
Career Shot: Real Estate Development and Finance

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Real Estate Development Overview

Real estate development involves recognizing opportunities for the development (or redevelopment) of land and existing structures for residential and/or commercial use. Developers need to be widely networked in their communities, especially in the financial services and political arenas (to get money and approval for their projects). In some settings the popular conception of real estate developers has a little bit of "cowboy" mystique to it, and top developers can take on substantial financial and reputational risks when they champion projects. But while the developer may publicly take the lead, he or she is supported by a wide range of other real estate professionals in construction, finance, property management, brokerage, and marketing. (And most developers do not have their names on all of their properties.)

There is risk all around. One developer says that the difference between a project that makes money and one that loses it can be only a few pennies a square foot in cost and income. Real estate development can involve big risks taken over long periods of time, with numerous unpredictable variables (such as fluctuations in interest rates and economic growth). These risks can result in big payoffs, but also in big losses. Real estate development is clearly not for the faint of heart. In addition, real estate development is both a function and an industry. Much of the knowledge and many of the skills involved in development don't easily translate into other industries, so in the event of a downturn in the market it can be hard to transfer to another area of the country or to another industry.

Real Estate Finance Overview

Real estate finance is both an industry in itself and a career within larger financial services organizations such as commercial and investment banks. There are a number of careers within the overall real estate industry (development, construction and leasing, among others) and most of them are inextricably intertwined with the fact that it is buildings that are being built or leased. Real estate finance, on the other hand, has more of an emphasis on the "finance" side than it does on the "real estate" side. Generating or evaluating a real estate finance deal involves doing many of the same kinds of sophisticated financial analyses as a public stock offering, debt issuance, large commercial loan, or merger would entail. Most investment bankers and commercial bankers who work in those firms' real estate areas could just as easily be working in one of several other areas of financial services.

As with the rest of the financial services industry, real estate finance can be roughly divided between elements of the business related to putting deals together and "selling" them and elements related to investing in those deals. These two sides of the business can have very different cultures and attract very different kinds of people -- and a person who might be very happy and successful in one area might well be far less successful (and happy) in the other.