

INNOVATIONS

The impacts of company performance in real estate market during the time of Covid-19 pandemic

Zuhal Hussein

Associate Professor (PhD)

Faculty of Business Management, Universiti Teknologi MARA, Cawangan Kelantan, Kampus Kota Bharu, 15050 Kota Bharu, Kelantan

Shaimanarisha Kamarudin

Faculty of Business Management, Universiti Teknologi MARA, Cawangan Kelantan, Kampus Kota Bharu, 15050 Kota Bharu, Kelantan

Corresponding Author: Zuhal Hussein

Abstract

The outbreak of the Covid-19 pandemic shook the property markets that experienced an unprecedented risk and uncertainty. This study could be a primary arrangement to determine the pandemic impact on real estate company performance. This study investigates the sales trend of real estate companies and determine the impact and implication of pandemic Covid-19 on company performance. This study uses secondary and primary data as a tool for data collection. Secondary data was collected from 4 different real estate companies in Kelantan. Online interviews through Google Meet were conducted with eight respondents, including real estate employees at the officer and managerial position level. The results showed that the impacts of company performance include no income was generated during the pandemic, a declining demand and internet marketing will slow down the demand in the real estate sector. In conclusion, customers and real estate businesses should be ready for future disruptions through innovative technology

Keywords: 1. Company performance 2. Covid-19 pandemic 3. online marketing 4. Real estate market

Introduction

Covid-19 was reported earlier in Wuhan, China, when an unknown cause of pneumonia occurred in December 2019. (WHO, 2020a). The disease rapidly spread across different parts of China and, in March 2020, gradually developed into a global pandemic. In addition, this disease has influenced multiple industries and has an impact on the organisation's output and a global basis.

Firstly, the pandemic of Covid-19 has had an unprecedented impact on company performance. According to the theory of real options, as uncertainties increase, managers appear to delay investment, contributing to missing profitable ventures (Zeng et al. 2016). In an emergency, Covid-19 brings more significant external risks, causing managers to raise their cash reserves. Investment funds pick up more cash retention and reduce the impetus of sustainable growth by businesses. Based on Maslow's hierarchy of needs, consumer demand for health and

safety is more urgent in the short term than social interaction during the pandemic, resulting in a decrease in demand (Hagerty and Williams 2020). These factors lead to a decline in corporate revenue and ultimately a decline in corporate performance. The companies' productivity and revenue declined sharply due to the implementation of the quarantine measures, which inevitably led to performance decline.

The covid-19 pandemic also has had a massive impact on the global market perspective. This is when The Bank of International Settlements (BIS) explains it as adverse events beyond the framework of normal expectations with broad or extreme impacts (Randow, 2020). Analysts from the BIS say that the Covid-19 pandemic is another global danger that was neither sufficiently considered nor priced in addition to climate change. It will place humanity at greater risk than the previous financial crisis, as it has harsh negative externalities connected to changes in natural environments (Silva, 2020, p. 1-2) and much more volatile and damaging risks to the global economy. The pandemic, which has already claimed almost 120,000 lives in the US and has a ruinous economic effect with some 40 million people out of a job before June 2020 (Haass, 2020), also has profound implications for the North American stock market, wiping out gains for three consecutive years, and for the downturn in demand as businesses close and as households hold off on big purchases (Miller, 2020).

In Malaysia, the outbreak of Covid-19 had made the government impose travel restrictions on 18 March 2020, requiring the closure of all businesses except those offering essential services and products. During this time, the operation of real estate companies is limited in terms of their business activities. Thus numbers of new and active Covid-19 cases started showing downtrends from mid-April, indicating the effectiveness of movement control and its compliance.

Most of the real estate companies in Kelantan had limited experience and expertise in implementing online business operations during the time of MCO. Business activities that operate in the physical office environment are required to move to virtual operations immediately. The employee needs to work from home using the digital platform. Due to this immediate transformation, some of the real estate companies have encountered difficulty in running their operations, especially in promoting because of no preparation and not having proper facility and expertise. During the implementation of the movement control order, workers started working from home, and due to this, some of the employees found they had more workload. This is due to their limited ability to deal with customers online, set up meetings, discussions, and explain the new property developments and other related issues. The effects of the Covid-19 pandemic on the real estate industry are huge that causing an inconsistent trend in property sales.

Further, due to movement restriction, this has resulted in delays in some business operations. The profitability from sales and marketing could decrease, even with the short-term benefits of improved e-commerce. The movement control also caused a considerably dropped in terms of the rate of return for leasing and manufacturing. It also has put on hold the development of new projects. Daily human activities have been reduced, and the efficiency of commercial premises to produce steady revenues will be pushed away from the social distancing practices. Considering the Covid-19 outbreak, this study is motivated to investigate the sales trend of real estate companies and determine the impact and implication of pandemic Covid-19 towards company performance.

Methodology

The methodology of this study is twofold: First using secondary data analysis. The researcher gathered data from a selected top real-estate company in Kelantan to analyze the company sales performance before and during Covid-19. Data on the company performance before and during Covid-19 were collected and analyzed to see the trends.

Secondly, after collating the sales performance data of the company, eight online interviews using Google Meet were conducted on the selected people working in the real estate industry include officer level and managerial level. The respondents were based on different experiences, skills, and backgrounds. The purpose of these interviews was to get a deeper understanding of what the actual experiences happened and improve the validity and reliability of the research based on the results of the secondary data. There were 4 main questions asked in this interview: the impact of Covid-19 on the company's sales performance, company expecting income in recovery movement control order (RMCO) phase, medium of marketing and demand. The online interviews began after obtaining consent from the respondents, and it was a voluntary basis to ensure the ethical protocol was considered in this study.

After reaching the data saturation point, the findings were analyzed and underwent coding and manual analysis.

Results

Table 1.1: Sales Performances of 4 real estate companies in Kelantan

Property sector	2018	2019	2020
Company A	6,494,638.00	45,398.00	420,012.00
Company B	1,063,533.00	567,728.00	193,254.00
Company C	1,327,361.00	20,221.00	-
Company D	3,545,202.00	7,090,927.00	1,327,599
TOTAL	12,430,734	7,724,274	1,940,865

Table 1.1 above shows that 2018 is showing the highest sales trend in the real estate sector at 12,430,734. This is because these companies are famous with significance in direct marketing strategies, so at this time, they took this opportunity by setting up their booth in the event called Malaysia Property Expo (MAPEX) that was held in Kuala Lumpur, which is an event that participates by many property sectors includes Company A, B, C, and D subsidiaries. In the year 2019, these companies recorded a slight drop in sales. Even though the sales dropped, they were still able to gain sales at 7,724,274. It is assumed that the sales recorded in 2018 are higher than in 2019 because the housing price increased during this year and slowed down the demand. Meanwhile in 2020, the sales performances recorded a drastic drop in cumulative of all companies at only 1,940,865. This is due to the impact of the Covid-19 pandemic and Movement Control Order (MCO) implied to all over Malaysia. Even though the sales drop, Company A still able to gain sales.

Impact of Covid-19 on the company

Five out of eight respondents mentioned that the company was distracted because the office was closed and no income was generated during the pandemic.

"The company had to close during Movement Control Order (MCO), and there was no income recorded in the real estate sector. All workers had to work from home, which was driven to limited business activities and all development was disrupted".(R1)

Three out of eight respondents stated a declining demand and the company wants to clear the existing stock since there is no new project development due to the unstable economy. The demand only improved after the Recovery Movement Control Order (RMCO) was executed.

The company wants to run out of existing stock, and no new projects development are being made now due to the unstable economy.".(R3)

During the pandemic, the demand is declining, and the company only received a demand from customers in the RMCO phase after being offered with promotion. Based on the roProforma from April to September, the company expects revenue for August and September of RM50K per month. One example is the company able to sell 2 units of bungalow houses in Machang after being given a discount of RM35K for 1 lot. There are 13 units houses in Kurnia Jaya, and 2 units from it have successfully sold". (R4)

Two respondents also mentioned that previously the demand was slightly higher compared during the pandemic because the exhibitions can help them do a better promotion, and this is not allowed to happen during the pandemic.

The company joins Malaysian Property Expo (MAPEX) in Kuala Lumpur to learn new strategies on real estate trading, and they were also open up the booth there. The company also receives new customers who are interested in their service and products. At this time, the government had announced the reduction in loan approval rates, which increased the demand from customers, and the company also offered a promotion to their customer". (R5)

Two respondents expressed that internet marketing will slow down the demand in the real estate sector. The majority of the customers prefer to have physical marketing compared to internet marketing.

Previously, the real estate sector felt it was easier to buy and sell plus do marketing to the customer during a face to face meeting because customers are more comfortable to ask and follow the agent to the site to see the housing areas and company often open booths in public places such as Aeon Mall, Kelantan, and UTC Kelantan. This company is synonymous with customers. They do marketing a lot through billboards such as at Sultan Ismail Petra airport and booths. The customer also prefers to meet face to face with the agent. So, the company is much slower in setting for online advertising because it is not too familiar with this medium, and customers seem hard to get through". (R2)

Discussion

Based on the above findings, it has been observed that real estate sales tended to increase in the last decade, but as of March 2020, there was a substantial decrease in sales compared to the last year. This finding is similar to the study conducted by Tanrivermis (2020), which found the decline in real estate sales in Turkey. This is because the implementation of Movement Control Order (MCO) due to the Covid-19 pandemic has had a negative impact on company performance and limited business activity. For example, sales and purchase agreements cannot be done since many customers live outside Kelantan during MCO and received last-minute cancellations. MCO also has been driven to disrupt their real estate business and face more losses. Moreover, the company is weak in marketing strategies during MCO as they cannot do direct and face-to-face marketing to their customers and slow in setting up for online marketing as they did not utilize and are not active through social media to advertise their product before. So they find it hard to catch up on sales during those tough times because they require extra time to engage with new customers and are not familiar with online strategies (Kloot, 2021). The

company recorded no sales at the beginning of the year. Still, in June, in the recovery phase, they started to catch up their sales back after, the prime minister had announced several tax incentives to revitalize the local property market. The government had also reduced the interest rate on housing loans. Companies started to offer various promotions on their property to attract buyers. Since then, they have received demand from customers.

In addition, people began to work, study, exercise, entertain themselves and weave social ties while enclosed within the walls of their domestic spaces. Technology helped people maintain relationships, and has contributed to preserving a sense of community, perhaps more rooted than that experienced under normal conditions.

Conclusion

According to the results, it is expected that there will be a change in real estate management during and post pandemic situation. Customers and real estate businesses should be ready for future disruptions through innovative technology. Customers need to be educated, and the real estate company needs to create awareness to fill in the gap of customers' preferences of physical marketing instead of internet or online marketing to increase their sales. It is also crucial for employees to be paramount in online marketing as it influences their sales and can increase it through social media by advertising their product and services.

References

1. *Hagerty, S. L., and Williams, L.M. (2020). The impact of COVID-19 on mental health: The interactive roles of brain biotypes and human connection. Brain, Behavior, & Immunity – Health 5:100078.*
2. *JLL Research & Strategy (2020). COVID-19: Global Real Estate Implications, Paper II; Global Research: Hillsborough, UK, 20 April 2020. Available online: www.jll.it*
3. *Silva, L.A.P. (2020). Green Swan 2 – Climate change and Covid-19: reflections on efficiency versus resilience. Based on remarks at the OECD Chief Economist Talk Series, Paris, 23 April 2020 and a Research Webinar at the BIS, 13 May 2020.*
4. *Tanrivermiş, H. (2020). Possible impacts of COVID-19 outbreak on real estate sector and possible changes to adopt: A situation analysis and general assessment on Turkish perspective. Journal of Urban Management, 9(3), pp.263-269.*
5. *Zeng, M., Zhang, P., Yu, S. and Zhang, G. (2016). Decision-making model of generation technology under uncertainty based on real option theory. Energy Conversion and Management 110:59–66.*