Real estate investment: relevant parameters and decisions

Ing. Zdeněk Brož

Brno University of Technology, Faculty of business and management, broz@fbm.vutbr.cz

Abstract

This paper discusses the problem of real estate investment. Decisions about these investments are long-term and require significant amount of resources. It is therefore very important to focus on the decision making process and carefully analyze all relevant parameters. This paper contains information about the selection of general criteria and parameters used in the decisions about real estate investment. There is a set of general criteria but there are always specific criteria that are required by the purchaser. This research focuses on the general criteria that are common for the most businesses.

Key words

real estate, investment, decision, parameter, relevant

Summary

Ing. Zdeněk Brož

Real estate investment: relevant parameters and decisions

This paper discusses the problem of real estate investment. Decisions about these investments are long-term and require significant amount of resources. It is therefore very important to focus on the decision making process and carefully analyze all relevant parameters. This paper contains information about the selection of general criteria and parameters used in the decisions about real estate investment. There is a set of general criteria but there are always specific criteria that are required by the purchaser. This research focuses on the general criteria that are common for the most businesses. The decisions related to real estate investment are very important. It is not good to underestimate the significance of these decisions and enough time and a team of qualified experts have to be available in order to make the correct decision. First it is important to analyze the needs of the company. Then it is necessary to collect enough information about the realties. The amount of information that can be collected is large and therefore it is wise to follow a sequence of logical steps that keep the process of selection under control. That means that no important details are omitted. Needs of the company are transformed into quantifiable parameters. Set of generally relevant parameters consists of purchasing price, area, availability of special equipment, distance, expected costs of transportation, adaptation costs, expected future investments, ecological suitability and related costs, fulfillment of general requirements and fulfillment of specific requirements. While it may be easy to get the information required for setting some of these parameters like for example purchasing price or area. To set the value of some parameters may be difficult. Either there may be a lack of information available or the value is based on qualified guess. The value might be also set subjectively by one of the experts. When any of these things happen it may negatively influence the resulting selection of realty. Objective of the business is to select the best possible realty. When the decision making process fails and incorrect realty is chosen it almost certainly means problems and losses for the business. Such strategic and long term decisions cannot be undone. It is therefore necessary to focus enough attention on these decisions and use all available recommendations and methods.