

International Real Estate

Real-922-B Room TBD
Mondays 6:30 to 9:30
Instructor: Jacques Gordon

This half-credit course will expose students to the importance of both strategy and execution in the world of cross-border real estate investments. Topics will include the rationale for international investing (opportunities and risks); top-down macro factors influencing real estate markets; micro-market factors influencing real estate investment performance; and the role of transparency, taxes and legal rights in different countries. Students will analyze international private equity funds and internationally listed real estate companies and they will examine case studies of cross-border investment decisions.

Format: Lecture, discussion, case studies, guest speakers. Readings to include recent articles that analyze international real estate drawn from both the academic and practitioner literature. Final exam and group project/short paper.

Syllabus (Spring, 2012)

1. Principles of Cross-Border Investing
2. Portfolio Construction, Correlation Analysis, Alpha and Beta Strategies
3. Macro Analysis: Economies, Property Market, Capital Markets
4. Micro Analysis: Case Studies, Pro Forma Analysis
5. Investment Formats: Private Equity, REITs, Commingled Funds, Direct Investments, Debt, Development, Corporate Real Estate

Schedule

April 30, Monday -- Class Meeting #1
May 7, Monday -- Class Meeting #2
May 14, Monday -- Class Meeting #3
May 21, Monday -- Class Meeting #4
May 25, Friday -- Class Meeting #5 (makeup for May 28th)

A course packet of Harvard case studies is required and can be purchased at Northwestern's bookstore.

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Evaluation: Group Project (40%), Participation (20%), Final Exam (40%)

REAL 922-B Syllabus Core Topics

Session 1. Principles of Cross-Border Investing

Rationale for Cross Border
Challenges, Costs and Risks
Developed versus Emerging Markets
Direct versus Indirect Strategies
Transparency and Risk Analysis

Readings Folder: Introduction to Course

Wharton Real Estate Review: *Surprises of International Real Estate*

Jones Lang LaSalle: 2010 and 2008 *Transparency Index*

JPM: *Real Estate's Evolution as an Asset Class 2009*

JPM: *Global Real Estate Risk Index 2003*

LaSalle Investment Management: *Expanding World of Cross-Border Real Estate*

Session 2. Portfolio Construction

Risk Premia Analysis
Search for Relative Value
Correlation Analysis
Alpha and Beta Strategies
Operating and Execution Issues

Readings Folders: Portfolio Construction and Real Estate Securities

JPM: *Benefits of Globalization* by Hastings and Nordby

JPM: *Global Commercial Real Estate* by Idzorak, Barad and Meier

JREFE: *International Diversification Strategies* by Ivo de Wit

JREFE: *Transparency, Integration and Cost of Intl. RE* by Eichholtz

REE: *Global Financial Integration* by Edelstein, et. al

Guest Speakers: International Financial Reporting and Tax
IPD International Private Equity

Session 3: Investment Formats:

Listed REITs and REOCs

Private Equity: Commingled Funds and Direct Investments

Debt: Performing Loans and Distressed Debt

Development

Readings Folder: Real Estate Securities, Emerging Markets

Websites: INREV, ANREV, PREA, NAREIT, EPRA, APREA
ILPA Standards

Guest Speaker: International Fund Management

Session 4. Macro Analysis

Economies

Property Market Fundamentals

Capital Markets

Readings Folder: Emerging Markets, Booth-Kellogg Teaching Note

JREPM: International Investing: A Global Demographic Primer Mueller and Ball

LaSalle Investment Strategy Annual 2011 and 2012

Urbanisation and Cheap Credit Create Growth FT Article

Guest: Fund of Funds Manager

Session 5: Micro Analysis

Case Studies: Chongqing Tiandi HBS

CADIM: China and India Real Estate Deals

Pro Forma Analysis, Due Diligence

Risk-Return analysis

Key elements of the Group Project final deliverables include:

- Materials have a logical, sequential, and flowing structure
- Depth of relevant research
- Clear and concise communication of ideas (graphs, charts, and frameworks are valued)
- Data analysis => key findings
- Assertions are backed by supporting evidence
- Relevance and usefulness of recommendations

With regard to participation:

- Excellent participation means that you have been on time to all classes and team meetings, have routinely volunteered good comments, and have answered questions when the opportunity arises.
- Good participation means that you have mostly been on time or missed only a little time, you have occasionally volunteered comments, and have sometimes answered questions posed. Many of your classmates are aware of your participation and approve of it.
- Poor participation means either that you have missed noticeable amounts of class time, team meetings, are coming in late and disrupting, and/or had virtually nothing to say, or you are making comments that do not contribute value.

Team member evaluation:

You are required to submit a completed Team-Member Evaluation Form to instructor via email the Friday following the presentations. If you fail to comply, you will receive an “incomplete” in REAL 922 B. The evaluation, covered by the Kellogg Honor Code, may affect the final grade of your peers and yourself. You should take seriously the responsibility of honestly evaluating each team member’s contribution to the success of the course and Project. Elements to consider in your team member evaluation include individual effort, originality, expertise, sophistication, and overall Team contribution.

Etiquette for Real Estate 922-B:

The Kellogg Code of Classroom Etiquette has been established, and revised to reflect the experiential learning environment, to assist student and faculty alike to foster appreciation for the learning environment that enhances the learning experience for all students.

Attention to the code will add value to the course by creating a more meaningful and constructive discussion. Students, therefore, are expected to demonstrate etiquette based on the following principles:

I. Attendance: Students are expected to attend every class or sponsor meeting throughout the term. When unable to attend, the student should notify the professor in advance.

II. Punctuality: Students are expected to arrive on time.

III. Exiting and Entering: Students are expected to remain in the class or meeting for its duration. If a student must depart early due to unavoidable circumstances, the student should inform the instructor prior to the event. Leaving and re-entering the class or meeting is not permitted, except in an emergency.

V. Disruptive Behavior: Students should demonstrate respect for the professor, sponsor, and fellow students during Lab. Students, therefore, should refrain from distracting behavior such as disruptive eating, using laptops to surf the Web or check e-mail and holding side conversations.

VI. Respect the Facilities: Students are expected to help maintain the appearance of the classroom and office. After class students should discard all trash.

VII. Cell Phone and Laptop Use: Cell phone use is prohibited during class or meetings. Laptop use is prohibited except for presenting or with instructor's approval.

The Kellogg Honor Code:

All students enrolled in this course agree to abide by the Kellogg Honor Code. The Kellogg Honor Code governs student conduct pertaining to all academic, placement, and extracurricular activities associated with the Kellogg School of Management. Each student agrees:

Not to seek an unfair advantage over other students, including but not limited to giving or receiving unauthorized aid during completion of academic requirements;
to truthfully represent fact and self at all times;
to respect the property and personal rights of all members of the Kellogg community; and
to uphold the Kellogg Honor Code by reporting all material violations, and by fully cooperating with and protecting confidentiality of any Honor Code proceedings.

Enrollment in the course requires acceptance of the terms of this syllabus, and verification that you will maintain unconditional support for the Team Project.

Student Liaison: A volunteer to be student liaison is requested. The total time commitment over the quarter will not exceed 2 hours and include the opportunity to:

- a. Be a sounding board for the faculty member on student related issues
- b. Communicating any scheduling conflicts to professor and sponsor
- c. Organizing dates for lunches with professor, sponsor, and team
- d. Collecting TCE's and turning them in to Student Affairs during the last class
- e. Responsibilities are similar to Academic Rep responsibilities in 1st quarter core classes