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# **The Starting Steps of an International Real Estate Development Company**

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Title  
The Starting Steps of an International Real Estate Development Company

The current situation and evolution in the housing and property management industry and centralization into cities opens new possibilities for real estate developers. This situation can attract new entrepreneurs to the industry.

The objective of this thesis is to find out what are the starting steps when setting up a new international business operating in the real estate development industry based on the opinions of different levels of industry professionals. The thesis aims to pinpoint a few starting steps and highlight issues crucial to the beginning entrepreneur.

The thesis was mainly conducted via interviews with the forementioned industry professionals. The interviews were analysed by the authors, and from them a framework for the crucial steps was created.

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# 1 Introduction

Real estate development shapes the environment in which we operate and live our lives. Real estate development is constantly happening around us, although often unseen to the eye of the individual passing by. Old buildings are demolished, and new housing areas are constantly built, which seem normal in day-to-day life. This forms an industry of its own with people in it.

Globalization is one of the catalysing factors of today's economy, and it brings the growing role of young international entrepreneurial ventures to the big picture (Shaker 2017). This raises the question of what kind of opportunities global entrepreneurships offer and how to enter the international markets.

## 1.1 Background and idea

The term real estate development refers to the process of obtaining and reshaping, remodelling, or developing a piece of real estate or empty land to scale up the value of the property (Graaskamp 1992). The process can also include the stage of developing the purpose and use of the property. For example, a former industrial hall could be developed into multiple housing units. Real estate development can be basically practiced by anyone or by any company. It can be practiced by private individuals, large corporations, investors, construction companies and so on. Career in real estate development requires knowledge of the legal side of the process, the constructions process and the financial process. It is a comprehensive journey from the beginning to the finished project, and different stages of it require different set of skills and knowledge (Graaskamp 1992).

In this study it is assumed that the culture of construction and general way of living is different between each country. Also, the legal proceedings are assumed to differ from country to country. The authors want to know if it is possible to still operate a profitable business internationally within this field.

“Real estate development is necessary, as globalization and new technologies attract people to big cities, by increasing the returns to urban proximity” (Glaeser 2009). This phenomenon increases the need for new housing and infrastructure as well as re-modelling and renewing the already existing infrastructure to ever expanding city areas as the population concentrates on these hotspots. The need to re-shape infrastructure is constant as areas develop and infrastructure evolves. People shifting in the city to newly built housing areas opens an opportunity for real estate development. The new area with a desirable living area now suddenly needs a school, park, and supermarket. “These situations can be tracked by following different information flows, such as Economic renewal, affordable housing, flow of people, space utilization, technology, and workflow” (Glaeser 2009.)

## **1.2 Aim and motivation**

The authors are aware of the lack of existing literature about the topic. This can be seen as a motivational factor for this study. Of course, that can also be seen as a limiting factor, as existing sources are sparse, and information is rather difficult to obtain from literary sources. On the other hand, it enables the discovery of new perspectives and possibly new information.

The idea for this project sprang from the shared interest in the topic from both authors. The authors share an entrepreneurial mindset and together they have realized the actual existing opportunity or niche for a small scale international real estate development company. On the international level, there are very few companies operating in the way the hypothetical company of this case study would operate (Squires & Heurkens 2015). This also further feeds the motivation to study if such operations would be profitable.

The aim of this study is to find the starting steps for successful operations within the international real estate development industry. It is desirable that the

findings of this study would realistically indicate if such venture would be a reasonable thing to start working on in the real world.

In order to map out the starting steps the authors will need to research existing information, as well as gather as much new information as possible from different sources. Authors will search and study literature related to the topic, as well as conduct interviews with professionals to gain first-hand information. The interviewees should be selected so that they represent different aspects of real estate development to gain knowledge from different viewpoints. Furthermore, these interviews are important for the research as they disclose new information, especially about the current state of the real estate development industry. Such information will be analysed and applied to the research section of this thesis. As previously mentioned, the goal is to find out whether a venture such as this thesis considers would be reasonable. Therefore, it is important that the authors collect the data from verified sources as well as conduct what sort of data is relevant for this thesis.

As previously mentioned, there is very little in regards of applicable literature on the topic. This is one of the reasons why the authors were compelled to venture into a such topic. The problems with this topic are that real-estate businesses usually operate in a niche market. On the other hand, real estate development is done by large corporations that also do a lot of other types of business, so real estate development is left in the shade of larger operations.

One of the things this thesis seeks to answer is how a real estate development company would be established, and what factors need to be taken into account. These include, for example, what the sources of funding are. Are there any business models more suitable than others for this kind of endeavour?

The authors felt like researching the topic so they could shed some light into the not so known business and bring novelty value via their research. The current state of the world after the economic whirlwinds of Covid-19 and environmental changes in the past years are to be considered from a different perspective; hence, the authors feel the need for a topic such as this to be researched.

Although real estate development has been practiced for ages, new environments, developments in technologies and infrastructure open opportunities for new ways to conduct real estate development. The authors find these exciting, further motivating the desire to study the current state of the industry and opportunities within the said industry.

### **1.3 Comparison to previous works**

There are not a whole lot of similar thesis pieces available. There are works that deal with certain aspects of the real estate development process, but not really ones that analyse the process from the point of starting a real estate development company. Some previous works analyse different ways of entering a real estate market in a certain location or funding construction projects in general. Some works also deal with the field of real estate agents, but that is only somewhat related to the area of real estate development. The lack of existing works not only in literature generally, but also specifically in thesis works is one of the reasons the authors decided on this topic for their thesis work.

The examples analysed below are gathered from Theseus.fi. The entries used were real estate development, the real estate industry, construction, funding real estate projects and abbreviations of these industry related words. Also, the corresponding terms in Finnish were used. In the following chapters there will be a short analysis of a few examples that somewhat deal with the same topics as this study does.

Mercado analyses crowdfunding as a source of assets in his thesis titled *Crowdfunding, an Alternative Source of Financing Construction and Real Estate Projects: Guideline for Developers on How to Use This Tool in Medium Size Projects* (Mercado 2017). He talks about online platforms as a tool to reach the potential investors of the next generation for construction projects. He explains how financing of this nature has changed the field of real estate and construction funding in a matter of few years (Mercado 2017). One of the key

findings from his thesis work is that the funding process of real estate projects is at a turning point. The major operators in the field still gather finances in the old and traditional way, while new emerging operators favour the use of newer technologies and methods for funding. This thesis focuses on analysing alternatives of funding methods for real estate projects. The topic is narrowly scoped and leaves out many aspects of the industry that are not directly connected to funding.

Bochkarnikov (2015) discusses the factors that affect the supply and demand of real estate. The factors are among the key things to keep in mind also in the field of real estate development. The study is conducted from the perspective of a few different companies operating within the field. Bochkarnikov also analyses the market from the perspective of the different sociological groups within the market. The same perspective can also be found in this thesis. One of the key findings was as follows:

“Among the social factors which were named by the respondents that harm a realty company’s and country’s image in whole, there are: rumours which accrues on the Russian-Finnish web portals and in local newspapers, the indifference of Finland on international realty exhibitions, the plans of Finnish governmental machinery to ban purchases of realty by foreigners.”  
(Bochkarnikov 2015).

This is concerning towards arising companies that operate on an international level but are based in Finland. This study has a limiting factor of a small area being studied and a certain group of customers being studied within that market. Therefore, the findings cannot be directly adapted. Also, this thesis is written from the companies’ viewpoint, and because of that is not directly applicable to all real estate development.

In her thesis from 2016, Markkanen discusses the circular economy and its effect and utilization in the real estate industry (Markkanen 2016). It discusses the practicality and usability of the circular economy in the industry from the aspects of law and economic theory and analyses the guiding tools of the

circular economy, especially in real estate investment. She addresses the current factors affecting the industry and makes good observations: “The circular economy is a way to provide sustainable economic growth that the society needs on the edge of material shortages and climate change” (Markkanen 2016).

This is something that directly affects real estate development as well and is also analysed in this study.

As a summary of the review of the previous works, relevant information of the topic can be gathered from works with related topics, and from those a somewhat comprehensive set of knowledge can be acquired. Especially the international aspect of real estate development lacks research and previous works. Even though the previous works showcased above discuss different topics and sets of problems, similarities between the industries stand out. Some aspects of the field seem to have attracted more research than others, which result in more information being available.

#### **1.4 Novelty value**

The novelty value comes from the lack of such companies existing in Finland all together. As to our knowledge, there are no small-scale companies based in Finland practicing real estate development on an international level. There are individuals that might practice some affairs abroad as well, but even they are operating mainly domestically.

The authors hope to bring novelty value via interviewing professionals that currently or previously have operated in the industry. By interviewing professionals at different points of their careers, the authors aim to construct a comprehensive understanding of the industry. The authors hope to gain insights of the industry from a beginning entrepreneur’s point of view. Previous works and examples made by industry professionals are available, but very little knowledge about starting real estate development is available. By gathering

information via interviews, the authors hope to gain access to knowledge not disclosed before.

### **1.5 Extent and limitations**

This thesis focuses on qualitative information even though quantitative information is also relevant. By focusing the research on qualitative aspects, the authors aim to construct an easily approachable study of the founding steps of a company of this nature.

The sampling method chosen for this study mainly uses already established connections of the authors and focuses only on Finnish based operators. Therefore, a certain degree of bias is expected. The sampling method rules out international operators working in countries other than Finland. Also, the majority of the interviewees come from a large corporate background and because of that only offer the insights from a certain perspective.

The thesis relies heavily on the interviews as they are the main source of knowledge. This limits the nature of the knowledge and narrows the aspects of this thesis.

Because of the nationality of the interviewees, only assumptions of the applicability of the answers towards international markets can be made. As the hypothetical company aims towards international operations, this can be seen as a limiting factor.

In conclusion, the major limiting factors for this thesis are the narrow scope of information sources and the biases of them. As the title of the thesis implies, this study only aims to contemplate the very first steps of establishing such a company. This limits the extent of the study to a certain degree.

## **2 Knowledge base**

The knowledge base chapter discusses available literature and studies about real estate development. The subchapters analyse works and knowledge slightly different in nature when compared but still valid for this thesis' purposes.

### **2.1 Real estate industry**

Very little is known about the structure of the real estate development industry as a whole (Coiacetto 2006). Even though the industry is already huge, very little attention has been given for example to the regulatory factors of the industry, and very little quantitative information about it can be found (Coiacetto 2006). More regulatory attention and focus have been aimed towards other industries like media, agriculture, transportation, and such than towards real estate development and especially the use of used and existing infrastructure (Shepherd 1997). In relation to this, Coiacetto also proposes that from the few regulatory factors affecting real estate development, it can be deduced that the industry is somewhat competitive, and the supply of developed infrastructure is somewhat straight forward. He also raises the question if thinking of this nature is problematic, as real estate development is a high value industry and directly affects the way we live. This therefore also raises concerns related to sustainability.

When analysing a certain type of business, the industry and more specifically the size and number of firms operating within that industry need to be emphasized (Martin 1994). At the moment there are roughly 1900 real estate development companies operating in Europe (Crunchbase 2022). The number is relatively low: as for comparison, there are more than 285,000 real estate agency companies operating in Europe in 2022 (Crunchbase 2022).

Basically, real estate development as an industry consists of three individual groups that affect the operations of real estate development companies: the

consumer group (the end users/buyers/the clients), the production group (the entrepreneur) and the public infrastructure group (public officials who oversee and regulate the processes) (Graaskamp 1992). The key for an operating real estate company is that all of the forementioned parties are as satisfied with the final results of the development as possible. Therefore, for the production group, the main way of limiting risk factors is research (Graaskamp 1992). With research, the production group can assure that the end product fits the needs of the end user, the values of the collective consumers and the land users, opinions and regulations of the officials and the ethics of the society as a whole (Graaskamp 1992).

Permits and legislation may differ in each building and project. Everyone hoping to operate in this market is required to have vast knowledge and have the ability to find and access this kind of information. For example, in Finland it is required to have an LKV-certificate (A legalized real estate broker) to handle the real estate transactions, but this certificate allows one to do these dealings only in Finland (Finlex 2022). Every country has its own certificate that needs to be acquired to become a certified real estate property operator. An LKV certificate is not necessary to have to be able to operate in the real estate space, but it is something that one would ideally want to have to maximize the scale of businesses one can participate in.

A very common example of real estate development project is a situation where a building's life cycle in its current utility has come to an end. Especially larger cities contain a lot of old buildings which are not so cost efficient to keep up and have a lot of wear and tear on them. These are prime opportunities for real estate development as they often are located in desirable areas, but the condition of these buildings and apartments lack in modern day standards. (Saleem 2020.)

The extent and schedule of the actual development process are in the hands of its legal owner (Wamani 1991). In most cases, the owner of the property has two solutions: development, or demolition. For example, the current price of construction materials and labour can affect the decision when it comes to

profitability (Wamani 1991). Such variance can be statistically analysed but is hard to predict. Seeking to run real estate development operations effectively, profitably, and in an environmentally friendly manner can be seen as the more beneficial option in the long run.

### **2.1.1 Real estate development in Finland and Globally**

Real estate development has been acknowledged longer abroad than in Finland. For example, The National Association of Realtors was established as the National Association of Real Estate Exchanges in 1908 in Chicago, United States of America as a way to expand real estate matters (Investopedia 2022). Of course, real estate development has existed in Finland during the same years, but it has gained its actual recognition only more recently.

One of the key differences between Finnish domestic and international operations in real estate development is the strict construction restrictions and regulations concerning insulation, humidity, and indoor air quality within inhabited spaces (Eurocodes 2022). Often times these rules also mean higher costs but not necessarily higher profits. This places challenges to developers operating domestically, but at the same time it can be seen as beneficial to international operators. On the contrary it assumed that setting up a subsidiary rather than operating in another country from Finland can be beneficial in some cases (Graham & Heurkens 2015). Furthermore, this fosters the idea of operating on an international level rather than domestically.

### **2.1.2 Challenges within the industry**

Establishing such a company can be done quite easily, but operating internationally brings a different set of problems.

Most likely the two most difficult stages of the process are going to be the funding of the first initial projects and the customer acquisition in the beginning. It might be difficult to obtain funding for an international project in the beginning as a small starting company. As the company is fairly unrecognized in the beginning, obtaining the first customers is a crucial step not to be underestimated by any means (Arnold, Fang & Palmatier 2011).

In order for a small-scale development company to succeed in international markets it will need a significant difference or benefit when compared to larger companies (Parrish, Cassill & Oxenham 2006). It can also research a specific market niche in which it would operate in order to distinguish itself from the other companies.

Challenges in the industry were also one of the key topics discussed in the interviews used as a data source for this study.

### **2.1.3 Starting a new real estate development business**

The first step when planning to start a real estate development company, or really any company for that matter, is to select the operational environment (Gonzalez 2022). In this case, it means finding a promising piece of real estate or property for sale at a reasonable price at a location that would be somewhat familiar to the entrepreneurs. The decision of focusing on commercial or residential properties needs to be also made at this point (McKissock 2019). At this point conducting thorough research about the selected location becomes crucial. This includes finding out if the location has any potential for investors, does it have any promising partners small companies could partner up with and so on (McKissock 2019).

It is crucial to pay attention to the restrictions and guidelines set by the municipality. More about the restrictions and guidelines can be found in the PESTLE-analysis (Section 2.2.1).

The next step would be to build a functional team. No one can run development projects on their own (Gonzalez 2022). They take a large number of professionals from different fields to be successful. These professionals usually include brokers, planners, estimators, surveyors and so on (Gonzalez 2022). For example, the planners can be the deciding factor between success and failure, as they are responsible for a major part of the financial calculations. They can also help with finding the most cost-effective solution to help the project to realize its goal. Knowing a local real estate broker will gain one access to projects and properties not visible to the public and therefore provide a niche. Construction inspectors and supervisors are helpful friends to have, as they help to limit the risk of negative feedback or constructional problems in the future, which can be caused for example by careless construction work or non-proficient knowledge about the process.

Financing the first project needs a lot of attention. Finding investors and convincing them about a plan and the stability of a new company can be challenging and time consuming. Also, planners are needed at this stage, as they are the ones making the calculations that can then be shown to the investors to furthermore convince them about the project. Funding can also be obtained by taking a business loan, but also that can be challenging to a new company that does not yet possess a portfolio to support claims about the project (McKissock 2019). In the financing process, factors such as inflation rates and the possibility of recession need to be analysed. Loans and other funding options are prone to alterations depending on the economic situation of a certain area. Timing is crucial when seeking funding, as interest rates fluctuate from time to time.

Inflation or the risk of recession manipulates the market by making the consumers wearier and more hesitant to purchase real estate. This should be taken into account also when choosing the operational environment.

“It’s no secret that real estate projects historically struggle to meet deadlines” (McKissock 2019). Making a timeline for the project is important, as otherwise the many variables will most likely shift, and the team’s work efficiency will suffer. Making a timeline is also affected by the financing. Having a bit of spare liquidity is preferable as it allows the timetable to adjust and flex when unexpected variables arise.

Getting people to know a company and spreading the word is crucial for the first project and for every project in the future (McKissock 2019). Getting the surrounding environment and neighbours to know about the project, regional marketing on consumer channels and highlighting the project within the community is all a part of building a brand for future projects (McKissock 2019). Contacting the community becomes effective by the word-of-mouth. Everyone knows someone who knows someone who works in the field. In this way, the company name and reputation become known throughout the community, which opens new doors for future projects. This comes with a downside as well. If a company makes a mistake, it will also spread within the community, most likely faster than the positive things.

Establishing a real estate company does not differ drastically from the process of starting a company in any other field. Some aspects related to real estate directly have more weight compared to other companies. The sources of funding are similar, but the process of negotiating the funding for real estate projects contains minor nuances typical to real estate development. For example, when developing housing units, it is typical that the process of selling the units to the final consumer is already ongoing when the construction begins. This is done in order to assure the providers of funding that they will gain from their investment (Nachem 2007). A similar ideology showcased in the example above can be applied to other instances when discussing the differences of a real estate development company and company operating in a different field. In conclusion, establishing a real estate development company is no different than establishing companies operating in other fields, but some of the approaches need to be adjusted to fit the needs of a real estate development company.

It can be assumed that the domestic consumer in Finland is accustomed to a specific standard of construction and design (Quantrill 1995). Even though Finland is geographically not part of Scandinavia, the prevailing architectural orientation can be seen as Scandinavian. This type of design is admired for its simplicity, functionality, and connection to the natural world. It is suitable for both residential and commercial environments due to its subtle elegance (Home Design Institute 2022). This can be seen beneficial for the international operator, as the main target group sees the design as something they are not accustomed to but can experience enduring appeal towards it.

Finnish construction professionals are used to working with natural materials, for example wood. Being able to work with these kinds of materials gives Finnish based operators a cutting edge when compared to for example operators accustomed working with concrete. "Nature never goes out of style" (Home Design Institute 2022).

As the references used in this chapter are international, it can be expected that they are adaptable to the establishment of an international company.

## **2.2 Starting up a business**

The nature of this thesis guides us towards using a business plan model for the structure of the study. This naturally aids in focusing on the correct aspects of the topic and steers the analysis away from non-relevant aspects. Of course, the analysis must include the sort of standard procedures of starting a new business particularly in the field of real estate development. Professional methods and tools suitable for adaptation at this point could include for example the PESTLE-analysis in order to analyse the different factors influencing the process (Investopedia 2022). A pestle analysis consists of Political, Economic, Social, Technological, Legal and Environmental factors. The analysis is a tool used to gain a wider understanding and impression of the affecting factors most relevant to a certain business (Hall 2022)

One of the key things to plan and execute in this case would be the process of market entry. Executing a successful market entry is crucial in order to launch operations that will carry on even after the initial market entry and in order to execute the entry in such a fashion that will be the most financially stable option. Analytical tools that deal with product development will be used, as a new product is introduced to an existing market. Such tools include for example idea evaluations, business analyses, concept development and marketing strategies (Gurbuz 2018).

### **2.2.1 The PESTLE-analysis**

When it comes to political factors affecting real estate development, the most obvious ones are expected to be the building standards and restrictions set by the municipality or other governmental officials. For example, the local taxes restrict certain types of operations and can be a major limiting factor when calculating the funding (Nachem 2007). Political decisions can also affect real estate projects in a feasible manner. For example, if the municipality announces a new residential area zoning plan for an area currently used by industrial operators it opens new possibilities real estate developers. A more recent example of political factors affecting real estate internationally is the ongoing Russo-Ukrainian war which skyrocketed the prices of construction materials in Finland (Hellsten 2022). As the examples show, political factors can affect in different scales and different aspects within the market.

Economic factors affect real estate development greatly. Funding is often a necessity when beginning a real estate development project, and it can be affected for example by inflation or recession (Investopedia 2022). Recession causes inhibition to the residential accommodation market which naturally limits the need of newly constructed or developed residential real estate (Wamani 1991). This phenomenon works also vice versa when an economic boom catalyzes the market. One of the key economic concepts that shapes the economy as a whole and greatly affects the real estate market is the concept of

supply and demand. When the demand peaks, even the properties that do not represent the highest feasibility for real estate development get attention and vice versa.

Sociocultural factors also shape the supply and demand, including factors such as, consumer demographics and lifestyle (Hall 2022). The lifestyle of an end consumer plays a role when it comes to the nature of the property he/she is looking for (location, transportation, price, etc.). Senior citizens usually require less space, as the size of the family is not as big as it is in the earlier stages of life. Expecting mothers and their families usually tend to seek properties with more space than their previous one and so on. Sociocultural trends also affect factors in the real estate development market. An example of a sociocultural trend is working from home, which was majorly boosted by the Covid-19 pandemic (Paavola & Junkala 2022). Trends such as working from home mean that individuals opt for staying home, which makes residential homes with a workspace more desired in their respective category. On the other hand, as working from home has become more and more common, office buildings are becoming less of a necessity which again opens new opportunities for real estate developers. In addition to this, urbanization has been an occurring theme over the past years, and it can be expected to be the theme for the foreseeable future as well. Populations concentrate around a few major cities, while the economic activity is also focused around the same cities (Aro 2015). This means that it is that hard for development companies to operate outside of this area, as there are less opportunities available. This of course only applies to development happening on a domestic level but it is still a factor to be considered.

Technological factors affecting real estate development usually come in the form of new technological innovations and methods being developed (Fern Fort University 2022). These can affect the company both ways: new innovations can speed up the development processes and lower the costs, but they can also destabilize the company's position within the industry if the innovations are utilized more quickly or more effectively by rivals. The disqualification of previously used technologies can bring unexpected expenses for the real estate

developer. For example, the use of asbestos in property under development requires acquiring outside professionals for the proper disposal of the harmful material.

In the case of international companies, additional attention needs to be paid to the legal aspects of the development projects. When working internationally, attention needs to be given to the tracking of changes within the legal system of each operational environment (Squires & Heurkens 2015). Changes in health and safety laws can affect the everyday life of the construction crew working on site, and changes in employment laws affect for example the pay that the crew is receiving. Laws and regulations also dictate which kind of materials are allowed to use in certain locations or projects depending on the end usage of the property. A very concrete example of laws regulating real estate development is, that in Finland every restaurant or café with seating for more than 25 people is required to have a toilet, by law (Helsingin Kaupunki 2019).

In the case of real estate development environmental factors do not directly affect the business, but certain things need to be taken into consideration. The climate dictates the materials used and for example the amount of insulation required for residential spaces. Environment-related laws affect the disposal of left-over materials and therefore also play a role when planning the budget. Some locations require special construction to be made in case of a natural catastrophe like a hurricane or a flood.

### **2.2.2 Business model**

A business model in its core nature refers to a company's constructed plan for operating and gaining profit (Kopp 2022). The business model usually includes the products or services that the company plans to sell, the identification of the target market, financial calculations, and other guidelines essential for the operations of the company (Kopp 2022).

As an international company there are multiple business entities to choose from depending on where one wishes to operate from. The choice is not limited only to domestic business entity options available in Finland. In addition, it is possible to have branches in different countries that can ease or hamper the operations depending on the location of the project. Tax laws also differ from country to country, so branching out to different countries as an international company is something to consider. Branching out to other countries offers the opportunity to handle business domestically, rather than relying on importing. Domestic companies have different rules when compared to internationally operating firms. Operating domestically also brings certainty to business operations and eases access to various commodities such as, market understanding, easier communication, and domestic regulations. (Martin 2019.)

### **2.2.3 Market entry**

The concept of market entry defines all the activities related to taking a business to a new market (BDC 2022). In order to implement a successful market entry, the nature of the business and the new market need to be analysed.

When analysing market entry, a commonly accepted theory called the Ansoff Matrix is widely used. The Ansoff Matrix is a tool that helps to analyse the different approaches to market entry strategies and their key differences (Peterdy 2022).

When planning to enter an existing market with existing products and/or services, the market entry strategy in question is market penetration. In the case of a real estate development company, calculating the market penetration rate will be challenging, as the market as a whole is rather difficult to comprehend and put numerical value on. For a small scale “start-up” -type company, it cannot be expected to gain a big market percentage at least in the beginning. Operating in a niche offers as a possibility to tailor services to match

the expectations and needs of individual customers. Therefore, the market entry strategy is sort of a mix of market penetration and product development (see Figure 1).

M a r k e t	Existing	<b>Market Penetration strategy</b> <small>(Existing market, existing product)</small>	<b>Product Development strategy</b> <small>(Existing market, new product)</small>
	Existing	<b>Market Development strategy</b> <small>(New market, existing product)</small>	New
	New	Product	

Figure 1. Table constructed by Eemil Tolvanen based on the Ansoff Matrix (Peterdy 2022).

Market penetration strategy includes entering an existing market with an existing product (Wirth 2022). Therefore, executing market penetration relies on gaining the position of a market leader or finding a niche to operate in, as market penetration strategy does not bring anything new to the table. When executing market penetration, the focus must be pointed towards altering the ways of operating compared to rivals, even though the process as a whole is similar to all operators (Wirth 2022). As a newly established company it is unreasonable to expect to gain the position of a market leader right away, but one does not necessarily need to be the market leader in order for a business to be viable, even though that is the end goal (Wirth 2022).

By altering the types, nature and details of the development projects and units, the implementation of product development strategy can also be executed.

Product development strategy differs from market penetration by introducing a new product to an existing market. When compared to the strategy above, product development is widely considered to be a higher risk and costly option (Wirth 2022). Product development strategy relies on the superiority of the chosen product when compared to its rivals. This means that more time and resources should be allocated towards product development in the first place. Because of that, the needed time and resources can be significantly higher than in the three other strategies presented in Figure 1.

### **3 Methodology**

The main nature of this study is a case study constructed using methods of both quantitative and qualitative research (Bryman 2006). In the parts where topics such as financing are discussed, the methods are mainly based on quantitative research, and in the parts based on the interviews with the professionals of the field, the methods are qualitative (Bryman 2006). These factors' combined results in this study are empirical rather than theoretical, but it must be kept in mind that the results of this study are still mostly directive and cannot be directly adapted as they are contextual and cannot be applied to every situation.

#### **3.1 Research question**

From the interviews the authors want to find out how the industry professionals, each operating in their own scale and way, approach the process of establishing a new real estate development company. From this, the research question can be conducted to be "What are the starting steps of an international real estate development company, according to industry professionals?".

#### **3.2 Data collection methods**

The main data source used in this study are structured interviews with professionals of the industry (George & Merkus 2022). The interviewees have been selected so that they would cover the different aspects of the industry as well as possible and bring different perspectives into the discussion. This helps to construct a comprehensive image of the industry as a whole. The interviews are constructed so that they would result in the researchers having data to construct all the steps of the process in question. In all of their simplicity these steps include the starting steps, business model and market entry.

The secondary data collection method is the author's own research of related studies and written publications. This data will be collected from reliable and verified sources from the internet, as well as from written literature. For example, the authors will research the websites of already existing companies and assess if they can implement something to this thesis. The secondary data collection is more quantitative, as it focuses on the numbers behind the real-estate development space and covers topics such as financing. The secondary data collection method is meant to support the qualitative research and supplement the conclusion to be more comprehensive.

### **3.3 Interviews**

The main data collected in this study comes from interviews. The authors have selected three interviewees representing different aspects and different stages of the real estate development market. In order to get an answer to the research question, the authors will present the interviewees with guiding questions constructed based on the information discussed in the knowledge base.

As mentioned in the first chapter, real estate development can be practiced by private individuals, large corporations, investors, construction companies and so on. The selection of interviewees offers answers and views from multiple standpoints from where authors are able to gather a comprehensive conclusion that would depict the industry as a whole.

The interviews were conducted by the authors in person or over Microsoft Teams or another applicable method if necessary. The interviews were recorded with the permission of the interviewee and the results are published in this thesis by the authors. A written or verbal agreement of publishing interviews was made between interviewees and the interviewers, and the interviewees were given the opportunity to stay anonymous.

Interviews are semi-structured so there are no pre-determinate steps to follow, but the authors outlined the questions that they seek to have an answer directly to or by combining answers to multiple questions (Galletta 2013). The nature of

the majority of the questions were open-ended to ensure a minimal risk of authors effecting the answers. While being open-ended, the questions were still selected in a manner that would provide the authors with information advantageous and useful to this thesis. Moreover, as mentioned in the first chapter of the study, very little is known about operating specifically internationally. Having an opportunity to interview domestic companies presents an opportunity to learn about the difficulties of operating internationally and why the interviewees have or have not considered it.

**(Q1)** “What are the steps of launching a real estate development company in your opinion?”. The aim of this study is to define these steps, so this is ultimately the question the authors want to be answered as they hear thoughts from the interviewees. Other questions act as supporting questions along with the quantitative research.

**(Q2)** “If you would start a real estate development company from scratch, how would you seek funding?” As a company that is just getting started, finding the right channels for funding is crucial.

**(Q3)** “What kind of business model should a real estate company have?”. Each of the three interviewees are from different backgrounds and operate on a different level, so the authors aim to hear different viewpoints to construct a comprehensive understanding about the different options.

**(Q4)** “During your time as a real estate professional, what has been the biggest change you have witnessed in the industry?” This question aims to pinpoint the major changes in the industry during the last few decades. The aim is to see if the answers differ from each other, based on the age and career length of the interviewees.

**(Q5)** “What does the future of real estate development look like?” Based on their current roles and experience gained during their careers, the interviewees

commented on the future of real estate development and on the changes they expected to see during the upcoming years.

**(Q6)** “What do you consider to be the important characteristics of a real estate developer, and do they differ from professionals of other trades?” The aim of this question is to find out if the interviewees have pinpointed certain characteristics in themselves or in their colleagues that make up a real estate professional.

**(Q7)** “During your career as a professional of the trade, what has been the single most challenging thing you have encountered?” This question aims to point to things that the authors can avoid and see if there are similarities between the answers.

**(Q8)** “If you could give one piece of advice to yourself as a starting up real-estate developer, what would it be?” The aim was to see what the interviewees would do differently across their career based on their current experience. The authors also aimed to see if there is a common theme among the interviewees and their answers.

**(Q9)** “If you would consider expanding your operations abroad, or already have, how would you go on about it, or how have you gone about it?” This thesis specifically studies operating on an international level. Even though the interviewee would not operate internationally they are still experienced as entrepreneurs or other specialists of the trade so they most likely will possess some knowledge or at least an opinion regarding international operations.

### **3.4 Validity, relevancy, and ethicality of data**

It has to be taken into consideration that the sampling of this thesis is extremely shallow and therefore only offers a slight glimpse into the industry. All of the interviewees operate almost solely on a domestic level which limits the adaptability of the gathered data.

What the data lacks in extent it compensates for in relevancy. The interviewees represent different scales of the diverse industry. All of them are working professionals, at least on some level, so they can be expected to be up to date and knowledgeable about the topic. The interviews offer an opportunity to gather first-hand information about the topic from sources currently unavailable in existing databases, bringing possible novelty value to the study.

According to Cote (2021), the main principles of data collection ethicality via interviews include transparency, intention, and outcome (Cote 2021). These aspects have been taken into consideration when conducting the interviews. To ensure the ethicality of the gathered data, all interview participants have been presented with the nature of this thesis, permission to record the interviews, permission to analyse the interview answers and permission to publish their names in this thesis. The participants have been promised that the interview recordings will be stored with privacy. The participants have also been given the opportunity to read and edit this thesis before any publication has been done.

### **3.5 Interviewees and other data sources**

The author's goal was to gain perspective from three different types and sizes of real estate development in order to obtain as broad of an understanding of the topic as possible. The three different professionals were chosen to be a private real estate developer, a CEO of a medium-sized development company and a former CEO of a large national development company. Through these

choices the authors hope to find how everyday operations differ between each developer and what kind of challenges they face.

The first interviewee was Miikka Väänänen, CEO of Master Yhtiöt. Master Yhtiöt is a construction, development and investment company from Joensuu, Eastern Finland. It was founded in 1990 and includes multiple companies focusing on different fields of business (Väänänen 2022). The annual revenue in 2021 was roughly 45 million euro. They practice real estate development on both residential and commercial properties and also take part in the production of completely new habitation areas. (Väänänen 2022.)

Miikka has been the CEO for 2.5 years.

The next interviewee was Juhani Pitkäkoski. He is the former CEO of YIT Oyj, which is the largest construction company operating in Finland and a major operator in all Nordic countries (YIT 2022). YIT constructs and develops housing units, commercial premises, empty properties, and whole communal spaces (YIT 2022). YIT's revenue in 2021 was 70.6 million euros (YIT 2022). Apart from being the former CEO of YIT, Pitkäkoski sits in multiple boards of directors, including construction, development of clean hydrogen and pure carbon solutions and a few others (Pitkäkoski 2022).

The final interviewee was Timo Mutanen. In this study, Timo represents real estate development from the viewpoint of a private individual, even though he practices development in a public limited company, Asuntosuutarit Oy. He has been involved in real estate development for over ten years. He is also a building services engineer by education. His main focus has been development projects in the Joensuu region and on rental properties (Mutanen 2022).

### **3.6 Analysing methods**

The methods used are for the most part based on the audio files and transcripts from the interviews. As the interviews are conducted as mostly open discussions, the analysis pursues to vaguely follow the concept of narrative analysis, common for qualitative analysis (Gilbert 2008). Narrative analysis aims to make sense, to find similarities between the interviewees and existing data, and pinpoint the critical aspects of the answers (Gilbert 2008). In order to link the answers to this thesis in a more immersive way, some aspects of conceptualization are used. The interviewees' answers are in some cases compared and contrasted with each other in order to distinguish possible similarities or differences.

## 4 Results

### 4.1 Findings from the interviews

Below are listed the summarized versions of the answers in chronological order. Below each section is also a short discussion about the answers in general. What must be noted is that not every question was directly asked from all of the interviewees, as some of them came out in the open discussions regardless.

#### 4.1.1 Question 1

*“What are the steps of launching a real estate development company in your opinion?”*

According to Pitkäkoski (2022), everything begins with scoping out the market in the chosen location and factors within. Getting to know the size and nature of it and competitors within aids in constructing the actual entry plan. From there, there are two options to enter the market, acquisition or from scratch, says Pitkäkoski.

Väänänen (2022) mentions similar topics as Pitkäkoski. He would also start by researching the market and studying country-specific regulations such as the nature of the market, laws regarding housing properties and ownership types related to real estate. Väänänen also mentions taxing as a key point to take into consideration when beginning business ventures in a new market.

From all of the answers, the importance of research done beforehand rises above all. By studying the new market carefully, one can avoid mistakes caused by uncertainty, which can end up being costly. There are many steps to take when starting a real estate development business, but all the steps are subject to variables within the target area and market. Hence market research is

necessary to map out the steps for each business venture independently. Knowing competitors helps to distinguish oneself from the beginning of the market entry. Industry professionals highlight this as their favorable approach to a market entry scenario, so it can be concluded that it is the preferred choice of action for everyone interested in operating in the field.

#### **4.1.2 Question 2**

*“If you would start a real estate development company from scratch, how would you seek funding?”*

For sources of funding, Pitkäkoski (2022) lists a few methods: Special issues, loans, or convertible bonds. Bonds are probably the most expensive of the options, but nevertheless a handy tool for a company to have, Pitkäkoski accentuates.

Väänänen (2022) approaches the issue of funding from a perspective where the funding comes from the development itself. He would start the process by scoping suitable land from city plans, contacting the landowners, and making a preliminary agreement with them. After the preliminary agreement has been made, he would start contacting possible construction companies for a partnership. The partnership is based on the predictable profit gainable when the development is finished. If the running costs of the beginning stages of the process can be covered with a loan or venture capital, this would be a suitable funding option for a company with limited funds, Väänänen suggests. He also proposes another option, namely selling the developed property beforehand to a construction company for example and working as a project developer for the project.

Väänänen also mentions a third option when it comes to funding. Development companies and investing corporations contact possible investors, developers, and sources of venture capital directly (Väänänen 2022). This can also be a channel for funding, but it is most suitable for larger companies with already existing funds and experience, Väänänen notes.

When it comes to funding from the perspective of a small company or a private individual, Mutanen mentions that on the small scale it is easier for a private person to get a loan from the bank compared to a company applying for a loan (Mutanen 2022). On the other hand, he also mentions that management and administrative tasks related to funding are easier to handle via a company. Recruitment and juridical procedures are easier to handle via a company, rather than as an individual operator, Mutanen concludes. He thinks that as a small-scale company using the same bank as a source of funding from the very beginning is favorable as it eases the procedures when applying for a loan in the future. It also ensures individual service with usually the same bank person.

When looking at funding from the perspective of a starting company with limited funds, the more funding secured before any major costs are due, the better. The funding for an international project can be found from the country of the headquarters or from the new operational environment. If only developing the buildings while the land is owned by someone else, the funding can partly come from the landowner via preliminary agreement. Other options include business loans or outside funding from an investor. In later stages of the venture, also partnership with development corporations or investment companies can be considered. Pitkääkoski mentioned special issues and convertible bonds as funding methods, although they are not necessarily suited for a company in its beginning stage due to legal restrictions and their somewhat costly nature.

### **4.1.3 Question 3**

*“What kind of business model should a real estate company have?”*

Pitkääkoski (2022) highly values local knowledge and understanding of the market but would not necessarily establish a branch in every operational location. He also highlights the importance of operating step by step, project by project. Trying to establish multiple locations simultaneously will most likely result in backlash. He strongly believes that entering the market too ambitiously will lead to the “Once bitten twice shy “-phenomenon.

Väänänen (2022) also values the knowledge about the local markets and deeply understanding their structure. He also mentioned that some locations have different ownership models, principles of planning/zoning and taxing when it comes to real estate and that has an impact on the preferable business model. After analysing the forementioned, establishing for example a subsidiary should be considered.

From Mutanen's (2022) perspective a public limited company has been the most favorable choice from the very beginning due to the operational environment. In the interview he also mentioned that in the very beginning phases handling operations related to business as a private individual can be advantageous.

The chosen business model is highly dependent on the specific environment and situation. The legislation and taxation in some countries favors other business models over the others which needs to be taken into consideration. Local knowledge is important and valuable but for a starting company it is unreasonable to begin with establishing subsidiaries in every project location. Going step-by-step is the safest way to ensure reflected decisions, which choosing the business model is one of. Going in "guns blazing" and starting by establishing multiple branches at once is most likely going to result in bankruptcy, so even starting as sole proprietor needs to be considered. Once again, the importance of relevant research is highlighted in all the answers.

#### **4.1.4 Question 4**

*"During your time as a real estate professional, what has been the biggest change you have witnessed in the industry?"*

Pitkääkoski (2022) lists the change in the type of real estate under development, property energy policies, habits in working life and the disappearance of shopping malls as the biggest changes he has witnessed during his career as a real estate professional. Developing purely residential real estate from scratch has slightly faded as a type of development project, but developing residential real estate from existing property is a separate matter.

When developing for example office spaces, they nowadays need to be self-sufficient when it comes to energy policies, Pitkääkoski notes.

Pitkääkoski (2022) also states he is somewhat concerned about the future of existing office spaces and headquarters, as working remotely has gained popularity during the recent years. We have functioning real estate without effectual usage. The costs of maintaining the property have not changed, but the profits the property generates have gone down. The same matter is current in the case of shopping malls as well. Consumers have resettled into the world of e-commerce, which reduces the numbers of mall visitors.

Mutanen (2022) is surprised that even though his rather short career within the industry, there has been several cycles that the industry has gone through (Mutanen 2022). The prices of older properties have steadily decreased, and the buying behaviour of consumers has also had its increases and decreases in amplitude, following the forementioned cycles, Mutanen continues. He concludes, that from his perspective, the industry seems to be highly exposed to cyclical fluctuations that need to be taken into consideration. As a side note, he also adds that real estate investment has become sort of a “folk amusement” that everyone seems to practice, which in its way shapes the professional implementation of real estate development.

From all of the answers the cyclical nature of real estate industry is visible. Trends and new habits in both working and personal life develop all the time. These affect the type and usage of real estate. For example, working and studying remotely has decreased the usage of a great number of properties. Even though the prices of real estate decrease from time to time, they can be expected to increase over time. One factor that can be expected to stay relevant is the industry’s effect on the climate and the self-sufficiency of real estate, which has a direct impact on real estate development. The cyclical nature of the market presents opportunities during its down time, as well as upcycles. By monitoring the phases of the industry cycle and adjusting operations accordingly, more value in different aspects and areas can be created in both cyclical phases.

#### 4.1.5 Question 5

*“What does the future of real estate development look like?”*

As mentioned in the previous question, Pitkäkoski (2022) believes that monumental headquarters of companies will continue to disappear. During the pandemic, e-commerce had its rise in usage but has since slightly decreased as people want to meet and sit down in person after the few past years, so it is hard to predict the future development of it, but it is very well possible, Pitkäkoski reflects. “In many cases the development is slower than it seems, but I am sure that at least we are not going backwards” Pitkäkoski (2022) winds up.

Väänänen (2022) predicts that Finland will follow the example set by other Nordic countries when it comes to taking real estate development to the next stage and the commercialization of it. He also thinks that unfortunately in the future real estate development will be even more focused around the cities in Finland with most population (Tampere, Turku, and Helsinki).

Future scenarios are hard to predict, says Mutanen (2022). Mutanen lists things such as decreases in property prices, cutting university education, changes in student allowances and loan interest rates as things that are going to shape the future of real estate development in the environment he operates in and the rental property market. Even with the high unpredictability of the future, Mutanen still believes that we might be going towards better times.

The future of real estate development, as the future in general during these times, is hard to predict. Most likely the cyclical nature of real estate development will continue, ongoing trends will develop, and new ones will arise. Finland can be expected develop its real estate development operations and commercialization of it will reach proportions now visible in other Scandinavian countries for example. By analysing the answers, it can be said that one of the key things now and in the future is staying relevant especially in an industry influenced by so many factors. For aspiring real estate developers, it is crucial

to stay on top of the trends and adjust operations according to the latest twists and turns in the industry.

#### 4.1.6 Question 6

*“What do you consider to be the important characteristics of a real estate developer, and do they differ from professionals of other trades?”*

As real estate development is usually a group project, Pitkäkoski (2022) lists a few examples of different types of people he has encountered during his career: Innovators, Technocrats and Engineers. All of these are needed during the project’s lifespan so all of them can succeed. He also mentions the ability to take controlled risks as a founding element of a successful real estate professional.

This question was not directly asked from Väänänen, but the topic of industry knowledge and research was mentioned to be important from the developer’s side. From the discussions it became transparent that the skill of continuous learning and staying up to date with the industry is crucial.

From his own experience Mutanen (2022) lists that trusting other people is very important. Trusting in for example one’s own employees results in returning trust and motivated employees (Mutanen 2022). Making the work pleasant for oneself usually results in increased working quality. The same can be said about setting certain guidelines and goals guides moving towards the right direction.

Again, the term research comes up. In order to practice sustainable and profitable real estate development, one must be willing to study and learn new things constantly. As the industry grows and evolves, so must the people within. Different types of personalities can succeed in the industry, but certain characteristics like trust and controlled risk taking are valued among the professionals. It comes down to utilizing one’s own skills and knowledge to work

favorably. From the discussions it became apparent that the key factors leading to success are interest and passion. Self-trust goes a long way.

#### 4.1.7 Question 7

*“During your career as a professional of the trade, what has been the single most challenging thing you have encountered?”*

As one of the most challenging things, Pitkääkoski (2022) mentions the process of getting and maintaining a solid grip of the market, in other words, getting the right product to the right place at the right time.

From the viewpoint of Väänänen and his company, he pinpoints prospecting new development projects as the most challenging matter. He values both quality and quantity when it comes to real estate portfolios and emphasizes that the challenge is in finding large quantities of good quality projects. From the industry’s point of view the most challenging thing is finding skillful project developers and further educating them to become even better, Väänänen thinks. In his opinion the industry is facing some level of labor shortage. Another issue he also mentions is pricing and valuations. For example, landowners might always not get the profit they are expecting; this causes problems in pricing. Valuations of land and properties are vulnerable to market distortion caused by building and housing restrictions set by the city or municipality.

Mutanen (2022) lists budgeting as the most difficult thing he has encountered. Not only does this apply to money but time as well. In most cases the projects take more time than anticipated, which also causes changes in monetary budgeting.

Each developer has faced different challenges during their time as a professional. This just goes to show that everyone struggles with different things, but some of the more general bottlenecks can be avoided by thorough research beforehand. As in also other areas of business, time and money are the crucial assets in real estate development as well. In some cases, labor

shortages can place challenges, so finding skillful employees and colleagues and maintaining healthy relationships with them is advisable.

#### 4.1.8 Question 8

*“If you could give one piece of advice to yourself as a starting real-estate developer, what would it be?”*

The one advice Pitkäkoski (2022) would give himself as a beginning professional, is to keep one’s feet on the ground and have self-belief. One should not go forward too arrogantly but rather maintain a committed and self-trusting attitude.

The advice Väänänen (2022) would give to himself is that he would have done even more thorough research about the industry and the basic logic around how the industry works. He also advises to do research about the basics of construction before entering the industry. Learning about the profit configuration and how profit is actually made and can be made in the industry is also advised.

Simply put, Mutanen (2022) would say to himself “double the budget and double the time”. He would carry out more research about the industry and be more critical in project planning.

Once again, the importance of research is emphasized. The better one understands the basics, the more skillful they are in adapting them to different scenarios. In the very beginning leaving some “slack” in the budget may result in savings later on, as one cannot base budgeting on experience. Maintaining a certain degree of humbleness when first entering the industry presents one with learning opportunities and leaves room for professional growth.

#### 4.1.9 Question 9

*“If you would consider expanding your operations abroad, or already have, how would you go on about it, or how have you gone about it?”*

As per question one, Pitkäkoski (2022) believes that regardless of the operational environment, establishing a new business should begin with thorough market research and a careful study of the target environment.

When it comes to this question, Väänänen (2022) follows in the footsteps of Pitkäkoski highlighting the importance of market research and target market study. Väänänen also tries to avoid comparing markets abroad to domestic markets too much, as a favorable way of doing business domestically is not necessarily a favorable way abroad.

Mutanen (2022) has no international experience and plans to stay within the current environment in the future as well. He highly praises the condominium system in Finland as it includes for example the inhabitants dividing the maintenance costs based on their accommodation. This eases the day-to-day operations within the rental property industry.

Even though question one was about establishing a real estate company in general, the answers do not differ greatly from the answers to question nine. Both instances address the beginning phase of a development company or project, so the answers are much alike, research being the main objective in both questions.

## 4.2 The starting steps of a real estate development company

Based on the analysis of existing sources of information and in-person discussions with industry professionals the authors have come to the conclusion that the key aspects of entering such an industry are as follows:

- (1) Research the desired target market
- (2) Decide upon the most suitable business model for the target market
- (3) Start scoping suitable development projects within the target market and research all parties involved
- (4) Seek funding options and partnership possibilities
- (5) Set achievable goals and timelines for the project

In the interviews as well as existing sources research has been highlighted multiple times. Through research, aspiring entrepreneurs can minimize the risks and gain understanding of how to better optimize their business ventures. All of the professionals thought that carrying out detailed research on the market in the target environment will assist greatly in establishing a profitable business. It is the research done beforehand that limits the financial risks, something crucial to any functional company in this industry. Especially in the international circumstances research should be valued, as the target market of new operations is always new and uncharted.

As was found from the interviews there is not a single business model suitable for all real estate development businesses, but rather the business model can and most likely will change and evolve as the company takes its shape. The ability to adjust the business model according to the market becomes valuable in the international market as different business cultures and legal environments are more fit for some business models than others. The business model is highly dependent on multiple factors; therefore, it cannot be pre-determined to last a lifetime.

Both existing sources and information found via this study verify that one of the key aspects for a functioning international real estate development company is that all parties related to the development process are satisfied with the end result in order to create sustainable and profitable business. Keeping this in mind during the starting steps of a newly established international real estate company ensures long lasting partnerships with industry professionals and prosperous customer relationships in the long run.

To ensure all parties' satisfaction with the project, realistic goals are important. By the achievement of these goals the entrepreneur will gain trust in him/herself. This was highlighted as a prominent factor in the interviews. By setting these goals it is also easier to follow progress and pinpoint weak points in future projects.

When it comes to the challenges, among all the interviewees the most challenging thing was the discovery of high-quality development projects. Finding the new development projects goes hand in hand with the market research but is something a beginning entrepreneur might overlook.

In the very beginning, seeking funding will require time and resources, but it is vital in order to get the company up and running. The best option is to secure as much funding before the start of the development project or to ensure that the funding will come from the development itself. Having multiple options of funding to choose from is beneficial and something that can be achieved by networking. Contacting and getting to know other industry professionals, investors or investing companies, bank officials and professionals of construction will open up opportunities for funding and partnerships of a different nature and will be essential in the long run as well.

Budgeting is a crucial factor when considering funding. Through budgeting it is possible to minimize the risk factor caused by unexpected costs. When a budget for a project is created and followed, excessive spending can and will be avoided. Acquiring excessive funds for a certain part of a project will exclude the funds for something that would require them.

## 5 Discussion

When taking into account the current global situation, real estate development will acquire a larger market share from actual construction companies in the field of building housing and commercial real estate. The ongoing evolution of property development and housing ideology has undoubtedly made the industry a compelling subject for a beginning entrepreneur and will continue to do so in the future as well. On the other hand, the current situation, especially from the political point of view, prospects threats within the industry. Certain areas are faced with too many insecurities from an international company's point of view to consider establishing operations in them to begin with. Political factors also affect material burden costs and supply chain management which may shift the direction of profitable locations geographically.

The main objective of this study was to provide an insight into the industry and map out the starting steps of a new internationally operating real estate company. The objective was achieved. The authors were able to conduct interviews with industry professionals, which resulted in the acquisition of knowledge not found to be available beforehand. It must be noted that the extent and scope of this study limit the direct and full adaptability of it to real life scenarios. It can however be used as a guide pointing towards important aspects for further research.

When comparing the information gained from the interviews to the already existing research and studies about the topic, similarities were found. For example, both the interviewees and existing works placed emphasis on the importance of the project acquisition process. Also, the already discussed value of overall research conducted beforehand was a recurring theme in both the interviews and existing sources.

Conducting a more profound study of the subject would require a more comprehensive sample when it comes to the number of interviewees. For the

topics of further research, the authors suggest, for example, a closer analysis of specific countries and their suitability for real estate development purposes or a study focused on international real estate law.

To some extent quality conciliates quantity but recruiting a greater number of interviewees with international experience would lower the research bias. Also, by researching the diminutive existing knowledge about the subject in a more detailed manner could result in more comprehensive results.

Producing this thesis was an educational experience for both of the authors. It provided them with a wider understanding of the topic and the industry in general. Via this thesis, the authors were given the opportunity to meet and discuss industry related matters, interview industry professionals and gain access to hands on knowledge that could not be found from other sources, as well as hear and learn from their experiences.

The authors hope that by providing this information not previously discussed in the form of a thesis they can give access to new information to individuals interested in the topic. They also hope that this thesis will inspire future individuals to study the topic even further and in more detail.

## 6 Conclusions

The outcome of this study offers the reader a general idea and guidelines of the beginning steps of establishing an international real estate development company.

Based on the interviews and existing knowledge it can be conducted that there is a niche for such a company to operate in. In order to successfully launch such a company, vast amounts of further and more in-detail research should be conducted. Such a company should be established to a single location before considering operations in different countries in order to avoid a non-manageable entity. The acquirement of partnerships early on is highly advisable.

Real estate development is a promising industry which will evolve and develop its shape and nature in the coming years. Even though it is hard to predict what real estate development will look like in ten years, it will keep on existing and influencing society, like it has throughout history.

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