

Business Memo

Author's Name

Institution

Memorandum

To: Managing Director, Century Housing

From:

Date:

Re: Challenges facing Century Housing Real Estate and recommended action

The real estate sector growth has been attributed to many factors such as growing business needs, growing economy and others. The US recession has a major impact on the real estate business. The US housing market has lost greater than 10% of its value within the last twelve months. Many economists say that the bottom is yet to arrive. The current market values have slumped to those of 2005, and there are speculations that these will slump even further to the values seen in 2003 (McKenzie & Brady2011). This business has previously dealt with such slowdowns of economy in the past. But this recession is proving to be similar to the contagion effect pertaining to the western recession. However, the full shade spectrum of this contagion is not obviously evident in the GDP trend.

Such challenging times have presented the opportunity for the company to capture a share of the market by outdoing and outperforming other competitors in this industry. There is need for us to be quick in analysis of the current market conditions and to generate a quicker response so as to lead to the mitigation of the existing risks. This will enable us to outdo other real estate companies and will lead to the increment of our yields. We must take strategic decisions so as to continue to trend well in light of the economic crunch. This will enable us to still remain in triumph of our rivals and competitors.

Initially, the company was reluctant in lowering the estate prices so as to revive the demand. However, the company has been forced by the growing pressures and without immediate respite, to introduce slash down of prices. We are also faced with the worsening situation of availability of credit which has led the company in addition to other developers, into liquidity crunch. We are faced with the immediate enigma that might lead into our succumbing to borrowing at high costs. To compound to the above problems, private equity have also become a distant option as an amicable solution of our problems. There are various ways to tackle this problem. These include the diversification of business, cost control and a focus on customer satisfaction (McKenzie, & Brady, 2011).

Diversification of business

Another way we can tackle the bull by its horns is by recognition of the need for developing many streams of revenue; hence, diversify vertically the company's business into financial service, insurance or telecommunications. Another option that the company should consider is horizontal diversification into the services which are related to property leasing and management. This has surfaced as a preferred strategy so as to deal with the downturn. Another credible option that this company should consider is geographical diversification. This is due to the high competition in the metropolitan cities. It is interesting to note that developers can cheer this strategy of foraying in smaller cities that are relatively affected in a lesser degree, by the current economic turbulence.

As part of a long term strategy, rather than selling off properties, the company should enter into lease agreements with other large companies for the purpose of commercial space. This long term rental arrangement will guarantee a steady income stream (McKenzie & Brady, 2011).

However, this will come at a cost in terms of reduced rates. But this is a necessary step so as to cushion the company in cases of such future economic crunches.

Cost control

Another tangible solution to the current problem is controlling the cost, like most of the other sectors of the economy. There is need for embarking upon various strategies in terms of cost cutting. Capital intensive projects, which have no impact on the revenue of the company in the short term, should be scaled down or put on hold. Cancellation of these projects might also be considered so as to control cost. IT related projects should be among the candidates for consideration. However, there are some significant IT projects that serve to improve the investors' access to helpful information. This should not be scaled down. Other projects that should not be put on hold include those that are meant for maintaining an interface between the customers, investors and company. This is especially so in these turbulent times where the maintenance of channels of communication between the three is of paramount importance.

Another way to control cost is to down size the extra manpower. This should be done in a highly thoughtful manner so as to minimize the risk of putting the company at a risk of losing talented workers. The method employed in the downsizing must be one in which, only the unnecessary workforce is down sized. This is so as to avoid the risk of parting away with essential talent, in exchange of cost savings that are short term. The company should not hesitate in outsourcing the marketing activities. This should only be after the carrying out of the necessary diligence. This will act as a measure to inject efficiency and therefore, cut in unnecessary costs which are involved in most of the processes related to the above.

Focus on customer satisfaction

With regards to the ongoing contraction of the economy, there is need to improve services to the customer so as to ensure customer loyalty. So as to shed off the image of being unorganized and non-transparent, there is need to focus on customer satisfaction. One way to do this is providing the customer with the facility for checking the construction status of their property by methods such as logging into a website (McKenzie & Brady, 2011). In the past, this was only possible after visiting the company's site and then following up with the officials that are concerned.

With such kind of initiatives, the company will change its image to that of professionally managed corporate houses, which are committed to meeting the customer expectations and are empathetic in resolving issues that may arise. This will lead into higher degrees of customer loyalty, despite the prevailing economic crunch that faces the industry.

Conclusion

With the above measures in mind, the company will experience improvement of situations despite the recession. These measures will also generate interest among customers. The company will also be able to focus on customer satisfaction, in contrast to placing the customer expectations in the backstage. The forging of collaborations will lead to synergies, cost benefits and mutual strength. The potential areas that can be considered for this collaboration include procurement, supply chain, production in addition to brand promotion. Cost controlling measures are also an option that should be highly considered, though in a thoughtful manner, so as to decrease the extra expenses.

Reference list

McKenzie, J. & Brady, E. (2011) *California Real Estate Principles*. 9th ed. NY: McGraw-Hill.