

# CAPITAL STRATEGIES FOR SURVIVAL FOR A PROPERTY DEVELOPMENT COMPANY DURING AN ECONOMIC CRISIS

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## ABSTRACT

*During an economic crisis, it is crucial for a property development company to employ appropriate survival business strategies. This research investigates, via both in-depth interviews and questionnaire surveys, property development companies in Thailand who have been able to survive the 1997 – 2000 crisis and are working through the 2008 – 2009 crisis. Perception level to keep good credit with lenders has significant relationships with the types of property developed. There are more strategies to acquire capital other than loans from banks. Developers whose registered capital is less than 500 million baht (USD 14.5 million) preferred acquiring capital from shareholders, while those with higher registered capital preferred a strategy of expediting sale and transfer.*

**Keywords:** Property development, economic crisis, capital strategy.

## INTRODUCTION

During the economic crisis, every action is crucial for any business including real estate development companies. Through the upturns and downturns of the past real estate cycles, many real estate developers have been able to manage and survive, while other real estate developers have failed. After the economic crisis passed by and the new up-trend wave will usually feature new real estate developers anticipating high returns, while often being unaware of the high risk of real estate development. As the business cycle goes towards the downturn phase, the real estate industry and the nation will once again be at risk to face damages caused by failures; partly from those who have never before experienced a similar economic climate.

At present, although there are a number of past studies on real estate business cycles focusing on the characteristics and determinants, there are a limited number of studies done to explore strategies and approaches employed by the survived real estate developers to stay alive through the downturn. Experiences and strategies from property development companies that have been able to survive past business cycle(s), as well as their preparations for the current and future business recession phase, are worth learning.

This is especially true for Thai property developers that have been able to survive the last economic slump: 1997 – 2000. The past economic crisis, although originated within Thailand, impacted on the broader Asian economies. As the new economic recession in 2008 is progressing, how can the real estate industry learn from the experiences gained from the past pains? Questions arise on (1) how to manage the real estate development company, especially capital, during the economic crisis and (2) what are the similarities and/or differences between the economic recession situation during 1997 – 2000 and 2008 for real estate developers.

The objective of the research is to study the capital strategies and techniques employed for survival during an economic recession by property developers. The aim is to formulate the body of knowledge that will be beneficial to many parties, especially to the society as a whole. The study covers the surviving capital strategies applied during the two economic crises: (1) during 1997 – 2000 and (2) during 2008 – 2009. The survey focuses on residential real estate development companies selling three types of property products: low-rise (single detached house, duplex, and townhouse), high-rise (condominium), and mixed products.

## **LITERATURE REVIEW**

This section reviews the background of the research in two parts: (1) comparison of the two economic crises in Thailand; and (2) real estate surviving strategies during the economic crisis.

### **Comparison of the two economic crises in Thailand**

The characters of the two economic crises, 1997 – 2000 and 2008 – 2009, are different in terms of the origin, national economic environment and the crisis consequences. The situation of the real estate businesses in Thailand during these two economic crises are different as well.

For the 1997–2000 economic crisis, the trigger of this crisis was originated within Thailand. The causes of that crisis were due to the mismatch between the national policy for financial liberalization and the preparation for deregulation and financial innovation. The Bank of Thailand (BOT) liberalized financial policy through the lifting of all controls on foreign-exchange transactions in current account and the launching of the Bangkok International Banking Facility (BIBF)<sup>1</sup> (Vanichvatana, 2007). These policies were imposed with inadequate supervision, poor assessment and management, maintenance of a relatively fixed-exchange rate and implicit government deposit guarantees. Domestic

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<sup>1</sup> The Bangkok International Banking Facility (BIBF) was established in 1993 to grant significant tax advantages from obtaining deposits or loans in foreign exchange from abroad. Banks (Thai commercial and foreign banks) that had been granted BIBF license by 1996 could significantly increase the magnitude of short-term capital inflows by reducing borrowing costs and easy access to foreign capital markets.

banks and major corporations had major borrowings from international banks in foreign currencies at low rates and the funds were on-lent by banks at much higher domestic rates. With such an influx of cash flow, the property market bubble had already collapsed in 1995, leading to a build up of bad debts in the banking systems. As the Thai baht was attacked by currency speculators in 1997, the BOT mistakenly fought off the attack until it found that it had insufficient foreign currency reserves. The baht peg was then lifted, with dramatic depreciation, which resulted in dramatic appreciation of debts of banks and corporations and a full-blown financial crisis (Mullineux et. al., 1999). The real estate sector obtained relatively easy project-funding, and numerous poor investment decisions were made, not driven by yields, sustainable rents and capital values. Most of them derived from poor property development practises. Thus, the number of housing developers dropped drastically, from about 2,000 to only 200 companies.

For the 2008 – 2009 economic crisis, the origin was due to the financial crisis, based on the USA sub-prime situation. Thailand and the other countries of East Asia and the Pacific were hit hard by the contraction in global demand. About 70% of the GDP in Thailand depended on export production, of which one-third was accounting to U.S. trading. However, the region's middle-income countries withstood the financial turbulence well because they had learnt the lessons of the 1997-98 Asian financial crisis and were better prepared this time around: external balances had been strengthened, foreign exchange reserves had been increased, and government debt burdens had been reduced. Thailand has shown better economic fundamentals (Sophastienphong, 2009; World Bank, 2009).

Although during the past two years, the overall Thai economy has dropped since Q4 of 2008, the BOT evaluated growth in the Thai economy (Watanagase, 2009) as exporters have expanded and moved their markets to other trading regions including China, India, Middle East and Africa. In addition, Thai banks and real estate sectors have been placed on notice and limited associated risky investments, both by their expensive lessons from the past economic downturn and by the tight control regulations by the related governmental sections. As such, both industries have stronger fundamentals and more stable situations than during the past economic crisis.

## **Real estate surviving strategies during economic crisis**

While there are numerous researches in the area of real estate cycles, there is a limited amount of research in the area of real estate strategies for surviving, especially during an economic crisis.

Every organization is subject to crisis, whether it realizes it or not (Harvard Business Essentials, 2004). The term 'crisis' has been defined differently (Pheng, et. al., 1999). As defined by Harvard Business Essentials (2004), crisis is defined as a change, either sudden or evolving, that results in an urgent problem that must be addressed immediately. Augustine (2000) distinguished six stages of crisis management and makes recommendations for dealing with each state including: avoiding the crisis, preparing to

manage the crisis, recognizing the crisis, containing the crisis, resolving the crisis, and profiting from the crisis. Effective crisis management is as important to property developers as to all other organizations.

Pheng et. al. (1999) suggested five broad crisis types including: external economic attack, external information attack, breakdowns, psychopathology, and human resource factors. Subject to external market forces and uncertainties, developers may suffer costly errors if they are caught unprepared when a crisis strikes. Economic crisis is a situation in which the economy of a country experiences a sudden downturn brought on by a financial crisis (Business Dictionary.Org, 2009). Although economic crisis has a broader scope than an external economic attack of an individual organization, it is necessary for any organization to prepare for crisis management on economic crisis.

Vanichvatana (2004) described that surviving companies found ways to manage their cash flows and their liquidity problems. Many were able to restructure their loans. Some turned their lenders into partners and completed partially-finished housing projects. After the crisis, developers began to pay much more attention to building design and product strategy, including using energy saving solutions (Vanichvatana, 2007).

Similarly, Lussier (2005) reviewed academic works about success and failure variables for the real estate industry. There were a total of 15 variables which supported success and failure including: (1) Capital, (2) Record keeping and financial control, (3) Industry experience, (4) Management experience, (5) Planning (for specific business plans), (6) Professional advisors, (7) Education (college level and above), (8) Staffing (quality employees), (9) Product/service timing (too new or too old product/service timing have a greater chance of failure), (10) Economic timing, (11) Age (of the developer), (12) Partners (a business started by one person has a greater chance of failure than a business started by more than one older people), (13) Parents (business owners whose parents did not own a business had a greater chance of failure than those whose parents did own a business), (14) Minority (minorities had a greater chance of failure than non-minorities), and (15) Marketing skill. This research did not mention whether these variables would be crucial during the economic crisis.

Porter (1989) explained about the competitive strategy for real estate development in terms of competitive advantages from (1) lower cost (2) differentiation (in unique skills or resources for commanding a premium price), and (3) the scope of business (geographic location or a particular type of tenant.) In addition, Porter (1989) mentioned how to de-integrate. In that, the key was to avoid outsourcing in the work process where the company had an advantage, and did so in some other activities where the company did not have an advantage.

Leinberger (1993) gathered strategies for real estate companies, based on his experiences, for many segments of a company, including customer satisfaction, finance, and

organization. The information provides good cases for surviving through many phases of real estate cycles, especially during the growth and the bottom. His work, however, focused on income property real estate. Hewlett and Kaufmann (2008) updated and extended the Leinberger (1993) work by providing cases in a general business situation. In addition, there are few other literatures that provide techniques and cases for surviving through an economic crisis, especially for real estate business, including real estate agents (Keller et al, 2009).

## METHODOLOGY

This research was conducted in two phases; (1) qualitative analysis with in-depth interviews and analysis and (2) quantitative analysis with questionnaire surveys and analysis.

**Phase I – Qualitative Analysis:** In-depth interviews were conducted to synthesize issues in capital strategies and to supplement issues from the limited literature in this subject matter. The interviews were carried out with the top eight executive managements of Thai housing development companies of for-sale properties that were established before the 1997 – 2000 crisis and still run the businesses through the 2008 – 2009 crisis.

The eight interview samples were divided into three groups (1) three low-rise development companies: (L1, L2, L3), (2) three high-rise development companies: (H1, H2, H3), and (3) two mixed-product (low-rise and high-rise) development companies: (M1, M2). The majority of the samples (7 out of 8) are big real estate corporations that develop many housing projects per year. Only one respondent is a small company that develops one housing project at a time.

The frame of questions for the in-depth interviews included three issues: (1) Views on the economic situation prior to the economic crisis, (2) Investment and debt in terms of both management of debt/lender and sources of capital for continuing investment, and (3) Trend of further investment. These three issues were asked about both 1997 – 2000 and 2008 – 2009 crises.

Based on the question frame used as the main points, the responses were synthesized to find the identical contents. The similar contents were set up as sub-points and then listed based on the progression in a project. As such, some of the sub-points are not filled, representing as 'n/a'. The results were also compared to find the similarity and difference of strategies among respondents.

**Preliminary Findings:** The synthesis and analysis results revealed many sub-points but only three prominent sub-points are selected, as shown in Table 1, which is then further analyzed as shown in Table 2. The findings from the qualitative analysis are summarized in the three following issues.

(1) *The importance of maintaining good credit with the project stakeholders:* The respondents gave importance to the maintenance of good financial credit with lenders; debtors, including suppliers; contractors; sub-contractors; and to individual labor. In particular, the respondents have given special importance to keeping good financial credit to the laborers and sub-contractors. This is because these two groups have low cash flows, which, if interrupted, can affect and delay the progress of building construction. As such, it will, in turn, affect the performance of the developers.

(2) *The sources of additional finance and/or liquidity:* The sources for new finance and/or liquidity were from several approaches: (1) commercial banks that were still secured, (2) non-banking financial institutions, (3) shareholders and/or new foreign partners, (4) expediting sale & transfer, (5) renting out un-sold units and/or units that abandon contract, (6) altering business to become a home-building contractor, and (7) long period supplier credits.

(3) *The investment plan for the following year:* After the 1997 economic crisis, every property developer stopped investment of any new project for a couple of years. In contrast, for the current 2008 economic crisis, half of the respondents plan to keep the similar size of investment in 2009, as compared to 2008. The supporting reason is due to continuing demand in the Bangkok CBD and, more importantly, high stability of the Thai banks.

The noticeable dissimilarity when comparing companies with different types of product is in the investment plan for the following year or in 2009 as follows: (a) all low-rise developers plan to suspend all new project investments, (b) in contrast, all mixed project developers plan similar or more investment growth in comparison to 2008 and (c) for high-rise developers, the investment plans are mixed with both slowdown and continuing, as shown in Table 2.

**Table 1: The management of capital/liability and continuing of investment**

	2008-2009															
	1997 – 2000				Highrise				Lowrise							
	Mixed Product				Highrise				Mixed Product				Highrise			
	L1	L2	L3	H1	H2	H3	M1	M2	L1	L2	L3	H1	H2	H3	M1	M2
1. Source of capita /Liquidity	Bank & Supplier w/ long-term credit	Change bus. to home builder	Small bank & Expediting sale & transfer	Rent out vacant units	Expediting sale & transfer, finish PJ before '97	Expediting sale & transfer finish units	Share holders & foreign investors	Stable banks	n/a	n/a	n/a	n/a	n/a	n/a	Cap. 50% debt 50%	Cap. &down pay (50% of price)
2. Have new PJ invested in the following year	Stop /stat new PJ 2000	Stop early 1995	1998 invest '99-00 stop Start again 2001	Stop /no new PJ after '97	Stop since '95 - '96 start again 2000	Stop to clear old PJ, start new PJ 2000	Stop to clear bad debt until 1998	Stop until 2000	Slow down to Cash-flow	Stop/ until bottom	n/a	n/a	Wait for opportunity	Slow down since '07 do PJ near sky train	Keep growth no 'A' segment	Cap. &down pay (50% of price)
3. Put value it keep good credit line w/ Debtor	Yes /no bounced cheque	Yes	Yes /will pay someday	Yes	Yes	Yes	n/a	n/a	Yes	Yes	Yes / don't show problem	n/a	n/a	Yes	Yes	n/a

**Table 2: The comparison of strategies used between the two crises**

Surviving Strategies through 1997 - 2000		Strategies for 2008 - 2009		Comparison
<b>Debt Conciliation/Lender &amp; Further Funding to Finish Pj</b>				
1. Source of fund / Liquidity	- Expediting sale & transfer for complete units - Bank & small financial institutions - Share holder & new foreign partners - Rent out un-sold units - Procure material w/ long period credit - Become home building Contractor	(3 out of 8) (3 out of 8) (1 out of 8) (1 out of 8) (1 out of 8) (1 out of 8)	Not Happen Yet	Different
2. Have new Pj invested in the following year	- Stop investment, no new Pj	(8 out of 8)	- Slowdown for any opportunity	(4 out of 8)
3. Put value to keep good credit line w/ Debtor	- Re-start new Pj in 2000 - Yes	(5 out of 8) (6 out of 8)	- Keep growth, but not in A segment - Yes	Different (3 out of 8) (5 out of 8) Same



**Phase II – Quantitative Analysis:** In order to understand the normal conduct of the real estate industry in Thailand, it is essential to conduct quantitative analysis through questionnaire survey. This phase proceeded by designing the questionnaire based on the knowledge gained from Phase I. In this study, a developer is defined as a company that carries on the activities of real estate development. As the focus of this study is on private developers in Bangkok, the most appropriate sampling frame would be sourced from the three main property development associations in Thailand. The members of these three associations consist of development companies, individuals and other related companies that are not a property developer. The sampling technique used was simple random sampling. The survey was conducted in the first half of 2009 with a specified sampling error of not more than 10 per cent and a confidence level of 90 per cent. The total of 48 respondents returned questionnaires by property development companies. Out of all respondents, 37 respondents have been in the business before the 1997 economic crisis.

*Hypothesis:* Quantitative data analysis has been conducted in order to verify the consistency of the findings to the prior qualitative analysis results. The findings of the qualitative survey have been used to set the hypotheses of the quantitative study. The hypotheses for this part consists of three main issues: (i) Real estate developers give importance to maintaining good credit with lenders, (ii) There are many sources of capital during the crisis, and (iii) There is still an investment plan for the year after the crisis began.

*Variables:* The responses from the quantitative survey are statistically and graphically analysed on the basis of three independent variables, as summarized in Table 3, based on the prior research (Lussier, 2005; Porter, 1989);

- (1) Capital\_Cat: the amount of registered capital of respondents as registered to the Ministry of Commerce, Thailand, in three groups: Low, Medium, and High according to 1 – 99 million baht, 100 – 500 million baht, and > 500 million baht categories.
- (2) ProdType\_Cat: product category of respondents, in three groups: Low rise i.e. detached house, duplex house, townhouse; High rise i.e. condominium; and Mixed product types
- (3) Exp\_Cat: level of experience of respondents as registered to the Ministry of Commerce, Thailand, in three groups: Low, Medium, and High according to 1 – 5 years, 6 – 12 years, and > 12 years, sequentially.

**Table 3: Summary of variables used in the analysis**

Abbreviations	Meaning
Capital_Cat	– Capital Category, capital of the respondents as registered to the Ministry of Commerce, Thailand: 1 = Low capital, capital less than 100 million baht <sup>2</sup> , 2 = Medium capital, capital between 100 million to 500 million baht 3 = High capital, capital more than 500 million baht
ProdType_Cat	– Product Type Category, the product type of the respondent: 1 = Low rise, 2 = High rise, 3 = Mixed type (low rise and high rise)
Exp_Cat	– Experience Category, experience, in year, of the respondents as checked from the registered information with the Ministry of Commerce, Thailand: 1 = Low experience, work less than 5 years, 2 = Medium experience, work less between 5 to 12 years, 3 = High experience, work more than 13 years.
Credit_Lender97 and Credit_Lender08	– The importance given to maintain a good credit to lenders during the 1997 and 2008 economic crises, sequentially. Ranking from 1 to 5 As 1 = the most importance, while 5 = Very least or no importance
FIN_Source08_X (X = 1 to 7)	– Types of source of finance: 1 = Share holders as a source of finance, 2 = Foreign alliance, 3 = Existing banks/financial institutions, 4 = New banks/financial institutions, 5 = Expediting sale and transfer of finished units in the stocks, 6 = supplier credits, 7 = Change business from for sale to lease.
Inv_new_Pj_next_Yr97 and Inv_new_Pj_net_Yr08	– The sentiment of investment plan for the following year from the crisis originated from both 1997 and 2008 economic crises 1 = Stop and/or suspend 2 = Decrease 3 = Maintain 4 = Growth

<sup>2</sup> The current currency exchange rates are as following:  
1 USD = 34.5 Baht, 1 AUD = 27.3 Baht, 1 GBP = 56.5 Baht, and 1 EU = 45 Baht.

Although there is limited prior literature to substantiate the classification, the classification is not without a rationale to justify it. Firstly, the amount of registered capital of respondents is grouped according to the quartile and mean. Secondly, the product categories that respondents offer to the client are grouped according to the expertise requirement. Lastly, the level of experience of respondents is clustered into low level (1 – 5 years), medium (6 – 12 years), and high (> 12 years). The normal project life cycle of a real estate development project is about 2.5 years; thus 5-years time is only 2 cycles, or 2 projects, which can be considered as low experience. The medium level is 6 – 12 years. The respondents who fall into this category have started the business after the last 1997 economic crisis, thus they do not have any prior experience in working through an economic crisis. The high level of experience is more than 12 years. The respondents who are in this category have started business before the 1997 economic crisis. Thus, they have experienced and survived the hardship during the last crisis.

## **FINDINGS**

Quantitative analyses were conducted toward the three hypotheses. The analyses of the results are as follows:

### **Maintaining credibility with lenders in the perception of real estate developers**

The study finds significant relationships between Credit\_Lender08, real estate developers' perception of maintaining credibility with lenders in 2008, and ProdType\_Cat, product category. The mixed-product category tends to rate the importance level of maintaining credibility with lenders as ranking number 1, whereas the high-rise category tends to rate the importance level of maintaining credibility with lenders as ranking number 2. Additionally, the low-rise category tends to rate the importance level of maintaining credibility with lenders as ranking number 3. The Chi-Square test of independence is applied to test the dependence relationship. The Pearson chi-square value is 16.280 and p-value is 0.039, which confirms that the perception of real estate developers concerning the importance of maintaining credibility with lenders in 2008 crisis is dependent on the product category of the real estate developers. The cross tabulation and chi-square test of independence of the two factors are presented in Table 4(a) and 4 (b).

The conclusion of this section is that the level of importance to maintain good credit to lenders is based on the company risk in the business. Although one cannot definitely identify that low rise development is less risky than high rise, and lesser to mixed product developers, these findings bring an interesting inquiry for further investigation.

**Table 4(a): ProdType\_cat \* credit\_lender08 cross tabulation**

		Level of Importance of Maintaining Credibility with Lender					Total	
		1	2	3	4	5		
Product_Type_Cat	Low Rise	Count	5	3	7	0	3	18
		%	27.8%	16.7%	38.9%	0%	16.7%	100.0%
	High Rise	Count	0	6	2	1	1	10
		%	0%	60.0%	20.0%	10.0%	10.0%	100.0%
	Mixed	Count	7	5	2	0	0	14
		%	50.0%	35.7%	14.3%	0%	0%	100.0%
Total		Count	12	14	11	1	4	42
		%	28.6%	33.3%	26.2%	2.4%	9.5%	100.0%

**Table 4(b): Chi-square test of independence product\_type\_cat \* credit\_lender08**

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.280 <sup>a</sup>	8	.039
Likelihood Ratio	19.494	8	.012
N of Valid Cases	42		

a. 13 cells (86.7%) have expected count less than 5. The minimum expected count is .24.

### The sources of capital during the crises

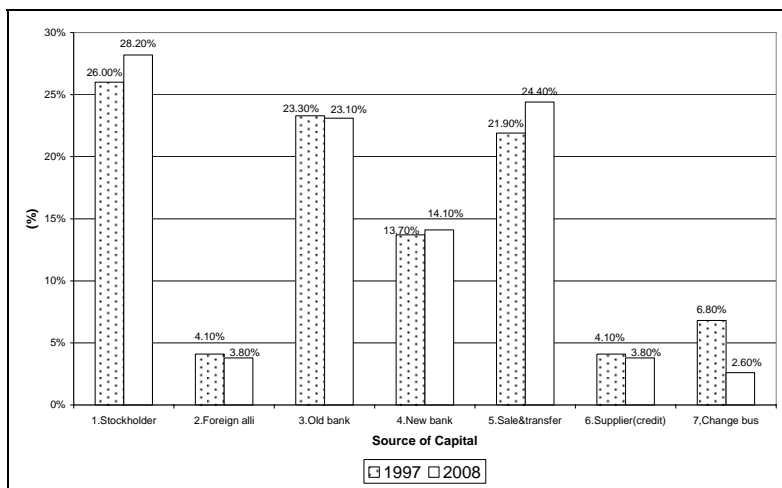
The second area of the analysis is the sources of capital during the two crises in 1997 and 2008. The major sources of capital for both crises are stockholders, in 1997 there are 26% whereas in 2008 they increased to 28% of respondents. The second biggest proportion of the sources of capital are the existing bank/finance company and expediting sale & transfer of complete property units. These two sources both have proportions of about 23% - 24% equally in 1997 and 2008.

Almost all sources of capital have the same proportion in 1997 as in the year 2008, except in the change of business methods. In 1997, 7% of developers selected the changing business method as a source of capital, whereas in 2008 only 2.6% of developers select this method. The comparison graph is presented in Figure 1.

FIN\_Source97\_X and FIN\_Source08\_X (X = 1 to 7) are further investigated by grouping them according to Capital\_Cat, as shown in Figure 2. The results for FIN\_Source97 or during the 1997 economic crisis, developers with Capital\_Cat equaled type 1 and 2 or

whose registered capital was between 1 – 99 million baht and 100 – 500 million baht tended to select ‘Stockholders’ as a major source of capital. In contrast, the developers whose Capital\_Cat equaled 3 (over 500 million baht) tended to select ‘Expediting sale and transfer’ as their popular source of capital.

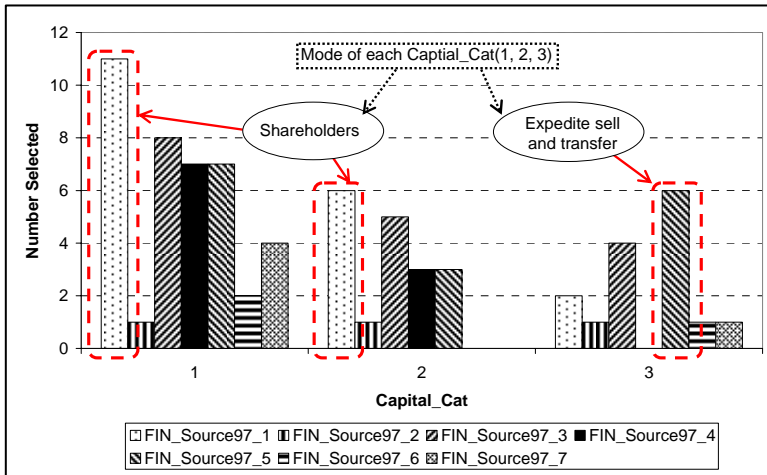
**Figure 1: The comparison of the sources of capital between 1997 and 2008 economic crises**



The reason that the large developers did not use stockholders as a major source of capital might be because large developers were normally listed in the stock exchange, thus it was difficult to issue new shares to obtain capital from stockholders during the economic crisis. The smaller size developers tended not to be listed on the stock exchange. As such, it was easier for small and medium size capital level companies to obtain funds from the owners who are the stockholders and local partners.

Although there are many sources of capital, this section brings interesting findings. The results show not only the ranking of the preferred selection of each source, but also some specific sources that are most popular among companies with different sizes of registered capital.

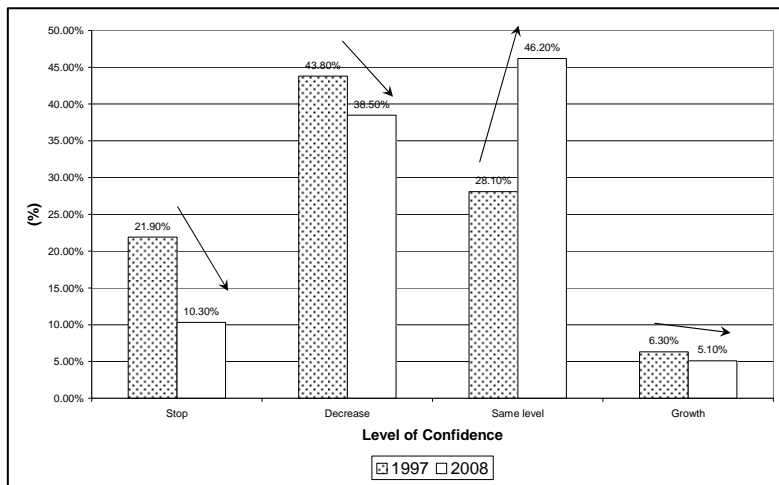
**Figure 2: The comparison of the sources of capital crises among each group of registered capital**



### The sentiment levels for investment in new projects

The last area of analysis is the reaction of the respondents for investment in new projects. The first step is the comparison between the 1997 and 2008 economic crises. The graphs in Figure 3 show the indication of the respondents' opinion that the 2008 economic crisis in Thailand was not so severe as in 1997. This is because the sentiment of investment in 2008 has improved significantly in 1997. The main indicators are the decrease in the proportion to stop and the decrease in the proportion to decrease investment in new projects. Additionally, the number of developers who expect to maintain the same level of investment in new projects as in the previous year has increased significantly from 28.10% to 46.20%.

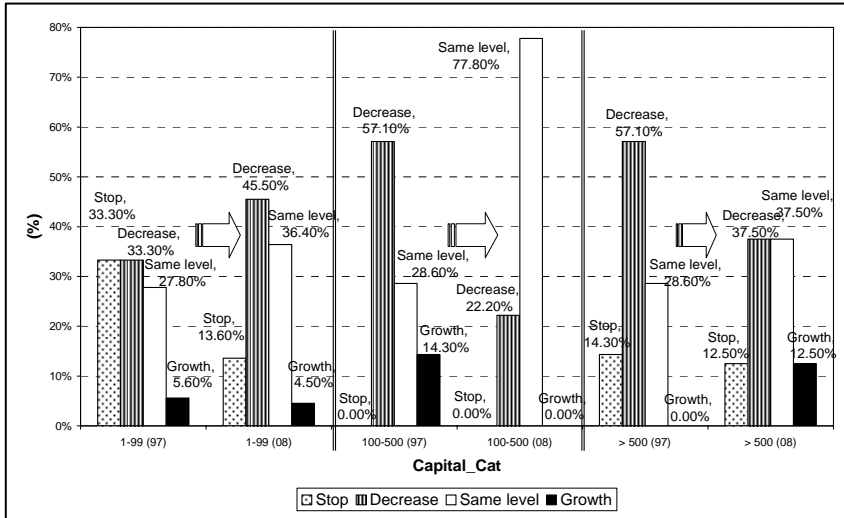
**Figure 3: The comparison of the sentiment of investment plan of the new project for the following year from the crisis originating between the two crises**



The investment plan for a new project of developers is investigated further by grouping them according to the registered capital (Capital\_Cat), as shown in Figure 4. The findings are consistent with the comparison results in the previous Figure 3, which indicate the higher confidence of developers in the economic situation in Thailand during the 2008 economic crisis than that during the 1997 economic crisis.

However, the medium category, 100 – 500 million baht, has higher confidence in Thailand's economic situation than that of the smaller size developers, < 100 million baht, as the graph in the sentiment level of 'Same level' of the Capital\_Cat = 2 has increased significantly from 28.60% in the year 1997 to 77.80% in the Year 2008. Moreover, as the sentiment level of 'Growth' is taken into consideration, the large category of Capital\_Cat, over 500 million baht, has increased the most, from 0% to 12.5%.

**Figure 4: The comparison of the level of sentiment for investment plan of the new project for the following year from the crisis originating between the two crises based on capital\_cap**

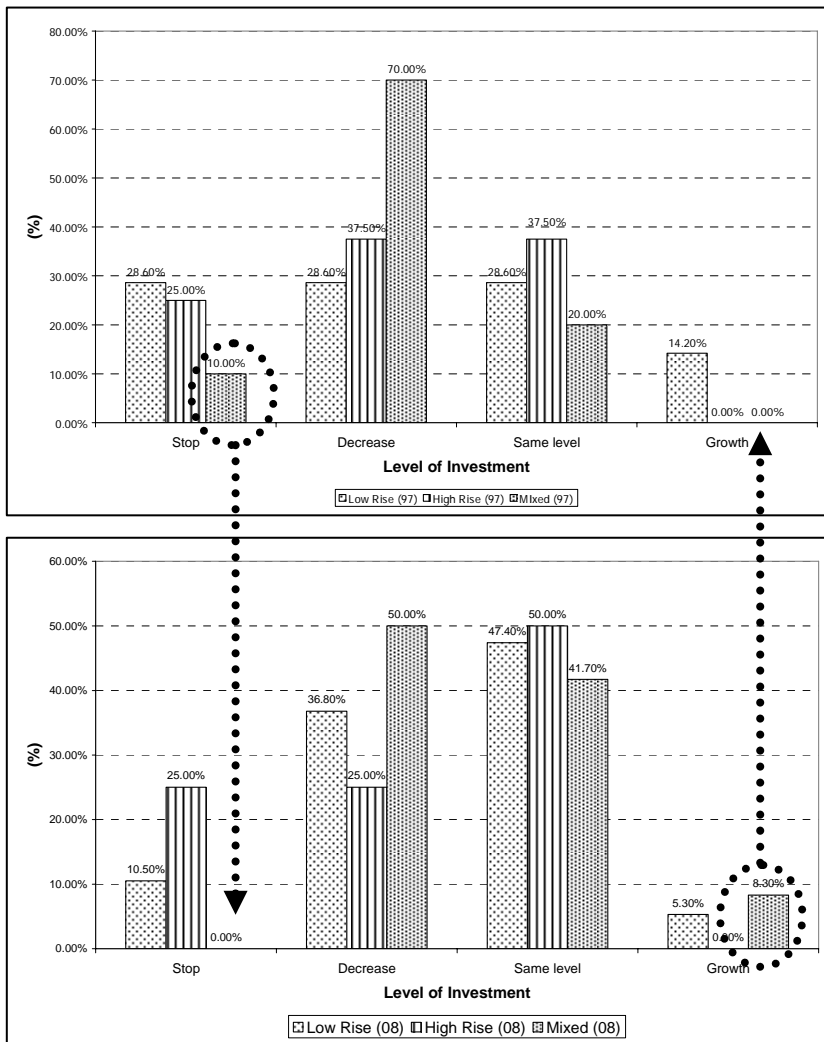


Lastly, the investment in new projects is analysed based on the product category, ProdType\_Cat. The graph of 1997 and 2008 economic crises are presented in Figures 5(a) and 5(b), respectively. The comparison of the two figures indicates that during the 2008 crisis, the developers with ProdType\_Cat = 3 (Mixed type) have more confidence than the other two ProdType\_Cat categories. Moreover, it can be seen clearly from both figures that developers in all ProdType\_Cat categories have more confidence during the 2008 economic crisis than during the 1997 economic crisis.

This section shows that for the 2008 economic crisis, Thai developers have far more confidence in the situation than those of the 1997 economic crisis. Also, the results show that the larger size of the company, the higher the confidence in the nation's economic situation. Lastly, the sentiment of the investment plan for the following year is likely to be dependent on the experience level of the companies.



**Figure 5(a) and 5(b): The comparison of the level of sentiment for investment plan of the new project for the following year from the crisis originating between the two crises based on capital\_cap**



## CONCLUSION

The results from the qualitative analysis can be concluded as follows:

- (1) Important capital strategies for surviving through the 1997 – 2000 economic crisis:
  - Clear up debts with lenders, as soon as possible, because the delay in solving problems tends to cause accumulation of debts over the value of property used as collateral. That is, it makes debt restructuring and/or any kind of negotiation extremely difficult.
  - Do not create any new debt by not creating any new investment project.
  - Try to create and/or maintain the corporate financial liquidity, which is the aim during any economic crises, not profit or loss.
  - Improve financial liquidity by negotiating with the existing financial institution for additional investment funding.
- (2) Lessons learned and opportunities from the 1997 – 2000 economic crisis:
  - Continue maintaining good financial liquidity at all times.
  - Continue maintaining good credit levels with stake holders: financial institutions; suppliers; contractors and sub-contractors; and clients.
- (3) Opportunities for the 2008 – 2009 economic crisis:
  - Can be exposed to opportunity to create new business relating to service businesses that are property management and brokerage.
  - Can make jump over progress by encountering opportunity, if having cash on hand, to acquire very good assets.

The results from the quantitative analysis can be concluded as follows:

- (1) On the importance to maintain good credit with lenders, the quantitative results are not similar to the qualitative analysis results in that almost all interviewees indicate considerable concern on this issue. However, the quantitative results show more in-depth results of the relationship between the different levels of the importance given and the different product types the companies developed.
- (2) On the sources of capital, this section provides further in-depth findings to the qualitative surveys. The results show the preferences for each type of capital source. In addition, the analysis shows that ‘Stockholders’ is the ‘mode’ or popular source of capital for small and medium size registered capital companies, while ‘Expediting sale & transfer the complete unit in stocks’ is the popular source of capital for large size registered capital companies.
- (3) On the sentiment levels of investment plan for the year following the start of the

crises, the quantitative results are not totally synchronized to the qualitative ones. As in the qualitative analysis, low-rise developers were all planning to suspend any new investment, while mixed product developers were all planning to proceed. As the quantitative analysis inquired detail levels of the sentiment for the investment plan, the results show more variety of sentiment levels regardless of the type of products developed. In contrast, the findings show that the levels of sentiment of the investment plan have a relationship with the size of the registered capital and the level of experience in the business instead.

The research results, from both the qualitative and quantitative analyses, bring new perspectives of capital strategies for surviving during economic crises, based on the two economic crises in Thailand. Firstly, there are many strategies to acquire capital other than loans from banks. Also, it is important to maintain good credibility with all types of stakeholders besides bankers. Lastly, as each economic crisis has different character and environment, the reaction of a property developer to each economic crisis will be different. It is essential to prepare surviving strategies for any future economic downturns, that are certain to come. These findings should be proved useful to a property development company, not only during economic crisis but also during other business cycle phasing.

There are many areas for future research: techniques to maintain good credibility with different types of stakeholders; the relationship between levels of credibility and types of stakeholders; and the size and impact of each capital source on different characters of a property development company.

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