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# Real Estate Investors Perception towards Investments

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**Abstract**

Investing in real estate presents investors with the potential to make financial profits. The ownership of investment properties can help with wealth accumulation, income enhancement and portfolio diversification. Despite the wide variety of different kinds of assets in the real estate market, we can divide the majority of properties into two categories. Living quarters Investment real estate may include residential real estate and land. Residential investments typically encompass homes, townhouses and condominiums. There are two types of residential properties: single-family homes and multi-family homes. An investment in commercial real estate may involve the ownership of retail stories, office buildings, storage facilities and warehouses. These are all examples of commercial real estate investments. When compared to residential real estate investments, commercial real estate investments often involve a greater amount of work and cost. Investing in real estate involves a number of challenges, including high value, legal formalities, the registration process and a low liquidity position, among other things. There are a variety of elements that influence the behaviour of real estate investors, including demographic factors, socioeconomic background, lifestyle and so on. Despite the fact that investors typically arrange their investments in order to accomplish specific goals, real estate investors' behavior can vary greatly.

**Key words:** Investments, Residential, Risk, Legal

## Introduction

Real estate investments Real estate that generates income or serves other investment purposes, rather than serving as a primary residence, is known as investment real estate. Investors often own multiple pieces of real estate, with one serving as a primary residence and the others generating rental income and profits through price appreciation. The tax implications for investment real estate are often different than those for residential real estate. Real estate investments can provide investors with opportunities for financial gain. Owning investment properties can help build wealth, increase income and diversify an investment portfolio. The real estate market offers a wide variety of properties, yet most fall into one of two categories.

### Residential
Investment real estate can include residential land and properties. Residential investments typically involve homes, townhouses and condominiums. Residential properties can be multi-family or single-family units.

### Commercial
An investment in commercial real estate might involve the ownership of retail stores, office buildings, or storage facilities and warehouses. Investments in commercial real estate is typically more involved and costly than residential investments. Commercial property leases can be longer than a residential rental agreement. Both the costs and profitability are usually measured on a per-square-foot basis. Benefits to Investment Real Estate : The benefits of investing in real estate are numerous and can vary depending on the goal of the investor. How much money to invest in a real estate property can depend on the investor's risk tolerance. Also, an investor's time horizon is important to consider when making such a large purchase or investment. Some investors invest in real estate to diversify their money away from the stock market. Other investors want their money invested in physical assets instead of securities, such as equities or bonds. Two of the primary benefits of investing in real estate, both residential and commercial, includes the following.

### Capital Appreciation

Investment properties can realize capital gains for investors due to property value increases over time. A capital gain is a profit that results from the difference between the original purchase price and the sale price of the property. Of course, investors can only realise the capital gain after they sell it. However, prices have risen dramatically over the last few decades as demand for housing has increased. Both supply and demand play a role in earning capital gains from real estate. If there are fewer properties in a geographic region or less supply, property prices tend to appreciate–all else being equal.

**Risks to Investment in Real Estate**

Real estate can involve a significant amount of upfront capital and debt in the form of borrowing from a bank. Also, it doesn't provide an immediate financial gain, meaning it can take many years to make a profit or get back the initial investment. Economic downturns can cause difficulty in finding tenants, particularly with commercial properties. If businesses are going out of business or losing money, they may be unable to pay their rent. In a recession, it can be quite difficult to find tenants for commercial properties. As a result, the owner would have to pay for the upkeep of the property and any mortgage payments to the bank for buying the property. There are also risks to investing in residential properties. Difficult situations can arise when managing tenants. Cost overruns for refurbishing or repairs can occur and the investor may need to commit additional funds. Tenants can always have an emergency in the middle of the night, which can lead to more time spent managing the property. The good news is that real estate investors can hire a property manager to manage and oversee the repairs and collection of rent payments for both local and out-of-town investment properties. However, the cost of a property manager will eat into the monthly income received, which would translate into a longer time before the property turns a profit and the investor gets the initial investment back.

**Problem Statement**

This study is being conducted with the purpose of determining the socioeconomic elements that have an impact on investing decisions, as well as the ways in which these factors influence risk tolerance and the decision-making process. In the same way that investment in any other form of business does not automatically ensure returns or profile, investing in real estate does not inherently guarantee either. It is necessary to concrete understanding of the components of real estate investing. On the other hand, it is quite important and can help reduce the level of risk involved. The following is a list of significant factors that pertain to real estate investment. The reasons why you should get it correctly before you even think about investing in it. Whether you are interested in purchasing land or a property that has already been constructed, it is essential that you decide the purpose for which you intend to put the property to use. This will help you avoid making mistakes that might wind up being very expensive. During the course of ownership, investors take into consideration the possibility that the value of the property will increase. If they were to resell abuse that had been improved, was well maintained and had a strategic location, they could anticipate making a bigger profit than they would have otherwise.

**Objectives**

1. Understanding the various socioeconomic elements determines real estate investments.
2. To examine the investors' perspectives regarding the reasons for investing in real estate
3. To know the perspectives of investors with regard to the risks associated with real estate investing.

**Sampling**

The real estate investors were selected from various places in Cuddalore District in order to undertake the current study. Questionnaires were used to collect the data from the 150 respondents, who were selected from investors in Cuddalore District. Seven questionnaires were incomplete and not included in the data collection. Therefore, the present study comprises 143 respondents from the study area of Cuddalore District.

**Profiles of investors**

Table 1 shows the socioeconomic factors like age, gender, education, working nature, income of the investors in real estate. The investment habits of the participants in relation to prolife variables have been collected and presented.

**Table 1 Profiles of the Investors**

| Profiles | | No. of Respondents | Percentage |
|---|---|---|---|
| Age (Years) | 18 to 27 | 27 | 18.88 |
| | 28 to 37 | 61 | 42.66 |
| | 38 to 47 | 35 | 24.48 |
| | 48 and above | 20 | 13.99 |
| | **Total** | **143** | **100.00** |
| Gender | Male | 74 | 51.75 |

| | | | |
|---|---|---|---|
| | Female | 69 | 48.25 |
| | **Total** | **143** | **100.00** |
| Education | High school and below | 47 | 32.87 |
| | Undergraduate | 36 | 25.17 |
| | Graduate | 60 | 41.96 |
| | **Total** | **143** | **100.00** |
| Occupation | Non-worker/house wife | 20 | 13.99 |
| | Businessmen/Self-employed | 55 | 38.46 |
| | Private sector employee | 50 | 34.97 |
| | Government employee | 18 | 12.59 |
| | **Total** | **143** | **100.00** |
| Income level | ₹. 35,000 | 24 | 16.78 |
| | ₹. 35,001 to ₹.70,000 | 58 | 40.56 |
| | ₹. 70,001 to ₹.1,00,000 | 44 | 30.77 |
| | Above ₹. 1,00,000 | 17 | 11.89 |
| | **Total** | **143** | **100.00** |

**Source:** Primary Data

Table 1 shows that out of a total 143, there were 27 (18.88 %) respondents belonging to the age group of 18 to 27 years, 61 (42.66 %) respondents belonging to the age group of 28 to 37 years, 35 (24.48%) respondents belonging to the age group of 38 to 47 years and 20 (13.99%) respondents belonging to the age group of above 47 years. The gender represents that, 74 (51.75 %) are male and 69 (48.25%) are female respondents. The proportion of male respondents is significantly higher for investment decision making in real estate investments.

Occupation is greatly influenced by the higher income and investment habits of a person. Occupation influences a person's various investment choices. It shows 20 (13.99 %) respondents are non-worker/house wife, 55 (38.46 %) respondents are businessmen/self-employed, 50 (34.97%) respondents are in the employed in private sectors and 18 (12.59%) respondents are other category in the study.

Income is the sum of all the wages, salaries and other forms of earnings received by investors during a month in the study period. The collected data indicates that 24 (16.78 %) respondents belong to the income category of Rs. less than 35,000 and 58 (40.56%) fall between Rs. 35,001 and Rs. 70,000. Then 44 (30.77%) respondents fall between the income categories of Rs. 70,001 and Rs. 1,00,000. And another 17 (11.89%) come under the income group of Rs. 1,00,000 and above.

**Investors opinion on the purpose of investment in real estate**

Real estate is a form of real property, meaning that it is something you own that is attached to a piece of land. It can be used for residential, commercial, or industrial purposes and typically includes any resources on the land, such as water or minerals. Real estate is generally the most valuable asset a person can acquire, as it typically appreciates over time. The purpose of real estate is appreciation, which is one of the real estate benefits most commonly associated with this form of investing and with good reason. When the overall value of an asset increases from the time of purchase to the time of sale, you earn appreciation. For real estate, this can mean significant gains due to the generally high prices of the assets. However, it's crucial to remember that appreciation is a one-time thing and only provides money when you sell, not along the way. Still, real estate investors often enjoy appreciation on rent as time goes on, providing boosts to income. Hence, this study is undertaken to analyse the purpose of investment, as summarised in Table 2.

**Table 2 Purpose of Investments in Real Estate**

| S. No. | Particulars | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree | Total |
|---|---|---|---|---|---|---|---|
| 1. | To earn returns on money | 55 | 68 | 10 | 2 | 8 | 143 |
| | | 38.46 | 47.55 | 6.99 | 1.40 | 5.59 | 100.00 |
| 2. | Future Financial Needs | 56 | 48 | 25 | 12 | 2 | 143 |
| | | 39.16 | 33.57 | 17.48 | 8.39 | 1.40 | 100.00 |
| 3. | Wealth Maximization | 64 | 45 | 22 | 11 | 1 | 143 |
| | | 44.76 | 31.47 | 15.38 | 7.69 | 0.70 | 100.00 |
| 4. | Portfolio Management | 53 | 46 | 18 | 15 | 11 | 143 |
| | | 37.06 | 32.17 | 12.59 | 10.49 | 7.69 | 100.00 |
| 5. | High safety on investments | 70 | 49 | 13 | 9 | 2 | 143 |
| | | 48.95 | 34.27 | 9.09 | 6.29 | 1.40 | 100.00 |
| 6. | Use of residential/ commercial | 58 | 52 | 22 | 5 | 6 | 143 |
| | | 40.56 | 36.36 | 15.38 | 3.50 | 4.20 | 100.00 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 7. | Provides stable financial security | 33 | 57 | 28 | 11 | 14 | 143 |
| | | 23.08 | 39.86 | 19.58 | 7.69 | 9.79 | 100.00 |

**Source:** Primary Data

Out of the total 143 investors selected in the study area, 86.01 percent agree with earning returns on money and 83.22 percent agree with safety on investments, which is of the highest importance since more than four out of five respondents accepted these statements. About 76.92 percent agree with the use of residential or commercial purposes; 76.22 percent believe that maximising wealth is important since more than 3 out of 5 respondents agree with these statements. The purpose of investments is to meet future financial needs (72.73%), portfolio management (69.23%) and provide stable financial security (62.94%).

**The risks of investing in real estate**

The risk perception of an investor is the investor's evaluation of the potential risks that may be encountered when making a decision regarding an investment. The risk perception of each individual is dependent on the unique psychological characteristics of that individual, which will ultimately influence the investment decision that they make. The investor risk perceptions towards real estate investments were collected and presented in Table 3.

**Table 3 Risks in Real Estate Investments**

| S. No. | Risks | Very High | High | Moderate | Low | Very Low | Total |
|---|---|---|---|---|---|---|---|
| 1. | Investment Risks | 3 | 8 | 28 | 52 | 52 | 143 |
| | | 2.10 | 5.59 | 19.58 | 36.36 | 36.36 | 100.00 |
| 2. | Risks in the resale value | 8 | 8 | 15 | 45 | 67 | 143 |
| | | 5.59 | 5.59 | 10.49 | 31.47 | 46.85 | 100.00 |
| 3. | Legal factors | 58 | 55 | 15 | 9 | 6 | 143 |
| | | 40.56 | 38.46 | 10.49 | 6.29 | 4.20 | 100.00 |
| 4. | Expenses in registration | 52 | 61 | 18 | 7 | 5 | 143 |
| | | 36.36 | 42.66 | 12.59 | 4.90 | 3.50 | 100.00 |
| 5. | Safety of investments | 42 | 54 | 13 | 31 | 3 | 143 |
| | | 29.37 | 37.76 | 9.09 | 21.68 | 2.10 | 100.00 |

**Source:** Primary Data

Table 3 clearly indicates that 2.10%, 5.59%, 19.58%, 36.36% and 36.36% agree with very low, low, neutral, high and very high investment risks in real estate. Similarly, the respondents of 5.59%, 5.59%, 10.49%, 31.47% and 46.85% agree with very low, low, neutral, high and very high risks of resale value in real estate. However, 40.56%, 38.46%, 10.49%, 6.29% and 4.20% of respondents agree with very low, low, neutral, high and very high risks of legal factors in real estate. The respondents (36.36%, 42.66%, 12.59%, 4.90% and 3.50%) agree with very low, low, neutral, high and very high registration costs in real estate. The respondents (29.37, 37.76, 9.09, 21.68 and 2.10%) agree with very low, low, neutral, high and very high investment safety in real estate. Hence, this analysis concluded that real estate investing can be lucrative, but it's important to understand the risks. Key risks include bad locations, registration charges and legal factors.

**Suggestions and conclusions**

Investing in real estate, like investing in any other kind of business, does not automatically guarantee either returns or profits. However, having a solid understanding of the components that go into real estate investing is highly important and can help to lower the level of risk involved. Here are some major factors to consider when investing in real estate:

The potential for making a profit in real estate is strongly influenced by factors such as location, which play a significant role in the sector. Properties that are located in areas or neighbourhoods that are not well developed have a greater propensity to bring in less income compared to those that are located in areas or neighbourhoods that are in good proximity to amenities. When buying a property, investors should consider legal factors when investing in it. Before purchasing land or a property that has already been constructed, it is imperative that determine the property to get the purchase of particular uses and documents in order to avoid making legal mistakes. For Investors will also consider the potential for the property's worth to increase over the course of ownership. If you were to resell a house that had been upgraded, was well maintained and had a strategic location, you could expect to make a greater profit. The decision-makers in charge of policy should also be responsible for drafting and adhering to stringent legal procedures regarding the title of real estate and expenses associated with real estate investments. This will help investors make better choices and guarantee that they choose the ideal property.

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