

Analysis of Operation and Management of Real Estate Company

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Abstract

As an emerging industry, the real estate industry has its own unique business model, including real estate property developers to raise operating funds, construct real estate infrastructure supporting facilities, develop other business projects and support them with business activities such as real estate-related industry and financial services. Corresponding to this model, commercial real estate also has a clear operating model.

Keywords

Real Estate; Business Model; Real Estate Industry; Operating Model.

1. Introduction

Since the beginning of the investment market in 2012, the advantages of overseas investment in commercial real estate with both sustainable economic development and added value have gradually been demonstrated in the field of overseas real estate investment in China, and the value of overseas investment and development of commercial real estate has become increasingly obvious. In China, many overseas investment developers have given up market competition in real estate due to interest. Instead, they have accelerated the development of overseas investment in China's commercial real estate market. The amount of overseas investment, rents, and prices of China's commercial real estate have been gradually improved in the international market. At the same time, China's overseas investment and development of commercial real estate has a high rate of ROI and rapid return of overseas funds, so funds is still dominating the market. Nowadays, commercial real estate has gradually become the hot property in the eyes of overseas investors, and the money of various overseas investors has poured into the market. Regarding the development of China's commercial real estate, overseas investment entering China's commercial real estate market has become a great trend.

With China's urban and rural social transformation and further economic and social development in recent years, the quality of life of Chinese residents has been steadily improved, and the sales of various social consumer goods in China have also achieved rapid growth, which has enabled China's commercial real estate market to enter a new era of rapid development. Especially in the past 10 years, commercial real estate has gradually entered a new and more elementary stage of development. According to the research conclusions obtained by China's investment management consulting network: Since 2012, the general trend of the commercial real estate market is that the market will gradually develop and enter a more rational development period. China's commercial real estate market is witnessing a rapid and steady growth.

Commercial real estate has a strong demand for large-scale investment and leasing development. The price of real estate for sale and residential land for investment and leasing is rising rapidly. Shopping and entertainment centers in large cities have rapidly developed into one of the main investment targets in the real estate market of many new large commercial blocks in cities. Under such traditional conditions, urban commercial real estate has been difficult to fully meet the needs of new urban commercial real estate for the integration of new

hardware and traditional software, which means that there is a huge gap in the development of new real estate formats and investment market in the market. Commercial real estate will continue to integrate the two basic characteristics of the traditional real estate circulation industry and the new real estate industry, so that more commercial real estate enterprises in the future will adjust their investment and development mode according to this market trend. From the perspective of China's long-term development trend, the sustained rapid and stable growth of China's three major market economies will determine the potential market demand of China's commercial housing and the huge growth potential of the real estate development market demand, which directly indicates that China's commercial real estate market has a promising future.

2. Business Model of Real Estate Industry

2.1. Housing Development Model

Walmart mobile commerce model. A typical example is Vanke's business model, in which a large number of copies are made in various first-tier cities and suburbs. The product style is also very simple, aiming to be extremely targeted for customers. Systemically, Vanke mainly adopts a strong human resource management mode of headquarters enterprise, and opens "chain stores" in the suburbs of first-tier cities. The economic benefits of this business model soar on average this year. Vanke's turnover in the first quarter of this year is predicted to reach about 4 billion yuan, which will completely break the record that the total income of Vanke Real Estate in the annual sales volume is less than 3 billion yuan in the past five years.

Department store company management model. Now China Resources Land also adopts a large-scale commercial operation model. In a large-scale commercial operation area, it can operate large-scale commercial products of different varieties at the same time. The products and business forms are more diversified. For example, some large-scale department stores operate high, medium and low-end commercial products, such as large-scale businesses, office buildings, residences, hotels, and apartments. The internal operation and management modes of department stores are mostly seen in the internal business transformation of the urban construction investment management company system and the real estate investment and development project management companies from the transformation and development of real estate enterprises, as well as some comprehensive large-scale state-owned real estate investment and development project management companies at home and abroad.

De luxe room model. This is also a business model that Beijing Vantone Real Estate has been pursuing. It only conducts chain operation of auto boutiques in the headquarter of the domestic high-end auto market. The cars it sells are top-quality Rolls-Royce. Though it may not be able to sell many cars, but because the price of each car is high, the total turnover is definitely remarkable. Starting this year, Vantone Mobile Smart Home is expected to increase its sales by more than 2 billion yuan year by year in the future. Its main business customer base will be concentrated in Vantone's high-end smart home products.

2.2. Land Development Model

Land planning model. That is, the overall management of a development company focuses on comprehensive large-scale land development, including land planning, land transfer, and integration with land developers. The main purpose is to comprehensively operate finance, trade, commerce and other types of businesses. The actual annual land turnover in Lujiazui is very low while the corporate profits are high, mainly owing to the fact that the corporate income of land transfer is very high.

The management model of Tianjin Innovation Development Zone. Although this is the investment and development business model of industrial land, the main part of the land we

operate is located in the industrial zone, and the urban economic conditions are poor. Therefore, the asset appreciation rate and investment return rate of the industrial zone business land model are much lower than those of the Lujiazui model. However, this is the only investment model in which domestic enterprise makes use of industrial zones for land development and management to gain profits.

2.3. Hybrid Development Model

The vertical overlap of energy technology is considered as a new development model of current hybrid energy technology development. This is also the current business model that our traditional real estate enterprise developers and property companies hope to adopt. From external property acquisition to internal acquisition, the various links of property management overlap or combine horizontally and vertically. You don't know when and what you need to do in every business link, the functions are not comprehensive or professional, and the internal control of the property overlaps with each other. In Guangdong, quite a few construction engineering companies and even various departments have their own professional construction engineering design institutes, building materials companies, construction teams and engineering construction companies.

Cross-application hybrid software development model. The typical investment cases are Pearl River Investment and Hopson Development. This investment model enables companies to acquire land and invest to develop a new house, and there can be an appropriate space allocation between buildings. In the Pearl River region, people who invest in large areas of land are very experienced, and the venture investment projects for partnership business are limited to renting houses. Such professionals are all compound talents, and may also be well-known owners of a real estate company. They all own a large amount of land for real estate development in Beijing, Shanghai and Guangdong in China, and may spend at least 3 billion yuan on land sales in recent years.

According to the first mixing mode, the project of 100,000 square meters will take 3 to 5 years to complete, and the project of 300,000 square meters will take 5 to 7 years. Since a project is vertically mixed, it will take a long time from the beginning of the acquisition of land to the completion. However, companies can reduce the financial cycle to about 3 years adopting the model as Hopson And Pearl River Investment, and have a good resilience in the fluctuation of economic cycle.

2.4. Property Management Model

Specializing in property management. For example, some large property project management and operation management companies cooperate with some strategic partners of Walmart stores to open stores across the world, and this becomes a new type of professional operating property, charging a certain rent in return. Property management is a professional mode of operation, which is interesting and characterized by stable customers, but its capital and expected return are not very high.

Legal operation of leased property. For example, Hong Kong Central Land, which owns 42% of the houses in Hong Kong Central as rental properties, charges 500 million US dollars in property rent from local residents every year. It has no budget to invest in local construction and development of a new property project, and mainly relies on local rental properties for operation, which enables the company to maintain stable rental and secure income every year.

Mixed management of development and house leasing. Typical examples are Cheung Kong Holdings (China) and Sun Hung Kai Properties. One third of Sun Hung Kai Properties' commercial rental income mainly consists of real estate profits from commercial leases, while the rest consists of development real estate earnings from commercial leases. To develop and operate a taxi operation in a relatively active Hong Kong and emerging world in south Beijing.

Shanghai Kerry Company, listed in Hong Kong, may even far exceed the rental income of other developers. Therefore, its stock price has been trending well in the long term. Taiwan Farglory Company is also adopting this investment model. A considerable part of the income is obtained through leasing, and it also relies on a small amount of development income as the support of the entire industrial chain.

2.5. Real Estate Service Model

Intermediary brokerage and evaluation is a relatively common form.

Property management. The concept of barracks property management we understand is narrow. American property companies actually regard its management as a system that supports human resources and management, and spread the concept of barracks property management to develop a large-scale property management industry, which includes factory and military property management, logistics warehouse system management of factories and enterprises, and hospital emergency ward system management. Likewise, enterprises in Tianjin Development Zone systematically manage administrative office buildings.

House customization service. For example, Yamato in Japan charges customers for quality management service fees through house design or customization. Another example is Cole in the United States, which obtains a large amount of service-oriented profits through engineering quality management of projects.

2.6. Real Estate Financial Investment Model

At present, one of the trust models that has attracted increased attention from the public is the American trust model Real Estate Investment Trusts, which directly aggregates the scattered property funds of the public to form a trust company through trust investment. Through taxation, equity appreciation and transfer of property, the company promotes the active participation of private property investors, so that the public can gain their profit, and then directly invest in long-term investment property, so as to obtain stable investment and economic benefits.

2.7. Houzihome Model

Regarding the offline end, it focuses on the second-hand housing intermediary business, mainly engages in real estate transactions, and also provides commercial loan services such as evaluation and mortgage. As for first-hand housing, it mainly includes advertising sales and agency sales of first-hand housing, and self-media expansion of real estate articles, which are displayed on WeChat and web pages. The third category is the short-term rental business of the sharing economy, which corresponds to the iOS and the Android end. In addition, it owns leveraged mergers and acquisitions business, which strengthens the first three categories and makes profits from the business.

2.8. Various Financial Models

It's not real estate in essence, it's all about finance. From the perspective of system theory, it is a highly leveraged financial system that continues to grow. Some companies' offerings are up to 400-times leverage.

3. Operation and Management of Real Estate Companies

The market-oriented business philosophy of meeting customer needs is also the foundation for China's comprehensive real estate development companies to always maintain their core competitiveness. Comprehensive real estate development companies have to hold a large number of large-scale properties. On the one hand, such large-scale property projects must meet the actual needs of customers, and on the other hand, they must be able to sustainably

develop to attract a great number of customers. In order to truly meet customer demand as the market orientation and improve the asset operation and management service process of development enterprises, real estate development enterprises need to consider the following steps.

3.1. Classify Potential Customers

The target customers of real estate investment and development companies include both urban residents and large-scale commercial real estate investors and users, regardless of whether its product type is an ordinary residential commercial real estate for urban residents or a large commercial real estate for urban merchants. Companies should first classify the customers to determine the potential customers of each project and the potential needs of target customers, so as to build up the theoretical basis for design and development of the company's products. For example, Shanghai Vanke subdivided its precise target customer groups into successful businessmen's families, professional educated families, families who hold high hopes for their child, happy middle-aged and elderly families, and pragmatic young families. This precise customer segmentation will help Shanghai Vanke to gradually move towards precise product research and development.

3.2. Establish an Analysis Model based on Customer Value

For real estate development companies, the expected value benefit lies in whether the customer can bring a certain expected cash flow to the company, so real estate development companies can usually use the customer expected value benefit analysis calculation model, which is based on the discount calculation method of corporate cash flow, to calculate the expected value benefit of each customer. The expected value of customers depends on the expected purchase volume of each customer's enterprise project, the expected return on investment of the enterprise's project, and the duration of the enterprise's cash flow. Based on these analysis results, the specific volume of a customer's value can be soon determined, helping companies quickly determine a target customer group.

3.3. Determine the Target Customers of the Company

After an in-depth analysis of the strategic value positioning of target customers, real estate development companies can still re-pursue those target customer groups that are fully in line with their corporate strategic value positioning and regard them as their target customers. After they order services, the company should first understand the customer's service needs for related products. To well deliver the service, the real estate development company must first consider how to set up a specialized organization that can provide timely feedback to customers about the company's high-quality service and technology, so as to trace back and continuously improve the company's products and technical services according to customer needs. The core purpose of this consulting center is to establish a system of enterprise consulting scale information collection and management service, which is in line with the scale of enterprise consultants and market needs in China, and is always committed to timely obtain various personalized demand information of the customers.

3.4. Regularly Carry Out One-to-one Product Development and Marketing with Target Customers

Before the start of the entire project planning, the personnel of the real estate development company should first tailor a first-class project planning and design, construction and supporting commercial product plan for each target customer. Developers and marketing management personnel should be friends with the target customers, carefully consider the entire project from the perspective of the customer's interests, and ensure that the final result of the entire project can meet all the expectations of the target customer and satisfy their needs.

Throughout the project planning and implementation phase, the project manager, project department, business planning manager, as well as other relevant functional departments of the real estate enterprise should fully communicate with the target customers, and pay attention to the close relationship between the implementation and the actual needs of the target customers. After the project is completed, the customer's service life for property management will not be very long. Generally speaking, the service life of the target house is basically the same. Therefore, for the target customer, the real estate management company can improve the quality of property management services. The importance is no less than the service quality of real estate itself. After the project is completed, the customer will not enjoy the property management service for a long time. Basically, it is as long as the service life of the house. Therefore, for target customers, the quality of property management services of real estate management companies is as important as the quality of real estate services itself. If a real estate company or company owner provides a variety of property management consulting services that really enable the property owners to obtain myriad benefits, it is of great possibility that they could become a contributor of a real estate company's brand reputation. On the one hand, this will enormously improve the brand reputation of land brokers and their popularity in the market, and at the same time, it will significantly enhance their professionalism in product development and differentiated services.

3.5. Customer-centric Reorganization of Business Processes

Traditional real estate development companies generally have an over-emphasis on brands and products, while underestimating target customer-oriented business operations and management systems. Therefore, in order to establish a corporate operation organization model that conforms to customer needs, real estate development companies must comprehensively integrate and reshape their business process, corporate culture, information management process, training management model and other elements. Only in this way can the organizational structure of the entire enterprise be transformed and it can become a customer-oriented organization.

4. Establishment of Operation and Management System for Real Estate Companies

The development plan of each project node of the real estate company has always been strategically oriented to the needs of target customers. It is the company's pursuit to complete the development goals of each node on time and with high quality. And people's business strategy plan must be strategically oriented with people's profit goals, and the successful realization of profit goals is its ultimate pursuit. The goals of development and operation are different, and it is a natural difference. Therefore, how to connect the two aspect closely and achieve efficient interaction between them is a thorny issue facing enterprise managers. In the actual operation process, it needs to be ensured that the two planning dimensions, including the project technology development plan and the project operation management plan, and the formulation of the plan are highly coordinated, synchronized and matched from one annual time node. In other words, the company's annual product business strategic plan is prepared on the basis of each annual product development plan in the company's project management dimension. This annual plan is regarded as a sample, and the strategic planning is adjusted flexibly every year in order to respond to the continuous changes in the market environment timely, and make corresponding adjustments to the company's strategic planning and layout. Research and establishment of a project management system for project operation and development plans based on the formulation of the actual annual operation and development plan of the project will help to effectively solve the problem of the disconnection between the project operation and development plan and the actual project development plan. The

formulation of the company's annual project operation and development plan must be based on the preparation of a practical and feasible enterprise project operation and development plan to ensure that the annual plan is documented and can be checked. Specific project development plans can be actively adjusted according to the company's business development goals, and at the same time coordinate with the pace of the developers, so as to establish a enterprise operation project management system that effectively combines product development and project management. Judging from the analysis of the current situation of the domestic real estate industry, this kind of mode is based on an annual plan as a working medium, organically combining two different dimensions, so that it can form a closed loop of planned production management, which has basically become the mainstream management concept in China and has been widely applied.

Reliable project operators and management system construction is an important basis for enterprises to ensure that real estate development companies can operate multi-subject projects across different regions. First of all, implement the fine management of the project's early development plan and strengthen the safety control of the progress to ensure that all projects are carried out in an orderly and smooth manner. Moreover, focus on achieving several essential nodes in the company's milestone plan that have significant influence in the realization of the annual operating income target (the beginning of the project, opening, project delivery on schedule, etc.) to ensure the accomplishment of the company's annual operating plan.

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