

Georgetown University
Master of Professional Studies in Real Estate Program
MPRE 775-01 Inward and an introduction to International Real Estate Investment
Spring 2012 Syllabus
As of November 14, 2011

Time: Wednesdays, 5:20-7:50pm

Location: TBD (*Check registrar's website for updated information*)

Professor: Julian Josephs

julian.josephs@gmail.com

Overview:

The primary purpose of this course is to learn how to participate in international real estate transactions. This translates into working on investments involving foreign investors in the United States, as well getting a clear understanding of the motivations and subsequently the cultural differences encountered of US investors investing overseas, taking a close look at development, real estate brokerage, architecture and corporate users. The course will bring in speakers with experiences of working with different nationalities to relate case studies and work in their sectors. The schedule of the speakers, especially those from out of town, will determine which class they speak at and this schedule will be constantly updated. Readings preparing for the next class will follow the sessions, topic and speakers, as revised.

Class participants will be given \$100 million to invest in the US, and on the last day of the class present orally for no more than *12 minutes* as well as providing a written report on how, why and where they invested the monies, which will represent 70% of their grade. They will be asked to also present investing \$100 million in their chosen country from the US which will contribute 15% to their grade. Participants will be asked to provide an outline by March 14th, 2011 of their presentations. They will also be asked to write 500 words on their favorite course speaker. Other contributors to their grade will be their class participation and attendance.

MANDATORY CLASS ATTENDANCE: In order for all to benefit from class discussion, class attendance is mandatory. Please notify the instructor in advance if you will not be able to attend class due to illness, work-related, and other similar good reasons.”

Required texts:

“Kiss, Bow or Shake Hands”, Terri Morrison, ISBN: 1558504443, \$3.00,
www.amazon.com.

“Investing in International Real Estate” M. A. Hines, ISBN: 1567203752, \$125.00,
www.amazon.com.

“Guide to US Real Estate Investing”, by AFIRE, ISBN: 0615373372, \$100.00,
www.amazon.com.

Grading:

Class Participation 20%

Midterm Presentation 25%

Final Presentation 55%

Class Schedule:**Class 1, Wednesday January 18th**

Introduction to the Class

- Review of the schedule
- Why invest in real estate?
- Why invest overseas?
- History of overseas investment
- History of US involvement in foreign real estate investment
- History of the evolution of world real estate market
- The US Real Estate Market
- History of Washington DC, as it relates to foreign real estate investment.
- Motivations of a Foreign Investor

Class 2 Wednesday January 25th

Elements and Key Players in an international real estate transaction.

- The following all have important roles and potentially different legal and financial goals:
 - The investor.
 - The user/tenant.
 - The developer.
 - The seller
 - The landlord
 - The advisor/broker
 - The lender
 - The lawyer
 - The accountant
 - The engineers – land planning/civil, structural, landscape, mechanical.
 - The architect – international firms and local talent.
 - The government officials at all levels.
 - The General Contractor and subs.
 - Sector Focus: Global Architecture
 - Speaker: Anthony Lanier, CEO, Eastbanc

Class 3 Wednesday February 1st

Legal Elements of a deal.

- First and foremost – be a deal maker/facilitator not a deal breaker.
- Legal issues. Freehold/fee simple or leasehold? Undisclosed principals.
- Various deal structures and contract terminology
- Choice of law issues

- Tax issues
- SPV's-buy the asset or the company shares
- Ownership entities. (Corporations, Partnerships, Limited Liability Companies)
- Limiting liability. Jurisdictional issues, choice of laws
- Understanding the lack of transparency in many emerging markets – making accommodations for local custom and style.
- How to do business in immature or non-transparent markets and avoid deportation or incarceration.
- Buying land from foreign governments.
- Currencies and foreign exchange issues.
- Strategies for acquisition. Common pitfalls.
- Specific focus: FIRPTA and representing Foreign Investors
- Speaker: How a government or quasi-government institution works overseas

Class 4 Wednesday February 8th

Negotiating International Real Estate Deals.

- Strategies
- Pre-Negotiation
- Assembling the team and the importance of roles; horizontal, vertical, and internal negotiations
- Anchors and Offers
- Investigative Negotiation
- Understanding the Investor
- Strategies for Creating Value
- Understanding the anxiety of lack of familiarity
- Discussion of how to modify your techniques to accommodate cultural differences and less sophisticated agendas.
- Regional focus: Latin American Investors
- Profession focus: The Corporate User:

Class 5 Wednesday February 15th -

Elements of building and construction contracts

- Building for investment vs. "build to suit".
- Considerations for commercial, retail, hotel, industrial, and residential developers.
- Availability of materials, Tax issues, labor considerations, sophistication of engineering firms and other technical consultants, “developed” countries consultants v less developed.
- Different products, purposes, and approaches. Contrast with development in established, Western European cities.
- Turn-key with a general contractor vs. the client acting for itself.
- Protecting the client from default by the general contractor and/or sub-contractors.
- Global Focus: Jim Fetgatter, CEO Association of Foreign Investors in Real Estate (To be confirmed)
- Investor Focus: Germans, David Pahl, Prudential Real Estate Investors

Class 6 Wednesday February 22nd

Foreign partners, joint ventures, local customs

- Local partners and their roles and participation. How to structure the division of responsibility for acquisition, financing, staffing, construction or remodeling, and management.
- Elements of the joint venture or profit-sharing agreement.
- Profit/revenue sharing arrangements.
- Profession Focus: Global Architecture, Roy Higgs, CEO, Development Design Group (To be confirmed)

Class 7 Wednesday February 29th

Financing real estate investment, construction, and development overseas.

- Equity investment availability (onshore and offshore sources), strategies, and legal considerations.
- Debt availability, sources, and strategies
- Legal documentation used in real estate loan transactions. Rights of borrowers and lenders. Remedies for default. Important legal negotiating points for lenders and borrowers attorneys.
- Sector Focus: Financing
- Regional Focus: UK and Irish Investors

Presentation Outlines Due

Wednesday March 7th Spring Break- No Class

Class 8 Wednesday March 14th

Shari'ah Compliant Financing and Investment

- Background and basic concepts
- Structure of a Shari'ah compliant investment fund
- The Mudarabah contract - Profit must be directly linked to actual earnings of the fund generated from the underlying assets.
- Prohibitions against *Riba*, *Haram*, and *Maisir*
- Murabaha Funds; a type of 'cost-plus' financing
- Ijara Fund; usually established for the purpose of purchasing assets (property, machinery etc) and then leasing those assets to third parties in return for rental income.
- A Sukuk represents proportionate beneficial ownership and may be described as an Islamic bond.
- Shari'ah fund management

Regional Focus: Middle East Investors

Class 9 Wednesday 21st March

Privatization – are any opportunities left?

- Bulgaria and Southern Europe (Greece, Turkey, Cyprus) – perhaps a few deals left for an aggressive team of legal and investment advisors with well funded investors.
- Positioning for privatization opportunities in China and Southeast Asia.

- Infrastructure Funds and Development: toll roads, energy, mass transit.
- Country Investor Focus: Netherlands
- Sector Focus: Commercial Brokerage

Class 10 Wednesday March 28th

Legal and Practical Aspects of Property Management

- Forming a de novo management company vs. contracting with a local property management company.
- Issues of liability and fiduciary duties
- Onsite or offsite management structures
- Commercial versus Residential requirements
- Understanding local standards of service
- Country Investor Focus: Asian Investors
- Sector Focus: Residential Brokerage

Class 11 Wednesday April 4th

Networking

- Investor Focus: Israeli, Australian
- Sector Focus: Hotels
- Speaker:

Class 12 Wednesday April 11th

- Investor Focus: Scandinavia and Italy
- Sector Focus: Banking and Pension Funds

Class 13 Monday April 18th

- Regional Focus: South America

Class 14 Monday April 25th

- Regional Focus: Africa

FINAL EXAM
Wednesday May 4th

ELECTRONIC ETIQUETTE

Please turn off cell phones, pagers and other communication devices before class starts. Surfing the web or engaging in other non-class techno-activity during class is unacceptable.

ETHICS STATEMENT: As signatories to the Georgetown University Honor Pledge, and indeed as good scholars and citizens you are expected to uphold academic honesty in all aspects of this course. You are expected to be familiar with the letter and spirit of the Standards of Conduct outlined in the Georgetown Honor System and on the Honor

Council website. As faculty, I too am obligated to uphold the Honor System and report all suspected cases of academic dishonesty. For more information, please visit: <http://gervaseprograms.georgetown.edu/he/index/html>.

HONOR SYSTEM: Students are expected to abide by the Georgetown University Honor System. If you have not already done so, please familiarize yourself with the material and information posted on the Honor Council's website:

<http://gervaseprograms.georgetown.edu/he/index.html>.

The finding of an Honor Code violation by the Honor Council constitutes an automatic “F” in this course.

GEORGETOWN UNIVERSITY HONOR PLEDGE: In the pursuit of the high ideals and rigorous standards of academic life, I commit myself to respect and uphold the Georgetown University Honor System: to be honest in any academic endeavor, and to conduct myself honorably, as a responsible member of the Georgetown community, as we live and work together.

ACADEMIC RESOURCE CENTER: If you believe you have a disability, then you should contact the Academic Resource Center (arc@ Georgetown.edu) for further information. The Center is located in the Leavey Center, Suite 335. The Academic Resource Center is the campus office responsible for reviewing documentation provided by students with disabilities and for determining reasonable accommodations in accordance with the Americans with Disabilities Act (ADA) and University policies.

WRITING CENTER: The Georgetown University Writing Center is a free writing resource open to all Georgetown students. Graduate and undergraduate students trained in teaching writing are available to assist you at any stage of your writing process. Whether you are just beginning to brainstorm or revising a later stage of your work, our goal is to provide a collaborative center for the discussion of writing. The Writing Center offers assistance in topic development, general organization, guidance on paper revisions, and specific or recurring structural problems with writing. Consultants are not trained to proofread papers for grammar or spelling errors, but rather to help individuals improve their own critical thinking, revision, and editing skills.

<http://writingcenter.georgetown.edu/>

*<http://scs.georgetown.edu>