



Course Syllabus – R-102 – Global II – Investment Real Estate

Course Description:

This course covers how to understand, recognize and analyze cross-border real estate investment opportunities and determine the skills and resources needed to advise clients on completing a transaction.

Topics include investor preferences and profiles; currency, area and value conversion; basic financial analysis; capital markets and real estate funds; legal, management and tax determinations; and developing an exit strategy to ensure that the client's objectives are met in terms of gains, income, tax liabilities and net proceeds after sale.

Course Methodology

Teaching methods for this course include interactive lectures, expert speakers, internet research and the examination of current work in the field. The instructor will present two different real estate investment options for a hypothetical client.

Course Topics and Learning Objectives

Investor Profiles

<p>Learning Objective: An understanding of the various types of international investors, their objectives, risk profile, expectations and their decision making process.</p>

The motivation for transnational investors can differ greatly. Many client's reasons may not be readily apparent. Determining an investor's true expectations is key to a successful transaction. Corporate users of leased space are briefly covered, however this course assumes an investor's primary motivation is profit, cash flow and investment growth.

Conversions and Adaptations

Learning Objective: Working in another country or advising clients on cross-border investment requires the both the ability to convert currency and measurements, as well as the skill to adapt to different concepts of time, value and usable space.

Basic currency and metric conversions are simple math problems. International Property Measurement Standards recognize that the way property assets – such as homes, offices or shopping centers – are measured varies dramatically. Cross-border investment professionals need to know the differences in measurement norms.

Successful transactions also depend on the ability to adapt to different concepts of time and value. Working in or with investors from another country involves adjusting to the client’s work style and intrinsic value concepts.

Commercial Property

Learning Objective: Knowledge about commercial property types, investor or user requirements and the types of information and analysis required before making an investment or use decision.

Income properties are generally categorized according to the use of the property such as office, industrial, retail or multifamily. Supply and demand, operating expenses and taxes, government regulation and market intervention vary greatly by category.

These transactions are also influenced, modified, and impacted by circumstances and surprises that are not easily foreseeable. An effective international real estate consultant adds value by placing the particular investment in the context of the overall global market and by providing services before, during and after the transaction.

Economics of Real Estate

Learning Objective: An understanding of the economic principles at work in real estate markets and the various market participants and their motivations.

Markets function according to the rules of supply and demand. The interaction between supply and demand is an ongoing dynamic process as markets seek equilibrium. When prices rise above the equilibrium point or fall below it, vacancy rates are affected and thus property prices and rents.

International investment experts must understand the difference between price and market value and how to recognize the causes of market distortions. Buyers, sellers, investors, developers, government action and geopolitical events are all factors.

Investment Elements & Factors

Learning Objective: An understanding of the basic elements and factors of a real estate investment including capital outlay, income stream and the various measures of return on investment.

Real estate investment is an effort to protect the economic buying power of money into an unknown future. Analyzing real estate investments includes liquidity, risk and knowing investor preferences for return on the amount invested and the need for and timing of cash flows. Capital outlays should generate returns.

To compare and advise clients on the advantages of one property investment over another, a cross-border analyst need to establish the yield or rate of return, the safety of the investment, leverage available, investor control, the time value of money, the holding period, and the reversion upon asset sale.

Capital Markets

Learning Objective: An examination of capital markets and the availability of funds for real estate investment including equity, borrowed funds and Real Estate Investment Trusts as well as the place of real estate in an investor's portfolio.

Real estate is considered an alternative investment in an investor's portfolio that likely includes stocks, bonds and more secure fixed instruments. Since real estate is an at risk activity, returns must reflect a premium over the rate of funds in more traditional vehicles. Overall capital markets also affect the availability and rates of mortgages.

Pension Funds, Real Estate Investment Trusts, Crowdfunding and other indirect investment products continue to develop and grow. Fund managers, financial analysts and individual investment advisors who work in these areas represent a potential client base for international real estate consultants.

Management & Taxes

Learning Objective: An exploration of the intensity of property management responsibilities required for a real estate investment to maintain and increase in value and the effect of taxes on cash flows and portfolio value.

Most investors will not be actively involved in the day-to-day management of properties in their portfolio. Employing a professional management company is key to protecting the asset. International investment experts should have a basic understanding of property management as well as the taxes effecting real estate cash flows both in the country where the property is located and in the client's home country.

Considering the intricacy of cross-border transactions, the assistance of a variety of other consultants is required especially property management, valuation, legal and tax experts. FIABCI provides an extensive network of professionals for developing an expert team.

Exit Strategy

Learning Objective: Compare two potential real estate investments through initial investment to final sale.

Investments are compared on the initial investment required, amount of periodic cash flows, timing of the flows, and the amount of the reversion. When all other factors are equal, the prudent investor will prefer the investment with the smallest initial investment, the largest periodic cash flow and the largest sales proceeds at disposition. Particular attention should be paid to the repatriation of the capital and tax consequences.