

The Value of Real Estate and Property Management

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Abstract

Real estate is around in everyday life from the places that individual's shop, eat, work and live. This thesis paper will reveal the value that real estate and property management offer not only as a lucrative career and investment opportunity but for the advancement of society both socially and economically. This thesis will do this by discussing in depth extensive research on the real estate and property management industry. The thesis will reveal this by explaining the historical aspect, economic significance, investment value, social and cultural impacts, technological advancements, challenges, and opportunities in the respective industry as well as potential career fields the industry provides. The real estate and property management industry is a real tangible product that has been around forever and is going to be around forever. This thesis discusses how real estate and property management industry is driven for the betterment of society while offering lucrative business ventures.

Keywords: Real Estate, Property Management, industry

In the world around us in everyday life people often glance and overlook the many places that provide shelter for the everyday person. This can range from the places they call home, work, restaurants, or local stores but all these places have one thing in common they hold a real estate and property value. The market and operations conducted in the real estate and property management scene is controlled by Real Estate Brokers and Property Managers. This thesis paper is going to outline everything in the Real Estate and Property management world such as the history of real estate and property management, economic significance, the investment opportunities and process, the societal impacts, valuable concepts in the field from established authors, and overall extensive knowledge in the field of Real estate and property management as well as the careers in the industry. The importance of real estate and property management indicates the pivotal roles it plays in wealth accumulation, economic stability, community development and societal advancement. The responsible and strategic developments of properties positively benefits communities by providing essential housing and commercial spaces and stimulating economic growth. Therefore, the management of real estate assets is not only for financial gains but also a necessity to advance society both socially and economically.

To understand the importance and value that real estate and property management has on current society is imperative to understand the history and the way real estate and property management has shaped the United States as a whole. In the 1920s there was a volatile real estate market that was driven by hopeful investments and irrational optimism. However, this ended abruptly in 1929 when the U.S. experienced the great depression leading to a collapse in property values and an uprising in foreclosures. The housing market struggled to recover throughout the 1930's but, with the implementation of the Federal Housing Administration (FHA) in 1934 they

allowed buyers to obtain mortgage loans and insurance making it easier for the buyers to purchase property. Post-World War II the government passed the GI bill which led to a housing boom that triggered suburbanization. Business and individuals realized the importance of investing in real estate and the industry gained a reputation as a dependable and reasonably safe investment choice, capable of producing income and value increasing over time. This growing interest in real estate during the 1950s resulted in the rise of real estate agents, and investors, promoting notable expansion in the real estate industry (Goss & Campbell, 2008). Therefore, a greater number of individuals started investing in real estate, contributing to the continued growth of the market. The 1970s and 1980s brought a shift in real estate investment strategies, marked by the emergence of Real Estate Investment Trusts (REITs). There were more than 300 REITs in the US. This increase in REITs led to a big boost in the commercial real estate business. Buying, selling, and renting commercial properties became very common. These investment vehicles allowed individuals to invest in large-scale, profitable real estate ventures. While property management practices evolved the industry started including technology and professional standards to enhance efficiency. In the 2000's crowdfunding became very popular. This allowed individuals to invest in real estate without buying the property by pooling together their money with other investors for a percentage of equity in the property. In the 2008 financial crisis, there was mortgage crisis which had prominent implications for both the real estate and property management industry. Foreclosures soared, property values plummeted, and the housing market experienced a significant crash. From this there was a new focus on regulatory reforms, responsible lending practices, and sustainable development. The rise of technology came along and impacted a pivotal role in shaping the real estate landscape, with online platforms transforming how properties are marketed, bought, and managed (Reaves, 2023).

The real estate and property management are currently playing a huge role in driving the economy in the United States. When individuals own property, it allows them to feel safe and to make more investments which means spending more money to stimulate the economy. They take on more and riskier investments because they know they have the equity of their household to fall back and rely on. The individuals can also take out cash for other ventures because they have built equity from owning property (Tait, 2018). The industry is also a powerhouse for job creation, employing many different professional fields such as builders, architects, real estate agents, and property managers. The real estate industry has consistently contributed to employment growth, supporting millions of jobs across the country. This employment ripple effect extends beyond just their respective industry and into the economy of the U.S. The real estate industry holds a considerable influence on the economy through its contribution to tax revenues. Property taxes are a primary source of funding for local governments and a direct outcome of real estate ownership. Homeowners and commercial property owners pay property taxes based on the assessed value of their real estate properties. These taxes play a pivotal role in financing essential public services such as education, infrastructure development, and public safety in the local communities. The revenue generated from property taxes supports the maintenance of schools, construction of roads, and provision of emergency services which positively impacts the community. The real estate industry also provides transactions among the buyers and sellers where sales taxes and fees occur, further contributing to local communities as well as the national economy. The taxation structure associated with the real estate industry not only provides a stable revenue stream for local facilities but also reflects the industries' role in advancing local communities (Amadeo, 2021).

Real estate and property management offer as lucrative investment opportunities. The industry is considered a great investment because it offers predictable cash flow, excellent returns, tax advantages and leverage for future investment possibilities. The biggest positive in investing in property is that the property will appreciate and gain in value over time and allow you to either sell the property for a higher price than you bought it or continue to increase rent with an increasingly positive cash flow, and both generate a positive return on investment this allows the investor to hedge against any possible inflation the country experiences. The investor who decides to acquire a property also obtains more equity which in result positively impacts their net worth. Real estate properties allow the investor to diversify their portfolio and lower the risk among their portfolio because owning properties in return influences the portfolio to be less volatile all together. When inflation rises in the country in return the relationship between the national GDP and the real estate market demand both grow. This results in prices going up and the property value increasing along with the rent cost (Palmer, 2022).

After agreeing that obtaining property is a lucrative investment opportunity then it is time to determine the best process to invest into property to maximize the return on the investment with the capability to leverage the investment into future properties. This is where the concept the Buy, Rehab, Rent, Refinance, repeat (BRRRR method) that David Greene wrote about and published begins to act as an instruction guide for property investors. The first step in the BRRRR method is to buy a property. When buying this property, it is important to buy the property below its market value. Investors tend to look for distressed properties and homes that are being foreclosed to invest in. The investor should not offer more than 70% of the market

value for the investment property. Buy a distressed property allows the investor to fix the property up and for the property to appreciate over time. The next step in the BRRRR method is to rehab. Rehabbing a property means to fix the distressed property up and renovate both the inside and the outside of the property. This includes repairs, upgrades, or complete renovations to make the property more attractive to renters and increase its overall market value. This is also a good time for the investors to network and find contractors and real estate agents to help them conduct this process as efficiently as possible. The next step in the BRRRR method is to rent. Renting the property out to tenants is where you begin to generate income. The key to renting the property out is to have the rental price cover the mortgage payment, property taxes and maintenance cost and then some to generate profit. The property needs to be rented out as soon as possible because every month there is no renter the investor loses money. During this step the investor will also need to conduct a leasing agreement and be able to market the property to obtain tenants. The investor should generally follow the 1% rule meaning that they will charge 1% of the properties market value for rent. The next step in the BRRRR method is to refinance the property. Investors will seek to refinance the property based on its new, higher appraised value. By refinancing, investors can often pull out a significant portion of their initial investment and leverage their investment to allow them to recover a substantial amount of the capital used for the purchase and renovations. Using the money, they pull out after refinancing leads them to the last step of the BRRRR method which is to repeat. The investor will then take the money they pull out from refinancing their now rented property and leverage by using that money to buy a new distressed home to repeat the process and start over again. This will work in a cycle and allow the investor to continue to accumulate wealth and further leverage their assets.

It takes resilience and a sharp mindset to be able to endure the real estate investment lifestyle. There are many basic principles to keep in mind when breaking into the real estate market. Such as substitution which means figuring out how much a property is worth by looking at the cost of getting a similar one. The smartest and most legal way to measure a property is by using its highest value and what it's allowed to be used for. Supply and demand are important in real estate. When interest rates go down, more people want to buy homes. In real estate, things are always changing, and we must think about different factors when we're deciding how much a property is worth. Other ways to achieve success in the real estate industry include an individual realizing they must adhere to essential principles. Cultivating a positive mindset, setting, and achieving goals, which has a broad application across various aspects of all ventures, particularly in real estate, is crucial. Having a meticulous strategy in the realm of real estate is a key element, enabling one to establish a well-thought-out plan for excellence. Proactivity, staying ahead of the curve, becomes a foundation for success in real estate. Clearly defining expectations is critical to identify objectives in the real estate domain. Continuous learning is imperative. Embracing a mindset of constant learning positions individuals for success by remaining open to the opportunity for acquiring more knowledge and learning new things that propel them forward in their journey to success.

There are a variety of different ways that real estate and property management can impact local societies and culture. Real estate and property management influence community development by influencing the physical and social structure of communities. The creation of residential, commercial, and recreational spaces contributes to community growth and diversity (Ferrer, 2023). New developments may lead to changes in local culture, potentially attracting

diverse populations. Real estate and property management can also lead to affordability and housing stability. Real estate and property management can do this by accommodating to a local community by impacting the ability of individuals and families to find stable and suitable housing and also impact the community demographics by the shift in housing affordability. Urbanization and rural transformation is also impacted by the development of real estate and property management. This is because real estate development often drives urbanization, influencing lifestyle patterns and social interactions in urban areas. Real estate often transforms rural landscapes into suburban or urban environments can impact local cultural practices and traditions. Real estate and property management can also aid and help the community with necessities such as inclusion and sustainability. The design and accessibility of real estate properties impact inclusivity, ensuring that spaces are accessible to individuals with diverse needs. Real estate practices that that prioritize sustainability contribute to a healthier environment, impacting the well-being of community (Ferrer, 2023).

There are many different laws and regulatory frameworks in place to maintain the legality of the industry. Some of the laws governing the industry include property laws which includes laws governing property ownership, transfers, and deeds outline the legal processes for buying, selling, and transferring property rights, tenancy laws which includes regulations governing the relationship between landlords and tenants, covering issues such as rent, repairs, and eviction procedures, fair housing laws which includes laws prohibiting discrimination in housing based on factors such as race, color, religion, national origin, sex, disability, and familial status, agency laws which includes regulations governing the relationships between real estate agents, brokers, and their clients, outlining fiduciary duties and responsibilities and landlord-

tenant laws which includes laws regulating the amount and frequency of rent increases to protect tenants from excessive hikes. There are also just as many regulations in the property management and real estate industry to ensure the fairness and legality of the industry. These regulations include land use and zoning regulations which are regulations that designate permissible land use in different zones (residential, commercial, industrial) to ensure orderly development and protect property values, environmental regulations which are regulations and requirements to assess and mitigate potential environmental impacts of real estate development projects, building codes and construction standards which are regulations dictating the minimum requirements for building construction, safety, and occupancy, and real estate licensing and regulations which are regulations governing the licensing and conduct of real estate agents, brokers, and property managers. These laws and regulations are in place to keep the real estate and property management industry both fair and legal.

Technological advancements have played a pivotal role in the advancement of the real estate and property management industry. The technology that pioneered changes into the real estate and property management such as the development of cameras, development of real estate apps and websites. These allowed the customers to access the real estate listing virtually and being able to look at both the interior and exterior of a property completely digital. One of the most pivotal moments for technologies role in the real estate and property management industry was the enhancement of property searches and listings. This allowed users to refine their searches of their new property based on their own personal criteria such as size, location, price range and property type (Saiyed, 2023). Virtual reality technology has improved upon the way these properties are showcased now. Virtual reality allows the customers to take a full-on virtual

tour of their potential property without ever leaving the comfort of their office or home and allows buyers to visualize how furniture and decor would look in a particular property, facilitating better decision-making. These technologies save time, reduce the need for physical visits, and expand the reach of real estate agents and developers. Streamlined transactions has advanced the real estate and property management industry by making the buying process of new property quicker and more efficient. Streamlined transactions allows buyers and sellers to virtually sign documents while also providing online payment systems that offers secure transactions to optimize for convenience (Saiyed, 2023). Technology has also allowed property management maintenance to be easier than ever. This technology allows the users to remotely monitor and control of various aspects of a property, including security systems, temperature control, and energy management. This enhances operational efficiency, reduces costs, and improves tenant satisfaction. Technology has also made it easier for the tenants to pay rent, request maintenance, and communicate with the property owner. Technology has improved the industry of real estate and property management in many ways and has allowed for the industry to become more efficient than ever and plays a pivotal role in the further advancement and everyday tasks in the real estate and property management industry.

Risk management is critical when beginning to enter the real estate and property management industry. Risk management in the real estate and property management industry involves identifying, assessing, and mitigating potential risks that could impact property values, investments, and overall business operations. The goal of this process is to minimize risk and optimize for future profits. In real estate investments there are many strategies to mitigate risk these strategies include diversification, due diligence, market analysis, financial planning, and

insurance coverage. Diversification is the act of spreading investments out over different property types, locations, and markets to reduce the impact of local economic downturns. Due diligence which is the strategy of doing proper research before acting on the investment process of a property by researching property inspections, market analysis, and financial assessments before investing helps mitigate risk. Market analysis is the strategy of understanding market trends to anticipate property value fluctuations and being able to adjust property investment strategies accordingly. Financial planning is the strategy of allocating enough capital to cover unexpected expenses, vacancies, or economic downturns. Insurance coverage is the strategy of ensuring proper insurance coverage among areas such as property and liability that will help protect against future threats. All these previous concepts are strategies to ensure profitability and low risk in the real estate investment industry. There are also several ways to optimize for profitability and mitigate risk in the property management industry such as tenant screening, regular maintenance, emergency preparedness, and lease agreements. Tenant screening is the process of thorough research of the tenants' background and history to help prevent late rent, property damage and lease violations. Regular maintenance is the act of mitigating risks by fixing small problems before they turn into major costly repairs and dissatisfied tenants. Emergency preparedness is the strategy of having contingency plans for emergencies, such as natural disasters or sudden market downturns, helps property managers respond effectively, minimizing disruption and loss. Lease agreements is the strategy of crafting clear and conductive lease terms that clearly identify the rules of living in the property for the tenant along with the consequences of breaking these rules. Effective risk management strategies is required in the real estate and property management industry to help mitigate losses, optimize for profits and to help counteract economic downturns.

The real estate and property management industry has proved itself over time to be a very lucrative and promising industry. However, there are still some current challenges and threats the industry faces currently. These obstacles include housing affordability, maintaining sufficient inventory, keeping up with technology, and the impact of remote work (Tracey, 2023).

Affordability rises as a struggle currently due to the rising property prices and housing shortages in the current housing market which makes it difficult for new customers to enter the market.

Maintaining sufficient inventory poses as an obstacle in the market due to shortage of materials that could be potentially used for renovations and mandatory maintenance upkeep which could potentially lead to unsatisfactory customers/tenants which could then lead to loss of revenue taking away from profit. Technology has done many great things for the real estate and property management industry as previously discussed however, keeping up with the evolving times the constant changing landscape of the digital times it is difficult for real estate agents and property managers to integrate popular technology platforms while ensuring complete cyber security. The impact of remote work has been beneficial for society in some aspects however it poses as a new challenge for the real estate and property management industry. This is because with allowance of workers to work wherever they want they now can influence the industry by opting for more suburban or rural locations rather than urban properties within walking distance from their office or place of work. This shifts the demand for the whole industry by skewing the demand higher for distant and more suburban and rural properties. These are all emerging threats and challenges that are arising inside of the real estate and property management industry. The best way to overcome these threats and obstacles is to be prepared and conduct proper research to avoid and capitalize on the negatives and turn them into positives.

Inside of the Real Estate and Property management industry there has been many emerging challenges as previously stated. However, this also means that there are great opportunities arising at the same time. These opportunities include continued job growth, rising incomes, continued access to financing, technology advancement, and data analytics (Coleir, 2023). Continued job growth reveals itself as a opportunity for the real estate and property management industry because it indicates as more businesses excel there will be a need for a space for the business to operate as well as individuals to purchase homes to live in. Rising incomes are also a rising opportunity to industry producer because if there intended target market have steadily increasing incomes this allows the intended customer to have more disposable income to purchase properties. Continued access to financing has made real estate and property management more accessible to everyone and allowed individuals to be able to receive the proper help needed from the mortgage company or bank to allow them to take on the pressure of comfortably purchasing properties. Technology advancements have also offered a significant opportunity for the real estate and property management industry. This is because technology has made viewing and purchasing property easier than ever before by being able to conduct the whole touring and buying process completely at your fingertips and access at any time. Data analytics has also revealed a big opportunity for the real estate and property management industry because it allows the investor to sufficiently leverage the data received to help predict future forecasts of the industry to make the best possible informed decisions. All these factors play a pivotal role in discovering the possible opportunities in the real estate and property management industry to make the best possible decisions for future investments.

The real estate and property management industry offers a total variety of different jobs to break into the industry and gain experience. These jobs include becoming a leasing agent, foreclosure specialist, property manager, mortgage broker, real estate agent, relator, real estate investor and many more jobs help play a role in the property management and real estate industry. A leasing agent acts as a representative for the property owner by meeting with potential tenants and offering them tours while screening the potential applicants and outlining lease terms. A foreclosure specialist helps assist homeowners whose houses are being foreclosed by the government and required to leave. They review bank statements, payment histories and insurance policies to determine the clients' potential options and help them determine a proper solution. A property manager oversees rental properties and takes care of necessary task associated with managing the property such as marketing, negotiating leases and overall maintaining the property. The property manager also handles rent from establishing the price to collecting the payments and ensuring the property continues to maintain profit. A mortgage broker helps buyers negotiate the best possible deal when acquiring a mortgage (a loan the buyer gets from a lender to finance a home purchase). A real estate agent is someone apart of a real estate firm who assists their clients with the process and act of buying and selling their property. The agent evaluates the market and gives advice based on the current market standings. A realtor is very similar to a real estate agent however, they are an independent contractor and work for themselves without a firm with the same hopes of assisting clients in the buying and selling process of their property. A real estate investor is someone who doesn't fall in love with their potential property and analyzes data to determine which property potentially offers the highest return on their investment and will optimize their cash flow. The real estate and property management industry offer such a wide variety of different jobs. There is a job for everyone

inside of the real estate and property industry from construction, marketing, photography, finance, interior design to the more known and traditional real estate jobs such as a real estate agent.

In the real estate and property management industry there is nothing set in stone however based on research, trends, and data analytics there are several predictions to be made about the future of the real estate and property management industry. Technology will continue to advance in the industry with the use of mobile listings, e-commerce, virtual reality property tours and potential artificial intelligence real estate agents. Remote work will also continue to impact the industry from potential shifts to suburban and rural areas due to the development of flexible workspaces. Emphasis on sustainability and environmentally friendly buildings which will be driven by consumer preferences and community sustainability. Lastly, the prediction of regulatory changes which include zoning laws, rent control measures and environmental regulations. These predictions based off of trends and data-based facts allow investors and workers in the industry to change their business mindset accordingly.

The value of real estate and property management is around us every day and impacts every facet of our lives. Real estate and property management is a lucrative industry that an individual could make a career off or just investments. This industry has a great deal of economic significances as well as just as many societal impacts. The real estate and property management industry play pivotal roles it plays in wealth accumulation, economic stability, community development and societal advancement as the evidence has provided. Everyone in the world needs a structure to shop, to work or a place to call home which proves that the value

of real estate assets is not only for financial gains but also a necessity to advance society both socially and economically.

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