Reflection p2, p4 and p5 report
Graduation Thesis: J. Y. Li

Decision-making criteria for the acquisition of retail properties: "Do physical and non-physical features of retail properties affect the building's financial performance?"

Short summary of the research

The economical recession has revealed a high percentage of vacancy and low returns for real estate investors. Retail real estate is threatened by the economic recession and also by new technological innovation. According to experts in the field, online sales threaten the physical store. Consumers prefer ordering products online rather than visiting physical stores. Shopping centers with every day groceries and shops are suffering the most from these changes. Retailers must adapt to these changes. They must find new ways to attract consumers. The physical appearance of a retail property is becoming more and more important.

Investors use a set of decision-criteria to assess possible investments. The company policy and acquisition strategy of real estate are based on these criteria. But the pre-crisis decision-criteria do not guarantee success anymore. New criteria have to be determined. As the appearances of buildings become more important, it is assumed that building features are getting more important as decision-criteria for investors.

The purpose of this research is to determine decision-criteria for the acquisition of retail real estate with an emphasis on building features as decision criteria. It is assumed that building features such as the material of the façade attract consumers and increase financial performance. The results revealed which building features are relevant for retail real estate investors and which need to be added to the acquisition strategy of investors to improve returns.

Reflection: P2, June 2014

During the first months I have encountered a few difficulties. I started off looking at real estate portfolios and missing data, but the low transparency of the real estate market made this an impossible task. Also I approached this research from the wrong

perspective. I looked at the real estate portfolios from a top-down perspective. This made it hard to specify and to see the entire picture of real estate portfolio management. It was not until I approached the topic from a bottom-up perspective that everything became clearer. Changing perspective was a huge breakthrough for finding my topic. This change occurred during the end of the P1 deadline and thus limited my time to work on the P2 report.

After changing perspective, I had a more clear view and looked at single buildings within real estate portfolios. From their on, I found studies on building features and end-users. After much reading, I discovered that research on building features were scarce and often unclear due to the fast changing retail market. Other limitations within literature were that most researches on retail building features were focused on foreign markets and used qualitative methods for research. A big challenge was thus finding literature and deciding which data to include in this research and which not. Not all collected data from literature was useful or reliable.

Starting a research on retail was tough because retail is very complicated and the curriculum of the university did not include classes involving retail. Learning as much as possible on retail is a big challenge and a great goal for the months to come.

Reflection: P4, December 2014

The relationship between research and design (Product, process and design)

This research uses a quantitative research method to make a sound analysis. Data was collected through existing literature, interviews with experts in the field and during a 6-month internship at a real estate investor. Furthermore, SPSS is used to analyze and to verify results. This all should lead to the answers on the pre-determined research questions. The research design or outline, as presented at the P2 was a preview of the tasks for the second half of the graduation process (figure 1). Collecting data was expected to be the hardest task as it involved sensitive business information.

An internship at institutional real estate investor NSI helped collect data. NSI opened up their database for this research. Sensitive business information on 48 retail properties was fully accessible. The real challenge was finding the data. Although full access and permission were given to use the data, it was not clear were to find the data. And finding the data did not mean that the data was useful or ready for usage. The chosen timeframe for the research made the data collecting even harder as old documents also did not

provide the same format as recent years. Older data was hard to find and stored far away in the archives of the company on an external location.

Another unexpected challenge was the collection of data at other companies. The original research design stated that collecting data from 1 existing retail portfolio would be sufficient. This was not the case, as NSI could not provide for features not related to their portfolio. Eventually FGH Bank, thuiswinkel.org, CBS and Locatus provided a big part of the information with clear explanations and proper justification. Newly found data was first validated for reliability, before added to this research.

The relationship between the theme of the studio and the subject/case study chosen by the student within this framework (location/object)

A few months before the start of the graduation process, I prepared for the graduation process by engaging into conversations with different teachers about my interests and subject. I soon found my way to the real estate management lab as my interest lies in portfolio management, asset management and finance from the perspective of the investor. Portfolio management and asset management is the management of properties and adding value to existing properties to gain maximum performance. Matching supply and demand, finding balance between costs and benefit, the relation between tenant, investor and consumer are essential elements of portfolio management. Asset management requires a good understanding of the financial side of real estate. The lab real estate management deals with acquiring, managing and selling real estate. The real estate management lab was thus an obvious choice due to the available experience among the staff on portfolio management, matching supply and demand.

Eventually the theme the end-user was key to my interest and research. Fully focused on portfolio management, Monique Arkesteijn helped me look at the subject from a bottom-up perspective. From the end-users perspective, the subject came to be and the framework made more sense.

The relationship between the methodical line of approach of the studio and the method chosen by the student in this framework

This research started off with a literature study. Monique Arkesteijn was chosen as first mentor due to the expertise of Monique on portfolio management, end-users and qualitative research methods. The expertise and experience of Monique on qualitative

research methods helped in using qualitative methods to explore the subject and creating a framework for the exploring interview. But the main approach, after gathering data, was a statistical regression: multilevel mix modelling. Clarine van Oel specializes in regression analyses and helped during the quantitative part of this research. The expertise of Clarine van Oel turned out to be of such importance, that during the process Clarine van Oel became my first mentor. The research suited her expertise and experience more. Her experience with statistical and quantitative research helped me structure my report, to write my report and to analyse data with SPSS. This was possible, due to the experience of Clarine van Oel with similar research in an earlier stage of her career.

Both Monique and Clarine added valuable experience and expertise to this research. The collaboration between both teachers was very important as the research consisted of a theoretical side and a practical side. Monique Arkesteijn and Clarine van Oel complement each other when it comes to this research.

The relationship between the project and the wider social context

The retail market has been changing fast the last couple of years. The economical recession has caused consumers to lose confidence in the current economy and market. Consumer behavior changed due to the lowering consumers. Many retailers need to adapt to the preferences of consumers, but many do not know how. Bankruptcy and vacancy are the consequences of not able to adapt to the fast changing processes in the current time. Information changes fast and a lot of threats like e-commerce are rising.

The rising vacancy and changes threaten real estate properties owned by real estate investors. The appearance of a shopping center and an attractive environment seem to be the solution. During the event the Retail Day in May, a few statements where made by experts dealing with retail real estate every day. The experts asked themselves which characteristics of a shopping center are the most important to make an area or building successful during these times of crisis. Furthermore, interviews conducted to explore retail investments revealed the true need of this research. Many experts in the field welcomed this research. The experts were glad to collaborate and are eager to receive my results because this research could be groundbreaking according to these experts.

The results from this research will show if building features will actually make a difference for the performance of retail. It will help real estate investors improve their acquisition strategy. The result of this research could help investors stabilize returns and provide insight in real estate investments.

An important lesson during this research was to expect the unexpected and to think "out of the box". Practical problems like unavailable data delayed this research, which was not anticipated. Many problems encountered on the way revolved data collection, not the method. The chosen research method was able to adapt to changes. Changes were needed to keep improving and "evolving" the report. The methods turned out to be essential for progress. The results are the evidence of the importance of the chosen methods and mentors.

Reflection: P5, January 2015

A year ago, I started looking for possible subjects for my thesis. By engaging into conversation with many experts in the field and teachers I acquired great ideas. Eventually I chose a subject related to portfolio management and finance. The reason for choosing this subject is my interest in real estate finance, market analysis and investment.

I started off with a lot of great ideas and definitely wanted to use quantitative research methods. My first intention was to map missing data to increase the performance of real estate portfolios. Soon I realised that I needed to look at the end-user and single buildings instead of entire portfolios. I started to read literature on end-users and found existing studies on building features. Finding these studies marked the start of my own research on building features.

As I mentioned earlier, I definitely wanted to use quantitative research methods. I wanted to yield tangible results using a quantitative approach. Learning and understanding quantitative research was a big challenge because I just started to use SPSS. Furthermore, I also needed to collect sensitive business data and a wide range of technical data from an existing real estate portfolio. NSI was found willing to provide the necessary data for this research. Collecting data at NSI turned out to be the biggest task of this study. I have spent many hours collecting data from the databases and the archives. Once the data was collected, the data needed to be restructured and revised for usage.

Another obstacle was the availability of data. I assumed in earlier phases that all data would be available at NSI. But this turned out to be not the case. A visit to Locatus and FGH Bank turned out to be the answer.

This graduation project has helped me gain knowledge on real estate investments, retail real estate and the Dutch market. The internship at NSI and the interviews enabled me to look behind the scenes at real estate investors. I would recommend future graduate students to challenge themselves and to conduct research outside of the university. A professional environment can be highly educational and can help a student develop the necessary abilities for future jobs. Personally I experienced the internship as the perfect opportunity to slowly bridge the gap between the university and the corporate world of real estate.

During the graduation process I have gained a lot of knowledge and I have grown on a personal level. The graduation process provided a great experience and a good preparation for future challenges. I hope that many future students will experience a similar graduation process as I had.