

# 7 P's of Real Estate

## Real Estate Investment Option

When considering investment into India's real estate sector, one needs to examine various options available including direct investment or investment through a real estate fund (Figure 10). Direct investment into land or property requires an investor to use their own market knowledge but also provides them with increased discretion in terms of investment strategy and horizon.

Conversely, investing through a real estate fund allows investors to rely on the expertise of fund managers who may have greater insight into local real estate fundamentals, best practices and investment strategies. Other benefits of investing through a real estate fund include diversification of risk, ease of navigation through local policies/regulations, access to multiple real estate asset classes and a lower barrier of entry. This multi-dimensional approach to real estate investment has significant advantages for most retail investors (Figure 11).

Figure 10: Real Estate Investment Options

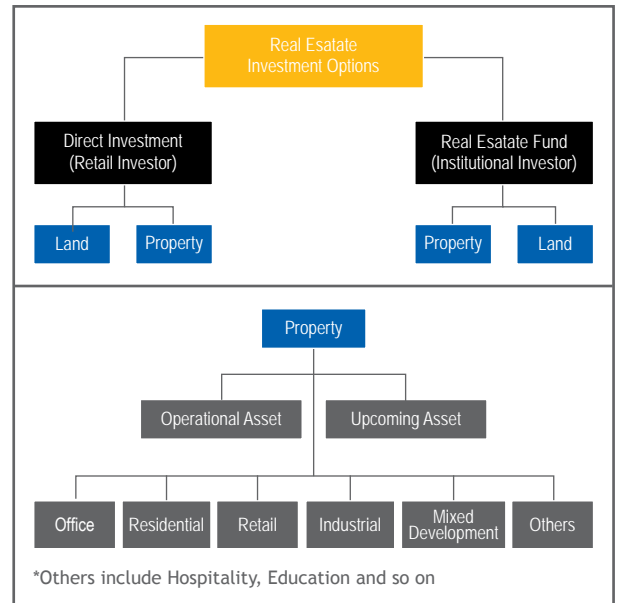
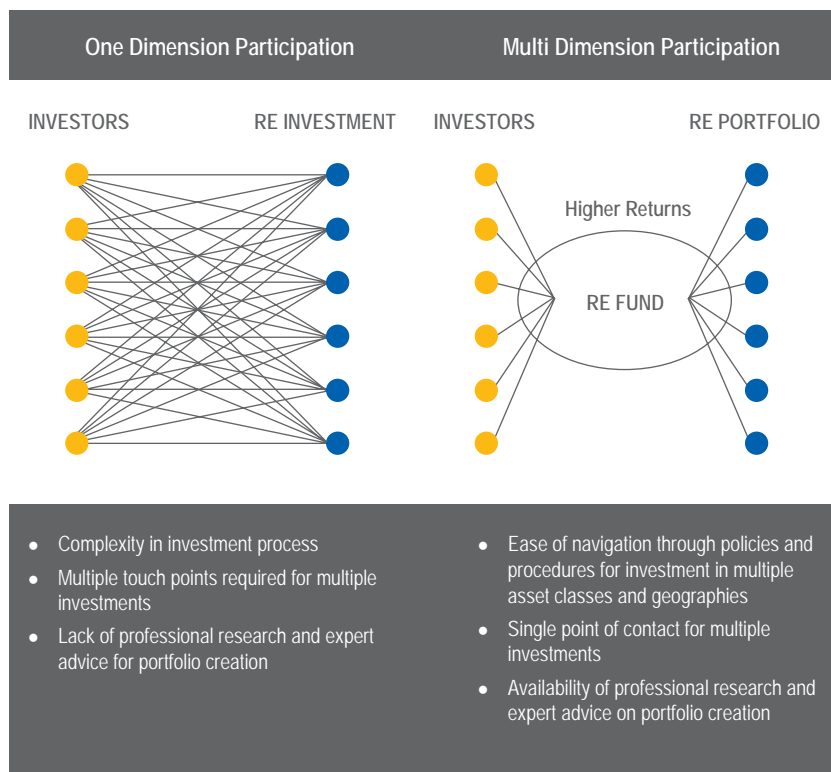


Figure 11: Advantages of a Multi-Dimensional Approach





## 7 P's of Real Estate Investment

The *7 P's of real estate investment* is a broad framework that empowers investors to understand the key forces that affect the success of any real estate investment. Regardless of whether investors decide to participate directly in the market or go through a fund, it is important for them to remain educated on the factors that will impact their investments. By referencing the 7 P's of real estate investment, investors will be able to critically assess the merits of potential investments and differentiate themselves from ordinary retail investors.

### Product

Product relates to real estate investment options that could be of two types - land or property. Property includes commercial<sup>5</sup>, residential, industrial, integrated townships or a mixed-use development (a combination of the preceding). Land includes land parcels which can be Greenfield or Brownfield. Investors should be aware of the product mix of the development that they are investing into, which may include both land and property.

Amongst built-up project options, investors can opt to invest in either operational or under-construction assets. Issues such as legal barriers, tax implications and transparency will play a key role in determining the suitability of the product for investment, as will factors such as risk appetite, timeline and expected return.

### Place

"The three most important things to consider in real estate are location, location and location!"

Place, or location, is a critical factor to be considered when evaluating a real estate investment. The location and context of a property clearly dictates the level of speculation that the invested asset can be subjected to. In evaluating a particular geography, investors must consider habitation, catchments, infrastructure, expected growth patterns, planned or existing government initiatives, demographic profile, key economic drivers, and so on. Proximity to established nodes of retail or commercial activity can drive the investment interest and value of an asset upwards.

As real estate is primarily regulated at a state level in India, investors need to be aware of the political, economical, social, technological, legal

and environmental (PESTLE) factors impacting the cities in which their investments are based. Rapid economic growth over the past decade in India has been heterogeneous in nature, impacting real estate consumption differently across the country. As a result, where to invest and how long to hold emerge as crucial decisions to be weighed.

### Price

"You make money when you buy real estate, not when you sell."

An entry price is equally important as an exit price in real estate. Investors should follow a bottom-up approach to determine the ideal purchase price of real estate by first determining the expected sale price and other costs that will need to be incurred. If done correctly, this approach will mitigate risks and increase the likelihood and quantum of profits, the eighth P of real estate. Though not an easy task to accomplish, understanding the future market price of an asset in the face of any proposed competition will be a key determinant of success. Suburban destinations with a high potential for infrastructure expansion, demographic spill over and voluminous supply quantum are considered to be the safest bets for profit maximisation.

### Positioning

Positioning is vital in creating an identity in the minds of target consumers of the real estate development being invested in. Ensuring recall value of a particular project amongst occupiers and buyers is a key differentiator often required for success. Green buildings, office parks with large floor plates and special economic zones are some of the current tactics being employed in India to differentiate properties.

Positioning in a real estate investment could also refer to the 'relativity' that leads a product to be unique. How a typical development is relatively priced, sized or featured (in terms of amenities) determines how the asset is competitively positioned in the market. Though qualitative in nature, positioning has a direct link to some important qualitative aspects of a property - occupancy and yield.

### Packaging

Packaging refers to the delivery of a finished product. At a property level, the specifications of the construction, quality of finish, provisions of fit-outs and other facilities like power back-up are a few of the things associated with successful functioning and maintenance of a building. The packaging of any real estate product is critical

<sup>5</sup> Commercial developments refers to office space, retail malls, hotels, and hospitals.



because of the fact that the Indian investment landscape has undergone a rapid transformation over in the past decade. A paradigm shift in disposable incomes, spending patterns and demographic profiles over the years has led to a change in real estate consumption in India. This has also led to an increased awareness on sustainability and affordability leading to superior lifestyles across multiple income groups. In this context, packaging refers to the timely delivery of good quality products in compliance to the local and national standards for real estate development.

### Promotion

Promotion is communication between sellers and buyers of a particular real estate project. Investors must evaluate multiple options to promote the development in which they plan to invest. In-house marketing, online selling, outsourcing to property consultants, participating in local / national events and tying up with industry associations are some of the many options available to sellers for promoting their project.

The promotion of any property should educate buyers about the key strengths of the development and the unique offering it presents. Promotion is also a critical factor for brand building which primarily revolves around trust, credibility and reputation, an important confidence building measure amongst buyers and investors, given that legal recourse in India is extremely lengthy.

### People

People is perhaps the most important P to be considered before investing in real estate. People could refer to the target consumers of real estate to be invested in, a developer who has the ability to develop a real estate project as promised or a fund manager with the expertise and market savvy to deliver results. Identifying key consumers, partners and investment managers is something that should often be done first, and always done with great importance. While the other 6 P's of real estate may drive success in a given project or market, this seventh P is what ties them all together and holds them in balance.

### Straddling for Success in Real Estate

While each of the 7 P's is unique in terms of their criticality, all the factors are inter-linked to each other to enable an effective investment decision. An investor has to focus on each of the P's individually and also on the 7 P's as a single entity before making an investment decision. By segmenting the 7 P's into project-level and market-level drivers of



success, investors can gain a perspective on how to achieve sustainable returns in real estate (Figure 12).

While product, place and price drive investment decision at a project level, positioning, packaging and promotion are factors that do so at a market level. It is interesting to note that the project level drivers are those factors that are tangible and the market level drivers are intangible. The seventh and most critical P, people, is what ties all the P's together and straddles between the intrinsic (project level) and extrinsic (market level) drivers to strike balance in the system and ensure prudent investment decision making.

Figure 12: The 7 Ps of Real Estate

