

The new real estate paradigm: more than just location

Location, location, location: that's been the real estate mantra for ages. But according to a new book by Carles Vergara and Joan Gutés, timing and marketability increasingly count, too. And that requires new skills on the part of investors and managers to analyze and value property in this new context.



September 6, 2019

Real estate is not primarily about location anymore. Increasingly what count are the timing of the business cycle and the property's marketability.

Think about it: many investments made at the peak of the real estate bubble were

disastrous, regardless of having great locations, while investments made at the bottom of the cycle generated big returns, despite the properties not always being in the best locations.

Moreover, the recovery of the real estate market since the last crash has greatly depended on the optimal use of each building, based on quality standards, design innovations, technological offerings, user experiences and energy efficiencies. Such factors have been decisive in affecting the assets' valuation and profitability.

These are key points highlighted in *Timing, Marketability and Location: The New Real Estate Paradigm*, a new book by IESE professor [Carles Vergara](#) and Joan Gutés, founding partner of ßQuantium, a real estate advisory firm.

In the first part of the book, the authors present a practical, seven-step method for analyzing real estate assets which takes into account timing and marketability in addition to location.

Then, they detail five standard valuation methods used by the real estate industry, showing the effect of timing, marketability and location on assets. These are: the sales comparison method; the capitalized net operating income method (direct capitalization); the discounted cash flow method; the residual method; and the business valuation method. These methods generally rely on using comparable data or one's own assumptions — or sometimes a combination of both — to project ROA.

The second part of the book features real business cases to illustrate the valuation methods and to show the effects of the new paradigm on real estate development and investments in a variety of contexts around the world. So, they strategically and financially analyze a real estate development in Nairobi; buying an apartment in Munich; choosing between retail spaces in London; purchasing an office building in New York; and investing in a hotel in Barcelona.

The book concludes with an appendix that covers basic real estate finance concepts, including the time value of money and explaining different loan types.

Through all this, the authors aim to equip investors and managers with the essential skills they need to analyze and value property in the new real estate context.

www.iese.edu/insight