



UNIVERSITY COLLEGE
OF ESTATE MANAGEMENT

Investment Appraisal and Portfolio Management

Module Descriptor

Module Code: INV7REV

Version: 8.00

Status: Final

Date: 22/07/2020

Summary Module Details

Module details

Module Title: Investment Appraisal and Portfolio Management

Module Leader: David Hourihan

Module Mode: Supported online learning

Semester: Autumn (UK)

Level: 7

Credits: 20

Learning Hours: 200

Contact & Study Hours

Directed Study Time: 60hrs (30%)

Self-directed Study Time: 70hrs (35%)

Assessment Study Time: 70hrs (35%)

Assessment Type

Coursework: 100%

Computer Marked Assessment: 0%

Self-directed Research Project: 0%

Portfolio: 0%

Module summary

This module focuses on key principles underpinning commercial property investment in international markets. Detailed 'Discounted Cashflow' appraisal models using Microsoft Excel are applied to 'real world' scenarios to determine the viability (NPV/IRR) of both multi-tenanted commercial property investments and mixed portfolios. In the context of business planning, the module also focuses on key considerations of commercial property portfolio management, including the styles of portfolio management (i.e. core, core plus, value-added, opportunistic) and portfolio restructuring techniques used to protect and improve the risk/return profile of the property portfolio. Sustainability is key theme at property and portfolio levels in this module.

It is strongly advised that a student attempting this module should already have a firm understanding of the concepts, such as the time value of money, which underpin the traditional and modern methods of commercial property valuation. Students should also have experience in the use of Microsoft Excel.

Taken on which programmes

MBA Construction and Real Estate (E)

MSc Real Estate (E)

Core (C) or Elective (E)

Module Aims

This module aims to examine:

- The concepts of investment and their application to real estate markets.
- Investment appraisal techniques for direct or indirect real estate investments.
- How the construction of a diversified asset portfolio may minimise risk and contribute to optimum investment returns.
- Current developments within the property industry, particularly the impact of social responsibility on investment portfolios.

Module Learning Outcomes

- LO1. Critically synthesise the disciplines of valuation, agency, law, property management, construction, planning and development to protect and add value to development land and commercial property as an investment asset class.
- LO2. Critically analyse a range of data and information, to determine their relevance and validity in the context of new situations within commercial real estate investment and portfolio management.
- LO3. Adopt an international perspective to critically evaluate the impact of real estate on businesses, societies and the environment, cognisant of any ethical implications.
- LO4. Critically analyse subject-specific knowledge, theory, and practice to make informed and justified decisions concerning complex commercial real estate situations.
- LO5. Critically evaluate social responsibility for sustainability in the built environment.

Indicative Module Content

Module topics

- **Introduction to the Property Investment Market**

Characteristics of property investment, direct and indirect investment in property, property cycles, globalisation of the property market, market efficiency, economic and market analysis, the impact of sustainability on the property market. Types of investors (i.e. individual, corporate investors, overseas investors, property companies, financial institutions, investment trusts and unit trusts) and types of property investment (retail, office, industrial). Principles of investment, the investment decision-making process, objectives, goals and decision criteria, the rate of return, the measurement of earnings and profitability.

- **Direct Property Investment - Discounted Cashflow (DCF) Modelling**

'Appraisal' versus 'valuation', DCF modelling based on 'annual in arrears' and 'quarterly in advance' rental cashflows, setting the 'hurdle rate', measuring risk through sensitivity analysis. Analysing investments with multiple tenancy, vacancies, low weighted average unexpired lease terms (WAULTs) and landlord liabilities.

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- **Indirect Property Investment – REITs**

The history of securitisation, problems in the development of securitisation, the vehicles, issues in securitisation, liquidity and securitisation, Real Estate Investment Trusts (REITs).

- **The Investment Portfolio – Setting Strategy and Objectives**

The selection of investment projects, defining criteria and targets, a pragmatic approach to project selection using modern portfolio theories. Outline of the selection process, portfolio building, property portfolio management process, pragmatic approach to the creation and management of portfolios. The establishment of objectives, security of capital, security of income, marketability and liquidity, professional investment management, limits on the investment budget, limits of risk bearing, minimum acceptable rate of return, term of investment, statutory control, timing of investment activity, the portfolio problem.

- **The Investment Portfolio – Measuring Portfolio Performance**

The purpose and objectives of performance appraisal, modes of performance appraisal, measures and indicators of performance, stages of portfolio performance appraisal, approaches to performance appraisal, attribution analysis, pragmatic approach to performance appraisal, problems in performance appraisal, portfolio performance analysis systems.

- **The Investment Portfolio – Identifying and Measuring Investment Risk**

Individual risk, types of risks, risk and uncertainty, the measurement of risk, the methodology of risk analysis, the property market approach to risk analysis, management of risk, theory of risk.

- **Sustainable Property Investment**

Definition and application of socially responsible investment, evolution of responsible investment, United Nations (UN) principles of responsible investment, stakeholder analysis, Islamic property finance, responsible investment and the global financial crisis.

This content will be reviewed and updated regularly to reflect the legal, moral and financial changes in professional standards and practice.

Overview of Summative Assessment

Module learning outcomes	Assessment	Word count or equivalent	Weighting
LO1, LO2, LO4	Assessment 1 Coursework	2,000	40%
LO1, LO2, LO3, LO4, LO5	Assessment 2 Coursework	3,000	60%

Module Pass Mark (as a weighted average of all assessments): 50%

Key Module Learning Resources

Core sources and texts

The core reading resources within each module will be provided via the specific Virtual Learning Environment (VLE) module pages and within the e-Library. Additional reference material and supplementary resources to support your studies are available through the UCEM e-Library.

Module tools

Students will have access to study materials, dedicated academic support, student forums, and learning activities via an online learning platform (VLE).

The module page on the VLE is broken down into structured study weeks to help students plan their time, with each week containing a mixture of reading, case studies, videos/recordings and interactive activities to go through. Online webinars/seminars led by the Module Leader can be attended in real time and provide opportunities to consolidate knowledge, ask questions, discuss topics and work through learning activities together. These sessions are recorded to support students who cannot attend and to enable students to recap the session and work through it at their own pace. Module forums on the VLE provide further opportunities to discuss topics with other students, complete collaborative work and get extra help from the module team.

Professional online resources

The e-Library provides access to trusted, quality online resources, selected by subject specialists, to support students' study. This includes journals, industry publications, magazines, academic books and a dissertation/work-based library. For a list of the key industry specific and education resources available please visit [the VLE e-Library](#).

Other relevant resources

Access is also provided to further information sources that include the British Library and Open University UK catalogues, as well as providing a monthly current awareness service entitled, **Knowledge Foundations** - a compendium of news, research and resources relating to the educational sector and the Built Environment.

The module resource list is available on the module website and is updated regularly to ensure materials are relevant and current.