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FUND MANAGEMENT STRATEGIES FOR SUCCESSFUL PROPERTY INVESTMENT

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Abstract

An effective fund management strategy is essential to achieving success in property investment. This study explores various approaches to fund management that can maximize returns while minimizing risks associated with property investment. Using a desk-based research method, the study examines various strategies, including portfolio diversification, market analysis, risk assessment, and intelligent use of financial leverage. The findings suggest that successful property investors tend to adopt a holistic approach that takes into account macroeconomic factors, local market conditions, and socio-economic trends. In addition, an emphasis on long-term financial planning and close monitoring of investment performance are also key to achieving desired outcomes. This study provides valuable insights for investors and fund managers in developing adaptive and innovative strategies to optimize investment returns in the property sector.

Introduction

A successful property investment strategy can be a significant source of income for investors. However, it is not easy to implement and requires in-depth knowledge of the property market and the risks involved. In this paper, we will discuss several successful property investment strategies that can help investors achieve optimal returns. One successful property investment strategy is to choose the right property location. A strategic location can add value to the property and increase the potential for profit. In addition, investors also need to consider other factors such as accessibility, security, and the availability of public facilities around the property. Another property investment strategy is to conduct in-depth market research. This includes analyzing the current property market, price change trends, and future market prospects. By understanding market trends and future prospects, investors can make the right investment decisions and minimize the risk of loss. In addition, it is important for investors to consider diversifying their property portfolio. Diversification can help reduce investment risk and increase the potential for long-term profits. Diversification can be done by choosing different properties in different locations, and considering different types of properties such as apartments, houses, or commercial buildings.

Research methods

The literature research method is an approach used to collect information and data from various written sources, such as books, scientific journals, research reports, articles, and other relevant documents. This process involves identifying, critically reviewing, and synthesizing existing information to gain a deep understanding of the topic being studied. Researchers will usually start by identifying a research question or hypothesis, then searching for and selecting sources that can provide answers or related information. After that, researchers will read, assess, and analyze the collected data, and organize it systematically to provide a comprehensive picture of the issue being studied. The purpose of the literature research method is to base research arguments or findings on strong and reliable references from existing literature.

Results and Discussion

Basic Concept of Property Investment

Investment is an activity of placing funds in one or more types of assets during a certain period with the hope of earning income and/or increasing the investment value in the future.

Property investment is the purchase of property or real estate with the aim of making a profit through rental business activities, reselling the property in the future, or both. So, it is not purchased as a place of residence for the buyer. Property investments can be owned by individuals or institutions or business entities. Property investments can include long-term or short-term investments.

Investment is essentially the placement of a certain amount of funds at this time with the hope of making a profit in the future. In terms of property, there are two concepts that need to be expressed, namely real property and personal property; first, Real Property according to Jeremo Dasso, et al. (1977) in the book Fundamentals of Real Principles, and according to Floyd and Allen (1994) in the book Real Estate Principles in general is the right to own, use, and enjoy the benefits of land or property, or something that is an embodiment of rights that cannot be contested. Second, Personal property is the right to own, use, and enjoy the benefits of various other properties but not land and everything related to land, then personal property is movable property such as: cars, furniture. Third, Property investment or property investment is an investment activity carried out by purchasing property (real estate) such as land, buildings or buildings for the purpose of obtaining long-term profits through property value increases or rental income. Property investment is generally considered as one form of investment that is relatively stable and has good return potential.

Risks and Benefits in Property Investment

Investment does have its own advantages and risks. No exception for property investment risks. Business and investment in the property sector are indeed quite widely engaged in by several investors. In addition to the very-very profitable returns. Investment in the property sector itself is also one way to secure your assets from the effects of inflation. Unlike currency whose value continues to decline. Property prices themselves from year to year always experience quite a fantastic increase. Even so, there are many risks of property investment that you should be aware of. Among them, are Expensive Property Maintenance Costs, It is a Type of High Capital Investment, Investment Affordability Problems, Property Investment Transaction Costs are Quite High, It Takes a Long Time to Buy a Type of Property You may also need enough time, Knowledge and Experience will be Important Points, There is Building Depreciation, The price will be greatly influenced by the Condition of the Surrounding Environment.

Types of Property Investment

Choosing the type of investment is an important thing that must be determined at the beginning even when making an investment plan. Even though you have decided to choose a property, your efforts do not stop there. There are many types of property so you have to choose one of them as a focus when investing. To determine the right choice, you can find out what properties provide promising investment results even for a beginner; Property Investment for Residence, Property Equity Crowdfunding, Property Stocks, Property Investment for Business, Shophouses or Kiosks, Offices.

Criteria for Selecting Property for Investment

When you decide to invest in property, there are several criteria that must be considered. The goal is of course to make it easier to find which properties are worth buying and which are not worth buying. The criteria are as follows: first, Positive Cashflow. The goal of investment is of course to build assets for you or to find passive income or positive cashflow. When buying property, you must be able to find which properties can provide positive cashflow and which ones cannot. With good positive cashflow, you will be able to return the capital when investing initially. For the continuation, you can develop these positive assets so that you can buy other properties as your assets too. Second, Profit When Buying. As always discussed by property gurus, the best way when you buy property is to get a profit when buying. The profit here means that you buy property below market price or "Below the Market". Thus, the potential to get profit from the property you buy will be even greater. And of course you can get your capital back faster. You as millennials can also have an apartment. Third, Knowing the Seller's Motivation. One important thing that is no less important is the seller's motivation. Because the seller's motivation when selling property is one of the main keys that you must consider in the future. As in the previous article, there are several motivations for sellers who sell their property below market price because they always get losses from their property. For that, you must know the reasons why the seller is selling their property as one of your considerations before buying. Fourth, Potential Location Growth. The next criterion for a property to be worthy of investment is the potential for growth from the location of the property. It is true that most property prices in Indonesia always increase every year. But not all property locations can experience price increases. If the property you want to buy is in a location that is difficult to develop, then your property will be less good as an investment choice. Fifth, Building Condition. This point is also important to consider. Because the condition of the property is also one of the key factors for your success. As explained in the previous article, knowing the condition of the building of the property we are going to buy can also be the key to making a decision whether the property is worth buying or not. Buildings that are more than 20 years old are usually categorized as old buildings. And old buildings usually require a lot of money for renovation which will certainly affect your financial condition. So pay attention to the condition of the building before you buy it, whether it needs renovation with a lot of money or not. Sixth, Complete and Legal Documents. The last thing to consider is the completeness of the documents. Before deciding to buy, it's a good idea for you to check the completeness of the documents. Avoid problematic properties such as those without certificates, illegal housing, girik status, properties that are in dispute status, buildings that are under guarantee or confiscated status and others. Buy property if the property has complete and certified documents. To ensure the legality of the documents, you can check with the BPN and make transactions with the help of a notary/PPAT.

Funding Sources for Property Investment

Funding sources for property investment include: first, Home/Apartment Ownership Credit (KPR/KPA). Obtaining property by only paying a Down Payment (DP) of a maximum of 30% of the price of the property to be owned. In Indonesia, KPR/KPA is provided by Banks (almost all national banks provide this facility) and Financing Institutions (namely: MNC Finance, Financial Finance, Ciptadana Multifinance and Indomobil Finance Indonesia / IFI). In the United States, KPR providers are trading firms such as "Fannie Mae" (such as US housing) and "Freddy Mac". Second, Top-UP. Attracting additional new credit from property objects that are in the active KPR/KPA period, through funding sources for calculating the increase in asset collateral (asset revaluation). Example: early 2010 debt, the property price was 1M and KPR debt was 800 million, tenor 15 years. In 2015 the property price had increased to 3M and the debt was only 600 million. Then you can apply for a new credit disbursement from the price difference of 3M–1M and the reduced debt. With the same collateral, you can get two credits with each tenor/payment method. Third, Refinancing Using property assets that were previously not in any debt position. Unlike KPR/KPA funding sources where the property is not yet owned, in refinancing you already have property but then it is used as collateral to get credit that can be used for any purpose. Fourth, Back to Back. Taking credit based on our own deposit collateral. The maximum that can be taken is 95% with a loan interest of around 1.5% above the interest you receive at the same bank.

Fund Management Strategy in Property Investment

Property investment fund management strategies can vary depending on the objectives, scale, and type of investment made. However, in general, some strategies that can be applied in property investment fund management include: first, Investment diversification. In this case, investment funds are spread across several different types of properties, such as houses, apartments, offices, or other commercial properties. This diversification is carried out to reduce the risk that may occur if the investment is only focused on one type of property. Second, Choosing a strategic location. Choosing the right location can be a key factor in the success of property investment. A strategic location can increase investment value and minimize the risk of loss. A strategic location can be a developing area, close to the city center or transportation, and has easy access. Third, Maintaining the property well. Repairing and maintaining the property well can increase the value of the property and attract potential tenants or buyers. In addition, by maintaining the property well, investors can reduce long-term maintenance and repair costs. Fourth, Using property management services. Property management services can help investors manage their properties, such as finding tenants, repairing and maintaining the property, and handling legal or administrative issues. By using property management services, investors can focus on developing their property investment portfolio.

Conclusion

Property investment is the purchase of property or real estate with the aim of making a profit through rental business activities, resale of the property in the future, or both. Property investment can be owned by individuals or institutions or business entities. Property investment can include long-term or short-term investments. Property investment or property investment is an investment activity carried out by purchasing property such as land, buildings or buildings for the purpose of making long-term profits through an increase in the value of the property or rental income. Property investment itself is one type of capital-intensive investment or high capital investment.

Property Investment Transactions Are Quite High The next property business risk is the transaction costs which are quite high, building Depreciation, the next property investment risk is the existence of building depreciation costs, the price of a property will be greatly influenced by the condition of the surrounding environment. Even though you have decided to choose a property, your business doesn't stop there.

Property for Business the need for property for business purposes is increasing day by day. If you are interested, you can choose an investment with the type of property for business purposes. Although the capital will be greater than starting a residential property investment, the profits are also very abundant. Because the condition of the property is also one of the key factors for your success. As explained in the previous article, knowing the building condition of the property we are going to buy can also be the key to deciding whether the property is worth buying or not.

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