situation of such a crisis? This article showcases the combined details from the secondary data stating the various dimensions in which the crisis impacted by the real estate companies, temporary solutions to the same and certain future predictions of this sector and how it'll be affected globally on the long run. Through the findings we can figure as to which strategy would be applicable to the world at large.

**Keywords:** Crisis impact on real estate sector, Temporary solutions for real estate during COVID 19, Various dimensions of crisis impacted, Temporary solutions for crisis in real estate sector, Crisis management in real estate companies

## 1. Introduction

### 1.1 About real estate and COVID 19

Amongst all the investment opportunities in the world, India is known for new and successful opportunities of investment in the real estate sector. This sector is majorly presented as a long-term investment sector or for an expansion of buildings for any business enterprise. Real estate can be divided into four parts – Housing, Commercial, Retail and Hospitality. Study showcases that sector attract various FDIs from NRIs settled in various parts of the world.

In consideration of the same, amongst all the states in India, Real estate investment decisions are highly expected to be in Bengaluru followed by Ahmedabad, Pune, Chennai, Goa, Delhi and Dehradun. These real estate constructions are bounded by a well-farmed act of the Indian Government. Through the FDI investments received by the economy has ensured to result in being the sector which is most contributing to the economy's Gross Domestic Product (GDP). Additionally, The Real Estate Regulatory Authority (RERA) Act, 2016 is set up by the Parliament of India on 1 May 2016 for developers and customers in order for the Indian real estate sector to be overviewed according to the laws framed by the central and state government.

In the view of the sudden breakout of the virus COVID 19 has brought in a 180 degree change in the global scenario as has been declared as a pandemic by the World Health Organisation is fatal amongst various countries has brought in an economic instability with India too as due to this virus the central government had taken an

enormous step of locking down the entire country from 19 March 2020 to diminish the escalation of the same.

However, this major decision has unintentionally affected the various sectors including the real estate. This has given a point of decline in the economic revenue and growth. Many companies have been bankrupt or on the verge of bankruptcy. Clients have not been able to make any sort of development in projects and are facing issues in completing the same. There are also issues in buyers as they also face new issues which now restrict them from investing in the real estate market. Major concerns of such has brought in a huge crisis to all the established real estate companies and are facing issues to survive and keep their staff employed with full salary. In such cases, companies have now tried to bring in new strategies and adjust themselves to the 'new normal' of India.

## 2. Literature review

In the real estate sector, many articles have been published about the variations in the real estate market. However, the impact of lockdown imposed by the government to reduce the effect of the pandemic within the country has brought in certain crisis in the real estate sector. Among the new articles which have been published Sobhia Khan, ET Bureau (Apr, 2020), "Covid-19 crisis: Commercial real estate growth slows down" have showcased the impact on the real estate market at different states in India. Gautam Vashisht & Om Chaudhry, Livemint (Dec, 2019) "How to solve India's real estate crisis" provides brief information about the issues of real estate in India and solutions to the same.

### 3. Research methodology

The data presented in this article were derived from secondary data various real estate companies' websites, research reports and news articles from certain reputed organisations such as Livemint, ET Bureau, Cyril Amarchand Mangaldas Blog, Financial Express, Inc42, Business Standard, etc. All the analysis done is through the data available over various secondary data sources.

### 4. Results

In case of the recent outbreak of the fatal virus COVID 19, the real estate authorities from the government perspectives figured it out stating that this situation is a huge crisis which can desist the sector from moving forward if the same regulations were kept. There are relaxations provided by the regulatory authority as a temporary solution to the current lockdown situation in India on all RERA registered projects. Added to the same are few factors which can help the real estate sector to start growing back and handle this crisis in a better way.

**Upgrade to Technology:** There is a need to stay and quarantine oneself for the safety of mankind. In order to follow the same and ensure protection to the human race, the industry can try to adjust itself and accordingly towards it. There is now a major rush of upgrade towards online portals where common men trusted in offline property search, now prefer to search for their dream homes over online real estate portals. Due to the same, there is a significant increase in demand for virtual tours or visits wherein home-buyers either to shortlist or finalise their dream houses.

**Government Initiatives towards Consumers:** General public at large buy any commodity when the price of such commodity has fallen down and is affordable by all. This is the same case with real estate properties where due to the hit in the financial market people's mind-set is being driven by cheaper home loan interest rates announced by the Central Bank. There has also been a revision in the reserve repo rate from 4% to 3.75% which will promote the banks to inject liquid cash deposited with them into the market resulting in helping the economy's liquidity situation. To promote further investments and cash into the market, NBFCs are also now given the same benefits as commercial banks for providing loans to real estate companies. Commercial real asset class loans can also see a momentum as there has been a provision for deferment of payment up to 1 year which allows developers to spend more time for constructing and delivering projects on time to further see a rise in demand for properties in the market.

**Foreign Direct Investment:** Many Indians settled in foreign lands to earn a higher source of income to match the cost of the living to the particular economy. This helps Indians to invest their excess savings in real estate which is an appreciated source of investment across the globe. Due to the current situation, it can be highly anticipated to have huge investments from the NRI community as the rupee rate is falling and creates a hype to invest when the market is down for further returns on the same. This is also applicable to investors from abroad too.

In comparison to the time prior to COVID witnessed an exponential rise of investment in commercial properties. However, many residents are now facing a

high financial crunch and wish to buy residential properties which are in the mid and affordable segment. This segment has now rapidly grown across the country due to the major efforts promotion and back up by the Central Government from its flagship initiative of Pradhan Mantri Awas Yojana (PMAY). A deduction in the reverse repo rate and recapitalization of NBFCs alongside earmarking INR 10,000 crores for the National Housing Bank (NHB) will ensure a smoother flow of capital to HFCs thereby expanding credit support to developers. Such points of notice can attain to a high rate of influence to the public and post this pandemic situation many such eagle eyed buyers shall be waiting for their moment to be investing the low market.

In addition to the primary government plans, they have further reinforced the affordable housing segment by extending the Credit Linked Subsidy Scheme (CLSS) for the middle-income group up to March 2021. Also, it has created a new segment of affordable rental accommodation schemes for migrant workers and the urban poor. An old concept for the new economy shall be reverse migration we can predict a strong housing demand in Tier-2 and Tier-3 cities providing multiple developers the option to expand their projects to different markets.

With the upgrading economic policies real estate company top managements are now finding various means to determine the right set of properties whereby the company can assure itself on a major percentage to gain an adequate inflow of liquidity from its business. This is seen in the choices of developers with whom companies wish to work with. From the same, the businesses are evaluated and predict their performance in the future run. With such a deductive set of companies, they now wish to keep their operations at a risk

free level and ensure stability and limits on their expenditure; be it capital or revenue in nature. Those companies who pursue such a strategy can buy themselves a longer period of time in this situation of survival. On the other hand, it not necessary only to have cost cutting strategy but could, engage in selling the developers inventory by creating programs known as lease to own and financing partnerships.

Even prior to the pandemic, this industry had been moving forward towards digitizing processes for registration and application of projects for developers and digital services for buyers or tenants. On an unforeseen notice, there has been a mandatory implementation of social distancing and creation of quarantine spaces at residences of the affected has continued to magnify the importance of digitization of various parts of the industry which can reap benefits to all users of the sector. With the new concept of virtual house tours, a strategy for averting the crisis has emerged. Through the same potential investors can find out and look through their preferred properties over a video conference and come to a decision on the same. This is one of the latest ways to survive the market and continue to work for the developers and customers by the real estate companies. Over a period of time, this will help investors choose their right space of investment in a faster and more effective manner.

Such strategies are of high requirement as of now because when an owner of a company closes his/her business for months due to unavoidable situations, he/she has to ensure that all the monthly fixed expenses are met without fails such as maintenance fees, staff salary, virtual communication expenses, amenities for working from home, etc without any revenue to pay it from. However, upon the adoption

of digitalized services and products can ensure some amount of revenue to survive the high pressured pandemic situation.

## 5. Discussion and analysis

Crisis management is a management system that creates a situation whereby clear roles and responsibilities are allocated to the staff of the organisation in case of any unpredictable or emergency situations. There are four steps to ensure commitment and resolution towards the same and they are the following: Crisis prevention, crisis assessment, crisis handling and crisis termination. The aim of this is clearly to be well prepared for unascertained situation, quip ourselves for a rapid and adequate response to any crisis.

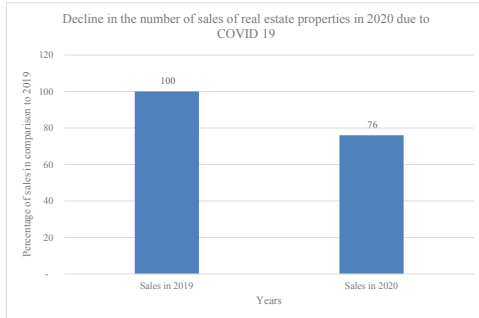
Such a crisis can be expected in various sectors across the global management systems. Real estate is one among them has companies in India that acts as an essential sector to the growth and development of the Indian economy. Due to the unexpected fall of all markets across the sphere has ensured to see a plummet in this real estate sector too giving a view to see the rise of crisis and its impact on the general public at large.

Cases now where people are unintentionally needed to be lockup for a while has caused a great havoc amongst the communities and creating fear resulted in creation of liquid funds for the population. Any investment made in the real estate is temporarily been ceased. There is a major requirement of a strategic management which safeguards the interests and jobs of the available staff. Some of the points as to

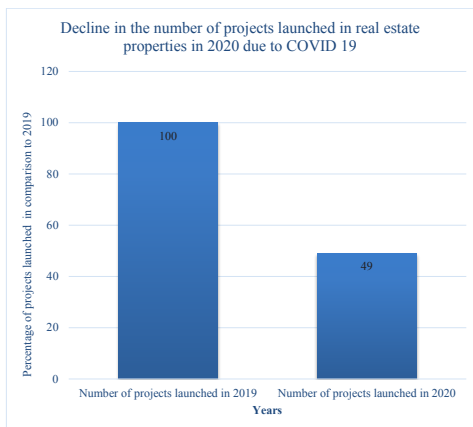
why crisis management is imperial is mentioned below:

- **Be Prepared:** Take the time to be proactive and get ahead of the situation. Spend sufficient time to plan for what might happen and what can be done to protect your brand when a crisis arises. Train the Mid and High level Management for being an effective Crisis Communications Team. Post such training; create many brainstorming sessions with the team for all possible crisis scenarios. Ensure to keep a proper hierarchy amongst the team to ensure that they are well kept of all the updates for all the communications done.
- **Act Quickly:** Get ahead of the situation as quickly as possible to help diffuse negative impact. In case of errors do apologise, if necessary, and communicate effectively with the team. The longer it takes to prepare a response to a crisis, the harder it will be to overcome all negative emotions regarding such a situation.
- **Monitor Social Media and Other Updates:** Ensure to keep a pulse on social media and other media outlet responses in order to stay ahead of the crisis.
- **Be Transparent and Accountable:** Be honest and practical about the strategies. The best way to rebuild and maintain trust within the company is to be completely transparent about the situation of the company at all stages. It is at the best interests of the organisation to acknowledge the situation, take up responsibilities for the organization to move forward (Figures 1–3).

## Percentage of dropdown of business in Indian Real Estate Sector due to COVID 19

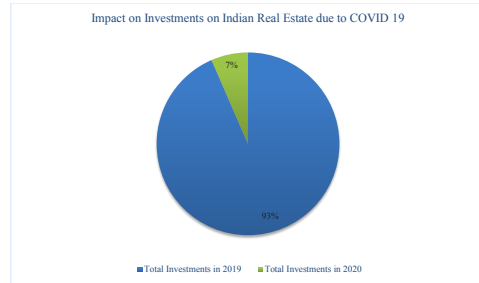


**FIGURE 1.** Decline in the number of sales of real estate properties in 2020 due to COVID 19.



**FIGURE 2.** Decline in the number of projects launched in real estate properties in 2020 due to COVID 19.

Source: PropTiger Datalabs  
 Period of Data: Jan-Mar 2020



**FIGURE 3.** Impact on investments on Indian real estate due to COVID 19.

Source: Business Line Website  
 Data Procured on: 31 May 2020

## 6. Conclusion

In terms of major financial crises was seen in the Global Financial Crisis of 2008. Post such a period, many developers, promoters started flourishing yet some faded. But over the course of 12 years, nothing of such a huge scale had impacted the global economy as a whole. Surprisingly, a pandemic changed the entire scope of industries all over the world. Moreover, this is the period where all strategies and ideas to sustain companies are to be implemented. This crisis can now determine and evaluate the strength of real estate companies across the country – particularly in terms of liquidity and cost management of the companies. Ideas which can be adjusted to the new economy have to be created in order to survive in the market and to ensure the promotion of properties is to be done according to the affordability of the users. Due to this significant impact on the markets, businesses shall be forced to alter its way of working with customers and businesses. Yet, it is quite difficult to predict that even if few extravagant solutions to this are born which amongst shall be imprinted

and which shall be erased. Throughout, acting swiftly and cleverly shall not only help determine the fate of players of the industry in these challenging times but also as the economy rises from the current crisis and adjourn to reinvent itself.