



**Certified Real Estate
Consultant
Sample Material**

V-Skills Certifications

**A Government of India
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V-Skills



1. INTRODUCTION TO REAL ESTATE

1.1 Career Options in Real Estate

Real Estate advisor or commonly known as estate agent, real estate agent, real estate consultant is one of the greatest businesses in the world when it comes to earning potential as compared to investment. With as little as Rs.10,000, people have started off as real estate consultants, or property dealers, and have made millions. Compare this to any other business, and one finds sizeable investment in man, machine, marketing and management.

With increasing number of developers, projects, introduction of new formats, role of private equities and expansion of multinationals, real estate industry has outgrown the expected size in recent times. Besides, development of infrastructure, government regulations and infusion of FDI has supported the expansion of real estate sector many folds. With the increasing size of industry, there is an increasing demand of professionals across all segments.

The number of jobs for real estate agents is expected to grow as it is difficult to find trusted advisors for commercial and residential properties. With the augment of multinationals, outsourcing business and expansion of Indian companies, a property consultant's role is more evident and valued. One of the thrills for a real estate consultant is the constant learning he derives from fast changing market trends, launch of new projects, change in government reforms, introduction of new formats and changing client's requirements.

Working as a consultant in commercial properties means that you will be interacting with the heads, admin/facility managers and senior management across industries. Thus, it is important for the consultant to keep an update on the client's industry movement. One needs to get into the psyche of the client to understand his requirements.

As the country lacks specialized academic courses and institutes for real estate, it is both profitable and beneficial for MBA graduates as it generates new scope for them. There are two main routes into real estate consulting. One is directly from the campus (undergraduates and MBAs) into entry-level positions (research/market analyst, business development). The other leads from industry into middle-level positions from specific industries (banking, insurance, retail and financial services) and functions (marketing or client relation associate). It's a high-paying, high-profile field

that offers students the opportunity to take on a lot of responsibility right after their master's degree and quickly learn a great deal about the real estate world. After making a stint of 2-3 years with reputed developers, many people shift from project marketing to real time consultancy.

Getting a job opportunity with a reputed consultant may be a challenge for fresher's. However, stint of 1-2 years in any marketing field with good qualification set may get you an entry level position with a trusted banner in consultancy. In consultancy, one can earn big money; a large part of the remuneration is sales driven, so more one can sell, more one earns. After spending 2-3 years with a professional consultant, many practitioners find it lucrative to start their own set-up.

Employment with a reputed realtor gives a secure income along with annual incentives based on sales achieved. Besides, while choosing a consultant in commercial real estate, clients seek trusted company with long-term presence and staff strength. Working with a reputed realtor can help learn the tricks of the trade following ethics and complete professionalism. There are some skills required of a good real estate marketer. These are excellent communication skills, smart decision-making, creating trust factor, analytical reasoning, being aware of the latest market trends and future market predictions, efficiency in financial calculations and high patience levels.

Some of the various roles in Real Estate as a profession include

1.1.1 Real Estate Agent/Broker

Real estate agents and brokers are usually independent sales professionals who contract their services in exchanges for a commission-sharing agreement.

1.1.2. Commercial Real Estate Broker

Commercial property brokerage offices use sales associates who market office buildings, hotels and many other types of commercial real estate for brokers. Commercial real estate sales people usually specialize in a particular property type such as retail, office, hospitality, shopping centers and industrial plants.

1.1.3. Real Estate Appraiser

Real estate appraisers provide unbiased estimates of a property's value and quality. Appraisers usually work for banks or for appraiser firms and will normally value properties by finding

comparable sales in an area or by estimating the discounted value of cash flows expected from a property.

1.1.4. Property Management

Leading real estate owners require professional property managers. Managers are responsible for negotiating leases, ensuring that tenants are satisfied, that rent is paid and that rents reflect market conditions. The career of property manager requires good interpersonal and analytical skills and a fair amount of negotiating prowess. This job is personally rewarding and allows you to really learn the real estate markets should you wish to embark in business on your own.

1.1.5. Real Estate Advisory

Institutional investors are purchasing real estate more and more. But real estate is not like a stock or bond that you can buy and put in a vault. Real estate advisors help investors care for property and, more importantly, select property in the first place by suggesting areas and property types that are likely to experience price appreciation in the future. This job is fun and one that you can get into after getting experience in investing or property management. People who are good with statistics and excel at client contact do well in this job.

1.1.6. Investment Banking- Real Estate Group

Many investment banks have groups dedicated to real estate, particularly the repackaging of mortgages into residential mortgage-backed securities (MBS), collateralized mortgage obligations (CMOs) and commercial mortgage-backed securities (CMBS). Big players include Credit Suisse, Morgan Stanley, JP Morgan to name a few. Other popular areas include the REIT stock, bond and preferred stock origination business, lodging investment banking, principal investing in real estate and synthetic lease origination. If you have an interest in both real estate and investment banking, this is definitely the place to be.

1.1.7. Development and Construction

Are you willing to work hard and take risks to develop new properties? You can enter this business working for another developer, moving up to construction manager, or you can strike out on your own, starting with some smaller transactions. Good developers are results-oriented and know how

to get work on time which involves managing labor, establishing time estimates, getting appropriate equipment operators and construction crews.

1.1.8. Real Estate Entrepreneur

Real estate is one of the last bastions of the free-enterprising entrepreneur who buys properties in hope that they will rise in value because of improvement in market conditions or renovations. Since WWII some of the wealthiest persons in the world have been real estate entrepreneurs.

To make it in this career you need to be savvy, hard-working, willing to take risks and fortunate. Remember, there are others who will be bidding on the same deals and properties that you will. It is important, then, to think carefully of how you can succeed in this market through better wits, a superior management approach or a unique niche strategy.

1.2 Residential vs. Commercial

1.2.1 Residential Real Estate

Residential real estate is focused on personal use and would include houses, residential land, apartments, builder floors etc A Residential real estate agent would typically be selling secondary homes to people, or working for a builder for new homes.

Residential real estate industry has witnessed stupendous growth in the past few years owing to the following reasons

- ✓ Continuous growth in population and changing demographics - A large number of Indians are in the earning bracket of 25 to 44 years old, and have higher salaries and hence higher disposable incomes to plan for a house.
- ✓ Migration towards urban areas - Increased numbers of Indians are moving to cities in search of employment opportunities, raising the demand of residential housing in the cities.
- ✓ Ample job opportunities in service sectors
- ✓ Growing income levels
- ✓ Rise in nuclear families
- ✓ Easy availability of finance
- ✓ Shift in consumer preference from renting to owning

1.2.2 Commercial Real Estate

Commercial Real estate is anything which is used for commercial activity mainly office space, retail, industrial usage. This would include retail showrooms, offices, factories, godowns, hotels, warehouses etc. It centres on business or investment use of real estate. Commercial real estate agents are usually familiar with many of the commercial areas but specialize in one of them.

The commercial office space in India has evolved significantly in the past 10 years due to change in business environment. The growth of commercial real estate has been driven largely by service sectors, especially IT-ITeS (Information Technology). Previously commercial properties were concentrated towards CBD (Central Business District) areas in large cities. However, with the emergence of IT-ITeS, which had huge office space requirement, commercial development started moving towards city suburbs. It resulted in multifold development of city outskirts and suburbs like Gurgaon near New Delhi, Bandra and Malad in Mumbai, and the Electronic city in Bengaluru. In addition, over the last 10 years, locations such as Bengaluru, Gurgaon, Hyderabad, Chennai, Kolkata and Pune have established themselves as emerging destinations for commercial development, which are competing with traditional business destinations such as Mumbai and Delhi. Tax sops on the profits of IT-ITeS companies also led to stupendous development of IT Parks and SEZs.

Demand for office space is directly linked to addition in number of employees, which in turn is dependent on economic growth. When economy slows down, companies hold their expansion plans leading to lower demand for office space. The demand for commercial real estate was on an upswing between 2005 and early 2008, driven by exceptionally high employee additions in the IT/ITeS sector. The strong demand from domestic IT/ITeS companies and captives of large global players was a result of increased business, primarily from the US and European markets. A healthy domestic economy coupled with aggressive corporate expansion plans led to strong demand from sectors such as Banking, Financial Services and Insurance (BFSI) and media and entertainment.

1.2.3 Retail sector facilitating real estate growth

Apart from the IT and ITES industry influencing the Indian real estate sector, India is also getting into the knowledge based manufacturing industry on a large scale. Retail, one of India's largest industries, has presently emerged as one of the most dynamic and fast paced industries of our

times with several players entering the market. The contemporary retail sector in India which is reflected in sprawling shopping centers and multiplex- malls is also contributing to large scale investments in the real estate sector with major national and global players investing in developing the infrastructure and construction of the retailing business.

With the approval of FDI in retail, it is expected to provide further boost to the real estate sector in the country.

1.2.4 Residential vs Commercial: What is right for you as an agent?

Although at a small scale level, agents are serving both residential and commercial needs in a local area, at a more organized level, the worlds of residential and commercial real estate agents are as different as apples and oranges. There is little overlap in the clients served, the emotional involvement of buyers, sales process and the real estate agent's financial return to the time invested.

Commercial Real estate is more focused on returns on investments and needs to achieve a predefined business objective. It's used as an investment for a predefined business return.

Residential Real Estate involves property purchased for individual and family use, and it is more of an emotional decision than investment decision.

The positives of being a commercial real estate agent is that

- ✓ One works in a more organized corporate environment dealing with the movers and shakers of the town. A commercial real estate agent benefits from a professional, well managed environment, and works in a more researched and knowledge driven area.
- ✓ Other positives include a bigger commission on successful deals, since commercial deals tend to be larger in size. Also you work normal office hours with weekends off.

But Commercial Real estate selling and leasing also comes with a few downsides.

- ✓ Commercial real estate is more exposed to the macroeconomic environment and a slowdown affects commercial real estate first.
- ✓ Commercial clients are few and far behind.

Compare this to residential real estate where there are both many buyers and sellers and residential real estate is less prone to shifts in macroeconomic environment. However, residential

real estate is more unorganized, and has low professional standards and practices. It also has low entry barriers and hence tremendous competition. It also involves work on 7 days a week, and mostly on weekends when clients are free to view properties.

Residential agents are less risk prone than commercial agents. They make smaller commissions but numerous commissions throughout the year.

1.3 Current Trends in the Real Estate Market

Real Estate, often also called Property, generally refers to land and fixtures and involves purchase and sale, development of land, residential and non residential buildings. Real estate business attracts a lot of players, and the main participants are landlords, developers, builders, real estate agents also called property dealers, tenants, buyers etc. Housing and construction business also forms part of the Real Estate sector.

The real estate sector in India assumed greater prominence with the liberalization of the economy, as the consequent increase in business opportunities and labour migration led to rising demand for commercial and housing space. At present, the real estate and construction sectors are playing a crucial role in the overall development of India's core infrastructure. The real estate industry's growth is linked to developments in the retail, hospitality and entertainment (hotels, resorts, cinema theatres) industries, economic services (hospitals, schools) and information technology (IT)-enabled services (like call centres) etc and vice versa.

The Indian real estate sector has traditionally been dominated by a number of small regional players with relatively low levels of expertise and/or financial resources. Historically, the sector has not benefited from institutional capital; instead, it has traditionally tapped high net-worth individuals and other informal sources of financing, which has led to low levels of transparency. This scenario has undergone a change and as of today, the real estate industry's dynamics reflect consumers' expectations of higher quality with India's increasing integration with the global economy.

The Government of India has taken positive initiatives by offering the best in terms of real estate investment, by altering its FDI policies from time to time. With better infrastructure and availability of world class facilities, property in Indian prominent cities are the most sought after proposition.

The boom in the sector has been so appealing that real estate has turned out to be a convincing investment as compared to other investment vehicles such as capital and debt markets and bullion market. It is attracting investors by offering a possibility of stable income yields, moderate capital appreciations, tax structuring benefits and higher security in comparison to other investment options.

With property boom spreading in all directions, real estate in India is touching new heights. However, the growth also depends on the policies adopted by the government to facilitate investments mainly in the economic and industrial sector. The new stand adopted by Indian government regarding foreign direct investment (FDI) policies has been bullish and has encouraged an increasing number of countries to invest in Indian Properties.

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