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# Strategies to increase the profitability of commercial real estate through innovative approaches

Sergey Bochkov

Entrepreneur Miami, USA

**Abstract:** The article systematizes and analyzes strategic directions, the implementation of which makes it possible to increase the profitability of commercial real estate through the use of innovative approaches. The relevance of the topic under discussion is due to increased competition, changes in the investment climate, and the rapid development of new technologies. The methodological arsenal in the field of real estate management requires a revision of the usual tools, additions to the conceptual framework, as well as consistent and competent integration of digital solutions, which sets scientists the task of finding effective adaptation options. The purpose of the study is to substantiate innovative approaches aimed at increasing the profitability of commercial real estate (taking into account current changes in investment behavior and management methods). The work reveals contradictions in the literature: some of the research is based on traditional approaches, while others focus on the need for digital transformation and the use of analytical data. The problems of strategies for increasing the profitability of commercial real estate through innovative approaches from the standpoint of financial technologies are considered. The author's view on highlighting the advantages and limitations of specific strategic steps is formulated. It is summarized that a successful increase in profitability is possible through the integration of professional management, new technological developments and a systematic approach to analysis. The presented materials will be useful to researchers studying management mechanisms in relation to commercial real estate, investors interested in increasing the profitability of assets, specialists in the field of digitalization working

on automation of operations and functions.

**Keywords:** analytics, profitability, innovation, investment, commercial real estate, strategy, real estate management.

### Introduction:

Commercial real estate represents one of the key segments of the economy, significantly influencing the development of urban spaces and business activity. The global market volume for commercial real estate in 2023 amounted to \$647 billion, which is 47% lower than the 2022 figure [9].

Amid intense competition and rapid market changes, entrepreneurs and management companies are compelled to seek unconventional ways to increase the profitability of their assets. Traditional methods, relying solely on rental rates and cost minimization, are gradually losing their effectiveness. Consequently, there is a clear need for innovative approaches that not only enhance profitability but also ensure sustainable development in this field.

The research problem lies in the necessity to develop and implement innovative management strategies that enable commercial real estate to remain competitive in a changing market. Declining profitability, driven by economic determinants, shifting tenant demands, and technological advancements, necessitates the pursuit of effective solutions aimed at sustainable income growth, risk mitigation, and adaptation to global challenges.

### METHODS AND MATERIALS

The preparation of the article involved comparative analysis, systematization, statistical data processing, and generalization. Contemporary research on the subject encompasses various areas, including real estate management, changes in investor approaches, profitability assessment, and property management methodologies.

For instance, Yu.B. Gendlina, A.V. Aleshintseva, and A.A. Sokolova [1] explore a comprehensive approach, emphasizing the importance of innovation and

adaptation to global transformations. Yu.R. Murzakaeva [5] focuses on professional management, including the implementation of specialized solutions to enhance profitability. P.B. Lyulin [4] provides a detailed examination of financial strategies, with an emphasis on achieving specific target benchmarks.

T.V. Geniberg [2] investigates the nuances of transforming investor mindsets, noting increased interest in assets that ensure sustainable income. O.E. Pirogova and V.S. Kryukova [6] address challenges in defining profitability and the methodological complexities associated with this process. A.A. Titkov and A.V. Kostyleva [8] highlight the critical role of a property's functional purpose in the context of the discussed topic.

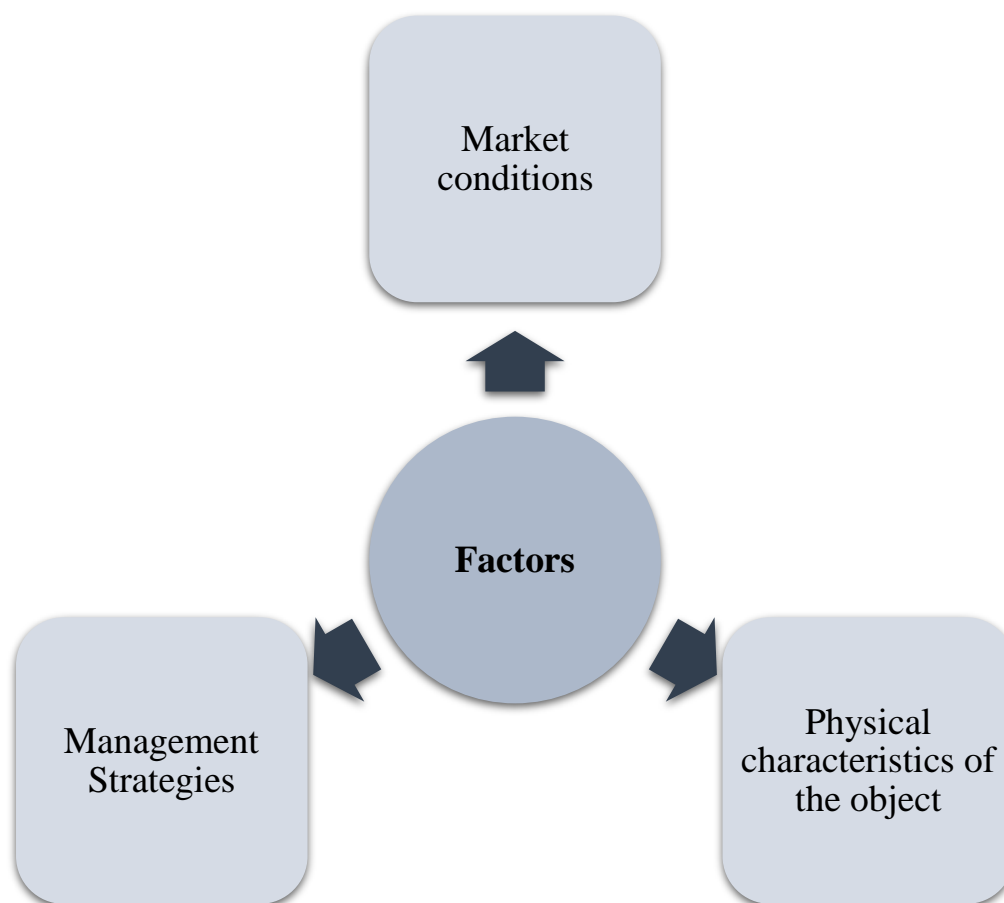
E.S. Kuzmicheva [3] characterizes modern methods for enhancing profitability, including the integration of digital solutions and the reorganization of management processes. N.A. Tarkhanova and T.P. Norkina [7] identify theoretical issues, emphasizing the need for a systematic approach.

Online sources, such as statistical reports and market analysis databases [9, 10], underscore the importance of integrating analytical systems into decision-making processes.

A review of materials and publications reveals several contradictions. Some authors emphasize traditional methods of increasing profitability, while others propose novel approaches, focusing on digital transformation. However, practical questions related to implementing new technologies and integrating analytical data into strategic management remain insufficiently addressed. These aspects require further in-depth study and testing under real-world conditions.

### RESULTS AND DISCUSSION

Conceptually, the profitability of commercial real estate is defined as the ability of a property to generate a stable cash flow that exceeds the costs of its maintenance and operation [3]. Ensuring profitability requires consideration of a complex set of interrelated factors, which can be appropriately divided into three key groups (Fig. 1):



**Fig. 1. Identification of groups of factors affecting the profitability of commercial real estate [1, 4, 8]**

Commercial real estate is closely tied to the state of the economy, business activity, and purchasing power. The main "drivers" determining profitability include:

- Location: Central areas, well-developed infrastructure, and transportation accessibility significantly increase demand.
- Rental market conditions: Demand for office spaces, retail areas, or warehouses allows for competitive rental rates.
- Market trends: The popularity of coworking spaces, flexible office layouts, and environmentally sustainable solutions creates new opportunities for profitability.

The property itself generates economic value, which depends on:

- Functionality: The ability to be utilized across multiple segments, such as retail, services, and offices.
- Construction quality: Modern engineering systems, energy efficiency, and durability enhance competitiveness.
- Aesthetics and branding: Visual appeal, architectural uniqueness, and the reputation of the property make it more desirable.

Effective management of commercial real estate involves methods that help minimize costs while increasing revenue. Key managerial aspects are based on:

- Optimization of lease terms: Flexibility in pricing and payment conditions supports tenant retention.
- Multifunctionality: Adapting properties to current market needs, including space zoning.
- Innovation adoption: The implementation of technologies such as building management systems (BMS) and digital platforms for analytics and forecasting.
- Client focus: Prioritizing favorable conditions for tenants, improving communication, and enhancing infrastructure.

It is worth emphasizing that the potential for profitability is shaped during the investment planning stage:

- Financing model selection: Utilizing self-funding, loans, crowdfunding, or structured instruments.
- Income diversification: Generating revenue not only from rentals but also from additional services, events,

and partnerships.

- Risk assessment: Comprehensive work with financial models and analytics to minimize losses and forecast investment returns.

The conceptual framework is based on a balanced combination of external condition analysis, qualitative characteristics of the property, and innovative management approaches. Against the backdrop of a dynamic market, the most successful strategies are those grounded in comprehensive data evaluation and adaptation to current consumer demands.

Modern strategic directions in this field are built on the principles of flexibility, digitalization, and user orientation. Innovation plays a central role in this process, enabling the integration of technologies that transform the perception of real estate, enhance its appeal to tenants, and increase its market value.

These approaches are underpinned by the use of modern analytical tools that allow for market behavior forecasting, identification of optimal property utilization scenarios, and mitigation of financial risks.

One of the key factors contributing to the profitability

of commercial real estate is the implementation of digital solutions. Advanced building automation systems provide monitoring and control of all engineering systems, including heating, ventilation, air conditioning, and lighting. This significantly reduces operational costs, primarily through resource consumption optimization. The creation of a virtual model of a property, reflecting its actual condition and operational nuances, aids in predicting structural wear, planning maintenance work, and considerably reducing maintenance expenses.

In addition, the use of Big Data and artificial intelligence in property management enables the analysis of tenant preferences, assessment of investment returns, and development of the most effective management strategies.

Profitability is also influenced by the adoption of digital platforms and property management technologies, including analytical systems such as Real Capital Analytics and CoStar [10].

To increase profitability, commercial real estate must be adapted to the current requirements of businesses and consumers (Table 1).

**Table 1 – Strategic directions for increasing profitability by adapting commercial real estate to the requirements of entrepreneurship and consumers [2, 6, 7]**

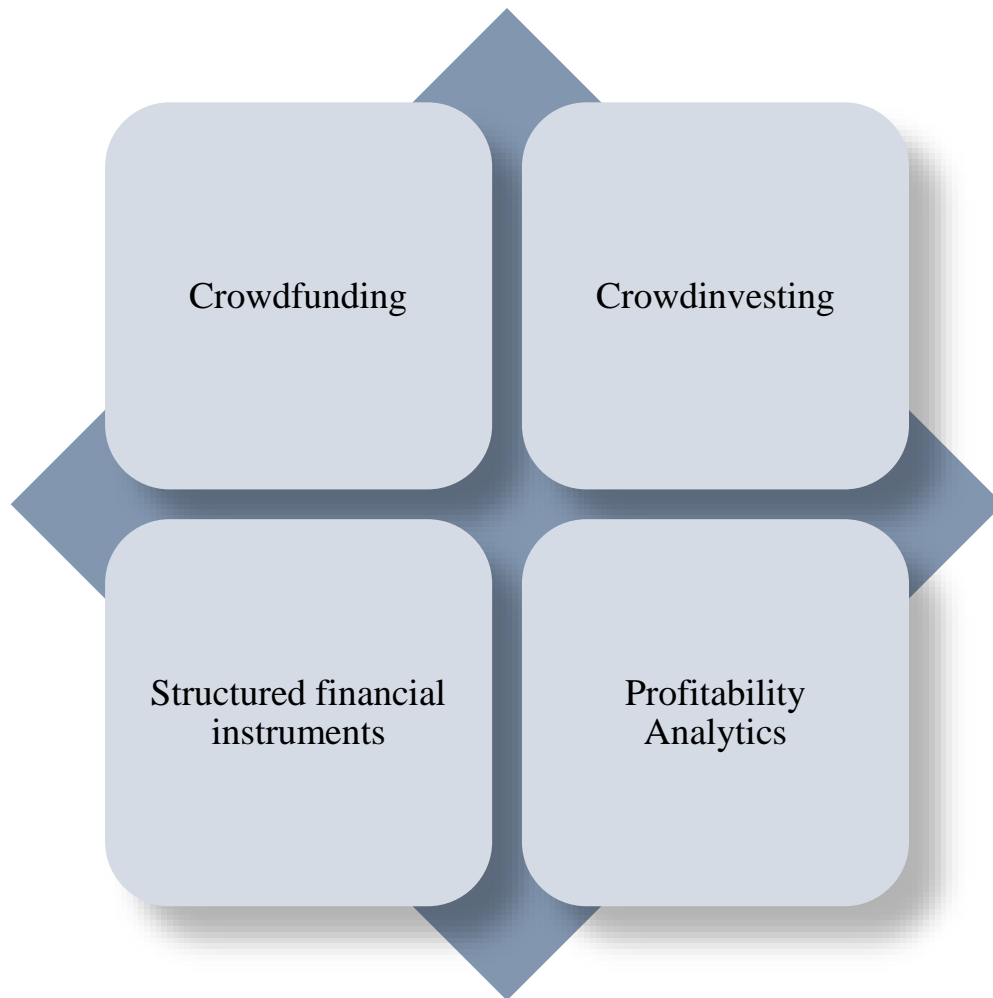
Direction	Rationale
Multifunctional spaces	Dividing large properties into zones with varied functionalities, such as office spaces, coworking areas, retail, and recreational spaces, attracts a broader range of tenants.
Integration of eco-friendly solutions	Establishing energy efficiency standards, using renewable energy sources and eco-friendly materials in construction increases attractiveness for sustainability-focused companies.
Improved visitor infrastructure	Creating a favorable environment, including rest areas, sports facilities, and modern communication systems, enhances visitor flow and increases rental rates.

Client-oriented strategies hold a particularly important place. The market success of commercial real estate largely depends on the ability of property owners and management companies to meet the needs and expectations of tenants.

A flexible approach to lease agreements, offering various discounts, bonuses, and packages of additional services, helps retain long-term clients. The implementation of mobile applications that facilitate

payment management, booking of ancillary services, and access to real-time property information increases tenant loyalty. Additionally, organizing fairs, conferences, and other events on the property premises enhances recognition and boosts visitor traffic.

Effective financial management is a critical component in increasing profitability in the field of commercial real estate (Fig. 2).



**Fig. 2. Financial aspects of the implementation of strategies to increase the profitability of commercial real estate [2, 4]**

Securing funds from private investors through specialized platforms enables the realization of large-scale projects. The use of bonds and real estate-backed derivatives attracts additional resources for modernization and expanding functionality. The development of detailed financial models that consider all parameters of profitability and costs positively impacts the optimization of investment decisions.

Modern commercial real estate is facing numerous challenges associated with the need to increase the profitability of facilities against the background of increasing competition and changes in the economic environment. Financial technologies (fintech) play a key role in solving this problem, offering innovative tools for optimizing income, as well as increasing the investment attractiveness of real estate.

The main problem is the need to integrate complex fintech solutions into traditional management mechanisms for commercial facilities. Thus, most of the existing approaches focus on improving operational processes, but the potential of technology in

management mechanisms regarding profitability is underestimated.:

- blockchain;
- artificial intelligence;
- digital platforms.

One of the key tasks is the introduction of Big Data analysis technologies in order to predict rental rates, demand, and risk assessment. The use of machine learning algorithms helps to segment the target audience of tenants more accurately, optimize pricing strategies, and increase occupancy of facilities.

Blockchain development ensures transparency and reliability of real estate transactions, including rent payment management and monitoring of contractual obligations. For example, smart contracts make it possible to automate key aspects of leases, reducing operating costs and minimizing the risks of payment delays.

In addition, the digitalization of payment systems, including the use of digital wallets, integration with fintech platforms, allows for faster financial flows,

improved accounting, and management. In addition, crowdfunding and crowdinvesting provide access to alternative sources of financing, significantly expanding opportunities for reconstruction and modernization of facilities.

The key problem with strategies to increase the profitability of commercial real estate through fintech is the need to create integrated digital ecosystems that integrate all stages of the real estate lifecycle, from design to operation. In order to effectively implement such strategies, significant investments in technology, the development of management company competencies, and the adaptation of the regulatory

framework are required.

So, financial technologies represent a promising tool for the transformation of commercial real estate management, but their successful integration requires taking into account many factors, from infrastructure preparation to long—term strategic planning.

To systematize innovative methods for increasing the profitability of commercial real estate, Table 2 presents the main strategies, their advantages, and potential limitations. The author's perspective on the issue reflects a multifactorial approach to implementing these strategies and their impact on the market performance of the properties under consideration.

**Table 2 – Summary of strategies for increasing the profitability of commercial real estate through innovative approaches (compiled by the author)**

Strategy	Advantages	Limitations
Implementation of digital technologies	Reduction in operational costs through process automation.	High initial investments.
	Increased attractiveness for tenants due to technological advancements.	Requires personnel training to work with new systems.
Creation of multifunctional spaces	Attracts diverse categories of tenants.	Risk of underutilization of certain zones.
	Increases profitability through diversified use.	Higher expenses for redevelopment and maintenance.
Eco-friendly and energy-efficient solutions	Reduction in utility costs and tax liabilities.	Dependence on the availability of technology and materials.
	Increases the market value of the property.	Long payback period for investments.
Client-oriented digital platforms	Enhances tenant loyalty and simplifies management.	Requires constant updates and technical support.
	Accelerates decision-making processes.	Vulnerable to cyber threats and system failures.
Organization of on-site events	Increases visitor traffic and property recognition.	Costs associated with event preparation and execution.
	Creates additional revenue streams.	Necessitates compliance with safety standards and regulatory requirements.

The strategies outlined above demonstrate numerous opportunities to enhance the profitability of commercial real estate through innovative approaches. However, each of the described directions comes with

its own limitations that must be considered.

The most universal strategies are the implementation of digital technologies and eco-friendly solutions, as they provide long-term advantages, including cost



reductions and enhanced competitiveness. Nevertheless, these approaches require substantial initial investments and highly skilled specialists.

The creation of multifunctional spaces and the organization of on-site events represent flexible property management practices that help attract a diverse audience. However, these strategies are often limited by increased operational costs and the need for a comprehensive approach to managing different zones.

Client-oriented digital platforms offer clear benefits by simplifying interactions with tenants and increasing their loyalty. At the same time, they require continuous updates and robust cybersecurity measures to guard against potential cyberattacks.

## CONCLUSIONS

The use of innovative approaches to increasing the profitability of commercial real estate not only facilitates adaptation to current market conditions but also anticipates future trends.

The implementation of digital technologies, the modernization of functional characteristics of properties, and a clear focus on tenant needs create a solid foundation for effective management practices in this field.

An analysis of strategic directions indicates that optimizing the profitability of commercial real estate is impossible without incorporating modern innovations. The comprehensive application of digital developments, eco-friendly solutions, and customer-oriented services can deliver both short-term financial benefits and sustainable development for properties. At the same time, implementing these approaches requires accurate cost assessment, professional expertise, and readiness to address emerging challenges promptly.

Financial technologies open up broad prospects for increasing the profitability of commercial real estate — based on innovative approaches to management, pricing, and interaction with tenants. The integration of tools such as big data analysis, blockchain, smart contracts, and digital payment systems helps optimize operational processes, increase transparency of operations, and significantly accelerate financial flows. However, the successful implementation of these strategies requires an approach that includes the modernization of technological infrastructure, the development of professional competencies of market participants, and the adaptation of the existing regulatory framework. When all these aspects are

aligned, fintech becomes a key success factor in the analyzed area.

It appears that the prospects for further profitability growth are tied to the integration of advanced solutions that enable the efficient use of property potential and ensure the long-term sustainability of the business.

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