

PORTERS ANALYSIS ON RETAIL REAL ESTATE

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Competitive Rivalry: This one seems to be quite high. There is a ton of competitive rivalry right now. There are quite a few players building and selling super high-end luxury condominiums in New York City.

Threat of New Entrants: This one seems to be relatively low or at best medium. It is not so easy for someone to just go out and build a super high-end luxury condominium in New York City. There are innumerable regulations and other obligations to be dealt with. Plus the reputation of the party building the condominiums has a great deal to do with a project's success, which is a further barrier to a new entrant. Accordingly, a new player will have a great deal of trouble just moving into this industry.

Threat of Substitutes: This one seems to be quite low. It is difficult to come up with a substitute to this product as there is only one New York City. One could argue that living in Brooklyn is a "substitute", and there is a slight element of that; however, overall I would say this threat is a low one in view of how we have defined the industry. Another possible "substitute" could be renting instead of buying; however, that also doesn't seem quite applicable at the top end of the luxury market.

Bargaining Power of Buyers: Of course this fluctuates, but right now the bargaining power of buyers seems pretty high as there seems to be more super high-end luxury condominiums than buyers. The obvious difficulty in analyzing an industry such as building and selling super highend luxury condominiums, that makes the risk/reward perspective so much worse, is that you are not selling your product right now but in the future when you don't know what the bargaining power of buyers will be. To be safe, even in a time of a shortage of luxury high-end apartments, you would have to assume the bargaining power of buyers is high even at times when it isn't.

Bargaining Power of Suppliers: This one seems to be very high as well since one of the problems in making a profit in this market is it is taking longer to obtain the necessary supplies, plus the pricing has risen for these supplies. Indeed, workers, to my mind, are also technically suppliers too; and, due to the construction boom, the cost of workers is much higher.