

RED 375 – Real Estate Development Analysis

Units: 4

Fall 2019 - Mondays and Wednesdays, 4:00pm - 5:50pm

Location: VPD 110

Instructor

Moussa Diop

Office: RGL 315

Contact Info: diop@usc.edu

Office Hours: Tuesday 11:00am - 12:00pm or by appointment

Course Website: <http://blackboard.usc.edu>.

Teaching Assistant

N/A

Course Description

This course provides a broad exposure to the general principles of commercial real estate development and investment analysis. It is an introduction to the fundamental concepts and analytical methods used in making commercial real estate investment and financing decisions. We will cover the basic analytic tools that are critical for understanding the determination of prices and values of commercial properties. By the end of the semester, you will be able to develop proforma cashflows and evaluate various income-producing property types, i.e., multifamily residential, office, retail, and industrial properties.

Learning Objectives

At the conclusion of the course, students should:

- Be able to demonstrate a thorough understanding of commercial property development and investment process
- Understand the basic differences between retail, office, industrial and multi-family property investment
- Understand differences in various commercial lease structures (gross, net, double net, triple net, full service, expense stops, overage, etc.)
- Be able to develop proforma cashflows using Microsoft Excel to analyze investment opportunities and assess investment performance
- Develop a thorough understanding of real estate capital markets, capital structure issues, and the importance of leverage

Prerequisite(s): BUAD 215, ECON 203 and RED or PPD 362

Recommended Preparation: Excell Workshop

Course Notes

I will make available summary lecture slides, but you are expected to take notes in class. However, these summary slides will not necessarily contain everything discussed in class. Any material discussed in class

will be on the exams. I will only make available PDF format of Excel spreadsheets. I will make course notes and any relevant material on Blackboard.

Technological Proficiency and Hardware/Software Required

You will regularly have to develop Microsoft Excel spreadsheets. Therefore, we requires access to a computer with Microsoft Excel. You should be aware that Excel runs better on Windows.

Required Readings and Supplementary Materials

The required textbooks for this course are:

- Geltner, David M. and Norman G. Miller (2014) Commercial Real Estate Analysis and Investments. 3rd Edition South-Western Educational Pub
- Peiser, Richard B. and Hamilton, David (2012), Professional Real Estate Development Third Edition and

I will post on Blackboard any assigned readings not from the textbooks. You are expected to attend class and complete the required readings in advance so that you can contribute to in-class discussions. Textbook readings are listed in the course schedule below.

Grading Breakdown

- Midterm Exam: 20%
- Final Exam 20%
- Project 20%
- Case studies: 20%
- Homework assignments:10%
- Quizzes: 5%
- Class participation: 5%

Grading guidelines:

A – Work of excellent quality exceeding requirements

B – Work of good quality meeting requirements

C – Work of fair quality

D – Work of minimum passing quality

F – Failure to adequately complete all coursework

Description and Assessment of Assignments

In addition to a midterm and a final exam, you will be assigned case studies, homework assignments, and a project that will be presented at the end of the semester. These assignments are meant to check your understanding of the material discussed in class and further expand your learning. I will post assignments on Blackboard. Be aware that all assignments are individual assignments. Even though you are encouraged to discuss them with other classmates, each of you is required to complete your own assignment. Copying answers from someone else's work or sharing spreadsheets is plagiarism and will be treated as such.

EXAMS: (40%)

The midterm will be given in this class (see tentative schedule below). The final exam, which will be non-cumulative, will be during finals week. Exceptionally, you may be excused from taking an exam at the

scheduled time, provided that you have a good reason and notify me prior to the scheduled time of the exam.

CASE STUDIES: (20%)

You will be required to complete 5 case studies. These are an important component of the course that will involve extensive use of Excel. You will be required to submit printed responses, along with supporting Excel spreadsheets. Again, these are individual assignments requiring that you develop your own Excel spreadsheet. You may discuss them with other students, but you have to submit your own work.

HOMEWORK ASSIGNMENTS: (10%)

This course includes 5 homework assignments. Do not take these assignments lightly because each accounts for a significant portion of the course grade. Homework assignments must be turned in at the beginning of class on the due date. I will not accept late submissions, unless cleared with me in advance. Again, these are personal assignments, but you can discuss them with other students, provided you turn in your own work.

PROJECT: (20%)

As a key requirement of this course, each of you will have to complete and present a commercial real estate project at the end of the semester. The purpose of this semester-long project is to give you an opportunity to apply concepts learned in this class to a real-world project. A well-executed project should include a detailed market analysis, a clear investment strategy, detailed cashflow projections, a reasonable financing structure, and a pitch to providers to capital. This project will be the subject of a separate memo soon.

QUIZZES: (5%)

From time to time, I will give unannounced quizzes to check your understanding of the material discussed that day or the previous class. The best way to prepare for quizzes is to attend lectures and ask questions.

CLASS PARTICIPATION: (5%)

You are required to attend class prepared and ready to participate fully in all classroom activities. A necessary, but non-sufficient, condition to receiving full credit for class participation portion is to assiduously attend classes throughout the semester.

Course Schedule

This is a tentative course schedule that is subject to adjustments.

	<i>Topics, Activities</i>	<i>Readings</i>	<i>Assignments Due</i>
Week 1 08/26/19	Introduction Financial Concepts	Geltner 1, 2; Peiser 1, 2 Geltner 8	
Week 2 09/02/19	No Class 09/02 (Labor Day) Financial Concepts Measuring Investment Performance	Geltner 9	Homework 1 due 09/04
Week 3 09/09/19	Cashflow Proformas Real Estate Valuation	Geltner 11 Geltner 10	Homework 2 due 9/11
Week 4 09/16/19	Real Estate Valuation Case Study 1: Real Estate Valuation		Case 1 due 09/18

	Financing Real Estate Projects Mortgages	Geltner 16, 17	
Week 5 09/23/19	Mortgages Capital Structure and Leverage	Geltner 13	Homework 3 due 9/25
Week 6 09/30/19	Exam Review 09/30 Midterm Exam 10/02		
Week 7 10/07/19	Investment Analysis: From NOI to After-Tax Cashflows	Geltner 11	Homework 4 due 10/09
Week 8 10/14/19	Case Study 2: Investment Analysis Commercial Leases	Geltner 30	Case 2 due 10/14
Week 9 10/21/19	Commercial Leases Multifamily Residential Properties Case Study 3: Multifamily	Peiser 4	Homework 5 due 10/09
Week 10 10/28/19	Office Properties Case Study 4: Office	Peiser 5	Case 3 due 10/30
Week 11 11/04/19	Retail Properties Case Study 5: Retail	Peiser 7	Case 4 due 11/06
Week 12 11/11/19	Industrial Properties Project Discussion Session 11/13	Peiser 6	Case 5 due 11/13
Week 13 11/18/19	Divers Real Estate Investment Topics: Refinancing, Disposal, International Investment, Development Projects, etc.	Geltner 24, 28	
Week 14 11/25/19	Project Presentations No Class 11/27 (Thanksgiving)		Project due 11/25
Week 15 12/02/19	Project Presentations No Class 12/04 (Study Week)		Project due 12/02
Wednesday 12/11/19	Final Exam	4:30pm – 6:30pm	

Academic Conduct

Plagiarism – presenting someone else’s ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in *SCampus* in Part B, Section 11, “Behavior Violating University Standards” policy.usc.edu/scampus-part-b. Other forms of academic dishonesty are equally unacceptable. See additional information in *SCampus* and university policies on scientific misconduct, <http://policy.usc.edu/scientific-misconduct>.

Support Systems

Student Counseling Services (SCS) – (213) 740-7711 – 24/7 on call

Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention. engemannshc.usc.edu/counseling

National Suicide Prevention Lifeline – 1 (800) 273-8255

Provides free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week. www.suicidepreventionlifeline.org

Relationship and Sexual Violence Prevention Services (RSVP) – (213) 740-4900 – 24/7 on call

Free and confidential therapy services, workshops, and training for situations related to gender-based harm. engemannshc.usc.edu/rsvp

Sexual Assault Resource Center

For more information about how to get help or help a survivor, rights, reporting options, and additional resources, visit the website: sarc.usc.edu

Office of Equity and Diversity (OED)/Title IX Compliance – (213) 740-5086

Works with faculty, staff, visitors, applicants, and students around issues of protected class. equity.usc.edu

Bias Assessment Response and Support

Incidents of bias, hate crimes and microaggressions need to be reported allowing for appropriate investigation and response. studentaffairs.usc.edu/bias-assessment-response-support

The Office of Disability Services and Programs

Provides certification for students with disabilities and helps arrange relevant accommodations. dsp.usc.edu

Student Support and Advocacy – (213) 821-4710

Assists students and families in resolving complex issues adversely affecting their success as a student EX: personal, financial, and academic. studentaffairs.usc.edu/ssa

Diversity at USC

Information on events, programs and training, the Diversity Task Force (including representatives for each school), chronology, participation, and various resources for students. diversity.usc.edu

USC Emergency Information

Provides safety and other updates, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible. emergency.usc.edu

USC Department of Public Safety – UPC: (213) 740-4321 – HSC: (323) 442-1000 – 24-hour emergency or to report a crime.

Provides overall safety to USC community. dps.usc.edu

Academic Accommodations

Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to the instructor (or to a TA) as early in the semester as possible. DSP is located in STU 301 and is open 8.30 AM to 5.00 pm Monday through Friday. Website and contact information for DSP:

http://sait.usc.edu/academicsupport/centerprograms/dsp/home_index.html (213) 740-0776 (Phone), (213) 740-6948 (TDD only), (213) 740-8216 (FAX), ability@usc.edu