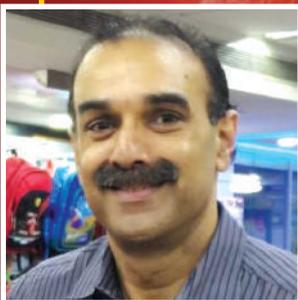


BUSINESS SPEAK

CAN BUSINESS SURVIVE COVID-19 CRISIS?



Coronavirus pandemic has posed the biggest challenge in history to the survival of economy and business globally. MANGALORE TODAY spoke to leading lights of business and industry to analyse the situation and gain their unique perspectives on the way back to recovery and growth.

MANGALORE TODAY FEATURE

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How do you assess the Covid-19 pandemic impact on business, especially real estate business?

Navigating the lockdown as far as operations in construction is concerned, it was particularly challenging on many accounts with all processes - construction, sales, property registration and approvals - all coming to a standstill, with the fixed costs still being active. Reviving construction activity back to speed after a break is always a challenging and gradual process. For example, a one month lockdown will mean two or more months delay in the scheduled completion date.

In commercial real estate there is pressure from existing tenants to lower the rentals as their businesses and cash flows are being affected. Covid 19 is bringing about a drastic change in the way we work. IT and services have now moved to the "work from home model" and this might eventually force people to buy larger homes to accommodate a small home office to avoid being disturbed while working. And as work from home can be from any city, IT employees might reverse migrate to their hometowns to

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enjoy lower cost of living and a better quality of life with the same income as before. This might also lead to the beginning of a new trend of small satellite offices for IT companies in small towns as work from home will require occasional office meeting.

How can we survive the crisis brought by the Covid-19 pandemic in Real Estate? What are the steps you have taken to overcome hurdles?

From business point of view my advice would be to take up austerity measures, streamline processes, and work towards reducing debt. These points are very generic and are subjective to each organization. We have postponed new project launches and directed all our resources to completing the under-construction projects. Except for the final documentation process all other sales activities have moved online such as video calling and online viewing of projects. Even some of the construction project management activities have moved to the online domain thanks to the availability of some simple easy-to-use softwares.

What is your advice to people for buying properties in this difficult situation? How best banks and financial institutions can help?

From a home buyer's perspective it is an opportunity not to be missed. The housing industry has been a buyer's market for several years even before Covid-19 hit us. Prices of homes have remained stagnant and in some cases they have even come down. Immediately after lockdown it is now even more of a buyer's market as developers might have short term liquidity issues which might force them to offer discounts. Moreover, home loan interest rates are at their historic

lows, there are plenty of homes to choose from as there is sufficient supply, prices are at their lowest and subsidy is provided by the government under PMAY for home buyers who take a loan. In short, there is no better time than this for a person to buy a home. An added bonus to a home buyer is the availability of good quality completed projects offering the buyer a choice with no project completion risks attached.

A very recent trend I'm noticing is that since gold prices are at their historic highest levels, some enterprising customers are using that opportunity to either pledge or sell their gold to raise the shortfall in the margin money required to avail a home loan.

What is your forecast for real estate market post Covid-19 pandemic?

Going forward, supply of homes will gradually reduce as new project launches will either be cancelled or postponed. Pent-up demand will lead to a sudden increase in home prices in the medium term. Labour and materials costs will keep rising while on the other hand land prices (key raw material) will reduce. This might balance out the costs of producing homes or offices for a developer. But prices of real estate are not decided by a cost plus profit model but by a supply and demand equation. From a developer's perspective falling land prices becomes an opportunity. Given the current scenario, I foresee the real estate industry evolving into a more mature and professional landscape. The ever reducing profitability will filter out all non-serious developers and only the mature ones will continue being in this business. RERA is already playing its part in moving the industry towards higher standards of professionalism.