

In-depth Analysis of the Loss Causes of A Real Estate Project based on Multi-dimensional Perspective

Lifeng Dong¹, Chi Lin²

¹ Kunming tongtai real estate limited company, Kunming 650000, China

² School of Dianchi University, Kunming 650000, China

Abstract

The purpose of this study is to deeply analyze the reasons for the loss of A real estate project from a multi-dimensional perspective. Using the methods of literature study, case analysis, field investigation and interview, the research was carried out. It is mainly found that there are factors affecting the loss of the project in the dimensions of economy, market, technology, management and policy, and all dimensions interact with each other. The research conclusion emphasizes that the comprehensive influence of multi-dimensional factors leads to the project loss. This study is of great significance to the real estate industry, which can provide reference for other projects and help enterprises avoid losses and achieve sustainable development.

Keywords

A Real Estate Project; Reasons for Loss; Multidimensional Perspective.

1. Introduction

1.1. Research Background and Significance

At present, the real estate industry is in a complex and changeable development trend. On the one hand, the continuous progress of urbanization and the release of residents' demand for improved housing have brought certain development opportunities to the industry. On the other hand, the industry is facing many challenges, such as macroeconomic fluctuations, frequent policy regulation, and intensified market competition. In such a big environment, some real estate projects are losing money. It is of great significance for industries and enterprises to study the reasons for the loss of A real estate project. For the industry, it can sum up experiences and lessons, provide reference for other projects, and promote the healthy development of the industry. For enterprises, it is helpful to find out the shortcomings in their own management and operation, promote the sustainable development of enterprises and enhance market competitiveness.

1.2. Research Purposes and Methods

The purpose of this study is to deeply analyze the multi-dimensional reasons for the loss of A real estate project. In order to achieve this goal, a variety of research methods have been adopted. Literature research is used to collect and sort out relevant theories and cases in real estate project development, cost management and marketing. The case analysis method finds out the uniqueness of project A by comparing other real estate projects. Field research method goes deep into the project site to understand the actual situation. The interview method communicates with the relevant personnel of the project to obtain first-hand information, so as to comprehensively and deeply analyze the reasons for the project loss.

1.3. Research Content and Framework

The main contents of this paper include theoretical basis and multi-dimensional perspective definition, A general situation of real estate projects, loss analysis based on multi-dimensional perspective, case comparison, experience and lessons, and conclusions and suggestions. The overall structural framework is as follows: firstly, introduce relevant theories and general situation of the project; secondly, analyze the causes of losses from the dimensions of economy, market, technology, management and policy; thirdly, summarize the experience and lessons through case comparison; finally, draw research conclusions and put forward targeted suggestions.

2. Theoretical Basis and Multi-dimensional Perspective Definition

2.1. Overview of Related Theories

In the field of real estate project development, project management theory is the core foundation. It emphasizes the effective planning, organization, coordination and control of the whole life cycle of the project to ensure that the project is completed on time, in quality and quantity [1]. Cost control theory focuses on the prediction, planning, accounting and analysis of project cost, and realizes cost minimization and benefit maximization by optimizing resource allocation and cost structure [2]. Market positioning theory is very important for real estate projects. It accurately determines the target customer group, product characteristics and market positioning of the project according to market demand and competition, so as to improve the market competitiveness of the project. In addition, marketing theory guides the promotion and sales of the project, and promotes the sales of the project and the return of funds by formulating reasonable marketing strategies, such as price strategy and promotion strategy. These theories are interrelated and influenced each other, which together provide a solid theoretical support for the successful development and operation of real estate projects.

2.2. The Connotation and Division of Multi-dimensional Perspective

From the economic dimension, it mainly involves the macroeconomic environment and regional economic conditions. Macro-economic growth or recession, the rise and fall of interest rates and the level of inflation will have a direct impact on the cost and sales of real estate projects. The level of regional economic development, population growth and residents' income determine the demand and purchasing power of local real estate market. The market dimension focuses on the relationship between supply and demand, competition and changes in consumer demand in the real estate market. The imbalance between supply and demand will lead to fluctuations in house prices, fierce market competition will squeeze the profit space of the project, and changes in consumer demand will require continuous innovation and upgrading of the project. The technical dimension covers project planning and design, construction technology and quality, and the application of energy-saving and environmental protection technologies. Reasonable planning and design can improve the attractiveness of the project, advanced construction technology and high-quality projects can ensure the smooth progress of the project, and the application of energy-saving and environmental protection technologies can help reduce operating costs and enhance market competitiveness. The management dimension includes the ability and experience of the project management team, the internal management mechanism of the enterprise and human resource management. Efficient management team and perfect management mechanism can ensure the efficient operation of the project, and high-quality employees and good teamwork are the key to the success of the project. The policy dimension involves the adjustment of national and local real estate policies and the uncertainty of policy changes. Changes in land policy, financial policy and tax policy will directly affect the development cost and sales strategy of the project, and the uncertainty of the

policy will increase the risk of the project. The basis for choosing these dimensions is that they comprehensively cover the internal and external factors affecting real estate projects, and can deeply analyze the causes of project losses from multiple angles, providing comprehensive and systematic ideas for solving problems.

3. A Overview of Real Estate Projects

3.1. Basic Information of the Project

A real estate project is located in Anning City, Yunnan Province, with convenient transportation around, near the main road and the new campus of a university. The project is large in scale, with a total area of 340 mu and a total construction area of about 570,000 square meters, covering residential (courtyard, bungalow, high-rise), commercial and other formats [3]. The development period is expected to be 2.5 years. Construction started in March 2021, and it has not been completed in four years. The project is positioned as a mid-to-high-end comprehensive community, aiming to provide residents with a high-quality living environment and perfect living facilities to meet the housing needs of middle-and high-income groups in the city.

3.2. Project Development Process

The project was formally established in October, 2020. After preliminary market research and feasibility analysis, the overall planning and positioning of the project were determined. In the planning stage, well-known design teams in Shanghai are invited to carry out architectural and landscape design, and strive to create a unique community. Construction started in March, 2021. Due to the complicated geological conditions, some technical problems were encountered during the construction process, but they were solved through expert argumentation and technological innovation. In the sales stage, it was originally planned that some buildings would meet the pre-sale conditions by the end of 2021, but the construction progress was blocked due to the influence of forest land involved in the project land, and the first batch of pre-sale certificates were postponed until June 2022. In order to promote sales, the project launched a series of promotional activities, but the effect did not meet expectations.

3.3. Status of Project Losses

Judging from the financial data, the project cost is huge. The cost of land acquisition, construction and installation, marketing expenses and financial expenses totaled 1.7 billion yuan. However, the sales revenue is not satisfactory. Up to now, the cumulative sales revenue is only 1.1 billion yuan. The profit situation is not optimistic. According to the current market environment, the overall loss of the project is about 200 million yuan. The loss is mainly manifested in the slow withdrawal of funds, and a large amount of funds are deposited in the project, which leads to the difficulty of capital turnover of enterprises, and the high advance payment of construction units, which seriously affects the construction progress of the project, eventually leading to serious overdue delivery of houses, and also affects the subsequent development plan and market reputation of enterprises.

4. Based on the Multi-dimensional Perspective of A Real Estate Project Loss Analysis

4.1. Economic Dimension Analysis

The instability of macroeconomic environment has caused a significant impact on A real estate project. In recent years, economic growth has slowed down, the market vitality is insufficient, and consumers' willingness and ability to buy houses have been suppressed. Inflation makes the cost of building materials and labor keep rising, further reducing the profit space of the

project. Frequent interest rate fluctuations have increased the financing cost of the project and the loan pressure of buyers. From the perspective of regional economy, although the regional economic development level of the project has improved to some extent, the population growth is slow and the income growth of residents is limited, resulting in insufficient effective demand in the real estate market. This makes the sales price of the project difficult to meet expectations, the sales cycle is prolonged, and it is difficult to withdraw funds, which eventually leads to project losses.

4.2. Market Dimension Analysis

4.2.1. Relationship between Supply and Demand in the Real Estate Market

The imbalance between supply and demand in the real estate market has adversely affected project A. On the supply side, there are many real estate development projects in this region in recent years, and the market supply has increased substantially. On the demand side, influenced by macroeconomic and demographic factors, the market demand is growing slowly. This leads to the continuous backlog of market inventory, and project A is facing greater pressure to destock. The increase of inventory not only takes up a lot of money, but also makes the project have to lower the price to attract customers, thus affecting the sales revenue and profit of the project.

4.2.2. Market Competition Situation

The project characteristics, marketing strategies and price advantages of competitors have had a great impact on project A. Some competitors' projects in the surrounding areas have more advantages in apartment design and supporting facilities, which can better meet the needs of consumers. In terms of marketing strategy, competitors have adopted a variety of promotional methods, such as discounts, gifts of decoration, gifts of the right to use non-property parking spaces, etc., which have attracted a large number of customers. In addition, some competitors have set more competitive prices by virtue of their lower cost advantages, which makes project A at a disadvantage in price. These factors combined, resulting in the loss of customers of project A and poor sales performance.

4.2.3. Changes in Consumer Demand

Consumers' demand for apartment type, supporting facilities and living environment has changed, but the matching degree of project A in these aspects is low. Nowadays, consumers prefer high-quality houses with high occupancy rate, large renovation space, large garden area, large building spacing and reasonable functional zoning, and also have higher requirements for supporting facilities in the community, such as kindergartens, primary and secondary schools, leisure green corridor parks and gymnasiums. In terms of living environment, consumers pay more attention to the greening, landscape and safety of the community. However, the apartment design of project A is relatively traditional, the supporting facilities are not perfect, and the living environment lacks characteristics, which can not meet the new needs of consumers, thus affecting the sales of the project.

4.3. Technical Dimension Analysis

4.3.1. Rationality of Project Planning and Design

The planning and design of the project failed to meet the market demand to some extent. The architectural layout is not reasonable enough, and the lighting and ventilation conditions of some buildings are poor, and the privacy of corridors is poor, which affects the comfort of living. There are also some problems in apartment design, such as low space utilization rate and unclear dynamic and static zoning, which can not meet the requirements of consumers for high-quality housing. Landscape planning lacks characteristics, fails to form unique landscape highlights, and cannot attract consumers' attention. These deficiencies in planning and design have reduced the attractiveness of the project and adversely affected sales.

4.3.2. Construction Technology and Quality

The technical problems and quality problems encountered in the construction process have a great impact on the project cost and schedule. Due to the complex geological conditions, a large number of ingredients were used to replace the filling in the courtyard area, and rotary excavation piles were used in the high-rise area. Some technical problems were encountered in the foundation construction stage, which led to the delay of construction progress. In order to solve these problems, the construction cost has to be increased. At the same time, the quality problems of some construction links also affect the overall quality of the project. For example, problems such as cracks in walls and floors, roof leakage, basement leakage and outdoor road settlement not only require later maintenance, which increases the cost, but also affects the reputation of the project and has a negative impact on sales.

4.3.3. Application of Energy Saving and Environmental Protection Technology

Project A has some shortcomings in the application of energy-saving and environmental protection technologies. Advanced energy-saving technologies and materials are not adopted, resulting in high energy consumption of the project and increased operating costs. In the market competition, energy conservation and environmental protection have become one of the focuses of consumers' attention, and the competitiveness of projects lacking energy conservation and environmental protection characteristics is relatively weak in the market. In addition, with the continuous improvement of national requirements for energy conservation and environmental protection, projects that do not adopt energy conservation and environmental protection technologies may face policy risks, further affecting the sustainable development of projects.

4.4. Management Dimension Analysis

4.4.1. Ability and Experience of the Project Management Team

The ability and experience of the project management team in project planning, cost control, schedule management and quality management are obviously insufficient. In the project planning stage, the analysis of market demand and competitive situation is not accurate enough, which leads to the deviation of project positioning and marketing strategy. In terms of cost control, there is a lack of effective cost management measures, and the price of raw materials has risen, leading to cost overruns. Progress management is not scientific enough, and all kinds of controllable and uncontrollable factors occur, which leads to many delays in construction progress and seriously affects the delivery time of the project. In terms of quality management, the supervision of the construction process is not strict enough, and the supervision unit exists in name only, which leads to some quality problems. Taken together, these problems have seriously affected the overall benefit of the project.

4.4.2. Enterprise Internal Management Mechanism

The internal management mechanism of enterprises is not efficient enough, which affects the smooth progress of the project. The organizational structure is not reasonable enough, the total authorization of the enterprise to the project is too large, and the division of responsibilities between departments is not clear enough, which leads to difficulties in work coordination. Poor communication and coordination mechanism and untimely and inaccurate information transmission have affected the timeliness and accuracy of decision-making. The decision-making process is complicated and inflexible, so it can't respond to market changes in time, and it can't solve various problems in project construction in time. These problems lead to some unnecessary delays and mistakes in the development process of the project, which increases the cost and risk of the project.

The professional quality, work enthusiasm and teamwork ability of employees have an important impact on the project. The project is always arbitrary, coupled with the lack of

management experience, and some team members lack professional knowledge and skills, which can not meet the needs of project development. Work enthusiasm is not high, lack of sense of responsibility and professionalism, leading to low work efficiency. Poor teamwork ability and lack of effective communication and collaboration between departments and employees have seriously affected the coordination and integrity of work. These problems lead to a series of problems in the development process of the project, which affect the quality and progress of the project.

4.5. Policy Dimension Analysis

4.5.1. Adjustment of National and Local Real Estate Policies

The adjustment of national and local real estate policies has had a great impact on project A. The tightening of land policy in the land acquisition stage of the project makes the land acquisition cost and floor price of the project higher, and at the same time puts forward higher requirements for land development and utilization. The adjustment of financial policy leads to the increase of financing difficulty and financing cost in the early stage of the project. Different products of the project are not allowed to obtain construction project planning permits separately, resulting in higher land value-added tax. The implementation of the pre-project purchase restriction policy directly suppressed the market demand and reduced the potential customer base. The adjustment of these policies makes the development and sales of the project face greater pressure and increases the risk of project loss.

4.5.2. Uncertainty of Policy Change

The uncertainty of policy changes has interfered with the project development and sales plan. Due to the uncertainty of the introduction and adjustment of policies, it is difficult to accurately predict the changing trend of policies during the development of the project. This makes it difficult to implement the development plan and sales strategy of the project stably and increases the risk of the project. For example, in the process of project development, the sudden introduction of the purchase restriction policy may cause the sales plan of the project not to be carried out as originally planned, and it is necessary to readjust the sales strategy, which not only increases the cost, but also may affect the sales progress and market reputation of the project.

5. Case Comparison and Lessons Learned

5.1. Comparison of Success and Failure Cases

Table 1. Comparison of success and failure cases

Case dimension	successful case	Failure case	A real estate project
Economic dimension	Regional economic growth is stable, population inflows, residents' purchasing power is strong, and it is less affected by macroeconomic fluctuations.	Regional economic growth is slow, population outflow, residents' income is low, and macroeconomic impact is great.	Economic growth is slowing down, regional population growth is slow, and residents' income growth is limited.
Market dimension	Accurately grasp the market supply and demand, and the competitive strategy is effective and meets the needs of consumers.	Unbalanced supply and demand in the market, mistakes in competitive strategy, and disconnection from consumer demand.	The market is oversupplied and the competition is fierce, which fails to meet the new demands of consumers.
Technical dimension	Reasonable planning and design, advanced construction technology and good application of energy saving and environmental protection technology.	Poor planning and design, many construction quality problems, and lack of energy-saving and environmental protection technologies.	There are defects in planning and design, difficulties in construction, many quality problems, and insufficient application of energy-saving and environmental protection technologies.
Management dimension	Professional management team, efficient internal mechanism and good human resource management.	The management team is weak, the internal mechanism is chaotic and the human resources management is poor.	The management team is inexperienced, the internal management mechanism is inefficient, and the quality and cooperation ability of employees are lacking.
Policy dimension	Be able to adapt to policy adjustment in time and reduce policy risks.	Insufficient response to policy changes and high policy risks.	Affected by policy adjustment and uncertainty

5.2. Lessons Learned from the Comparison

The reference of successful cases lies in accurately grasping the economic situation and market demand, using advanced technology, having an efficient management team and improving the internal mechanism, and being able to respond flexibly to policy changes. Failure cases warn us that ignoring economic and market factors, backward technology, poor management and insufficient response to policies will all lead to project failure.

For project A, we should pay close attention to macro and regional economic trends in the economic dimension and make reasonable pricing. The market dimension should be thoroughly investigated, and the marketing strategy should be optimized to meet the new needs of consumers. The technical dimension needs to improve the planning and design, improve the construction quality, and strengthen the application of energy-saving and environmental protection technologies. The management dimension should improve the team ability, optimize the internal mechanism, and improve the quality and cooperation ability of employees. In the policy dimension, it is necessary to establish a policy early warning mechanism, adjust development and sales plans in time, and reduce policy risks.

6. Conclusion and Recommendations

6.1. Summary of Research Conclusion

The loss of real estate projects is the result of multi-dimensional factors. On the economic dimension, macroeconomic instability and limited regional economic development have restrained market demand. In the market dimension, the imbalance between supply and demand, fierce competition and changes in consumer demand hinder project sales. The planning and design defects in technical dimension, construction quality problems and insufficient energy conservation and environmental protection have affected the quality and cost of the project. The team ability, internal mechanism and human resources problems in the management dimension reduce the project benefit. Policy adjustment and uncertainty in policy dimension increase project risk. The factors of each dimension interweave and influence each other, which together lead to the loss of the project.

6.2. Targeted Suggestions

In the economic dimension, pay close attention to macro and regional economic trends, formulate reasonable price strategies, and reduce financing costs. Market dimension, in-depth investigation of market demand, optimization of marketing strategy, to create differentiated products to meet the new needs of consumers. Technical dimension, improve planning and design, improve construction quality, and increase the application of energy-saving and environmental protection technologies. Management dimension, strengthen team building, improve team ability, optimize internal management mechanism, and improve staff quality and cooperation ability. Policy dimension, establish policy early warning mechanism, timely adjust development and sales plans, reduce policy risks, and provide reference for real estate enterprises to avoid losses.

6.3. Research Deficiencies and Prospects

There are some limitations in this study. In terms of data acquisition, some data are difficult to obtain comprehensively and accurately due to reasons such as corporate confidentiality. In terms of research methods, although a variety of methods are used, there may still be cases where the analysis is not deep enough. Future research can focus on the application of big data and artificial intelligence in real estate project analysis to obtain more comprehensive and accurate data. At the same time, strengthen interdisciplinary research and comprehensively consider economic, social, environmental and other factors to provide a more scientific basis for the development and decision-making of real estate projects.

References

- [1] Wang Ye, et al. Management strategies of energy enterprises to cope with market competition and changes [J]. *China Collective Economy*, 2024, (13): 37-40.
- [2] Mou Shanwen, et al. Application and Practice of Cost Management of Distribution Equipment in Power Grid Industry Supply Chain [J]. *Business News*, 2024, (11): 148-151.
- [3] Zong Lei, et al. Z company X project marketing strategy research [D]. "Master thesis of Guangxi Normal University"-2021.