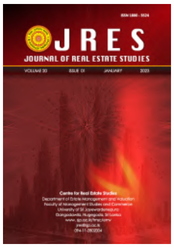

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The Covid-19 Economic Crisis: Firm-Level Strategies Adopted by the Condominium Property Developers in Colombo

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ABSTRACT

The Sri Lankan condominium market has seen uncertainties because of the recent Covid-19 economic crisis. This research aims to gain insights into the firm-level strategies adopted by condominium developers in Colombo to effectively mitigate the economic shocks caused by the crisis. Through conducting five (05) in-depth interviews with leaders from leading condominium development firms based in Colombo, the study discerns that the COVID-19 economic crises have resulted in financial, labour, regulatory, and ethical ramifications for developers. Despite implementing financial strategies and control measures, the developers do not perceive to be completely restored from the adverse effects of the COVID-19 economic crisis. The lessons learned from this investigation hold relevance for the sector as it prepares to face a future, characterized by potential upheaval and uncertainty.

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1. INTRODUCTION

The COVID-19 economic crisis refers to the recession that countries including Sri Lanka experienced during the years 2021-2023 and thereabouts. In the case of Sri Lanka causation to the crisis as it claims to be has been associated with factors such as debt crisis, political crisis, weaken economic policies likewise. This economic crisis has caused greater impact on businesses at different scales and levels (The World Bank, 2022) including condominium development sector. Similarly, countries, industries, and firms have responded to tackle the negative impacts from these shocks in numerous ways (see, for example, Clift & Court, 2020). In this study, we aim to investigate the firm-level strategies by condominium developers in Colombo in tackling these economic shocks.

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A crisis is identified as a period of abrupt changes that are marked by a great deal of risk, uncertainty, threat, conflict, accident, and instability (Heath, 1998; Pearson & Clair, 1998). These unexceptional situations are identified as a crisis since they are the "events, conditions, or trends that endanger the life or objectives of an organization" (Dutton, 1986). According to Sapountzaki (2019), an 'economic crisis' occurs when an economy experiences a declining gross domestic product, a drying up of liquidity, and rising/falling prices due to inflation/deflation. It can create significant dangers by impacting all economic sectors such as agriculture, tourism, education, health, transportation, real estate, and the development sector, etc. on a massive scale. Mitroff was one of the influential researchers on crisis management and Pearson and Mitroff's (1993) five-stage lifecycle model has been one of the simplified, widely used, and empirically tested frameworks to understand the organizational practices on crisis management. This study uses this model as a guide to understand data and draw findings on Colombo condominium developers' firm-level strategies for dealing with these economic shocks.

Whilst the real estate sector is significant all around the world (Sfakianaki et al., 2015) the sector is said to be hit hard by this Covid-19 economic crisis. In Europe, the development industry contributes 10% of the GDP of most countries and 7% of total employment in the EU, according to Eurostat (2011). However, the numbers have significantly dropped due to the economic recession in the last few years. In 2020, one year after the outbreak of the COVID-19 pandemic, Europe's gross domestic product decreased by 6.8% along with the declining impact of the real estate development sector, a more significant decline than the 2008-2009 financial crisis. The economies of Spain and Italy, which have been severely impacted by the Covid-19 pandemic, have experienced the greatest decreases. The GDP declined in the first two quarters of 2020, rebounded in the third quarter, and then declined again in the final quarter (Holostencu, 2022). According to the Condominium Management Authority (CMA) Sri Lanka, prior to COVID-19, the condominium market grew by 34%, and by a record-breaking 64% in 2017 compared to 2016 (Lanka Business Online-LBO, 2020). The recent economic crisis in Sri Lanka which is considered to be the worst economic crisis since its independence in 1948 (Sriyani, 2022) severely affected the condominium property development industry (Koonkaduwa and Sandanayake, 2022). In 2021 Sri Lanka's real GDP fell by 9.2% and 4.2% in 2022 among which the fall of the real estate sector recorded to be 4% in 2021 (Dahanayake, 2022) and 3.9% in 2022 (Department of Census and Statistics, 2022). The currency (LKR) lost 78 percent of its value against the US dollar between March and May 2022, when it was floating (Ahmed, 2023). Similarly, in 2021 the interest rate was 11% and inflation was recorded as 12%, however, noticeably the interest rate in 2022 was increased to 31% with a rapid increase in inflation in 2022 recorded as 25.5% (www.tradingeconomics.com, 2022).

In this context, the study looks at the empirical questions: What were the signals of the Covid-19 economic crisis that have profoundly affected condominium property development firms in Colombo, Sri Lanka, and understand the strategic measures adopted by these firms to effectively cope with the multifaceted impacts stemming from the crisis. To the best of the author's knowledge, this is the first study that investigates the firm-level crisis management strategies by the condominium developers in Sri Lanka and the findings enrich the emerging literature on the Covid-19 economic crisis and the real estate sector. The study also complements Pearson and Mitroff's (1993) crisis management model with empirical data. Moreover, documenting the real-world experiences and lessons learned on crisis management enables property developers, constructors, policymakers, and other responsible governmental and non-governmental authorities and decision-makers to broaden their knowledge and awareness to revisit their roles, responsibilities, and strategies in a way that can effectively face the rising uncertainties and destructions in the post covid new economies.

The remainder of this article is organized as follows: Section two discusses the literature on the concept of crisis management, how the crisis is managed by development companies in precedent studies, and scholars' perspectives on crisis management. Section 3 describes methods. Section four reports the analysis of empirical data whilst section five discusses these findings in relation to the existing literature and concludes.

2. LITERATURE REVIEW

2.1 Crisis

According to Seeger, Sellnow, & Ulmer (1998) and Venette (2003), a crisis is defined as negative changes in the security, economic, political, social, or environmental affairs, particularly when they occur suddenly and with little or no warning. Typically, a crisis is defined as "unexpected, unforeseen, and nearly uncontrollable occurrences that lead to widespread skepticism and confusion" (Boin, 2004, p. 167). There are various types of crises (e.g., financial, economic, social, environmental, personal, community, and international) (Sapountzaki, 2019), where the focus of the present work is on economic crises.

2.2 Economic crisis

Any economy in the world experiences comparatively long-lasting upswings and downswings, which are categorized by the economic cycle into four distinct stages. 1) expansion, 2) Peak, 3) Contraction, and 4) Trough. The present stage of the economic cycle can be determined by variables such as GDP, interest rates, total employment, and consumer spending (Mankiw, 2019). According to Sapountzaki (2019), an economic crisis is a situation in which a region's or country's economy experiences a sharp decline due to a financial crisis; this stage of the economic cycle is designated as the 'Contraction' between the 'Peak' and the 'Trough'. Most likely, an economy facing an economic crisis or in the 'Contraction' stage will experience a decline in GDP, a drying up of liquidity, and inflation/deflation-driven price increases/decreases. During this period, businesses begin to reduce production-related expenditures and expenses. As the demand for products and services begins to decline during the contraction phase of the economic cycle, layoffs may occur (Booker, 2023). In addition, the economy enters a 'Contraction' phase as the demand for goods and services swiftly declines. Frequently, companies fail to recognize the reversal and continue to operate at full capacity during the downturn phase. This causes a surplus of supply and a decline in prices. As a result, economic indicators such as employment, wages, and income begin to decrease (Booker, 2023).

This economic contraction period can be interconnected with the real estate cycles manifesting a 'recession' period in the latter (Rohde, 2021). Due to the time lag between the demand for property and the conclusion of new construction, there will be more completions occur just as a recession begins leading to a surplus of inventory a slowdown in economic development, and rising vacancy rates. During this phase of the real estate cycle, there may be an increase in short sales, pre-foreclosures, and bank-reclaimed REO (Real Estate Owned) properties (Mueller, 2017). Possibilities exist for opportunistic real estate purchasers with idle capital to purchase quality rental property at a discount, to hold until the next phase of the real estate cycle begins (Rohde, 2021).

2.3 Crisis management

According to Mallak and Kurstedt (1997), organizations that regularly engage in project-based work must have the ability to handle crises. According to Reid (2000), crises in the development industry are inevitable since people are involved and crises affect all types of businesses equally; whether they are little or huge, specialized, or general, all are susceptible to failure at some time.

Therefore, businesses must create crisis management plans and systems to handle challenging and unforeseen circumstances. Naturally, being prepared for unexpected situations offers some degree of protection from their happening. Without a doubt, it is preferable to avert a problem than to treat one and this might not always be possible, though. According to Reid (2000), the essential question is whether both can prevent and face crises rather than whether one can prevent crises (if they happen).

Development is a sector that carries enormous risks, and as a result, crises of any type are not unheard of. For instance, Lam et al. (2007) claimed that no building project is risk-free. According to KarimiAzari et al. (2011), development is inherently uncertain, and the balance sheet can be impacted by a variety of factors, including a company's fluctuating profit margin, productivity on the job site, unpredictable weather, the political climate of the nation, inflation, and contractual rights. It is hard to try to eliminate hazards from projects, but if the risk is recognized, it may be managed, transmitted, and controlled (KarimiAzari et al., 2011; Bajaj, 1997; Thevendran and Mawdesley, 2004). Utilizing risk management may have a lot of advantages, including improved odds of project success and the attainment of project goals, fewer surprises, and more accurate estimates. Risk management can be categorized into three steps (KarimiAzari et al., 2011).

A. Before it becomes an issue, identify, or evaluate the danger.
B. Evaluate or estimate the likelihood of an undesirable outcome.
C. Successfully reduce or, ideally, get rid of the threat.

It remains difficult to entirely prevent or alleviate their consequences due to the unexpected and unforeseeable nature of crises. Practitioners and scholars alike have been studying crisis management for many years. In addition, experts from diverse fields have dissected crisis scenarios into discrete phases and activities to formulate comprehensive strategies for managing crises.

Even though crisis management activity is more prevalent, research reveals that it is often disregarded due to several factors (costs, skepticism, a lack of planning, etc.) (Spillan, 2000; Spillan and Hough, 2003; Boudreaux, 2005). In a study of 162 small firms in the United States, Spillane and Hough (2003) researched the perceived relevance of crisis planning and found that the occurrence of a crisis event primarily sparks dissatisfaction about crisis preparation. Additionally, crisis worries are mostly brought on by past crisis experiences rather than by the presence of crisis managers.

The idea of crisis management comprises anticipating and removing the negative effects of crises that might endanger an organization or a person's life. According to Pearson and Clair (1998), effective crisis management entails lowering these risks before a crisis develops by enlisting the cooperation of important stakeholders who have a shared understanding of what constitutes a crisis, its effects, management strategies, and the roles and responsibilities that must be assumed. According to Spillane and Hough (2003), Whitman and Mattord (2003), and Smits and Ezzat (2003), an organization must be able to recognize the type of crisis and the level of involvement required to minimize costs to effectively manage crises.

2.4 Managing crisis by development companies in precedent studies

Since crisis management is one of the most important aspects during a period of economic decline, it is essential to identify the various approaches adopted by local and global developers and builders to handle and manage the crisis.

Alves, Lok, Luo, and Hao, 2020 found that the abrupt decline in demand due to the economic crisis that occurred during the COVID-19 pandemic has the greatest effect on Macau's real estate development companies. According to their findings, the majority of property development companies in Macau have relied heavily on financial strategies (cost reduction) and network strategies (customer relations) for survival (Alves, Lok, Luo, & Hao, 2020). In addition, their findings suggest that firm scale, crisis experience, the firm's history, and government regulation may influence the crisis management, survival, and resilience strategies adopted by the firms.

According to a study conducted by Pheng, Ho, and Ann (1999) on property development firms in Singapore, their crisis management capabilities are influenced by their size and opinion. Generally, developers concentrate on establishing formal procedures for handling the breakdown - related emergencies. Accordingly, the majority of them have emphasized the installation of signal detection mechanisms for a wide variety of crises, the recognition and reward of those who have reported or averted crises, regular inspection and maintenance of all critical implements, the regular research and testing of damage containment implements and procedures, and the formal recognition of lessons learned (Pheng, Ho, & Ann, 1999).

Moreover, a systematic review by Srinivasan & Nandhini (2015) revealed that construction companies in different parts of the world that recognize the significance of crisis have felt the need to implement crisis management in order to pass through such situations with minimal loss and gain a competitive advantage. They have emphasized that construction and development firms that detected early warning signs of a crisis aided firms in preventing the occurrence of the crisis and surviving without suffering catastrophic financial losses. Moreover, as they identified, effective crisis management requires effective communication because the information is the antidote to the uncertainty that crises generate. For construction crisis management to be effective, the transmission of information about the current state of the crisis must be timely, reliable, and accurately represented (Srinivasan & Nandhini, 2015). To effectively manage the crises, organizations must first understand the phases and steps involved in the complete crisis management process. Next, they must understand the distinctions between the phases. The same study emphasized that companies with crisis management teams could effectively communicate and respond during a crisis.

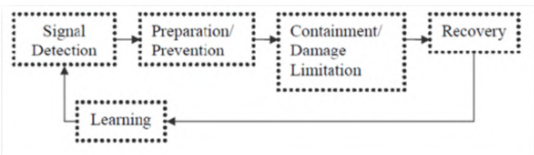
According to a study conducted in Sri Lanka, the condominium market is one of the markets most severely impacted by the unprecedented global pandemic of COVID-19, which is presently accelerating toward a state of disequilibrium. After the COVID-19 pandemic and economic crisis, all of the respondents, developers, shifted to digital marketing from conventional marketing once they realized the potential of digital marketing tactics in an era where people spent the majority of their time on online platforms with agile work and that tactic save unnecessary expenses on conventional marketing methods. In addition, they emphasized that the majority of apartment purchase inquiries they receive originate from online platforms. Consequently, the majority of respondents believed that employing competitive marketing strategies helped them increase demand (Koonkaduwa & Sandanayake, 2022).

Ocal, Oral, & Erdis (2006), looked at the economic crisis of the building industry in Turkey. According to Ocal, Oral, & Erdis (2006), findings thoroughly research how development enterprises handle either general or crises brought on by economic recessions. There were surprisingly few occurrences of economic crises, according to this analysis. To help with the development of the suggested theoretical framework, several methods that have been developed for dealing with risk, crises, and disaster management are briefly examined, even though the focus of this study was on the implications that result from an economic crisis.

2.5 Managing crisis by development companies in precedent studies

As far as a framework for understanding the crisis management of businesses such as condominium developments, Mitroff's Model (1993) is particularly useful. It provides five stages of crisis management: 1) Prediction, 2) Prevention and preparation, 3) Property determination and control, 4) Recovery, and 5) Learning.

Figure 1 - Mitroff's five-stages of crisis management



Source: Mitroff (1993)

Stage 01: Prediction (Signal Detection)

Crises undoubtedly give out some early warning signs before they happen. These signals are extremely significant since they can provide critical and valuable information regarding catastrophes (Mitroff and Pearson, 1993). The onset and potential harms of crises can be avoided quickly by determining and identifying them. If senior managers do not closely monitor and assess them, dealing with crises will always be difficult. A lengthy stretch of market fall, the bond market behavior, and rising unemployment likewise are significant warning flags to be looked out for. Although no one can predict with certainty when a recession will occur, keeping an eye on important indications can help anticipate potential economic downturns.

Stage 02: Prevention and Preparation (Probing and Prevention)

Systematically responding to early warning signals is insufficient to resolve a catastrophe. Depending on the importance of these signals, top management should work with the crisis management team to take certain measures to safeguard the development firm from any potential crisis-related harm. At this point, managers should work to reduce risks and make up for riskier choices with anticipated earnings. If a crisis is unavoidable, the crisis can be controlled with the aid of preparedness efforts.

Stage 03: Control (Containment)

In crisis management, the policies that are strictly adhered to when dealing with emergencies are the regulating procedures. Agenda setting, policy formulation, policy adoption, policy implementation, and policy evaluation are included in these policies. Although early warning, preventative, and protection methods can be useful in certain circumstances, regulating procedures must also be adhered to precisely in order to handle emergencies.

Stage 04: Recovery

Short- and middle-term rehabilitation strategies should be used at this point. In other words, fresh profits are used to offset losses during this stage. Resources, procedures, and employees should all be directed toward this goal by previously decided methods. The goal in this situation is to resolve the issue and reap any potential rewards. Bit by step, restricted spending, centralized management, and the suspended powers of low-level managers should return to their pre-crisis levels.

Stage 05: Learning and Evaluation

After the crises, Mitroff (1993) introduced several actions that should be taken to reverse their effects and move on a new path including creating strategic reports for a long-term program to increase productivity and efficiency, organizing comprehensive training initiatives for all personnel, etc.

Additionally, a business should document the lessons discovered after a disaster (Sungard-As, 2021). Data gathered during the crisis process as well as errors made should be acknowledged to achieve this goal. Relationships with low-performing employees, suppliers, and consumers may also be examined at this stage.

Mitroff's five stage framework on crisis management has been used in this study as a lens to understand how the crisis has been managed by various condominium development companies based in Colombo.

3. METHOD

Understanding the characteristic of the Covid-19 economic crisis that have profoundly affected condominium property development firms and the strategic measures adopted by these firms based on the Mitroff's five-stages of crisis management comprehensively, the researchers have decided to employ qualitative techniques. This approach is grounded in the epistemological and ontological belief of interpretative, which asserts that various realities coexist and are influenced by the specific time and context in which they exist (Mertens, 1998). Focusing on the perspectives of top managers of leading condominium development firms, data was collected through in-depth interviews. Whilst the invitation to interview was sent to twelve (12) identified potential respondents, five (05) of them from condominium development companies/projects agreed to participate in the study.

Table 1: List of respondents

Ref No.	Company/ Respondent	Designation	Description of the Company
01	Respondent 01	Deputy General Manager - Sales	A Colombo Stock Exchange-listed Sri Lankan housing developer known for gated communities and luxury lifestyle. They've built over 200 homes nationwide during the past 40 years.
02	Respondent 02	Head – Residence Division	A real estate developer; a Public Limited Company in Sri Lanka; has 39 completed apartment projects in Colombo and the suburbs and over 25 years of industry experience.
03	Respondent 03	Vice President (Business Development)	A leading global real estate brand and a residence brokerage network located in 81 nations, 1,075 offices, $167B sales, and 283 luxury real estate developments funded by foreign investment.
04	Respondent 04	Head of Business Development	A prominent and thriving Indian real estate development firm based in Colombo that has constructed over 100 real estate projects.

05	Respondent 05	Chief Executive Officer	An emerging real estate development company in Sri Lanka that has developed premier condominiums for the past five years.

Source: Authors (2022)

Data were collected during the first quarter of the year 2022 and key personnel of development companies were asked open-ended questions via one-to-one and face-to-face interviews to achieve maximum efficacy. During the interviews, the interviewer focused mainly on gathering the respondents' views and experiences regarding the early warning signals they identified during the economic crisis that impacted their company and projects, the actions that they took to prevent or control the difficulties that arose as a result of the economic crisis, the way in which they perceive their recovery, and the lessons they learned during the economic crisis that were applicable to their industry. Content analysis and thematic analysis were employed to analyze data from five in-depth interviews. Themes were derived from Mitroff's five stages of crisis management. The credibility of the data was ensured via respondents being well-experienced top managers who had been in the firm during the respective time period, interviews being recorded with interviewees' consent and careful transcribing. Data coding was conducted until the saturation level.

4. DATA ANALYSIS

4.1 Signals to identify Covid-19 Economic Crisis

Based on the content analysis of the interviews, the table below highlights the signals identified by developers that could have had a significant impact on firms during the COVID-19 economic crisis. It is important to note that, according to the interviews, condominium apartments that had reached a completion rate of more than 80% remained largely unaffected at the outset of the crisis. However, the following signals were primarily responsible for influencing ongoing condominium developments during 2022 and thereabouts.

Table 3: Signals of the COVID-19 economic crisis on condominium property developers.

	Signals of the economic crisis
01	Lack of working capital
02	Increase the cost of construction materials
03	Restriction of importing items
04	Decrease in the availability of the number of materials and equipment
05	Increase in fuel price
06	The migrating trend of workers and specialists leaving the country
07	Absence of a tie period in the project's completion
08	Lack of trust on the part of the customers
09	Late capacity results in declining investment
10	Increase in corrupt behavior in the industry
11	Political influence mattered
12	Unanticipated tax
13	Unanticipated regulations
14	Inadequate crisis management knowledge

Source: Authors (2022)

Some of the signals listed here are related to the financial challenges that the firms faced in meeting their duties, such as a lack of working capital and investments, rising building material costs, rising gasoline prices, and unexpected taxes. Additionally, there were characteristics related to the market and operations, such as limitations on the importation of goods, a reduction in the supply of materials and equipment, and a lack of confidence on the side of customers. The smooth completion of construction projects was complicated by the decline in the supply of materials and equipment as well as the limitations on the importation of goods and the decline of investments. Uncertainties and challenges in project execution are also exacerbated by the lack of a predetermined completion schedule. Additionally, there were difficulties with the labor and skill impacts due to the increasing tendency of workers and professionals to leave Sri Lanka. The challenges that businesses encountered were made more onerous by the regulatory and political repercussions that resulted from various political reasons and inadequate crisis management expertise. Finally, corrupt practices in the sector imply ethical implications for the firms.

4.2 Crisis Management Strategies of Condominium Property Development Companies in Colombo

Prediction (Signal Detection)

Whilst the signals detected were as stated above, the alarming point that brought these signals to the forefront was the mounting pressure from contractors.: "The contractors were the ones to bring in notable pressures for us in the first place. They strongly claimed that the forecasted and agreed budget for the construction is no longer enough to continue or commence development" (Respondent 01 - Deputy General Manager -Sales). This statement from a key respondent highlights how external stakeholders, such as contractors, can significantly impact ongoing condominium developments in response to changing economic conditions.

Prevention and Preparation (Probing and Prevention)

Developers have made critical decisions in dealing with the problems identified. One of these choices concerned "securing additional funding beyond the approved budget under the "contingency clause" (Respondent 03 - Vice President - Business Development) enabling the completion of projects instead of letting them on hold. This has been a feasible option for international developers more particularly. In response to the effects of the rupee depreciation against the dollar, developers strategically tied property pricing with the USD. This strategy attempted to reduce any potential adverse consequences of the rupee's depreciation on real estate price increases, especially for foreign or expatriate buyers (Respondent 05 - Chief Executive Officer).

Additionally, the developers thought about "renegotiating contracts with clients who had already made down payments for condominium units with the intention of selling the units to new clients at a higher price and refunding the initial clients who had withdrawn from the contract" (Respondent 01 - Deputy General Manager - Sales). Here, the business portfolio that the developers had for land and condominium development had been particularly useful for them. In the event of refunding the customers as aforementioned, an option was provided for withdrawing customers' land in lieu of refunds thereby conditioning the cashflows suitable for a potential emergency (Respondent 02 - Head - Residence Division). This portfolio turned out to be even more advantageous in risk minimization where, "owing to the low mortgage interest rates during the COVID-19 pandemic, the company successfully sold several land plots to clients, thereby strengthening their financial position and that has helped us manage the cash-flows during this crisis situation" (Respondent 02 - Head - Residence Division). In order to further mitigate risks in the future, the developers suspended offering installment payment options and adopted a strategy of collecting full payment upfront. This strategy was intended to promote optimized financial stability and risk-taking readiness. (Respondent 02 - Head - Residence Division). However, some of the strategies that condominium property development businesses tried failed. For instance, when cash collection fell off, getting bank loans became the next option. Nevertheless, “during the financial crisis, banks denied offering loans for real estate projects since those were considered to be high-risk” (Respondent 01 - Deputy General Manager - Sales).

Control (Containment)

The condominium development companies have taken several steps, actions, and procedures to regain control of the critical situation caused by the crisis. “About three to six months after the signs were recognized, we had to cut down the employee numbers and keep the workers to minimum survival team” (Respondent 01 - Deputy General Manager - Sales). Additionally, due to insufficient funds to sustain ongoing development, “we paused the construction of the condominium project” (Respondent 05 - Chief Executive Officer). In addition, several condominium property development firms have chosen not to import furnishings, fittings, and materials, but rather to use those that are readily available locally. In reaction to import limitations and the sharp rise in the dollar exchange rates, this strategy was put into place (Respondent 04 - Head (Business Development).

Recovery

No development firm perceived accomplishing a recovery or a return to the pre-crisis levels despite the application of numerous solutions. In order to properly recover from the challenging situation, several development businesses encountered difficulties in refunding all consumers who had paid for condominium units (Respondent 01 - Deputy General Manager, Sales). Additionally, the development firms asserted that there was no state support, and the government restrictions and rules had a negative impact on the developers. According to Respondent 01 - Deputy General Manager (Sales), “the absence of government-sponsored assistance further compounded the challenges faced by private developers."

Learning and Evaluation

One of the noteworthy findings made by the respondents was that before this COVID-19 economic crisis, developers mostly concentrated on making plans for natural disasters and taking the required steps to recover from such events. As stated by Respondent 03, Vice President of Business Development, "We never focus on an economic crisis, but about different other disaster risks”. Given the current situation and the lessons it has taught us, it is clear that future developments need to include strategies and plans for dealing with crises and disasters of all shapes and sizes (Respondent 03, Vice President of Business Development). The creation of a dedicated crisis management team comprised of experts capable of addressing crisis circumstances has been regarded as an essential preventive strategy (Respondent 01, Deputy General Manager - Sales). Implementing preventative steps to safeguard the development company from any crisis-related risks is the responsibility of this expert team. The implementation of preventative measures to safeguard the development company from potential crisis-related harm falls under the purview of this expert team. A formula that makes a connection between cost overruns and sales prices must also be included in the Bill of Quantities (BoQ) - Customers must be informed of this method in detail (Respondent 01 - Deputy General Manager, Sales). The sales and purchase agreement must have specific provisions that hold customers accountable in the event of unforeseen circumstances, like an economic crisis

(Respondent 01 - Deputy General Manager, Sales). A potential disadvantage during the economic crisis was also discovered by the over-reliance on bank loans (Respondent 02 – Head, Residence Division). If relied on bank loans, developers would have been even more vulnerable to the effects of interest rates, thus highlighting the necessity for alternative financial strategies (Respondent 02 - Head (Residence Division).

5. DISCUSSION AND CONCLUSION

Condominium developers were alerted to the potential economic impact of the COVID-19 crisis on their ability to meet financial obligations, conduct market and operational activities, access skilled labor, navigate unprecedented political and regulatory changes, and address ethical considerations. Developers in Sri Lanka did not have formal signal-detecting procedures or teams in place, in contrast to developers in more developed economies like Singapore and Macau who did (Alves, Lok, Luo, & Hao, 2020; Pheng, Ho, and Ann, 1999). The said signals were found because of the communication with contractors.

Studies on crisis management in construction and development businesses suggest that implementing formal signal detection systems, adapting cost-reduction financial strategies, and leveraging network strategies have helped them tackle the negative impacts faced during the crisis (Obrenovic, et al., 2020). In this study, strategies on crisis management were particularly skewed towards the financial strategies whilst no network strategies were uncovered. Those financial strategies included: (i) pumping additional funding through contingency clause in the budgets to complete the projects that had already commenced and ii) pricing the apartments in USD rate to conceal the adverse consequences of the rupee's depreciation on real estate price increases (iii) Revising contracts by terminating agreements with then existing buyers, providing compensation, and entering into new contracts with new buyers at higher prices for the apartments (iv) converting the apartment payment models from installment to lump sum payments. Developers have found that keeping a portfolio of real estate; vacant land and apartments, has helped them maintain liquidity levels during difficult economic times. This had been conditioning the crisis management strategies such as providing compensation to existing buyers on canceling contracts and supplementing funding to project completion. These approaches have been supplemented by controlling strategies such as human resource cut down, which are in line with the results of earlier research (Bank for International Settlements, 2018). In addition, holding material imports in favor of using locally accessible alternatives was also reported as a part of the controlling measures. The study also observed that developers perceived that the reduced reliance on bank loans for project funding was a prudent approach. Furthermore, earlier studies conducted in Sri Lanka (See for e.g. Koonkaduwa & Sandanayaka, 2022) revealed that, after the COVID-19 economic crisis, firms substantially shifted to digital marketing from conventional marketing to recover the decreasing demand via the former and save the marketing cost- they realized that the potential of digital marketing tactics in an era where people spent the majority of their time on online platforms due to agile work. Surprisingly, none of the respondents in this study cited this as a measure or a strategy to recover the demand.

Despite several strategies and control measures, the development firm didn't perceive to be restored. They identified that regardless of their strategies, government assistance and favorable policy is a must factor for them to achieve complete recovery.

The developers have gathered several significant lessons from this crisis experience. Firstly, they have come to appreciate the critical importance of enhancing risk identification measures and not taking any risks for granted. Secondly, they recognize the necessity of establishing a dedicated crisis management team. Thirdly, developers have realized the importance of adequately accounting for risks by incorporating contingency costs into cost estimations and including contingency clauses in buyer contracts. These measures serve to strengthen risk detection and transfer risks to later parties in the real estate development process. Additionally, developers intend to maintain their risk-averse financing approach, minimizing financial leverage through bank loans. It's worth noting that developers have not prioritized the establishment of effective communication channels or improving the firms' resilience through means other than strategies closely associated with financial measures. Such strategies have been well-documented and accepted in other countries, such as India and Turkey. (For example, refer to Srinivasan & Nandhini (2015) and Ocal, Oral, & Erdis (2006).)

In conclusion, the financial strategies and control measures implemented by developers in Colombo have demonstrated a reasonable level of efficacy in mitigating the adverse impacts of the COVID-19 economic crisis. Notably, the industry's reliance on maintaining a diversified business portfolio, encompassing both land and apartments and reducing dependency on bank loans for project financing has facilitated the successful application of these strategies. The crisis was an eye-opener for development businesses, prompting them to revisit their risk management practices and adopt more formal and internationally accepted preventive mechanisms, akin to those employed by more developed nations even prior to the Covid-19 economic crisis.

It is essential to critically evaluate the extent to which some of these spontaneous strategies can be considered equitable and just, despite their effectiveness from the developers' perspective. There remains a need for academic literature to extensively document the crisis management strategies employed by the real estate development sector during the COVID-19 economic downturns and related events. Such documentation will facilitate knowledge-sharing and enable industry stakeholders to learn from each other's experiences, fostering the development of more just and equitable approaches to crisis management in the post-COVID new normal. By embracing a collective and collaborative learning approach, real estate developers can aspire to better navigate future crises, ensuring greater resilience and sustainability in the face of uncertainties.

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