

- First Draft –

Developing Real Estate education in Brazil: case study of a MBA in Real Estate  
Development

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## Developing Real Estate education in Brazil: case study of a MBA in Real Estate Development

### Abstract

The practice of Real Estate in Brazil has gone through several changes in the recent past that resulted in an enormous development of the industry. It has implied an increasing demand for manpower training and development of a local knowledge of this emerging field. Because of a virtual lack of a “Real Estate school”, Real Estate has been approached by different educational traditions, such as construction planning and management, Real Estate business, Real Estate finance. The purpose of this communication is to present the case of MBA in Real Estate development, an educational program that seeks a more comprehensive view of Real Estate Development in Brazil, and a more balance between theoretic and applied teaching.

### Introduction - Real Estate in Brasil

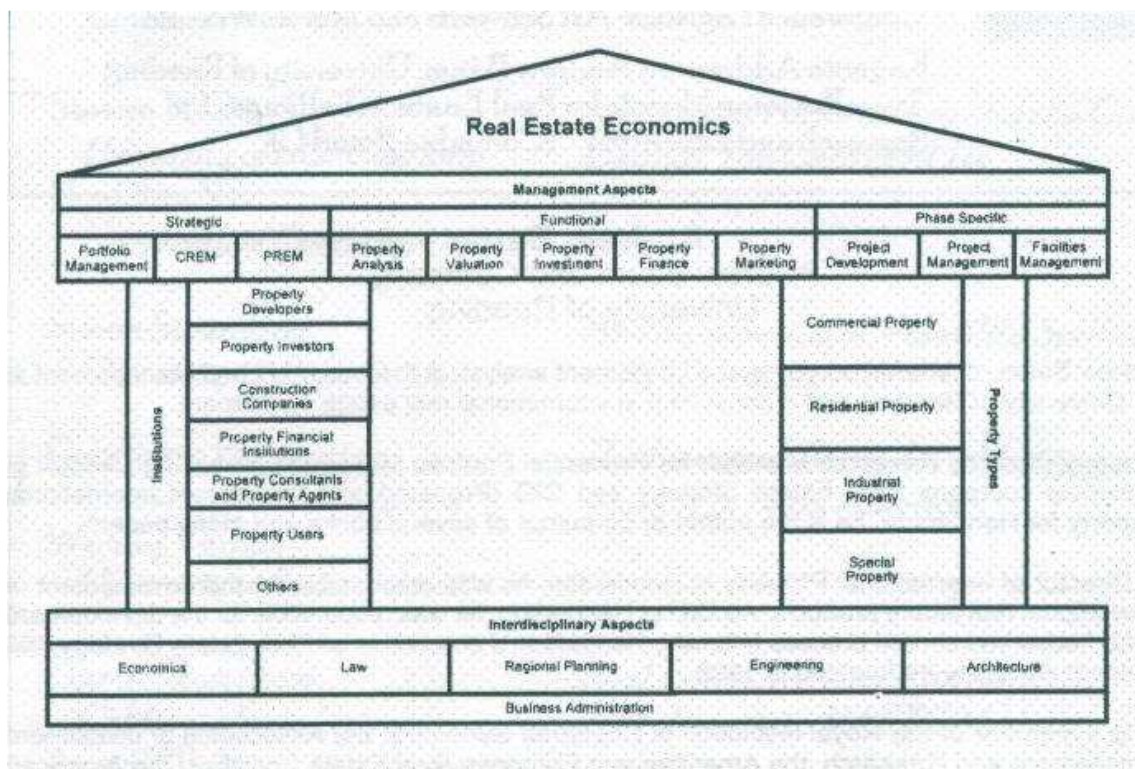
The practice of Real Estate in Brazil has gone through several changes in the recent past that resulted in an enormous development of the industry. The most important innovations were in the field of finances, after Real Estate Finance System was created, in 1997, which resulted in IPOs, securitization, and REITs. (Haddad & Meyer, 2012).

To exemplify, the total loans from Brazilian Savings and Loans system amounted R\$ 2,270 million, in 2003, and went up to R\$ 56,000 million in 2010. Starting in 2006, a few Real Estate enterprises have been making IPOs, what has followed

by increasing oligopolization through mergers and acquisitions; market of REITs has expanded. (apud Uqbar, 2013)

### Charateristics of Real Estate

Real Estate is a complex, multidisciplinary subject. Prof. Karl Schulte, from the International Real Estate Business School, based in his experience in Education, has developed the representation below of a portico displaying the different aspects of Real Estate: interdisciplinary, managerial (strategic, functional and phase specific, institutions (agent) involved and a typology of properties.



The drawing sketches the foundations of this construction called Real Estate, composed by a group of traditional disciplines: Economics, Law, Regional Planning, Engineering, Architecture, Business Administration – the latter being placed in the grounding.

There are two columns:

- a) one displays different types of properties that concerns Real Estate analysis : commercial, residential, industrial and special ones (those including public properties);
- b) the other column displays the major players in Real Estate Development: property developers, property investors, construction companies, property financial institutions, property consultants and property agents; property users; and others.

Finally, the roof, where are the managerial aspects:

- a) strategic, that includes financial aspects, like in portfolio management;
- b) functional, showing a handful of professional specializations that have been applied in Real Estate Development: property analysis, property valuation, property investment, property finance, property marketing ;
- c) phase specific: property development, property management, and facilities management

This frame is very helpful for curricular development and evaluation in Real Estate education

### Challenges in Real Estate Education in Brazil

It has implied in increasing demand for manpower training and development a local knowledge of this emerging field. Because of a virtual lack of a “Real Estate school”, Real Estate has been approached by different educational

traditions, such as construction planning and management, Real Estate business, Real Estate finance.

## MBA in Real Estate Development

MBA in Real Estate Development has a distinctive focus: Real Estate Development. The contents and agenda has found an inspiring guideline, in the book *Real Estate Development: Principles and Process*, co-authored by Miles, Berens, Eppli and Weiss, and edited by the Urban Land Institute. This book has had already been adopted as a textbook for a discipline that I have been taught at the Graduate level, at the School of Architecture and Planning of the University of São Paulo.

The Berens and al. book defines Real Estate Development as “the continual reconfiguration of the built environment to meet society’s needs” and, yet, social and environment concerns are in the core of our program.

The book places the developer in the center of Real Estate, and how he makes decision related to the creation and management of land values. It indicates the developer’s many roles as he interacts with the public, the capital markets, the users, and leads a “development team”, which is composed by:

- Private sector developers
- Public sector developers
- Public/private partnerships
- Architects
- Urban Disigners
- Engineers
- Land Planners
- Landscape architects
- Contractors

- Environmental consultants
- Transportation consultants
- Appraisers
- Attorneys and accountants
- Real estate leasing agents and sales brokers
- Financial players
- Property managers
- Market researchers
- Marketing and public relations consultants
- Regulators, and
- Final users.

Berens book is organized in chapters that follow the eight “stages” in which Real Estate Development could be structured, somehow expanding the “phase specific” pointed at the top of the figure:

One: Inception of an Idea

Two: Refinement of the Idea

Three: Feasibility

Four: Contract Negotiation

Five: Formal Commitment

Six: Construction

Seven: Completion and Formal Opening

Eight: Property, Asset and Portfolio Management

The MBA in Real Estate Development offered by FUPAM

We have developed a two years educational program in Real Estate Development which is organized in 6 modules. Each module has 15 classes of 4 hours length that meet twice a week in the evenings.

The program is open to students with graduation in any disciplinary background that has some experience in the field of Real Estate. This has curricular implications: some contents were carefully selected with the purpose of leveling off the knowledge among the students.

Instead of having a single teacher, each module has a coordinator and several guest speakers. In total in 90 class meetings, there is around 45 different presenters. It is the role of the coordinator to organize and monitor the classes, briefing each teacher speaker about the class content in order to avoid unnecessary overlapping, and evaluate the students by means of a take home examination, that could be done in groups of two students, provided that have different backgrounds.

This way, by bringing in specialized professionals that are “doing”, we seek to balance academics with the existent practice.

These six subsequent modules that compose the course are:

I - INVESTMENT ANALYSIS AND CAPITAL MARKETS APPLIED TO REAL ESTATE

II - MARKET RESEARCH, AND FEASIBILITY ANALYSIS OF REAL ESTATE DEVELOPMENT PROJECTS

III – REAL ESTATE PLANNING AND DEVELOPMENT

IV - CORPORATE REAL ESTATE, AND MANAGEMENT STRATEGY FOR OCCUPANCY

V – REAL ESTATE CONTROL AND DEVELOPMENT POLICY

VI - EMERGING ISSUES AND MONOGRAPH

Comments on each module

## Module I - INVESTMENT AND CAPITAL MARKETS APPLIED TO REAL ESTATE

This module provides, in the first part, the analysis of financial instruments that will be used throughout the course. After an introduction to the real estate market is a brief introduction to financial mathematics and the use of spreadsheets. Then models are presented financial analysis of real estate based projects, exemplified by cases.

In the second part of the module, the instruments of "funding" for projects are presented and ways of funding in the capital markets. Are studied types of real estate financing and financial structuring of real estate projects in both its financial and operational aspects as legal. The instruments of securitization and real estate investment funds (REITs) are explained with the presentation of concrete cases.

## Module II - MARKET RESEARCH, AND FEASIBILITY ANALYSIS OF REAL ESTATE DEVELOPMENT PROJECTS

This module provides, in the first part, instrumental market analysis that will be used throughout the course. From the presentation of the available studies of the housing market and the fundamentals of marketing, research and analysis of residential real estate production is through detailed studies of supply and demand as well as consumer research, qualitative and quantitative. Main sources of information and data of interest to the real estate analysis are presented: demographics, real estate projects start. Later analysis of this data in the development of residential projects is discussed and specific cases are presented.

The second part of the module presents specific types of markets, focusing on aspects related to the feasibility and development of projects and quality of investment in a multidisciplinary approach: technical, architectural, legal,



marketing and financial. We focus more projects and large tracts of land subdivisions, retail, hotels and resorts, and mixed designs and urbanization.

### Module III - REAL ESTATE PLANNING AND DEVELOPMENT

In this module, which is the core of the course, financial instruments and market analysis are applied to real estate development. From the knowledge of the company's strategic planning and management of organizational performance are the steps of real estate development and interdisciplinary content needed, starting from planning, prospecting land until the development of real estate products, with the presentation of cases.

Legal risks of the real estate business and legislation for buying, selling and registering property are analyzed. Contracts of real estate development and incorporation as well as the corporate structures of enterprises and their tax planning are also analyzed.

After designing the projects address the aspects of financial management and commercial ventures. Finally we discuss the planning, management and control of real estate marketing and advertising, with the presentation of concrete cases.

### Module IV - CORPORATE REAL ESTATE - DEVELOPMENT, AND MANAGEMENT STRATEGY FOR OCCUPANCY "

If we can say that Module III has focused in “making it happen”, this Module IV focuses in “making it work”. It introduces the key aspects involved in the multidisciplinary management of corporate real estate and development projects of office buildings, industry and logistics. From notions of diagnosis and portfolio management (portfolio management) properties, are discussed techniques for formulating strategies of occupancy commercial real estate, from space planning and management of properties and facilities.

The real estate assets of the companies are approached from the standpoint of its functions to meet the needs of users and their activities, and investment and cost that must be optimized. We present techniques to improve its operational performance, increase shareholder value and liquidity of assets and reduce occupational costs such as maintenance, retrofit, demobilization, sale or lease, sale and leaseback and built to suit. We study the legal aspects and concepts of assessment of real estate assets.

Search procedures are studied and trading spaces, the tools of financial analysis of scenarios of occupation and performance evaluation of alternatives and post occupancy evaluation techniques, including case studies. Finally, we will present the facilities management methods and properties involving the general administration of the property, contracts with vendors, and building management systems and cost control.

#### Module V - REAL ESTATE CONTROL AND DEVELOPMENT POLICY

The real estate professionals need to move with ease in an environment where the regulatory framework is in constant expansion. Social responsibility and sustainability both economically and socially and environmentally, while imposing restrictions on the project, open a new perspective for incorporating values that develop in society, increasingly valued by consumers. Moreover, increasingly call "environmental responsibility" has strong impact on corporate image.

From the notion of market failures that underlie politics urban estate, this module develops an understanding of the legislative process and prospect of urban social and legal framework defined by the Statute of the City and its instruments of control, induction and promotion of real estate production : master plans, zoning and building regulations and security, emphasizing the case of São Paulo.

Expropriation, urban operations and public-private partnerships, onerous grant and exactions are also covered.

Also covered is the environmental legislation and its instruments - analysis of socio-environmental and neighborhood environmental certification of buildings. We present cases of responsible property investment and discussed the role of NGOs, social movements, as well as the action of the public ministry.

#### Module VI - EMERGING ISSUES AND MONOGRAPH

This last module is geared towards developing design monograph completion of the course and its preparation.

The profile of interests and a rapidly changing structural housing market always bring out new important issues to be discussed here along with case studies. These questions are prompted by the discussion of the economic and real estate market, as well as the impact of globalization on the housing market.

Finally instrumental lessons are presented for the development of the draft monograph and its development, through understanding of research methodology, tools and literature search on the internet and care for the writing of the thesis. Students will participate in seminars and presentation of projects of search results.

#### Comments

This educational program covers a wide range of aspects of Real Estate. It does seek to cover a more themes in order to provide the students a more comprehensive view of Real Estate Development. There is, of course, a trade-off, following the principle that “more comprehensiveness corresponds to the less depth.” It provides the student a first-hand knowledge of the language of other

professionals working in Real Estate Development, permitting a better dialogue with them.

Students that seek going deeper in a more specific aspect of Real Estate should perhaps choose another course. We have a few cases of students that have taken a more specialized course afterwards.

Real Estate has been a very dynamic field in the past years and there is a need to permanently review in order to keep the program update.

#### References

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