

Course Unit MGH 2102 | Hospitality Real Estate Finance and Investments

Program International MSc in Hospitality Management

Level Advanced

Duration 40 hours

ECTS Credits 4

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 Meeting Hours Tuesdays (9:30 to 11:30); by appointment

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Unit description

Independent of the ongoing debate on asset-heavy versus asset-light hospitality enterprises, real estate decisions remain critical to hotel investment and finance. This analytically-intensive course first builds the fundamental understanding of debt and equity financing. Topics such as equity investment, real options and commercial leases are discussed using examples and case studies. Further, the course builds on these concepts using advanced topics such as REIT management, portfolio theory in real estate, sustainability and behavioral finance in a global context.

General learning outcome

At the successful completion of this course students will be able to apply appropriate analytical tools to reach at prudent real estate decisions related to hotel financing and investments. In addition, students will develop a well-rounded perspective on real estate that is essential to building future industry leaders.

1. Subject specific competences

- 1.1. Solve complex debt financing decisions
- 1.2. Develop detailed hotel investment pro-forma
- 1.3. Develop optimal portfolio consisting of real estate assets
- 1.4. Critique REIT management structures
- 1.5. Describe emerging topics in real estate

2. Cognitive competences

- 2.1. Analysis and synthesis of real estate and finance data
- 2.2. Application of theories to case studies and analysis
- 2.3. Reconciliation of multidisciplinary concepts in hotel finance and investment

3. Personal competences

- 3.1. Creating synergies in a team-environment
- 3.2. Communication skills

Recommended books

1. Geltner, D.; Miller, N.; Clayton, J. & Eichholtz, P. (2013). *Commercial Real Estate: Analysis & Investments*. OnCourse Learning.
 2. Diaz III, Julian, and J. Andrew Hansz. (2010). *Real Estate Analysis: Environments and Activities*. Kendall Hunt Publishing.
 3. Rushmore, S., O'Neill, J.W. & Rushmore, S. (2012). *Hotel Market Analysis and Valuation*. Appraisal Institute.
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Communication & Meeting Hours

Beyond the class hours, emailing is the best way to communicate. During business hours, feel free to contact me via phone: +41 21 785 16 23. Please send a meeting request to either me or the academic assistant if you wish to meet in person. Tuesday mornings are ideal for me.

Teams

For various activities you will propose your team structure by the end of the first week since the class begins. In total, 7 teams will be created. Each team should have 4 students. If a student is not included in a team within a week, s/he will be assigned to a team by the academic assistant. The term project and some classwork assignments may require you to work in your respective teams.

LMS

All materials for the course are transacted over the Moodle website. It is your responsibility to check the Moodle course page frequently to keep yourself updated with the latest developments. We post the files and announcements on a regular interval. You are expected to submit your work through the same platform. Email submissions will **not** be entertained.

Hands-on classroom exercises

In several meetings you are expected to run hands-on exercises which are usually quantitative in nature. I strongly advise that you work diligently on these exercises. Class exercises are usually not graded. However, active participation and feedback will help in preparing you for the final exam/project and more importantly, for your career.

Evaluations

- | | |
|-----------------------------------|-----|
| 1. Final Exam (Individual): | 60% |
| 2. Intermediary Projects (Group): | |
| a. Mini-Project | 10% |
| b. Term Project | 30% |

Final exam (Individual)

The exam may be conducted in a classroom environment on PC. Usually, the exam is dominated by calculation-based questions. However, you may also be tested on some theoretical underpinnings. Exact format of the exam shall be announced in due course of time.

Term project

The term project in this course is aimed at further enhancing your ability to execute complex tasks. However, the quantum of work is one of the challenges. Intellectual intensity is another. Team-spirit is a key to success.

Several weeks before the course completion, a term project statement will be introduced. It is advisable that teams start working on the project early on. Timely completion of the term project will not overwhelm you during the last few weeks when preparing for the final exam may be a higher priority. The project reports are due before the final exam. Also, each team is required to make a 4-5 minute presentation. I do not interfere with team dynamics and conflicts. You are expected to lead your teams yourselves.

Retakes

In order to pass this course, students must achieve an overall grade of 4.0 or higher. Students obtaining a final grade between 3.5 and 3.9 will be offered an opportunity by EHL to retake the final exam at the SHTM during their stay in Hong Kong.

Class participation

I usually do not record attendance in class. The learning modules are carefully posted in a sequence over time such that your knowledge-building is a gradual process. Thus, missing a class can be costly to your learning process. Also, I encourage you to ask questions and participate in healthy debates.

Instructor handouts & self-prepared notes

Given the broad scope of the course, no single book can offer a comprehensive set of reference materials. Class discussions are supported by slideshows. Before the beginning of each class, I will try to upload a limited version of the slideshow. The limited version will be deliberately incomplete so that you attentively take notes.

Policy on electronic devices

Computer: Bringing laptop to the classroom is a requirement. However, laptops are permitted only during certain exercises and must be shut down otherwise.

All other devices: You must value the class time of the professor and fellow students. Refrain from any such activity that distracts either my attention or someone else's. Use of cell phones, tablets and other electronic devices is strictly prohibited in class. Chatting on instant messaging systems, facebook usage, tweeting and any other form of social media interaction either through your computer or smart phone device is banned in class. If you feel the compulsive urge to do so, please step outside the class.

Tutoring

Tutoring sessions may be offered for several course topics. These sessions focus on hands-on exercises and are, by no means, any substitute to class meetings. Please inform the academic assistant before attending a tutorial session and confirm the venue. The timings are mentioned above.

Notes

The syllabus and the course outline are tentative and indicative in nature. I may make changes anytime throughout the semester, as deemed necessary.

Course outline

1. Real Estate and Hospitality
2. Capital Budgeting
3. Risk and Return Measures
4. Commercial Loan Contracts and Their Analysis
5. Commercial Mortgage Backed Securities
6. Real Estate Investment Analysis
7. Real Options
8. Commercial Leases
9. REIT Valuation and Management
10. Real Estate and Portfolio Theory
11. Special topics: Spatial considerations in hotel real estate, economics of Sustainable Hotels, Behavioral Real Estate