

1231.3390.01 – International Real Estate Field Course

Semester B – 2015

Lecturer: Mr. Itay Koppel

Course Time: Tuesdays 15:45-18:30

Course dates: 3/3/2015; 10/3/2015; 17/3/2015; 24/3/2015; 21/4/2015; 8/5/2015

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Course Overview

This is a hands-on course aiming to provide students with up-to-date understanding of the various aspects of real estate theory and practice as applied to the North American and specifically Canadian real estate market. The course will provide a real-life learning experience of Canada's most notable financial, legal, development, business, research, policy and government firms. It will be based on academic and professional lectures, site tours, and business case presentations by banks, brokers, real estate developers, pension plans, REITs, law firms, and more.

A number of academic lectures will be given in Israel, to serve as an introduction to the course. Then, students will prepare a review of the main companies that are going to be visited on the study-tour to Toronto. The field visit to Toronto (for which expenses will be paid by the program organizers), the second largest real estate market in North America, will spread over a intensive week and will include meetings with various real estate players in the Canadian real estate market. Upon returning to Israel, students will be required to submit a final project report that will include an analysis of a proposed real estate project applying the knowledge and tools they acquired in the field course. Students will present and discuss their projects in class.

The course will be given in English; students are expected to be fluent in English.

Learning Objectives

- To provide a real world real estate learning experience, with particular focus on the Canadian and North American real estate market.
- To explore the Canadian real estate market and study the major differences between the Canadian and the Israeli real estate markets.

- To provide an understanding of real estate market tools that can be applied within the Israeli real estate arena.

Intended Audience

The intended audiences of this course are outstanding students that are willing to work hard with a background and interest in a career in real estate. Students from the MBA, M.Sc. and EMBA programs will be considered.

Academic Prerequisites

Students are required to have completed an introductory finance course and to have completed or be currently taking "Real Estate Investment Analysis" (course #1231-3362). In addition students are required to take at least one of the following real estate courses:

- Real Estate Finance and Economics (course #1231-3312).
- Real Estate Capital Markets (course #1231-3364).
- Real Estate Development (course #1231-3371).

Enrollment Requirements

There will be a pre-enrollment process for the course which will include:

- A review of the courses previously taken by the student, particularly the real estate courses.
- A personal interview.
- Class presentation and discussion in English on course related topics.

Students enrolled to the Real Estate Finance Sub-Specialization will have an advantage in the enrollment process.

Course Materials

All relevant course materials will be posted on the course website at:

<http://moodle.tau.ac.il>.

The course will use materials from the following two textbooks:

- Commercial Real Estate Analysis & Investments by Geltner and Miller, 2nd ed., 2007 (henceforth GM).
- Real Estate Finance & Investments by Brueggeman and Fisher, 14th ed., 2011 (henceforth BF)

Additional **mandatory** reading assignments will be posted on the course website.

Course Requirements and Grading

- Reading assignments.
- Two to three (individual) preliminary reports on course related topics (20%).
- Mandatory participation in all classes and site tours (20%).
- Final project report (in groups of two students), including: project report write-up, class presentation and discussion of the final project report (60%).

In addition, non-academic requirements (e.g. dress code, expected demeanor, etc.) will be published before the beginning of the enrollment process.

Participation in Class and Site Tours

We consider participation in class and site tours an important component of the learning experience and expect all students to relate to them accordingly. We expect you to come well prepared and to dedicate your whole attention to the proceedings. Late arrivals, early departures, ringing cell phones, and private conversations are not acceptable. They are very disruptive to the quality of the learning environment and disrespectful to other people.

Course Program

The order of the topics might be change.

The program will start with introductory lectures held in Israel that (among other things) will include discussions and presentations by students of preliminary reports on course related topics. Each lecture will take one semester unit (also known as a *yas*) to three semester units, where each semester unit is a 75-minute lecture (equivalent to a lecture of two academic hours). Students will then travel to Canada and participate in the field program described below. Returning to Israel, they will need to write a final project report, which they will present and discuss in class.

Topic	Description	Readings
#1	<u>Introductory Lectures (Israel)</u> <ul style="list-style-type: none">▪ Course overview, outline and requirements (1 <i>yas</i>).▪ Overview of Canadian economy and real estate markets given by a guest speaker Item #2 (1 <i>yas</i>).▪ Various lectures on the different aspects of real estate markets, real estate financing, investments real estate development and entrepreneurship and sales and marketing Items #3,4,5,6,7,8, and 10 (7 <i>yas</i>).▪ Preparation of the visit – short review and introduction of the companies. Prepare issues for discussions for the field meetings.(1 <i>yas</i>)▪ Individual preliminary reports (each student will be assigned to write one to three reports) on course related topics (2 <i>yas</i>).	TBA
#2	<u>Market Analysis and Research with an Overview of the Canadian Market</u> <ul style="list-style-type: none">▪ Economic overview.▪ Commercial and residential development, investment and leasing markets.▪ Supply & demand, new development, prices, vacancies & cap rates, take-up & absorption rate, etc.▪ Introduction to research platforms; research process, market reports & statistics and performance tracking.	GM: Ch. 1-2,6 BF: Ch. 11 (p. 345-351)

Topic	Description	Readings
#3	<p><u>Real Estate Financing and Debt Markets</u></p> <ul style="list-style-type: none"> ▪ Overview of the Canadian debt market. ▪ Types of mortgages and mortgage basics (first, second etc’). ▪ Overview of financing methods in Canada (bank financing, institutional financing, investment banking, etc.). ▪ Financing commercial & residential real estate development projects. ▪ Financing commercial & residential real estate repositioning projects. ▪ Financing commercial & residential real estate investments in an income producing property. 	<p>GM: <i>Ch. 16-20</i> BF: <i>Ch. 12</i> BF: <i>Ch. 16-17</i></p>
#4	<p><u>REITs and Real Estate Capital Markets</u></p> <ul style="list-style-type: none"> ▪ Rationale for investing in REITs, the Israeli REIT market ▪ REIT valuation. ▪ Management structures of REITs, financial highlights & performance; growth strategy. ▪ Managing a real estate portfolio. ▪ REIT case studies. ▪ Overview and history of the Canadian REIT market ▪ Performance of REITs, financial profile of Canadian REITs 	<p>BF: <i>Ch. 21</i></p>
#5	<p><u>Real Estate Planning and Zoning (Israel compared to Canada)</u></p> <ul style="list-style-type: none"> ▪ Zoning and urban planning. ▪ Planning a project from an architect’s point of view, complying with regulatory requirements, analyzing the real estate market’s design needs, meeting the developer’s requirements. ▪ The buildings permit process. 	<p>TBA</p>
#6	<p><u>Real Estate Transactions from a Legal Perspective</u></p> <ul style="list-style-type: none"> ▪ Foreign investors in Canada. ▪ Tax issues ▪ Structure and acquisition vehicles. ▪ Offers to purchase and agreements of purchase and sale; due diligence. ▪ Analyzing property rights and the effect on transaction structure. ▪ Closing real estate transactions. 	<p>BF: <i>Ch. 1-2</i></p>

Topic	Description	Readings
#7	<p><u>Real Estate Investment</u></p> <ul style="list-style-type: none"> ▪ Overview of investment styles: core, core-plus, value-added, opportunistic, etc. ▪ Overview of investors types: Individuals, funds, REIT, pension funds ▪ Investment and exit strategy and business plans. ▪ The nuts & bolts of the investment decision process: due diligence, pro forma analysis (revenues, rents, costs and cash-flow analysis), feasibility and financial analysis. ▪ Investment in existing properties ▪ Tenant analysis & operations. ▪ Common mistakes in real estate investing. ▪ Case studies and site tours of various properties and projects. ▪ Managing a real estate portfolio. ▪ Asset and property management: <ul style="list-style-type: none"> - Internal vs. external asset and property management. - Managing a property management firm. 	<p>GM: <i>Ch. 7-12</i> BF: <i>Ch. 11</i></p>
#8	<p><u>Real Estate Development and Entrepreneurship</u></p> <ul style="list-style-type: none"> ▪ Overview of real estate development and entrepreneurship market. ▪ Development strategy, business plan and exit strategy. ▪ The nuts & bolts of the development decision process: due diligence, pro forma analysis (revenues, rents, costs and cash-flow analysis), feasibility and financial analysis. ▪ Management & Oversight of a development project. ▪ Common mistakes in real estate development and entrepreneurship. ▪ Case studies and site tours of various projects. ▪ Real estate entrepreneurship from A to Z – a case study of developing a project from scratch. 	<p>GM: <i>Ch. 28-29</i> BF: <i>Ch. 16-17</i></p>
#9	<p><u>Real Estate Investing from a Pension Plan Perspective</u></p> <ul style="list-style-type: none"> ▪ Real estate allocation; total portfolio approach; investment criteria; managing a real estate portfolio; opportunities & challenges. 	<p>BF: <i>Ch. 22</i></p>
#10	<p><u>Real Estate Sales and Marketing</u></p> <ul style="list-style-type: none"> ▪ Project sales and marketing strategies (Residential, Commercial and Offices) Branding the Project, Branding the Company. ▪ The effect of the Sales and Marketing on the financing of the project. 	<p>TBA</p>

Topic	Description	Readings
#11	<p data-bbox="316 230 1066 264"><u>Final Project Presentations and Discussion (Israel)</u></p> <ul data-bbox="316 286 1185 349" style="list-style-type: none"> <li data-bbox="316 286 1185 349">▪ Presentations and class discussions of the various project reports (2 yas). 	

Final Project Report

Propose a new real estate project for an Israeli firm using the knowledge and tools you acquired in the field course. It could be a residential development project, a new regional mall, an acquisition of an office building, a new system for managing a real estate portfolio, a new marketing scheme for a real estate project, etc.

Project reports should be in the form of a business plan or an acquisition report intended to be presented to the company's board of directors.

The report should be written in an **Executive Summary format** and include an overview and analysis of the project, all the assumptions you made, calculations and the main results at which you have arrived.

The report should include (among other things) an analysis of the following issues:

1. An outline of the development of a new real estate project: location, going-in strategy, exit strategy, marketing, building plans, time-tables, development stages, etc.
2. A due diligence analysis, including a market study for the project.
3. An analysis of the project's risks and opportunities.
4. A list of the government policies, legal issues, geo-political environment and eco-system effects that are important to the success or failure of your project.
5. A pro forma analysis (revenues, rents, costs and cash-flows analysis).
6. A feasibility / profitability analysis.
7. A financial analysis, including sources of financing.
8. Sensitivity analysis for various scenarios.

In addition, students will need to present the project in class (using a PowerPoint presentation) and lead a class discussion as if they were presenting the project to the company's board of directors.

Important notes and technical issues for the project report:

1. The final project report will be submitted in groups of two students.
2. A week after returning to Israel, students will need to submit to the lecturer for approval via email the subject of the project report.
3. A month after returning to Israel, the class will meet in order to discuss and present the projects – the exact class date will be announced on Moodle.
4. A day before the class presentations, students will email the lecturer the Word, Excel (xls / xlsx formats, not xlsx format) and PowerPoint files used in preparing the final project report.
5. The report should consist of 5-6 printed pages (double space in font 12), plus unlimited appendices, which can include calculations, tables, graphs, clarifications, etc.
6. Try to keep the report as readable as possible; landscape page setup is welcome, use large fonts, displaying only the relevant numbers, etc.
7. If you make an implicit assumption / calculation, please state it clearly or make a reference to the proper appendix / footnote.
8. Include the main results / calculations within the project report .
9. It is extremely important to clearly specify the calculations you used.