"Real Estate Portfolio" Analysis Simplified–Real Estate Tech, October 1996

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A real estate portfolio analysis can be used in conjunction with other tools **to maximize returns, minimize risks, and to better allocate resources** by addressing questions of **why, what, where, when, and how**. It can give you an idea of your overall operational and business performance, your strengths and weaknesses, and an indication on which sector(s) you should be concentrating or which sector(s) you should left behind.

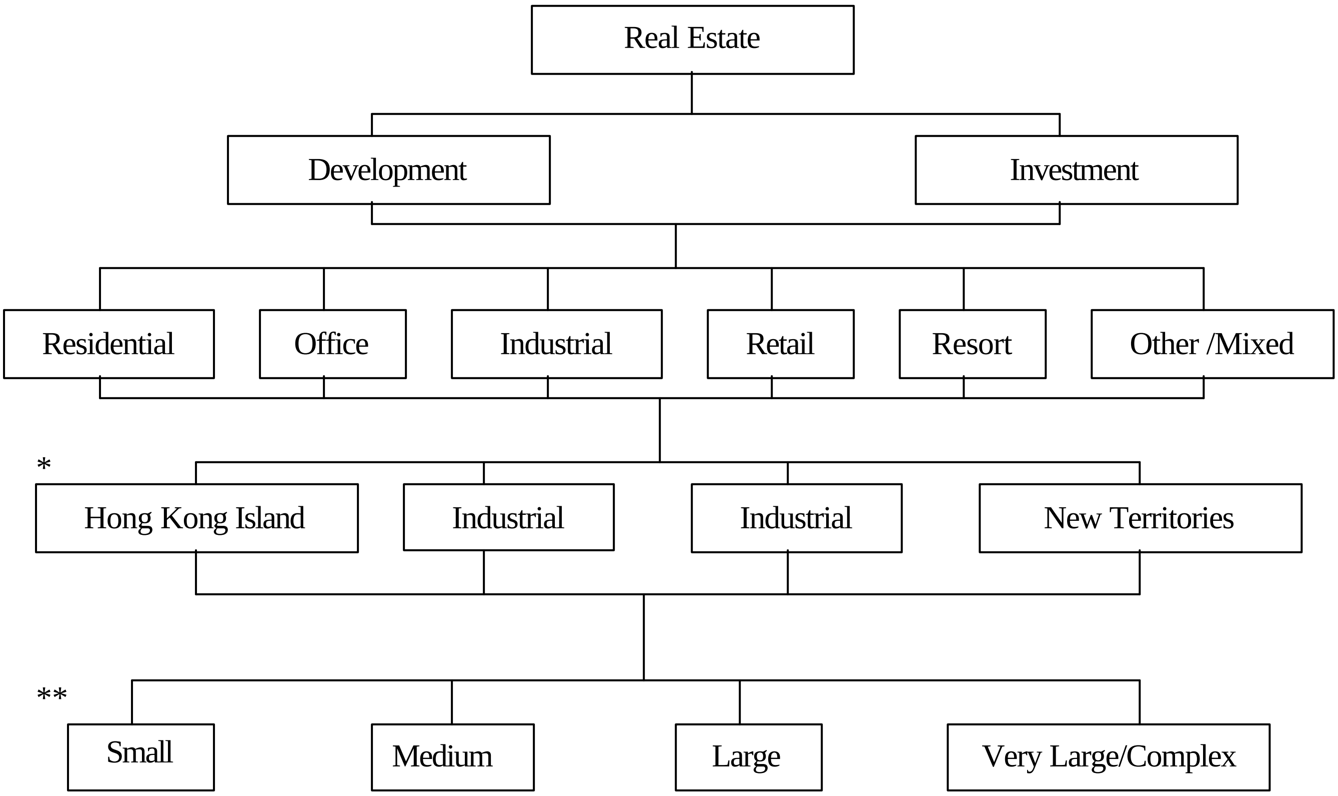
A **typical real estate portfolio classification** could be as follows:
Level I Activities = e.g. Development / Investment
Level II Uses = e.g. Residential / Office / Industrial / Retail / Resort
Level III Locations = e.g. Urban / Suburban or Hong Kong / Kowloon or China /USA
Level IV Scales = e.g. small / large or 10-50 units / 51-200 units

Against each classified sector (e.g. Development – Residential – Urban – Small) are inserted its revenues, costs, gross floor areas, and their respective percentage shares etc. When this is done, a **comprehensive picture of the core revenue sector(s), the most profitable sector(s), the non-performing sector(s), or the most cost efficient sector(s)** will emerge. Together with analysis of future market trends and opportunities, and with respect to one's expectations of returns, risks, resources and competitive edges, real estate strategies and tactics could be formulated.

A word of caution though. In many instances the real estate assets may have been acquired or inherited decades ago. In order to gauge the real performance of such assets, the market value on the day the decision to (re)develop was made should be used instead of the actual acquisition price decades ago, else a false sense of profitability may arise.

If the existing real estate portfolio thus analyzed meets one's requirements, all the better. If not, **"re-structuring" the portfolio** is needed. This is usually solved by disposing the incompatible assets and/or acquiring compatible ones, though the phasing and timing of such dispositions and acquisitions are to be carefully handled. Happy Hunting!
(Discussions and comments are welcomed).

An Illustrative Conceptual Framework for a Simple Real Estate Portfolio Analysis



*Actual classification depends on the user. Sub-classification could be used.

** Each user can decide and formulate his/her own definitions or ranges here.