

**INTRODUCTION TO REAL ESTATE PROFESSION**

**SBEH 1023- SECTION 01 & 02**

**ASSIGNMENT**

**REAL ESTATE BUSINESS CHALLENGES AND OPPORTUNITIES DURING THE OUTBREAK OF COVID-19**

|  |  |
| --- | --- |
| **GROUP MEMBERS** | **MATRICS NO.** |
| **HIM YEW LIANG** | **A20BE0075** |
| **LIM HUI YEE** | **A20BE0100** |
| **LOH YU WAN** | **A20BE0112** |
| **LOW XIN BEI** | **A20BE0115** |
| **MUHAMMAD AMIRUL HAFIZ BIN AZMAN** | **A20BE0144** |
| **NUR UZMA ZAQERA BINTI AZMAN** | **A20BE0219** |
| **NURSYAHZANI AFIFA BINTI SABRI** | **A20BE0233** |
| **NURUL HAFIZAH ISMAIL BINTI ISMAIL** | **A20BE0245** |

|  |  |
| --- | --- |
| **YEAR/ PROGRAM** | **: 1/SBEH** |
| **LECTURER** | **: DR. NURUL HANA ADI MAIMUN** |

|  |  |
| --- | --- |
| **TOPIC** | **PAGES** |
| **Introduction** | **3** |
| **Challenges**   1. **Rent concession** 2. **Demand for real estate decrease** 3. **Inexperienced management** 4. **Requirement** | **3-7** |
| **Opportunities**   1. **Reintroduction of the home ownership campaign** 2. **Technology adaptation** 3. **Professional real estate service increases** | **7-9** |
| **Conclusion** | **9** |
| **Reference** | **10** |

As the WHO has recently reported, the COVID-19 epidemic is on its way to being a permanent part of human life and activities. Not only is the pandemic a health-related concept, but it also brings in improvements that may impact all industries and careers. In other words, the goal is to draw the boundaries of a new normal forever, and what should be done for human settlements, urban space, planning, housing and other real estate investments still appears to be on the agenda of the debate within this context. The COVID-19 outbreak seen as an unpredictable phenomenon has a different characteristic than past crises that have been experienced in world time history. Pandemic has disrupted the economic sectors and the economic system and especially in developing economies had faced a crisis environment and had to face a serious risk of a greater loss in their economies. The outbreak of the Covid-19 pandemic in the first quarter of 2020 continues to bring much uncertainty and more challenges to the property market. Among the many sectors that have been dramatically affected by the outbreak of COVID-19, none could feel more uncertain than the real estate market. The resulting lockdown sent office staff to work from home across the world, and social distancing made it nearly impossible to let agents show residential buyers properties. The partial lockdown that began in mid-March has led to a drop in the number of sellers and home seekers. Listings of assets have also narrowed. In addition, as supply chains have been disrupted, it can be expected that developers and builders would not be able to complete their projects or improvements within the stipulated time period. Knight Frank Malaysia managing director Sarkunan Subramaniam said the virus has without a doubt derailed the recovery momentum. With the delayed recovery momentum, coupled with severe disruptions to the economy leading to rising unemployment, potential buyers, and investors have delayed making big-ticket purchases. In other words, real estate owners face many problems throughout the pandemic. There are still opportunities, however, to rebound from the decline of the real estate market. Content below show 4 types of challenge and 3 types of opportunity.

One of the scenarios that occurred during the outbreak of Covid-19 is rent concession. It can be categorized as a challenge to a real estate firm. In response to the Covid-19 pandemic, many lessees are requesting rent concessions from lessors. What is rent concession means in real estate? It’s mean a rebate, a price reduction or some other form of benefit offered by landlords for inducing a prospective tenant to move into their property (OHI, 2018).

Usually, rent concessions can be divided into three categories (American Investment Properties, 2020). First is the lease-up concession. The goal is to help the property lease-up phase quickly. Normally, this concession is for new commercial buildings. The second is marketing concession. This concession can be found at older investment properties frequently and used as a marketing strategy. The third is red flag concession. This is a type of concession that can keep offering although the original lease period expired already. Yes, this amendment is good news for lessees. Examples of the concessions such as defer lease payment for six months, the lease term is extended by six months, lease payments during the extended six months are the same as the deferred lease payment. Lessees can cut back the cost of operating their business and also can extend their business as a free lunch. In opposite, this is bad news for lessors.

Although MFRS 16 (in foreign be known as IFRS 16, short form of International Financial Reporting Standards 16) has been mentioned the amendment of rent concession does not indicate any changes for lessors, but some challenges still exist. Lessors are forced to face more burdens. For example, lessors need to evaluate the lease changes whether these occur within the existing subsection. They need to estimate the utility bill, the insurance fee and other trivialities. Next, lessors also need to take risks about lessees are unable to repay the payment. Besides that, leasing without receiving cash may cause problems for lessors. Maybe the lease payment is the main income for a lessor to feed his or her family. During the deferred period, lessors have to find other ways to get income resources. Can you imagine that a person who just needs to collect the lease payment in a fixed time, suddenly need to find out other ways to survive in this society? It is terrible. But, they have no choice.

Next challenge facing by real estate business during the outbreak of Covid-19 is the demand for real estate decrease. The pandemic of Covid-19 has caused the property market on ice, why I say that is because of the government’s lockdown rules like MCO, CMCO and RMCO. Lockdown has contributed to a decreasing number of home seekers and sellers, why I say that is because many banks scaled down their working time and operation during the MCO. So, many processes were put on hold like progress payment and completing documentation. And also these rules have been made the home buying process stop and surveyors, estate agents, buyers and sellers were forced to stop viewings and inspecting properties and also developers and builders will not be able to complete their projects or developments within the estimated time due to supply chain have been interrupted. This will make the buyers lose their patience and interest in the real estate, this might cause the demand for real estate to decline.

The unemployment rate in Malaysia is now the highest in a decade at 3.9% due to the pandemic Covid-19 (D Kanyakumari, 2020). People lose their job and source of income when they were fired, so this causes them to lose their income and their purchasing power will also become weak. Thus, they will reduce their economic output and spend their money on more important places such as food and utility fees. So, most of them do not have extra money for purchasing real estate like an apartment or a house and the demand for real estate will go down. Besides that, many companies had declared bankruptcy during the lockdown period such as retailers, airlines, restaurants. As a result of this, supply in the real estate market will be higher than demand. This is because most of them want to sell their property but not to buy it during this economically bad period.

A lot of things have change such as the style of work Gujral.V et al (2020) because of this pandemic. The lives of so many have changed in ways they've never dreamed. People can no longer do physical activities such as meeting up with others, working in the office, eating out, shopping for things, and socialize like they used to. The working environment changed quickly from business as normal to responsible travel, office closures, and home-work mandates. Instead of leaving work and going out to eat in restaurants, customers around the world are tightening their purse strings to spend more on the basics primarily food, medicine, and home supplies and getting these delivered much more often than before as it was advised that people not to go out as much as they did before the covid-19 pandemic. Because of the act of working from home and online engagement, there will be an increased likelihood that some of these organizations will be managed by leadership teams that lack sufficient knowledge and experience in many areas such as real estate, finance, underwriting, and other disciplines needed to successfully manage these complex organizations in the event of a market downturn.

Mostly real estate firm work needs to be done by the method of face to face because we were used to it before Covid-19 pandemic. This sudden change of work style will affect the way of management to adapt the new style of work. It is because we cannot see how our team perform due to online work style which limit the supervision from the managers, and also lack of meeting and communicating with the team. Some people that work from home could not give full commitment and focus to their work because of many factors that include interruption from many things such as they need to take care and spend time with their kids first before doing their work given by the organization that requires focus and also, they need to do a lot of house work that they do not need to think of before.

Also, unstable line connection for meeting through online medium will be hard for them

as they need to contact each other and discuss about the work that need to be done virtually which we know that some might not be paying attention and give full focus of what the person was saying or discussing which led to another issue such as bad work quality, lack of chemistry and cooperation among team members or organization.

In other words, selecting the right management team for an investment in real estate will become increasingly important. This is due to the fact, the right management team could bring out the best in every employee in the organization despite the current situation. Additionally, ensuring an investment in real estate is spread across different geographies and sectors may reduce overexposed risk in any one concentrated sector or location.

The COVID-19 pandemic has presented many unforeseen problems for businesses, including real estate brokers. One of the challenges that real estate firms face was that customers’ requirements and considerations to buy a house have increased. Consumers have higher standards for residential real estate maintenance facilities and public service support.

After the outbreak, there will be a higher demand for health and hygiene management. Real estate sales must ensure that the property management of those houses is good and improved. Good property management will keep up to date with more dynamics and more comprehensive preventive measures to protect community owners’ health and safety. In cities and housing districts, need for high-quality public services endorses housing pricing in those areas. This outbreak demonstrates that in addition to traditional decision-making considerations, residential land management capacity, promoting medical care is very deciding for safe living. Significant public operations and the 'anti-epidemic' value-added process could encourage sales of residential properties, including residential area planning, public parks, land maintenance, the potential for operation and service capacity,

Health and well-health have climbed to the top of the agenda. It has long been customary to conduct medical checks at the entrances to buildings. Sanitation facilities and disinfection systems should also be improved. Hygiene and worker well-being will have a new meaning to businesses, possibly affecting office area's design and orientation post-COVID-19 period. Business buildings should set up captive exercise areas, such as the gym or yoga centres, in the workplace instead of in the public spaces. There will be a new emphasis on building rating methods such as LEED (Leadership in Energy and Environmental Design) to create sustainable spaces emphasising wellbeing and health. Furthermore, contactless layout in buildings such as lifts, and doors are likely to increase (Nandwani, 2020).

After this epidemic attack, people realised that buying houses must pay attention to their hygiene and security measures. Most of them believe that any pleasant buying process must be built in a safe environment so real estate firms should try to improve to meet their needs so that sales increase.

Now we move to next discussion, opportunity. COVID-19 pandemic has made a world turned into something else. The economy is not run smoothly as we expected a year before. Everyone waited for 2020 for a long time but seems it does not allow it but we hope for a miracle to happen in 2020. We hope that everything becomes normal again but at the same time, we actually must live in a new normal. Hence, the government take an initiative to introduce a reintroduce campaign to help the economy grow back as usually especially for the property and real estate industry. A House Ownership Campaign with the intention to facilitate more Malaysian who are desiring to own a new house even during the economic crisis times.

For you to enjoy this new reintroduction House Ownership Campaign the property purchased by Malaysian citizens only clearly shows that foreign buyers do not qualify for this campaign. The property must be new purchased from a property developer or co-purchase only and it’s not for subsale. Besides, a minimum 10% discount that developers give only eligible for the property that has been registered with REDHA Malaysia for a peninsular Malaysia while for Sabah and Sarawak is SHAREDA. Hence, we strongly believe that reintroduction of House Ownership Campaign really gives advantages for Malaysians to buy a new home indirectly can help the economy of Malaysia to keep run even we are in the middle of pandemic COVID-19.

Pandemic Covid-19 also brings one positive opportunity to the real estate business market, which is to accelerate the adaptation of technology. This pandemic creates a greater reliance on technology to carry out the real estate business because technology can become a platform for real estate firms to run the business include buying, selling, leasing, managing, and constructing the property. The firm owners are forcing to do more with less, coordinate across departments, and work remotely due to pandemic Covid-19 so the technology solutions need to be adapted in the business working.

Technology solutions have seen significant improvements to capabilities and fundamental changes to delivery methods. With the adaptation of digital solutions, real estate business may overcome the crisis that is caused by the outbreak of Covid-19 as it improves efficiency and brings cost-effective to conduct human activity such as property management, capital deployment, transactions, customer relationship management and internal messaging. Technology in real estate enables asset management becomes flexible as the data already exists in spreadsheets and databases can easily be transferred into the cloud for analysis and it also allowed for online real estate marketplaces to be relatively secure and trustworthy and make it easy to see a list of all the homes that fit customer preferences.

There are innovations in this sector that are pushing for more opportunities and enhanced customer experience when doing the decision to purchase a house. For instance, Artificial Intelligence (AI) application’s automated valuation model aids to gather data about public records, transportation options, area crime rate statistics of the related property in order to generate an analysis of a particular property's value which is useful during coronavirus pandemic and Virtual Reality Tour (VR) provides images or videos of a property with more details and usually feature a floor plan to enable the viewer to better understand the space via online by using a smartphone. Besides, real estate firms can create and personalize their property advertisements through technology to attract customers. For example, they might target advertisements based on several bathrooms, bedrooms, proximity to other houses and others.

As we can see the impact of Covid-19 has affected us egregiously from the smallest to the largest thing in our standard of living. So many industries needed to shut down due to the increased cases of Covid-19 so do real estate industries which makes the Malaysia property market sort of dropping due to the economic crisis. Well, besides the gloomy situation is currently happen and surprisingly the sky is a silver lining of every cloud. What do I mean by that? Here is the thing I want to emphasize one of the opportunities the real estate professional service is still demanded even in this current economic situation that bring too much uncertainty and challenges.

Why? What I can say about this current situation, the advantages go for people who have savings and certain assets. First and foremost, for the people who have the asset and business surely in this meantime have sort of problem obviously in financial aspect because when the Movement Control Order (MCO) was instructed and people need to deal with work from home and most saddening is they need to fire the employees because they cannot afford to pay the salary and also they do not get the usual profit and even suffered a huge loss. So, if the employers have assets they need to sell property in order to save the business that they built for years. For instance, Sira Habibu (2020) stated that “AirAsia boss Tan Sri Tony Fernandes has put up his sprawling Ayrshire estate in Scotland for sale for £2.5mil (RM13.5mil), as the Covid-19 pandemic has taken a toll on airlines worldwide. Not only Tony Fernandes but people who have assets apparently will do the same thing to sustain during the outbreak. With that, it will require the professional service to do the valuation to estimate the worth of the property itself by considering market demand, condition of terms, future trends. It needs someone who competent, educated and trained to determine the value of the fixed property and execute feasibility studies.

Besides, this is also the right time to purchase an affordable house. The property market remains soft this year. Bernama (2020) stated that “The property market will remain soft this year, despite the cautious optimism towards the nation’s projected gradual economic recovery, with the resumption of activity under the Recovery Movement Control Order and proposed measures under the National Economic Recovery Plan. According to the National Property Information Centre (NAPIC), the property market's performance recorded a sharp decline in the first half (1H) of 2020 NAPIC said the property market had experienced a correction in terms of pricing with more affordable housing launched in the 1H 2020. To get an affordable house, you need to get yourself a registered property agent under BOVEAP to have a better and smooth process and avoid any fraud or scam happened.

In conclusion, the Covid-19 crisis has brought unforeseen challenges for real estate market. Moreover, this pandemic has been described as a crisis with unprecedented nature and scope, which has brought some serious challenges for business to scope out and predict what the future in the post-Covid-19 world looks like. From the perspective of global economies, there seems to be a common fear that the worst yet to come. Many of the challenges that have been seen are a direct response to already existing trends. For example, many lessees are requesting rent concessions from lessors, the lockdown has contributed to a decrease in numbers of home seekers and sellers and customers’ requirements and considerations to buy a house have increased. The Covid-19 epidemic has provoked challenges and pressure along with the economic downturn, but it also brings opportunities and changes. For example, government take an initiative to introduce are introduce the campaign to help the economy grow back as usually especially for the property and real estate industry, accelerate the adaptation of technology and real estate professional service is still demanded even in this current economic situation that brings too much uncertainty and challenges.

**Reference**

A simple guide to understanding rent concessions. (2018, Noveber 28). Retrieved from https://www.outsourcinghubindia.com/simple-guide-understanding-rent-concessions/

Bernama. (2020, December 10). Property market remains soft, better outlook for affordable houses. *New Straits Time.* Retrieved from <https://www.nst.com.my/business/20> 20/12/648379/property-market-remains-soft-better-outlook-affordable-houses

Boitnott, J. (2020, March 19). 5 Ways technology is transforming the real estate industry. Retrieved from <https://readwrite.com/2020/03/19/5-ways-technology-is-transforming-the-real-estate-industry>

Cooper, F. (2020, October 01). 5 trends Covid-19 has brought on in the real estate industry. Retrieved from <https://timesofindia.indiatimes.com/blogs/voices/5-trends-covid-19-has-brought-on-in-the-real-estate-industry/>

D Kanyakumari. (2020, May 08). Malaysia’s Unemployment rate at highest in a decade: Statistics department. *Channel News Asia*. Retrieved from <https://www.channelnewsasia.co> m/news/asia/malaysia-unemployment-rate-highest-in-decade-covid-19-mco-12715022

Habibu, S. (2020, November 19). For sale: Tony Fernandes’ Scottish mansion at RM13.5mil. *The Star*. Retrieved from <https://www.thestar.com.my/news/nation/2020/11/19> /for-sale-tony-fernandes-scottish-mansion-at-rm135mil

How real estate technology has changed since Covid-19. (n.d). Retrieved from [https://www.enertiv.com/resources/blog/proptech-changes-covid](https://www.enertiv.com/resources/blog/proptech-changes-covid%20)

Nandwani, N. (2020). Impact of COVID-19 on the Commercial Real Estate Sector [Blog]. Retrieved 10 January 2021, from https://www.savills.com.my/blog/article/184509/india-aritcles/impact-of-covid-19-on-the-commercial-real-estate-sector.aspx.

Vaibhav Gujral, Robert Palter, Aditya Sanghvi & Brian Vickery (2020, April 09). Commercial real estate must do more than merely adapt to coronavirus. *McKinsey & Company*. Retrieved from <https://www.mckinsey.com/industries/private-equity-and-principal-investors/our-insigh> ts/commercial-real-estate-must-do-more-than-merely-adapt-to-coronavirus#

What are the current challenges and opportunities for real estate? (n.d). Retrieved from <https://www.realtymogul.com/knowledge-center/article/what-are-current-challenges-and-op>p ortunities-real-estate

What is a rent concession? (2020, May 18). Retrieved from <https://aipcommer>cialreales tate.com/what-is-a-rent-concession/

What is a virtual tour in real estate? (n.d). Retrieved from [https://immersionvr.co.uk/about-360vr/vr-for-real-estate/](https://immersionvr.co.uk/about-360vr/vr-for-real-estate/%20)