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A REAL ESTATE PROJECT OVERVIEW

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ABSTRACT

In this research, first general real estate theories are studied, then the existing investment strategy and financial strategies are also studied in Indian context. Then optimum financial model is prepared for specific project type for maximum financial return and finally, this financial model is validated though another real estate project through case study.Taking advantage of the situation, the private players snatched the control of real estate sector with almost no concerns for the demand of the consumers. Since last half decade this sector feels the heat of slowdown due to various factors which include industry constraints, government frequent changes in the regulating policies and economic slowdown. In our paper we study and do critical analysis of present trend and pattern of different factors of the real-estate sectors.

In this paper we outline the real constraint issue and details. But also present some corrective steps which would benefit the sector and take it to its glorious past where it was increasing in flying colors.Financial part plays important role of investment in Indian real estate. Financial return depends on many factors such as location, user Income group, project typology, government policies etc. Here,in this research financial model is prepared to calculate the financial return from specific real estate project type through case study.

It is one of major source of job for unorganized sector of Indian labor market. This sector was one of the main beneficiary of the post-liberalization periods, where India become one of the hot property of the foreign direct investment, lot of new ventures open day by day and salaries of Indian middle class increase exponential.

Now, it is important to know the importance of having this financial model for any developer. The advantages are as follows, Factors associated for real estate profit, how this factors are affecting the financial return, How this financial model indicates project profit - lossrisks through info-graphic indicators. How these factors can be modified or adjusted in the model at planning stage to avoid loss and to gain maximum return.

Introduction

Investors are increasingly looking to the emerging markets as alternate global avenues for real estate investments. India has emerged as a favourable investment destination. India's favourable demography and strong economic impetus have made the country an attractive place for property investors. This does not mean, however, that investment in Indian real estate is risk-free. In light of the overall economic picture and the rapid escalation in prices in real estate over the last few years, many real estate markets in India are currently undergoing a price correction. However, there still exists a fundamental demand-supply imbalance and real estate remains an attractive longer- term investment prospect. Now that India is on the radar of global investors, it is important to understand the opportunities and challenges of Indian real estate investments

The Indian real estate sector has witnessed high growth in recent times with the rise in demand for office as well as residential spaces. But this sector also faces severe problems. Though the government take various initiative to resolve the problems of the investors. Government also permit the FDI (Foreign Direct Investment) to make 100% investment in this field, but still this sector face problem. Though after the demonetization, this sector run in downward direction but they have opportunity to boost the market because in India, there is highly demand of residential and commercial properties especially low cost property. Today's, contribution of this sector in GDP is 5-6 %, to increase their contribution, government take intervention in this sector and resolve the problems of the investors, so that the real estate sector also increase their contribution in the development of the country.

The real estate sector is one of the most globally recognized sectors. Real estate sector comprises four sub sectors - housing, retail, hospitality, and commercial. The growth of this sector is well complemented by the growth of the corporate environment and the demand for office space as well as urban and semi-urban accommodations.India is one of the major revenue generating sectors with the growth and the depreciation of this sector which influences the economy. Owning a property in India is one of the greatest assets and is one of the most profitable investments in India. There are very less chances of a loss as the real estate growth graph is escalating day by day.

Main Objective

- Analyzing current market trends and dynamics in the real estate industry.
- Investigating the impact of various factors (such as economic, social, or environmental) on property values.
- Exploring new methodologies or technologies in real estate valuation and investment analysis.
- Examining issues related to sustainable development, urban planning, or affordable housing.
- Providing recommendations for policymakers, investors, or stakeholders based on research findings.

Issues and challenges in real estate sector

3.1) Issued faced by customer

- **Market Volatility:** Real estate markets can be subject to fluctuations in supply and demand, interest rates, and economic conditions, leading to volatility in property prices and investment returns.
- **Regulatory Changes:** Changing regulations related to zoning laws, environmental compliance, building codes, or tax policies can impact real estate development projects and investments.
- **Sustainability and Climate Change:** Increasing focus on sustainability, energy efficiency, and resilience to climate change poses challenges for real estate developers to meet evolving environmental standards and regulations.
- **Affordability:** Housing affordability remains a significant challenge in many markets, with rising housing costs outpacing income growth, making it difficult for many to access home ownership or affordable rental housing.
- **Technological Disruption:** Advances in technology, such as online real estate platforms, block chain, and virtual reality, are transforming the way properties are bought, sold, and managed, posing challenges for traditional real estate businesses to adapt.
- **Urbanization and Infrastructure:** Rapid urbanization and population growth in urban centers require strategic planning to address infrastructure needs, transportation, and affordable housing demands.
- **Global Economic Uncertainty:** Economic downturns, geopolitical tensions, and global events can impact real estate markets and investment decisions, leading to challenges in forecasting market trends and risks.

3.2) Issued faced by Industry

- **Market Fluctuations:** Real estate markets can be sensitive to changes in economic conditions, interest rates, and other external factors, leading to fluctuations in property prices, demand, and supply.
- **Regulatory Challenges:** Compliance with local, state, and federal regulations, zoning laws, building codes, and environmental regulations can present significant challenges for real estate developers and investors.
- **Sustainability and Environmental Concerns:** The industry is increasingly focusing on sustainability, energy efficiency, and environmentally friendly practices to address climate change and meet evolving regulatory requirements.
- **Technology Disruption:** Rapid advancements in technology, such as artificial intelligence, big data analytics, and block chain, are reshaping how properties are bought, sold, and managed, posing challenges for traditional real estate practices.
- **Housing Affordability:** Rising housing costs and income disparities have resulted in housing affordability challenges for many individuals and families, particularly in urban areas with high demand and limited supply.
- **Infrastructure Development:** Aging infrastructure, transportation challenges, and urbanization trends require coordinated efforts to address infrastructure needs and support sustainable urban development.
- **Global Economic Uncertainty:** Economic downturns, market volatility, trade conflicts, and geopolitical tensions can impact investor confidence, financing options, and overall market stability in the real estate industry.

Government policies:-

- **Housing Affordability:** Initiatives like subsidies, tax incentives, and affordable housing schemes to make housing accessible to all income groups.
- **Regulation and Zoning:** Rules governing land use, building codes, and zoning laws to manage urban development and ensure safety and environmental standards.
- **Market Stability:** Measures to prevent market bubbles, such as regulating mortgage lending practices and implementing property taxes.
- **Sustainable Development:** Encouraging green building practices and promoting energy-efficient constructions to ensure environmental sustainability.

Step to solve problem in real estate: -

- **Identify the Problem:** Clearly define the issue, whether it's related to market trends, property management, financing, or regulatory compliance.
- **Gather Data**: Collect relevant data, including market analysis, financial reports, property evaluations, and stakeholder opinions.
- **Analyze the Data:** Use tools like SWOT analysis, financial modeling, or comparative market analysis to understand the root causes and potential impacts.
- **Strengths:** Internal attributes that are beneficial and give an advantage over competitors.
- **Weaknesses:** Internal factors that are detrimental and may hinder performance.
- **Opportunities:** External factors or situations that could be exploited to the organization's advantage.
- **Threats:** External factors that could cause trouble for the business or project.
- **Develop Solutions:** Brainstorm multiple solutions. Consider innovative approaches, regulatory adjustments, financial restructuring, or marketing strategies.
- **Evaluate Solutions:** Assess each solution's feasibility, cost, and potential outcomes. Use risk assessment techniques to anticipate challenges.
- **Implement the Chosen Solution:** Create a detailed action plan, assign responsibilities, and set timelines.
- **Monitor and Adjust:** Continuously monitor the results and be ready to make adjustments as necessary. Collect feedback and reassess if goals are not being met.
- **Communicate:** Ensure clear communication with all stakeholders throughout the process for transparency and collaboration.

Conclusion:-

The Real Estate Project successfully met its objectives of delivering high-quality residential units within budget and on schedule. Market analysis revealed a strong demand in the targeted demographic, validating our investment strategy.Despite initial challenges in regulatory approvals, proactive engagement with local authorities ensured compliance and smooth progression. Future recommendations include leveraging emerging market trends and sustainable building practices to enhance project value and community impact.

CONCLUSION AND INFERENCES

7.1 A NPV model is prepared by this study. The advantages of the model are as follows:

Since by benchmarking exercise the rates of different types of real estate project are achieved, by this model Maximum NPV and Minimum NPV can be calculated by using maximum and minimum selling rate per sq. unit of area which can help the developer to forecast the return range. Hence, from figure-1 it can be concluded that any developer should invest for type-C- retail with Office.

By this study it can be concluded that some important financial terms are plays important role for financial return calculations. Such terms are: Saleable area of project, Saleable price per unit area, Landcost, ApprovalCost, Constructioncost, Duration of construction, Construction percentage of each year, Construction and other cost of each year, Sale percentage of each year, Sale amount of each year, Cash Flow analysis, WACC calculation, and Debt and Equity percentage, NPVcalculation etc.

Some factors indicate the profit, lossof a project, which is very important for investor point of view for making substitute decisions. Such factors are:

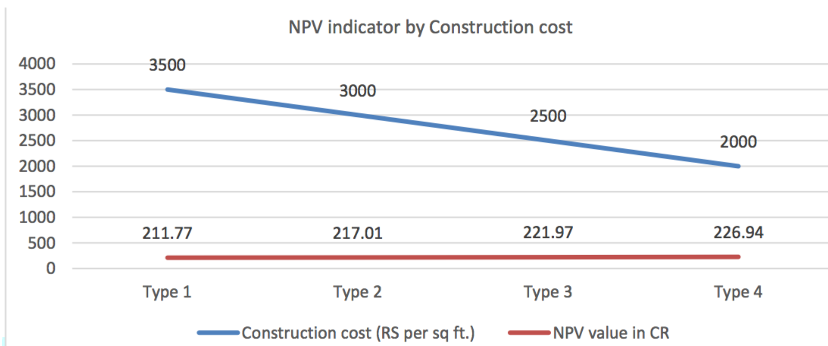
Construction cost (in each year) indicator –

Cash outflow element can be altered or modified in planning stage to increase the profit. The table has been prepared where different NPV value is calculated for different construction cost by this model that can elp the developer minimizing his construction cost. Below table is prepared for NPV values for different construction cost.

figure-1

Construction cost behavior		
Types	Construction cost (RS per sq. ft.)	NPV value in CR
Type 1	3500	**211.77**
Type 2	3000	**217.01**
Type 3	2500	**221.97**
Type 4	2000	**226.94**

figure-2



By the table 1 and figure 2, different NPV value is calculated for different construction cost by this model that can help the developer minimizing his construction cost.

i. Percentage of Sale indicator -

Cash inflow element, can be altered or modified in planning stage to increase the profit. Below table is prepared for NPV values for different selling percentage.

Figure -3

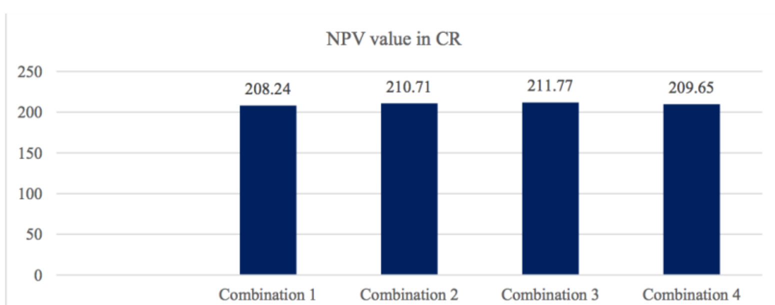


Figure 3: NPV behavior with different selling combination

figure 3, different NPV values are calculated for different selling percentage combination (in different financial years). Hence, by the use of this model a developer can find best selling pattern to get the maximum return.

From the above data, it is been calculated the maximum NPV of Rs. 211.77 Cr is achieved for combination 3 which has the selling pattern, year 1: 30%, year 2: 30%, year 3: 20%, year 4: 20%

- This model calculate the NPV of specific type of real estate projects. Hence, by this model it is possible to create design mix option by combining different type of real estate project type for maximum financial return in same plot of land.

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