PROMOTION INVESTMENT EVOLUTION OF CONSTRUCTION REAL ESTATE PROJECTS

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The success of real estate projects is not only related to the quality of the product but also to the commercial strategy and understanding how to manage resources and distribute them properly such that the information arrives to the interested audience. The purpose of this study is to determine the evolution of the promotion investment for real estate projects located in Quito, Ecuador throughout the last 20 years. For this, researchers collected commercial and general variables for 339 real estate business plans for projects that were built between 2005 and 2021. The information was recorded in a matrix and then analyzed to identify correlations and trends between the variables. Projects were classified by their type of construction, size, and socioeconomic level, and the percentage of investment in advertising for each of them was identified. The paper shows the evolution of the investment distribution according to different types of advertising avenues and projects. Practitioners can use the results as a guide to develop promotion strategy in order to invest promotion resources in a real estate project and predict its commercial performance.

Keywords: Investment in construction, Commercial variables, Construction promotion, Construction advertisement evolution.

1 INTRODUCTION

The success of a real estate project is reflected in the number of apartment/houses/offices sales and the speed at which the sales are made. However, when we talk about the area of construction, we also involve the dynamism of a country's economy. Knowing that construction will depend on the management of resources and the given planning, it can be affirmed that an inefficient performance in a considerable number of areas covered by construction can translate into economic losses that will ultimately affect the objectives initially set. Since the area of promotion is key for the success of a project, companies should not waste resources on inefficient campaigns that cannot reach the expected objectives (Pulgar Sánchez and Ashqui Alulema 2017). The commercial strategies within a project focus on the form of sale and can directly affect its success or failure. According to Mogrovejo, not having a good advertising department and a specialized public relations team can result in inefficient expenses and slower sales (Arrese 2021).

The use of social networks or digital media, for example, makes a company more innovative in the execution and communication of its product, thus resulting in a lower risk of failure in the direct execution of the plan (Real et al. 2014). According to the study of Isidro Real, at least 50% of the companies interviewed do not use any commercial or communication strategies, and another 40% would not use commercial strategies through digital media for their promotion (Real et al.
Another strategic point is sales. Real estate companies have great benefits from effective marketing by adding profits to sales (Dikmen et al. 2005). It helps the company to develop a new brand identity that allows it to enter a new market, providing reputation, loyalty, and quality of the offered product to the customer.

The objective of this study is to analyze and understand the evolution that the real estate sector has had in terms of strategies and sales in Quito, Ecuador. This study contains an analysis of sales promotion investments in 339 business plans for residential and commercial projects in the city. An analysis of the evolution of the strategies used in real estate projects from 2005 to 2022 will be carried out.

2 BACKGROUND

The real estate market is the compound of supply and demand actions of real property. The difference between the different assets that exist is the project type, such as: commercial, residential, industrial, or urban. All of these are part of a country’s economy. Within the real estate market there are promotional as well as investment activities carried out through natural people or firms (Arrese 2021). In other words, it is an action that allows real estate projects to develop an activity that is linked to changes or transformations that tend to affect a country’s economy directly. This study will conduct a detailed analysis of real estate projects focused on the sale of houses, apartments, offices, industries, and suites. Special attention will be paid to how advertising has influenced these projects over time. The period from 2005 to 2020 will be considered, and the impact of advertising on the different social classes in Ecuador will be analyzed.

Understanding the business models in the construction sector and real estate is beneficial when it comes to identifying the company’s opportunities for success. Commercial strategies should aim to implement innovative communications with the clients. In the last few years, a more direct connection between clients and technology has been observed (Parasuraman et al. 2021). This means the client values and appreciates the use of technology that makes it easy to understand the type of project or product a company is advertising. When compared with construction companies, this tends to be a little more challenging because it requires the design and execution of marketing strategies focusing on a specific audience but still being able to adapt to the market and the competition utilizing similar tools (Parasuraman et al. 2021). According to Singh, advertising is essential when it comes to selling assets, including finding and targeting a massive market to distribute the product (Singh 2012).

In the marketing phase, the project is promoted and sold usually through a presale, where construction companies offer discounts to customers to motivate purchases. (Muro de Zaro García-Parreño 2013) To evaluate the feasibility of a real estate project, a couple of factors need to be assessed; costs, financing, pricing evaluation, strategic sales, clients, and rentability must be considered. The feasibility of a project will also show the analysis of consumer demand for a product or service. This analysis is often known as a market study. The main purpose of a market study is to provide critical information about the market and business landscape. Therefore, a market study is the analysis of data to predict the likelihood that a product or service will be accepted by a group within society (Parasuraman et al. 2021). It is convenient to have a wide notion of the market, including all the company’s surrounding environment: consumers, users, providers, competitors, and political, legal, economic, or social limitations (Parasuraman et al. 2021). The construction market and the client satisfaction with the shortest delivery time will turn their necessities into solutions and bring quality services. A market analysis must be completed, in which the social and economic variables that relate to the project are identified. For this, sales must be managed and turned into an optimal reference for future projects, attaining active commercial
attention and emphasizing the statistical data, the social environment, and more of the client’s parameters, allowing the offer of an appropriate product (Cadena Vivas 2018). The cost analysis is a procedure that allows the identification and evaluation of the necessary resources for a project’s execution in terms of quantity and quality (Corrales Ojeado 2016). Therefore, it is necessary to analyze the project’s total cost, including construction costs per square meter (m²) of buildable and useful area (Garrido et al. 2018). Afterward, it is essential to develop a total cost estimation plan to determine the monthly financial flow and the totality of the project’s expenses and, therefore, its rentability.

3 METHODOLOGY

This study uses a qualitative multiple case study research approach to allow researchers to contrast different situations in the real estate sector, which can lead to a more complete and accurate understanding of the variables and to identifying common patterns and trends that may be useful in informing decision-making in the real estate sector (Abarca et al. 2013, Yin 2014). Document analysis was used to explore the variables of promotion and investment in the real estate sector, such as the decision-making of property buyers and sellers, the dynamics of the real estate market, and the experiences of real estate agents (Creswell and Creswell 2017). The information was compiled into a database that included commercial, residential, and administrative projects. Through the case study, the projects were organized by main characteristics called variables. Two variables were determined from the 339 real estate projects in Ecuador (Zenaida 2012). The first variable was the investment for development, and the other was project characteristics, including project type, total cost, type of development, and socioeconomic objective.

4 RESULTS

The results were recorded in a matrix that contains the results of the project analysis. Due to the large number of projects, an additional parameter was established to analyze the evolution of the projects in periods of 5 years, starting in 2005 and ending in 2021. Projects were classified according to construction area. The standard measurements established for the following tables and graphs at distinct levels—small (S), medium (M), large (L), and extra-large (EL)—were based on the total construction area covered by each real estate project. That is, for small projects, a range of 0 to 4000 m² was established; medium projects, 4000 to 5000 m²; large projects, 5000 to 6500 m²; and extra-large projects, larger than 6500 m² of construction.

The left panel of Figure 1 shows how the size of houses (small, medium, large, extra-large) has changed over different periods of time inside and outside of Quito. From the period of 2005 to 2010, with a total of 35 real estate projects, the houses built within the city of Quito numbered 15 small, 2 medium, 2 large, and 4 extra-large, while the houses outside the city within the same period numbered 5 small, 2 medium, 2 large, and 3 extra-large. From the period of 2011 to 2015, with a total of 54 real estate projects, the houses built within the city of Quito numbered 13 small, 9 medium, 5 large, and 9 extra-large, while houses outside the city within the same period numbered 9 small, 3 medium, 0 large, and 6 extra-large. From the period of 2016 to 2020, with a total of 51 real estate projects, the houses built within the city of Quito numbered 16 small, 7 medium, 3 large, and 11 extra-large, while houses outside the city within the same period numbered 6 small, 2 medium, 0 large, and 6 extra-large.

The right panel of Figure 1 represents how the size of buildings (small, medium, large, extra-large) has changed over different periods of time inside and outside Quito. From the period of 2006 to 2010, with a total of 47 real estate projects, the buildings built within the city of Quito numbered 30 small, 5 medium, 1 large and 9 extra-large, while buildings outside the city within this same
period numbered 2 small. From the period of 2011 to 2015, with a total of 93 real estate projects, the buildings built within the city of Quito numbered 31 small, 15 medium, 10 large and 23 extra-large, while buildings outside the city within this same period numbered 8 small, 2 medium, 3 large and 1 extra-large. From the period of 2016 to 2020, with a total of 59 real estate projects, the buildings built within the city of Quito numbered 24 small, 13 medium, 6 large and 9 extra-large, while buildings outside the city within this same period numbered 8 small, 2 medium, 3 large and 1 extra-large.

![Classification of house and building projects over time according to their construction area.](image)

**Figure 1.** Classification of house and building projects over time according to their construction area.

### 4.1 Investment in Media Types

Based on the methodology, a definitive matrix was created after analyzing the more than 300 real estate projects in Quito and its surroundings. The matrix contains the results of project analysis, collecting the most important variables (Type and Size, Target, Investment in promotion, and Investment in media types). With this matrix, it was possible to graph the change in the type of advertising over the years; given the large number of projects, an analysis of a period of 6 years was established to better appreciate the evolution of investments in the types of advertising. Identifying investment changes in advertising types was one of the expected results, and the following table shows the evolution in three different stages. Table 1 classifies the most common advertising media resulting from the analysis of the 339 real estate projects, showing their usage percentages throughout the three stages of analysis from 2005 to 2020. The data clearly shows a shift in investment from one type of media to another, meaning that in some cases there has been a significant increase in previous years, while in others the percentage has decreased considerably. The final investment percentages are shown in the Table 1.

<table>
<thead>
<tr>
<th>Period</th>
<th>Construction</th>
<th>Networks</th>
<th>Web</th>
<th>Brochure</th>
<th>Billboard</th>
<th>Magazines</th>
<th>Newspapers</th>
<th>Radio</th>
<th>Housing Fairs</th>
<th>Model apartment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-2010</td>
<td>Houses</td>
<td>5.71%</td>
<td>60.00%</td>
<td>37.14%</td>
<td>57.14%</td>
<td>31.43%</td>
<td>22.86%</td>
<td>62.86%</td>
<td>34.29%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Buildings</td>
<td>6.38%</td>
<td>48.94%</td>
<td>42.55%</td>
<td>51.06%</td>
<td>55.32%</td>
<td>25.53%</td>
<td>6.38%</td>
<td>57.45%</td>
<td>29.79%</td>
</tr>
<tr>
<td>2011-2015</td>
<td>Houses</td>
<td>20.37%</td>
<td>57.41%</td>
<td>64.81%</td>
<td>87.04%</td>
<td>24.07%</td>
<td>38.89%</td>
<td>18.52%</td>
<td>33.33%</td>
<td>25.93%</td>
</tr>
<tr>
<td></td>
<td>Buildings</td>
<td>34.41%</td>
<td>67.74%</td>
<td>49.46%</td>
<td>69.89%</td>
<td>68.82%</td>
<td>43.01%</td>
<td>10.75%</td>
<td>35.48%</td>
<td>27.96%</td>
</tr>
<tr>
<td>2015-2020</td>
<td>Houses</td>
<td>54.90%</td>
<td>84.31%</td>
<td>43.14%</td>
<td>66.67%</td>
<td>11.76%</td>
<td>11.76%</td>
<td>5.88%</td>
<td>43.14%</td>
<td>21.57%</td>
</tr>
<tr>
<td></td>
<td>Buildings</td>
<td>71.19%</td>
<td>69.49%</td>
<td>52.54%</td>
<td>84.75%</td>
<td>20.34%</td>
<td>13.56%</td>
<td>0.00%</td>
<td>38.98%</td>
<td>20.34%</td>
</tr>
</tbody>
</table>

The Table 2 illustrates the investment trend in relation to the type of advertising media, both for houses and buildings. The panels depict the investment trend in the real estate sector for the
periods between 2005 and 2020, for both residential and commercial properties. It is observed that digital media, such as websites and social networks, have been the preferred choice of real estate developers due to their greater impact compared to other media, such as radio, magazines, and newspapers, which have experienced a decline in usage. These results suggest the need for a solid digital marketing strategy for the success of real estate projects in the current market.

Table 2. Trend in the evolution of investment in advertising media.

![Graph](image)

5 DISCUSSION

Most projects in the periods 2006 to 2010, 2011 to 2015, and 2016 to 2020 were small buildings and houses, both inside and outside of the city of Quito, Ecuador. These results show that more small buildings are being constructed regardless of the time period. The supply of different projects with less social impact goes hand in hand with demand, reflecting a commercial status for buyers and sellers. These results demonstrate an impact on the market that reflects its behavior over the years and its subsequent evolution. The largest percentage, in terms of the objective socioeconomic level of each real estate project, is held by the middle social stratum with 40%, and the lowest average level is the lower-middle socioeconomic level with only 4% of the total projects. This explains the focus within the market to create real estate projects. Within these projects, the details of the finishes are considered based on the target audience of each project. Therefore, we must think of strategies to reach a target audience with higher purchasing power since we can obtain better profitability from those who are willing to pay more.

A notable increase in advertising investment for construction projects in Quito is observed. This investment varies depending on the location, with projects within the city receiving higher advertising budgets compared to those outside the city, which have lower total project costs. Consequently, media choices and investment levels differ between the two. Initially, magazines and real estate fairs took the lead in advertising investment, but social media has shown the most substantial growth over time, becoming the second-highest medium. This shift is attributed to the increased use of digital platforms and social media, while print media like magazines and newspapers have experienced a significant decline in investment.

The evolution of media trends highlights the remarkable growth of digital platforms and the decline of print media. Radio, on the other hand, has seen an inversely proportional reaction, with decreasing investment percentages over time, making it the medium with the lowest percentage since 2015. Despite these shifts, radio, billboards, housing fairs, and modeling apartments have maintained stable investment percentages within a close range of variation over the analyzed periods, indicating that project promoters continue to place their trust in these media for generating favorable outcomes.

Finally, the media with the greatest investor impact in the last period of analysis are billboards and websites, both with a percentage of 21%, closely followed by social media with 18%. These
results help us understand market behavior by letting us know that companies are increasingly adapting to the market profile by renewing their advertising media. Thanks to this, it is established that digital media will continue to grow while other media will become obsolete to the point of having a percentage of 0 in terms of investment.

6 CONCLUSION

In conclusion, the study shows that small buildings and houses make up the majority of real estate projects in Quito, Ecuador from 2006 to 2020. The middle social stratum is the main target audience, and details of the finishes are considered based on their preferences. The study also indicates that the best advertising media is chosen depending on the project’s socioeconomic level and location. The investment in advertising for buildings within Quito is higher than those outside, and digital media, particularly social media and websites, have become increasingly relevant in recent years, surpassing traditional media such as magazines, newspapers, and radio. This trend reflects the evolution of the media landscape, and real estate companies need to adapt to it with solid digital marketing strategies to ensure success in the current market.

References

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