

Finance and Real Estate (FREL)

The Finance and Real Estate major (FREL) is for students who want to pursue a career in real estate finance and development. It satisfies the requirements for a double major in finance and real estate without the necessity of taking any additional courses.

Real estate is the largest asset class in the world, encompassing land, housing, commercial buildings (hotels, office buildings, shopping centers), industrial buildings (warehouses and factories), healthcare facilities (hospitals and nursing homes), and government buildings (offices, schools, military, etc.). There are a variety of opportunities in real estate for finance professionals, including valuing real estate, analyzing the financial aspects of real estate projects and investments, financing real estate projects and investments, and selling and leasing real estate.

The information below covers different potential career paths for the Real Estate Finance Option (RELF).

Appraisal (Valuation)

Real estate appraisers specialize in valuing real estate assets (land and buildings). Buyers and sellers of real estate need to determine a fair price at which to buy or sell real estate. Banks use appraisers to determine the value of real estate assets that they are financing (is it worth more than the loan?). Real estate brokers use appraisers to determine the proper price to quote a buyer or seller for a real estate asset.

Project Management

Finance professionals are not only involved in the planning phase of a project but are also involved during its construction. Throughout a project's construction phase, costs must be estimated, tracked and analyzed to ensure that the building is being built in a financially profitable manner. Any proposed changes to the project must also be analyzed to determine their impact on the project's cost and financial returns.

Property Management

Once a building has been built, it must be managed. Part of the process of managing a building involves overseeing the building's finances: its revenues (rental income), costs (utilities, maintenance, supplies) and capital spending needs (new equipment and structural upgrades). There is also a need to interact with the building's financing providers (banks and investors) on an ongoing basis. The providers of financing usually require periodic reports about how the building is doing (occupancy rates, revenues, profitability, operating problems, capital spending needs, etc.) In addition, the value of the building must be periodically updated, in case the building needs to be refinanced or sold.

Real Estate Development

Real estate developers and investors need finance professionals to assess the financial economics of each real estate project in which they invest. These projects could range from the purchase and renovation of an existing building to the purchase of a vacant piece of land upon which they will build new homes or commercial buildings. The financial analyst must assess the up-front costs of the project (purchase, construction, renovation, etc.), the ongoing operating costs (utilities, taxes, maintenance), the revenues (rents), and the ultimate price when the asset is sold to determine whether the project will deliver a sufficient financial return. Employers of real estate financial analysts include the following:

Real Estate Developers – They buy land and then build new buildings and/or home on it. They may need to demolish existing structures on the land before they can build on it.

Corporations – Companies in building-intensive industries such as retail, hotels, nursing homes, and distribution (warehouses) are constantly buying, renovating, renting and selling real state.

REITS (Real Estate Investment Trusts) and Real Estate Funds – These are entities that invest in real estate for rental income and profits from buying and selling

Real Estate Investment Banking

Most investment banks have groups that specialize in providing investment banking services for companies and investors involved in real estate. These services involve helping them raise capital to invest in real estate, helping them buy and sell portfolios of real estate assets, and advising them on how to avoid and/or survive a bankruptcy process. In addition, some investment banks also do securitization transactions, in which bonds are issued that are backed by the revenues from a large number of real estate assets, such as mortgages.

Real Estate Lending

Most commercial banks lend money to investors and companies that are buying real estate assets. Their credit analysts are finance professionals who analyze the creditworthiness of the real estate assets being financed. Once the loan has been made, the credit analyst must monitor the health of the asset and determine if it still is meeting its projected financial performance.

Real Estate Leasing and Brokerage

Real estate brokers are involved with buying, selling and leasing (renting) real estate. If they are working for the owner of a home or commercial building, their job is to find the buyer or renter who will pay the best price, and then helping the owner to get the best price and terms in the negotiations. They can also work for buyers or renters, helping them to find a building to buy or rent, and then helping them negotiate the best price and terms.