

# COVID-19: Mitigating impact on the real estate sector

To help businesses tide over the COVID-19 crisis, the government has recently announced a slew of tax and regulatory relief measures providing compliance breather to businesses. However, businesses still need to remain vigilant to minimise the adverse impact of COVID-19 on their people and operations. The real estate sector, which showed signs of recovery pre-lockdown, is once again staring at long-term challenges related to labour, finance and demand.

**Here's how leaders in the real estate sector can HALT and consider the following action points to help mitigate ongoing challenges**

## Short to medium-term steps



### Rent restructuring

- Uncertainty will continue in post-lockdown period. Malls and multiplexes may not be able to resume business activities for a long time
- Developers with significant commercial real estate interests should proactively reach out to their customers and retailers with effective communication on COVID-19 impact on their businesses. If need be, a flexible rent payment plan for customers can be agreed upon. This will not only help developers foster their relationship with customers, but also help both the parties plan the next course of action



### Liquidity management

- In the current scenario, it is expected that new sales (including fresh booking, resale and rental) will drop significantly and even existing customers may defer their instalment payments resulting in severe cash crunch for developers
- Developers and property owners can reach out to their existing customers and agree on a part payment plan till the situation normalises



### Use of technology

- High-quality virtual and self-guided tours will transform buying and leasing experiences
- Companies can strengthen their digital strategies
- Marketing mix and budgets can be reassessed according to new and emerging challenges



### Under-construction projects

- Real estate companies should reassess the risk of misappropriation or any kind of damage of inventory maintained on-site
- This will help in taking appropriate insurance and other measures to safeguard all key materials on-site



### Relief measures

- Businesses need to keep a track of relief measures announced by central and state governments
- They may need to evaluate the loan moratorium scheme being offered and take appropriate decisions after doing a careful cost-benefit analysis



## Workforce management

- Transition from 'work-life balance' to 'work-life integration' for the workforce
- Identify mission-critical work to help teams prioritise and allocate resources appropriately
- Decentralise authority to empower rapid response by setting-up cross-functional and agile teams to complete mission-critical work
- Move from an effort-based to an outcome-based performance management system by adopting a suitable goal-setting process with the right metrics to evaluate results
- Upskill and reskill the workforce by identifying skill gaps on the basis of current needs and future opportunities. Focus on developing capabilities through digital learning

## Long-term steps



## Portfolio rebalancing

- Relook at your product mix and make changes to address post-COVID demands
- The employment market will be severely hit; gig economy will rise with more contractual opportunities
- Customers will defer decisions to buy apartments; co-living is expected to boom
- Develop products that have a higher ratio of rent yield, so that developers can expect yields higher than that of commercial properties
- Relook at the planned use of land banks



## Affordable housing

- The current crisis may transform some real estate trends significantly. The concept of joint families amongst the middle class in India is expected to rapidly change, with change in people-to-room ratios. This will lead to increased demand for new affordable homes
- With mortgage rates for affordable housing at an all-time low, demand is expected to go up significantly

**Grant Thornton's Real Estate team** can help you navigate current business and operational challenges by drawing on years of experience of supporting industry leaders.

## For further queries, please contact:

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[Click here to download the recently released Grant Thornton Halt-Plan-Refresh Guide on revisiting business priorities and plans](#)



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