

Evaluating Investment Decisions and Project Efficiency in the Real Estate Industry

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Abstract

The real estate sector entails a lot of money involved, takes time, and involves a number of uncertainties in terms of market and finances. For this reason, good decision-making processes for investments will help in achieving efficiency in their projects in their returns. This research will focus on analyzing the relationship between investment decision-making and project efficiency in the real estate sector. The research will focus on how elements like risk assessment on investments, expected rate of return from investments, market situations, and financial considerations affect the efficiency of projects in the real estate sector. The research will utilize a systematic research approach in finding out what factors affect the decision-making process when investing in real estate projects. The primary data could be obtained from relevant people through the use of structured questionnaire aided by the secondary data gotten from various reports, journals, and industries. The purpose of this research will be to find out the major factors that affect project efficiency and the significance of informed financial and investment decisions in the real estate developments.

Keywords: Investment Decisions, Project Efficiency, Real Estate Industry, Investment Risk, Expected Return, Market Conditions.

Introduction

The real estate industry is perhaps the largest contributor towards the economic growth of a nation. It helps in creating employment opportunities, encourages investments from both domestic as well as foreign companies, and acts as an important sector of allied industries like construction, banking, cement, steel, and infrastructure. Real estate sector in India has seen tremendous growth in the last two decades owing to increased rate of urbanization, rising population, increased disposable incomes, better infrastructure facilities, and governmental policies and initiatives. Decision making process in the context of real estate investment can be understood in terms of investing money in such projects that yield profits over a period of time at an acceptable level of risk. Factors that are considered in such decisions include the location of the project, approval of the project, market requirements, construction cost, source of funds, profitability, and rise in value of the property. Due to large amount of capital involved and a long investment horizon, developers and investors need to follow proper decision-making process. Project efficiency is a measure of the effectiveness of utilization of the available resources such as capital, land, labor, technology, and time in order to realize the project's goals. Efficient project management

guarantees on-time project completion, cost control, high-quality construction, customer satisfaction, and good financial performance of the company. Late project realization, project cost overrun, improper planning, regulation-related issues, and changes in the market conditions can negatively impact the profitability and efficiency of the project.

Review of Literature

Literature on investment decisions and efficiency of real estate projects stresses the need for analyzing risks, expected return, market situations, financial aspects, and uncertainties associated with projects before making any investment decisions. The recent literature suggests that the economic uncertainty and market situation changes impact performance of property investments and necessitate the risk analysis. The literature further suggests that political, economic, legal, financing, and market factors play an important role in the decision-making process related to real estate investments. Furthermore, technology advances and data-based approaches are being employed for better valuation and decision making.

The literature provides a robust platform for analyzing the impact of Investment Risk Assessment, Expected Return on Investment, and Market Conditions on the efficiency of real estate projects.

Muthulakshmi, V., & Jaisun, M. (2023): Muthulakshmi, V., & Jaisun, M. (2023) According to literature review, it has been seen that personal financial planning and assistance by financial planner is very important in meeting financial goals. It has been seen from various researches that the investor looks for good financial planners and people consulting financial planner usually manage their finances well.

Kasprowicz, T., Wójcik, R. R. (2023): Kasprowicz, T., Wójcik, R. R. (2023) It can clearly be understood from the literature that Investment through randomization is necessary while looking into the profitability and risk related to construction projects. It has been observed that probabilistic finance analysis proves to be useful when management looks into the efficiency of the project along with cost/revenue estimation

Hromada, E., Bednar, O., & Pavelka, T. (2023): Hromada, E., Bednar, O., & Pavelka, T. (2023) The study is concerned with the effects of the level of transactions on the housing price. The results show that high levels of transaction lead to higher house prices whereas lower levels of demand have greater impacts on the levels of transaction than on the price of housing..

Sesplaukis, A. (2023): Sesplaukis, A. (2023) This study provides a framework for developing a multicriteria decision making model in the evaluation of real estate investments using sustainability criteria of environmental, social, and economic aspects. The significance of this study is that it highlights the fact that the sustainability criteria do indeed have some effect on the profitability of real estate investments. Moreover, sustainability-oriented evaluation also enhances decision-making.

Mokaceeb, A. B., Marohra, Y. M., & M. A. (2024): Mokaceeb, A. B., Marohra, Y. M., & M. A. (2024) The competitiveness in real estate development may be improved not only by organizational means but also by utilizing digital technology. There have been numerous findings which confirm that technological advancements in the field of construction help to reduce the cost of the projects, decrease the rate of errors, improve the quality and decrease the time of construction despite the existence of such issues as funding, regulations, and professionals' availability.

“Raj, M.”, & Kumar, K. (2024): “Raj, M.”, & Kumar, K. (2024) From the literature review, it has been observed that LD is a very useful technique in making the operations in the construction industry of real estate more efficient. From the literature review, it has been observed that the LD helps to improve the performance of the projects as well as overcome the problems that are faced by the industry, including regulatory problems and fluctuations in the prices of the material.

Marotta, G., & Zureck, A. (2024): Marotta, G., & Zureck, A. (2024) According to the literature, financial literacy, specifically real estate literacy, plays a critical role in enhancing good financial decision-making and planning for the retirement phase. It has been proven that having sound knowledge about investments in real estate, equity release, and the blockchain industry will contribute towards financial well-being.

Anglin, P., & Gao, Y. (2024): Anglin, P., & Gao, Y. (2024) In this research, it becomes very clear that the market conditions indices have a great deal of importance in forecasting real estate prices

accurately. With the help of vector auto regression and using the data from 31 Canadian cities, it becomes quite clear that the effect of excess demand indices like sales to listings ratio and inventory indices is significant on real estate prices.

Aziz, F., Adnan, Y. M., Baharum, Z. A., & Foudzy, N. M. (2024): Aziz, F., Adnan, Y. M., Baharum, Z. A., & Foudzy, N. M. (2024). This paper discusses the real estate investment decision making process of institutions and finds out that there are three types of models which are normative, descriptive and prescriptive models. The paper explains that political, economical, legal and real estate market factors have an important impact on the decision of institution. This paper focuses on the shortage of studies in the developing world.

Uz-zaky, M. R., Suhardi, S., & Deseria, R. (2024): Uz-zaky, M. R., Suhardi, S., & Deseria, R. (2024) This research explores the effects of investment decisions, profitability, capital structure, and firm size on the valuation of property and real estate firms in Indonesia. The results show that there is a strong effect of investment decisions, profitability, and firm size on the company's value, but there is no strong effect of capital structure on the firm's value. Profitability is an important determinant of investor confidence and firm performance

Zelisko, P. (2025): Zelisko, P. (2025) The study evaluates real estate investments using both financial approaches and psychological elements. The study states that traditional methods such as net present value, internal rate of return, profitability index, and rate of return fail to provide an efficient evaluation without taking into account investor behavior. The paper shows the importance of market situations, institutional factors, and investor behavior in evaluating projects and investments. VIKOR is presented as a useful tool in real estate investments.

Leow, K., & Lindenthal, T. (2025): Leow, K., & Lindenthal, T. (2025) This paper aims at studying the role of machine learning algorithms in predicting the return on REITs and concludes that machine learning models outperform ordinary least square models. It is found that REITs are predictable to a greater extent than stocks and investors can earn significant economic profit from machine learning predictions.

Tang, Y., & Zhao, S. (2025): Tang, Y., & Zhao, S. (2025) In this research, the impact of demographic trends on the real estate market is evaluated using a deep learning algorithm called Long Short-Term Memory (LSTM). The LSTM model uses optimization strategies, adaptive learning rate, and data augmentation for enhancing the effectiveness of predictions. It was found that the suggested LSTM model makes more precise and robust predictions compared to conventional statistics models.

Qahtani, N. A., & Ozker, A. N. (2026): Qahtani, N. A., & Ozker, A. N. (2026) This research explores the impact of the changes in the tax burden on the behavior of households when making investment decisions in OECD countries. It is pointed out that variations in tax burdens on saving, capital gain, dividends, and interest income have an effect on the behavior of household portfolios and attitude towards risks. It is shown that the higher the tax system's complexity and volatility, the greater the preference for short-term and tax-preferable investments over long-term ones.

Denysenko, M., Breus, S., & Levchenko, O. (2026): Denysenko, M., Breus, S., & Levchenko, O. (2026) Research literature has shown that digital transformation has impacted strategic management within the construction industry using technologies such as BIM, AI, IoT, and digital platforms. Digital transformation has led to efficiency, transparency, coordination, and even opportunities for investments, notwithstanding challenges such as presence of regulation and poor digital infrastructure.

Research Gaps

An analysis of current literature indicates that existing literature on real estate investments has mainly concentrated on investment profitability, valuation of properties, trends and performance in the market. While this type of literature does offer useful knowledge about investment decision-making process, there is a dearth of literature on how investment decisions affect the efficiency of real estate projects. Also, past research has considered the investment risk, return on investment and other factors in isolation without looking at the effects that these factors have in combination on project efficiency. Moreover, there is a scarcity of literature that looks at the organizational level and assesses the effect of these factors on project efficiency within specific real estate organizations. Thus, this research seeks to fill this gap through an analysis of the impact of the assessment of investment risk, the expected return on investment, and the state of the market on the efficiency of real estate projects. These results will be

useful not only for contributing to the existing literature but also for providing practical suggestions on how to improve project efficiency.

Research Questions

- What is the effect of Investment Risk Assessment on Project Efficiency within the real estate industry?
- What is the effect of Expected Return on Investment on Project Efficiency?
- What is the effect of Market Conditions on Project Efficiency?
- What are the different factors affecting Project Efficiency in real estate projects?
- What are the demographic profile of the respondents of Investment Risk Assessment, Expected Return on Investment and Project Efficiency?
- What recommendations can be made for improvement of Project Efficiency from the findings of this study?

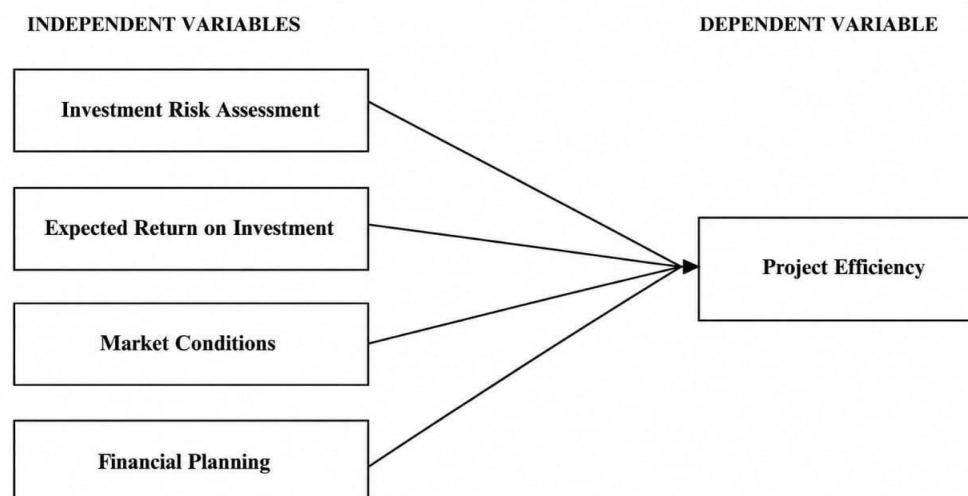
Objectives

- To understand the influence of Investment Risk Assessment on Project Efficiency.
- To Examine the role of Expected Return on Investment on Project Efficiency.
- To analyze the role of Market conditions on Project Efficiency.
- To analyse various factors, influence on project efficiency
- To provide suggestions based on results.
- To understand the demographic profile of the respondents as Investment Risk Assessment, Expected Return on Investment and Project Efficiency.

Hypothesis

- Investment Risk Assessment has a significant influence on Project Efficiency in real estate projects.
- Expected Return on Investment has a significant influence on Project Efficiency in real estate projects.
- Market Conditions have a significant influence on Project Efficiency in real estate projects.

Conceptional Framework



Research Methodology

A descriptive and analytical design can examine investment decisions and project efficiency using primary data from developers, project managers, analysts, consultants, valuers, finance professionals and investors, supported by available project data. The study may adopt convenience or purposive sampling depending on access to respondents. A structured questionnaire can be divided into six sections: demographic and professional profile; investment appraisal practices; risk-management practices; project management and efficiency; technology and data analytics; and overall investment/project performance. Responses can be measured using a five-point Likert scale ranging from Strongly Agree (5) to Strongly Disagree (1).

Data Analysis

Data analysis and interpretation play a significant role in the process of research because this allows to analyze the information received during data collection. In this study, the collected data will be analysed in order to understand factors that have an impact on the decision-making process of investment and efficiency of real estate projects.

This analysis will be mostly concentrated on Investment Risk Assessment, Expected Return on Investment and Market Conditions and their effect on Project Efficiency. The responses gathered by the researcher will be structured in a proper way and analysed using relevant statistical methods such as percentage analysis, mean, standard deviation, reliability analysis, correlation analysis and regression analysis. The results of this analysis will be shown in the form of tables and interpreted with regard to the relationships between variables under investigation

Frequency Analysis

Table 1: Age Wise Distribution of Respondents

Age	Frequency	Percentage
25 - 34 years	13	18.6%
35 - 44 years	15	21.4%
45 - 54 years	14	20.0%
55 years and above	6	8.6%
Below 25 years	22	31.4%
Grand Total	70	100%

Interpretation:

The age distribution of the 70 respondents shows that the largest group is individuals below 25 years, accounting for 31.4% (22 respondents). The age groups that make up 21.4% and 20.0% of the respondents are 35-44 years and 45-54 years, respectively, with 25-34 years making up 18.6%. The age group of 55 years and above constitutes the lowest 8.6%.

Table 2: Gender – Wise Distribution of Respondents

Gender	Frequency	Percentage
Female	32	45.7%
Male	38	54.3%
Grand Total	70	100%

Interpretation:

The total 70 participants, 54.3% were males and 45.7% were females. While males were more in favor of project efficiency, females were largely in agreement with investment risk assessment, return on investment, and project efficiency.

Table 3: Marital Status of Respondents

Marital Status	Frequency	Percentage
Married	39	55.7%
Unmarried	31	44.3%
Grand Total	70	100%

Interpretation:

Among the 70 respondents, 55.7% were married and 44.3% were unmarried, indicating a slightly higher representation of married respondents. This indicates that married individuals constituted a slightly larger proportion of the sample compared to unmarried individuals. 55.7% of Married respondents are take a medium risk in projects and give you medium returns. 44.3% of unmarried respondents are ready to invest in projects that are highly risky and gives a return.

Table 4: Monthly Income of Respondents

Monthly Income	Frequency	Percentage
₹25,000–₹50,000	10	14.3%
₹50,000–₹75,000	20	28.6%
₹75,000–₹1,00,000	14	20.0%
Above ₹1,00,000	6	8.6%
Below ₹25,000	20	28.6%
Grand Total	70	100%

Interpretation:

The monthly income distribution of the respondents indicates a diverse representation of income levels. Among the 70 respondents, the largest proportions were found in the income categories of below ₹25,000 and ₹50,000–₹75,000, each accounting for 20 respondents (28.6%). This was followed by respondents earning ₹75,000–₹1,00,000, comprising 14 respondents (20.0%). Additionally, 10 respondents (14.3%) reported a monthly income between ₹25,000 and ₹50,000, while only 6 respondents (8.6%) earned above ₹1,00,000 per month. 25.6% high project are ready. 20.0% Medium Projects are Ready. 28.6% Low Projects are Ready

Table 5: Investment Experience in Real Estate of Respondents

Investment Experience in Real Estate	Frequency	Percentage
1–3 years	16	22.9%
4–6 years	19	27.1%
7–10 years	11	15.7%
Less than 1 year	22	31.4%
More than 10 years	2	2.9%
Grand Total	70	100%

Interpretation:

More than half of the subjects had an experience level in investing in real estate that was below six years, while 31.4% had less than one year of experience. Just 2.9% of subjects had invested in real estate for more than 10 years.

Reliability Analysis:

The reliability test measures the consistency of a particular survey or measuring instrument. Cronbach's Alpha is widely applied for testing the extent to which the questions measure the same concept. The greater the alpha value, the more consistent the survey is and therefore increases the reliability of data collection.

Table 6: Reliability Analysis

Cronbach's Alpha	N of items
.929	4

Interpretation:

The result of reliability analysis of 70 respondents yielded a Cronbach's Alpha value of 0.929 which suggests very high internal consistency. The corrected item-total correlations varied between 0.784 and 0.912; hence, all four items were highly correlated with the scale. Given that the deletion of any item would decrease reliability, all four items were kept.

Correlation Analysis

Correlation analysis is a type of statistical analysis that is used to quantify the strength and direction of the association between two variables. This is a process that enables an analyst to

understand if any change in one variable is associated with change in another variable. The correlation coefficient varies between -1 and +1 where the closer the coefficient is to +1 the stronger the positive association, the closer the coefficient is to -1 the stronger the negative association, and the closer the coefficient is to zero means there is no linear association between the variables.

Table 7: Correlation Analysis

		IR	ER	MC	PE
IR	Pearson Correlation	1	.802**	.868***	.795***
	Sig. (2-tailed)		<.001	<.001	<.001
	N	60	60	60	60
ER	Pearson Correlation	.802***	1	.763***	.678***
	Sig. (2-tailed)	<.001		<.001	<.001
	N	60	60	60	60
MC	Pearson Correlation	.868***	.763***	1	.722***
	Sig. (2-tailed)	<.001	<.001		<.001
	N	60	60	60	60
PE	Pearson Correlation	.795***	.678***	.722***	1
	Sig. (2-tailed)	<.001	<.001	<.001	
	N	60	60	60	60

Interpretation:

As per Pearson correlation analysis, Investment Risk (IR), Expected Return (ER), Market Conditions (MC), and Project Efficiency (PE) have highly significant positive correlations with one another ($p < 0.001$). The highest degree of correlation was found between IR and MC ($r = 0.868$), IR and ER ($r = 0.802$), and IR and PE ($r = 0.795$). However, ER and PE had a relatively lower level of correlation ($r = 0.678$), yet this relationship was still significant.

Discussion

The study was concerned with the relationship between Investment Risk Assessment, Expected Return on Investment and Market Conditions on Project Efficiency in real estate ventures. The results of the study show that the instrument used was very reliable since its Cronbach's Alpha value was found to be 0.929. According to the correlation analysis, all the variables presented strong and statistically significant relationships. Investment Risk Assessment correlated significantly with Project Efficiency ($r = 0.795$, $p < 0.001$). The regression analysis revealed that the three independent variables accounted for 64% of variance in Project Efficiency ($R^2 = 0.640$). From among all the variables, only Investment Risk Assessment emerged as an important determinant of Project Efficiency ($\beta = 0.632$, $p < 0.001$), but not Expected Return and Market Conditions. The results obtained indicate that efficient risk assessment is the most vital factor for enhancing real estate project efficiency. This means that real estate organizations should enhance the processes of risk assessment, financing, and project monitoring when making investments decisions.

Practical Implications

- Increase the level of investment risk analysis before making any decisions about investing in real estate projects.
- Develop better financial plans and keep proper control over the cost of the project.
- Perform risk analyses regularly during the whole process of project implementation.
- Make an estimate of expected gains through taking into account the cost of investment, revenues, period, and risk.
- Keep track of changes in the value of property, demand, competition, and economic environment.
- Make use of sound financial, market, and project information for making sound investment decisions.
- Monitor project progress relative to the planned costs, schedule, quality, and performance.
- Offer appropriate training and professional advice to inexperienced investors.

- Take into account risk, return, market situation, and performance of the project in investment decision-making.
- Prioritize risk management in order to enhance the performance of real estate projects.

Conclusion

As is indicated in the article “An Analysis of Investment Decisions and Efficiency of Real Estate Projects”, the effect of Investment Risk Assessment, Expected Return on Investment, and Market Conditions on Project Efficiency has been analyzed using the data obtained from 70 participants. The research has been conducted with the use of such statistical methods as reliability analysis, descriptive statistics, correlation analysis, and regression analysis. It has been revealed that the results of reliability analysis provide Cronbach's Alpha value of 0.929. This result has confirmed the high level of internal consistency and suitability of the collected data for further analysis. Descriptive statistics results indicate rather low levels of agreement with regards to Investment Risk Assessment, Expected Return on Investment, Market Conditions, and Project Efficiency. Correlation analysis has revealed that all the major variables possess positive and statistically significant relationship with one another. Thus, there is a strong relationship between Investment Risk Assessment and Project Efficiency with correlation coefficient of 0.795. Regression analysis has revealed that Investment Risk Assessment, Expected Return on Investment, and Market Conditions account for 64% of Project Efficiency variance. Among the three independent variables, only Investment Risk Assessment has proved to be statistically significant determinant of Project Efficiency having standardized beta value of 0.632 and $p < 0.001$. At the same time, Expected Return on Investment and Market Conditions have not proved to be statistically significant independent determinants.

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