



School of Business

*University of Southern California  
Marshall School of Business  
Department of Finance and Business Economics*

*FBE 591  
Spring 2020*

*John Ayooob  
6:30-9:30PM W  
Room JKP 104, Popovich Hall  
[ayooobj@marshall.usc.edu](mailto:ayooobj@marshall.usc.edu)*

*T/A Ben Brooks [bdbrooks@usc.edu](mailto:bdbrooks@usc.edu)*

***FBE 591 Real Estate Finance and Investments***

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***Course Overview:***

This course provides an introduction to income-producing real estate from the various perspectives of finance, valuation, market analysis and development. Focusing on the analytical techniques necessary to provide an understanding of properties in a market context, this course provides essential information for those students interested in taking advanced real estate courses, those planning careers in real estate, or for those interested in managing their own property portfolios.

***Learning Objectives:***

Students successfully completing this course will be able to:

1. Use industry-standard terminology and techniques for valuing income producing real estate
2. Employ basic spreadsheet skills to analyze the income potential of a range of property types.
3. Explain how the formal finance and market analysis concepts learned in the course are applied in a practical context, by means of current event articles and case studies.
4. Describe the roles of debt and equity in the structure of real estate transactions, as well as syndications and partnerships.
5. Perform an integrated "feasibility study", which evaluates the potential profitability of a new development or investment project from the three perspectives of finance, design and market analysis, demonstrating the concept of "highest and best use" for a particular property.

**Course Organization:**

This course is in lecture format with a number of assignments including spreadsheet exercises, case analyses, a mid-term and final exam. The class meets once weekly and students are expected to have read the textbook and other assigned material prior to the classes during which the topics are to be discussed.

**Course Requirements:**

Mid-Term Exam	30%
Final Exam	30%
Assignments/Quizzes	20%
Attendance, preparedness and making a meaningful contribution to the intellectual environment of the classroom	20%

The assignments/quizzes will be drawn from the questions at the back of the chapters in the textbook, the cases, or will be related to current and newsworthy material covered in class. There will be a total of 6 assignments/quizzes.

***All homework assignments must be submitted in printed form during the class session on the day they are due, or electronically, as directed by the instructor. No late work will be accepted.***

**Textbook, Equipment, Cases and Readings:**

Brueggeman, William B. and Fisher, Jeffrey D., **Real Estate Finance and Investments**. 16th Edition. Homewood, Illinois. Irwin.

The Brueggeman and Fisher text is required. Page number and chapter references in the course outline refer to this textbook. Occasional additional readings will be distributed to enhance the coverage of some topics. A few cases will also be discussed in class to provide a more appropriate real-world perspective on certain topics. The initial case study, **575 Carroll Blvd.**, Bridges and Dale-Johnson, will be available on Blackboard on the first day of classes. Assignments associated with some of the cases will be graded. Those grades will be included in the assignment component of the grade.

The student is required to have a financial calculator during each class session, and must have a thorough working knowledge of its operation prior to the beginning of the course. The **Hewlett-Packard 17B II+** will be used by the instructor for the course. *While the HP 12c is an acceptable alternative, no class time will be devoted to the operation of this or other calculator models.*

Some computer exercises will be conducted using the latest version of Microsoft Excel. Students must have a basic understanding of the program, and have access to a computer for homework exercises.

The instructor may post notes in Blackboard prior to each lecture to facilitate note taking for the lecture. The notes will allow for handwritten or electronic notes in the margin. In many cases, these notes provide a different perspective than, or go beyond material that is covered in the text. *Students should be sure that if they miss class a classmate secures a copy of the notes and handouts for them.*

Students should read the *Wall Street Journal* regularly in order to track real estate market and mortgage market activity. Also, in *Barron's*, The Ground Floor column is periodically devoted to real estate. The *Los Angeles Business Journal* is the best periodic source of local information and news on California and Los Angeles regional real estate activity.

***Class Meetings:***

Note: Student readings from the Brueggeman and Fisher text and the 575 Carroll Blvd. case in preparation for lectures and class sessions are shown in ***boldface type***.

*Note: The following course schedule represents a target, but the actual schedule will be determined by class progress. Students must attend classes to gauge actual dates, assignments and other deliverables.*

Introduction and Background:

1/15 Course Overview, Industry Overview, Introductions

**No Class Preparation Required**

**Calculator Course Available on Blackboard Site.  
(Students must have financial calculator in class for  
all sessions beginning with this session)**

1/22 Mathematics of Real Estate Finance

**Brueggeman and Fisher (B&F), Chapter 3  
Sections 1 through 3: 575 Carroll Blvd. Case**

1/29 Valuation Conventions and Techniques. Pro-Forma  
Analysis

**Section 5: 575 Carroll Blvd. Case**

2/5 [Pro-Forma Analysis and Excel](#)

**Students must have laptop in class.**

2/12 Mortgages, beginning with Fixed-Rate Mortgages

**B&F, Chapter 4.  
Sections 6 through 7: 575 Carroll Blvd. Case**

2/19 Adjustable Rate and Variable Payment Mortgages, other  
Mortgages, Additional Topics in Mortgage Analysis

**B&F, Chapter 5  
Section 8: 575 Carroll Blvd. Case**

*Analyzing Income Properties and Real Estate Interests:*

2/26	Valuation and the Appraisal Process <b>B&amp;F, Chapter 10</b> <b>Section 9: 575 Carroll Blvd. Case</b>
3/4	Leases and Leasehold Interests, Midterm Review  <b>B&amp;F Chapter 9</b>
3/11	Mid-Term Exam
3/18	Spring Break-No Class
3/25	Risk and Return, Financing Alternatives  <b>B&amp;F, Chapter 11</b>
4/1	Debt and Equity. Introduction to Deal Structure, Financing Corporate Real Estate  <b>B&amp;F Chapter 14</b>

*Development, Development Financing:*

4/8	Introduction to the Development Process. Construction and Construction Loans.  <b>B&amp;F Chapter 15</b>
4/15	<a href="#">Prospective Site Visit</a>  Structuring Real Estate Investments: Organizational Forms and Joint Ventures  <b>B&amp;F Chapter 18</b>
4/22	Real Estate Market Analysis  <b>Section 10: 575 Carroll Blvd. Case</b>
4/29	Ethics Case Study and Final Exam Review
5/6	<a href="#">Final Exam 7-9:00PM (Per University Exam Schedule)</a>

*Instructor Access:*

The instructor will hold office hours Wednesday 5:15-6:15pm *or by appointment*.

*E-mail is the preferred method of communicating with the instructor.*

*Campus Office:*

HOH 716

*Telephone:*

310.363.4884

*E-mail:*

[ayoobj@marshall.usc.edu](mailto:ayoobj@marshall.usc.edu)

*Academic Integrity:*

The use of unauthorized material, communication with fellow students during an examination, attempting to benefit from the work of another student, and similar behavior that defeats the intent of an examination or other class work is unacceptable to the University. It is often difficult to distinguish between a culpable act and inadvertent behavior resulting from the nervous tensions accompanying examinations. Where a clear violation has occurred, however, the instructor may disqualify the student's work as unacceptable and assign a failing mark on the paper.

*Returned Paperwork:*

Returned paperwork, unclaimed by a student, will be discarded after 4 weeks and, hence, will not be available should a grade appeal be pursued by a student following receipt of his/her grade.

### *Statement on Academic Conduct and Support Systems*

#### *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” <https://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:*

*Students whose primary language is not English should check with the American Language Institute <http://dornsife.usc.edu/ali>, which sponsors courses and workshops specifically for international graduate students.*

*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. <https://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. <http://www.suicidepreventionlifeline.org>*

*Relationship & 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. <https://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: <http://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. <https://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. <https://studentaffairs.usc.edu/bias-assessment-response-support/>*

#### *Student Support & Advocacy – (213) 821-4710*

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

#### *Diversity at USC*

*Tabs for Events, Programs and Training, Task Force (including representatives for each school), Chronology, Participate, Resources for Students. <https://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](https://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](https://dps.usc.edu)*

#### *Students with Disabilities:*

*USC is committed to making reasonable accommodations to assist individuals with disabilities in reaching their academic potential. If you have a disability which may impact your performance, attendance, or grades in this course and require accommodations, you must first register with the Office of Disability Services and Programs ([www.usc.edu/disability](http://www.usc.edu/disability)). DSP provides certification for students with disabilities and helps arrange the relevant accommodations. Any student requesting academic accommodations based on a disability is required to register with Disability*



# USC Marshall

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*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 me as early in the semester as possible. DSP is located in GFS (Grace Ford Salvatori Hall) 120 and is open 8:30 a.m.–5:00 p.m., Monday through Friday. The phone number for DSP is (213) 740-0776. Email: [ability@usc.edu](mailto:ability@usc.edu)*