

# Course Descriptions

Center for Real Estate

## **246A Introduction to the Real Estate Process**

An introductory survey course intended to provide a foundation for understanding the workings and players in the real estate market. Topics include: Real Estate as an Economic Good, The Bundle of Property Rights, The Transaction Process in Real Estate and Liquidity, Valuation of Real Estate Interests, Highest and Best Use, Feasibility Analysis, Tax Considerations in Real Estate Investment, Optimal Leveraging Strategies, Institutional Real Estate Investment and Portfolio Considerations, Securitized and Structured Real Estate Interests, Investment Performance of Alternative Property Classes, the Role of the Developer, Public Sector Involvement in the Real Estate Market, Corporate Real Estate Asset Management, and the Future of Real Estate. Course features a hands-on approach to analysis of real estate deal opportunities and case presentations by several members of the real estate professional community. Prerequisite: None.

## **246B International Real Estate Investment**

Real estate as an asset class has clearly “internationalized”. Foreign investors have become increasingly involved in U.S. real estate, and U.S. investors have committed an increasing proportion of their real estate investment dollars overseas. This dynamic has been precipitated by such factors as the need to diversify portfolios, yield differentials, favorable tax treatment, reduced barriers to cross-border investing, growth opportunities in emerging economies, new investment vehicles (e.g. J-REITs in Japan, ETF’s in the U.S.), and greater familiarity and comfort with international property markets. Cross-border real estate investing has not simply been confined to institutional investors and wealthy individuals. It is increasingly involving individuals through exchange-traded funds and investments in timeshare resort units and ownership of second (or first) homes. This course will track this phenomenon, examine the forces that are driving it, and use our understanding of these forces to examine and predict the future course of international real estate investing. The course will be applied and hands-on, with a number of guest speakers providing insight into various aspects of international real estate investing, and the opportunity for students to undertake the feasibility analysis and optimal structuring of a real international deal. An opportunity for students to participate in an International Field Trip led by the instructor is intended to be a supplemental benefit of this course. Prerequisite: None.

## **246C Real Estate Capital Markets**

The primary goal of this course is to develop a working understanding of the four segments of real estate capital markets: Public Debt, Private Debt, Private Equity and Public Equity and how these markets affect real estate investment. The key elements of discussion include (1) Real Estate as an Investment: What are the fundamental drivers of real estate as an investment asset class? Who are the key players in the investment of real estate, and what role do they play in the capital structure? How do different types of investment opportunities (development, investment, product type) command different capital solutions as a result of risk/return analysis. (2) Supply and Demand of Real Estate: Why do different sectors of real

estate (i.e. commercial vs. multi-family) perform differently, and what factors that drive capital to a specific product type? (3) The Purchase and Sale of Real Estate: Fundamental asset underwriting valuation strategies and partnership organization scenarios (debt and equity participation, joint ventures, general partnerships, etc.). (4) Debt and Equity: This includes debt sources (Commercial Mortgage Backed Securities, Banks, Private Funds etc.) and equity sources (Pension Funds, Private Equity Funds, REITs, etc.) that are the major sources of investment capital within the real estate industry. Each of these sources has differing structures that will affect overall returns. Identifying these requirements and reconciling their differences is a critical component of structuring a successful real estate investment. Prerequisite: 246A or permission of instructor.

#### **246D The Real Estate Development Process**

The supply side of the real estate market is served by the developer community. The role of developer has taken on a special mystique associated with its purported higher risks and rewards and “cowboy” image. In fact, developers and development deals come in all shapes and sizes – from the independent residential rehabilitation contractor who acquires deteriorated properties in order to bring them up to higher habitability standards; to the large publicly-listed office REIT that sees new class-A product development as just one of its functions in the creation of value; and to everything in between. This course is intended to introduce the student to the nature and composition of the development community and to familiarize him/her with the development process – from planning, obtaining an option on the site, and finding equity partners and lenders at the beginning; through the approval process and construction; and finally to lease-up, property and asset management, and ultimate disposition. Emphasis is placed on the role of the developer in identifying and implementing a real estate project within a framework of conflicting interests, values and goals, and a market which doesn't always behave as expected.

Special attention will be paid to structuring of the deal and risk management. Lectures will be supplemented by a number of guest lecturers representing different roles in the development process. The students will have an opportunity to work in teams with a client in putting together a feasibility analysis and optimal deal structure for an actual development project. Prerequisite: 246A or permission of instructor.

#### **246E Mortgage-Backed Securities and Structured Debt**

This course focuses on the theory and operation of the mortgage-backed securities (MBS) market and the market for structured real estate debt. These markets have developed only over the last 20-30 years but have become immensely important for both residential and commercial real estate, having the effect of enhancing the availability and reducing the cost of debt capital. Without important developments in financial theory and the evolution of a complex array of institutions supporting these debt products, this market never would have come about. It is the purpose of this course to provide advanced graduate students in real estate and finance, who have a potential interest in becoming professionals in the field, with a solid understanding of these theoretical and institutional developments. After a brief historical introduction, the first part of the course will focus on the technical analysis of mortgages and mortgage products, including the estimation of prices, yields, and various other measures of

investment performance. The heart of the course will be an in-depth examination of operations of both the residential and commercial mortgage-backed securities markets (RMBS, CMBS). This will be followed by evaluations of the "buy side", the investors in MBS products, and the evolving structured finance market, including mezzanine financing, collateralized debt obligations (CDO's), and related vehicles. A final set of lectures will speculate on the future and examine professional opportunities in this marketplace. Several guest lecturers will be brought in at various points in the course from both industry and academia to provide an in-depth perspective on selected topics. Prerequisite: 246A and 243 (Bonds and Fixed income) or permission of instructor.

### **246F Seminar in Management of the Real Estate Enterprise**

A capstone seminar intended to build upon the previous foundational curriculum. Most formal education in real estate has revolved around "The Deal". However, while understanding and being able to shape optimal deal structures is essential, in the end the real estate professional must ultimately be concerned with management of the real estate enterprise itself. This enterprise ranges from the individual who acquires and manages a few small residential properties to the largest publicly-listed commercial property REIT or institutional real estate investor such as a public pension fund. The ultimate goal is to grow and prosper, but what that means and how to get there may be ambiguous. This course is intended to explore the various aspects of decision making as they relate to management and leadership of the real estate enterprise that is directly focused upon strategic objectives. Topics covered include: What is your Ultimate Goal? Making and Following an Effective Business Plan; Alternative Legal Structures; Tax Issues; The Family-Owned Firm and Succession; Going Public – Liquidity vs. Reporting and the World of Sarbanes-Oxley; Corporate Ethics – Form vs. Substance; Optimal Capital Structure; Diversification Issues – Geographic, by Property Type, by Product Type; by Stage in Development Cycle; Core Competencies vs. Non-Core Activities; Alternative Organizational Structures; Technology and Innovation – How Much is Enough? How much is too much? The Future of the Real Estate Enterprise. Each session shall focus on a particular topic and shall be hosted by a guest speaker from the professional community who is an expert resource person on that topic. Prerequisite: 246A and four additional electives in real estate or related areas (minimum 2 in real estate), or permission of instructor.

### **246G Applied Real Estate Security Analysis and Portfolio Management**

Publicly-traded securities, in the form of shares in Real Estate Investment Trusts (REITs), have become an increasingly important part of the overall real estate equity capital market. The objective of this course is to prepare students to value and efficiently manage a diversified portfolio composed of such interests. Lectures will provide a conceptual and institutional understanding of the REIT market and portfolio diversification strategies, engage individual students in the analysis of a set of firms, and charge student teams with the active management of a portfolio funded through the contributions of supporters of the real estate program at UC Irvine. The course will be supported through the generous involvement of a team of REIT analysts and managers from GreenStreet Advisors of Newport Beach, the preeminent research and advisory services firm specializing in publicly-traded real estate security. Prerequisite: 246A or permission of instructor.

## **246H Practicum in Mixed Use Community Development**

This course is a Masters level applied course addressing the community development process. Meetings will be weekly. The instructor will serve as both advisor and coordinator for a series of guest experts from various sectors representing the many functions associated with the creation, marketing, and operation of successful mixed use commercial/residential master-planned communities. An underlying conceptual framework and foundation for understanding such developments in a historical, economic, and social context will first be developed. Guest lectures will not simply provide one-way instruction, but will engage the students in an active dialog involving the complex decision making that is a necessary part of the process. They will sometimes use case studies of their own and others' projects, which will also occasionally involve field visits to representative communities in Orange County and elsewhere. The capstone exercise for the course, which will fill a significant portion of both in-class and out-of-class time, will involve teams of students working on a specific "real" project using an Orange County site in a "case competition" format. Our guest experts and others from the real estate professional community will act as judges for the competition.