

BECOMING GOLIATH

REAL ESTATE PORTFOLIO MANAGEMENT

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PURPOSE

As a result of the Corona virus the economic climate has become critical. Many restaurants, cafés and retailers have faced bankruptcy. This in turn has affected their landlords who are now facing vacancies and missed payments. In particular smaller landlords. We started to think if there was something that could have been done differently or if there was a way to protect smaller landlords in the future. Our mission became to build stronger positions for smaller landlords who sought to spread their risk but didn't have the capital needed to expand.

OUR IDEA

The idea is to implement portfolio theory on smaller landlords properties and thereby imitating the diversification that larger real estate companies achieve by holding larger portfolios of properties all over Sweden. By combining smaller to midsize properties, weighing them accordingly to minimize risk and obtain a stable return, this could work as a cushion through uncertain times, just like the one we are in right now.

PROCESS

DESIGN THINKING

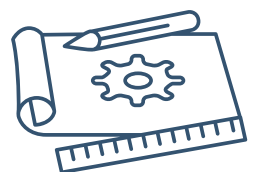


EMPATHIZE: a problem that has been highlighted through the crisis.



DEFINE: smaller to midsize landlords.

IDEATE: minimizing the risk through applying portfolio theory.



PROTOTYPE: Building a portfolio model in Excel.



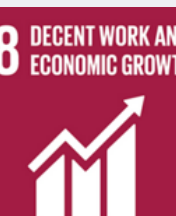
TEST: Crunching data from annual reports through our excel model.

GOALS TARGETED

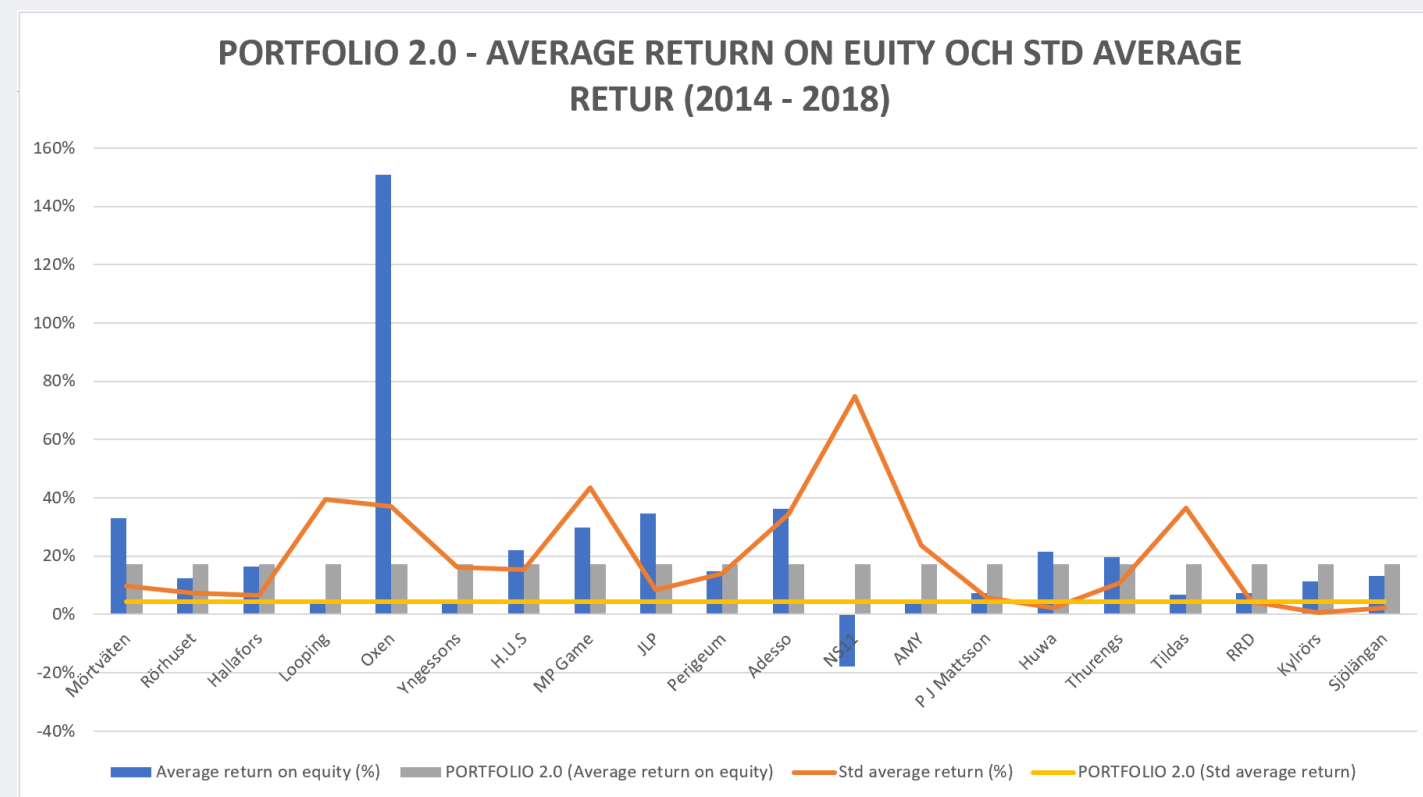
These two goals are interlinked since a person's wellbeing and health can be negatively impacted by financial distress.



Landlords joining the portfolio can potentially gain better lending terms from banks and thereby improve economic growth.



RESULTS



The results show that on average, a small landlord would get a higher return on equity with a lesser risk, making their returns more stable over time.

CHALLENGES

Several challenges were encountered during our journey. Most crucially, adapting to the external environment forcing us to come up with a new project idea. Also project specific problems rise in how to develop the legal framework for the portfolio and that there's impossible to avoid systematic risk.

LOOKING FORWARD

We hope that our project can act as a first step towards a discussion and awareness of the benefits associated with real estate portfolio management in Sweden, especially among smaller landlords since these are exposed to the highest risk. Only the future will tell if the Davids of the Swedish property market will gather up in a joint effort and become Goliath themselves.

