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2-2 Short Paper: Strategy Development

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Strategy Development

**Company Overview**

 AvalonBay Communities, Inc. is a company whose share equities are traded publicly and whose area of investment in real estate. The company currently owns slightly over 78,000 apartments spread out in the areas such as New York City metropolis, California, Seattle, Washington, D.C metropolis, and New England. The company currently is the fourth largest apartment owner in the entire United States going by the number of apartments it owns and also the projects on the pipeline. Since its formation in 1998, the company has applied various strategies such as redevelopments, mergers, and acquisitions to achieve its rapid expansion objectives (Avaloncommunities.com, 2019). Currently, the company leadership has come up with a new strategy to solve a problem that has burgeoned in the society, house ownership among the low-income earners, and also to increase its fortunes as well.

**The Company Strategy**

 The company’s in-house market research team have provided a proprietary model that would see the company develop thousands of affordable apartments targeting the low-income earners currently struggling with exorbitant house lease deals. The real deal about this strategy lies on two key issues: pricing (ownership plan) and differentiation (structural advantage)

**Pricing**

 Winfree et al. (2018) state that pricing is always the most significant factor that determines the success of a product or a service. The company has come up with pricing model that apart from being the most affordable also observes intricate issues such as an insightful, fair valuation against findings from comparable market analysis and takes care of seasonal shifts often witnessed in the real estate industry. The pricing strategy involves having low-income earners sign up and contribute 15 percent of the total cost of an apartment before construction begins as a commitment fee, as suggested by (Silverman & Patterson, 2016). After completion of the project, the low-income earner then occupies the house and continues to pay for the remaining balance at rates 20 percent lower than their current rents. This is some quarters is referred to as pay to own strategy.

**Differentiation**

 AvalonBay Communities, Inc. is one of the few real estate companies in the world with distinct structural and experience brands. For the 20 years, the company has been in existence, it has relied upon an in-depth knowledge of their potential customers in terms of what they look for in living experiences in their communities. The company takes note of natural disasters such as quakes, typhoons, storms, and fire outbreaks while planning, designing, and constructing the houses. The three great company offerings in-terms-of brands has been the AVA, eaves by Avalon, and Avalon. They have allowed the company to address the different needs of the customer.

**Demand Forecast**

 The suggested strategy offers a different angle of forecasting, that is to say, forecasting period begins when the strategy is advertised through media outlets and other means of creating awareness then analyzing the responses based on the number of people showing willingness to sign up and what brands (AVA, eaves by Avalon, and Avalon) they want. Before a project is commissioned, at least there must be 80 percent sign-ups who have also paid the 15 percent commitment fee in full plus proper documentation on the transfer of ownership upon completion of the amount remaining plus modalities guiding the rate of installments to be paid. Besides, from the reports supplied by the company’s in-house market research team, there is a likelihood of 165 percent subscription of the first flaunted project to be done in Denver, Colorado. The second project, which is to be done in Manhattan, New York, have shown a potential of attracting 84 percent subscribers with a credible indication of occupation of the remaining 16 percent based on renting within 2 months after completion. This encourages a lot; hence, the company must proceed with the implementation of the strategy.

**Technical Rationale for the above forecasting method**

 According to Stevenson (2012), every strategy adopted by a company must bear ways of topping up its revenue streams even if the focus is on something else like in this case is to enable low-income earners to become house owners. The strategy is hinged on house ownership, and the only credible evidence available to test the demand is letting people pay a certain percentage up-front to become a partner in the project. Upon completion, they are allowed to move in then transfer their initial rent rates to the company's account as a pay-to-own model. The method is dependable in sense that no project can kick start without attracting less than 80% sign-ups and again cases of defaulting on installment remittal are cured by the ability of the occupants to pay for rent (slightly higher than installments payable) wherever they stayed before moving in.

**References**

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