

RED 375 – Real Estate Development Analysis

Units: 4

Spring 2020- Mondays and Wednesdays, 8:00 - 9:50 a.m.

Location: VPD 106

Instructor

Moussa Diop

Office: RGL 315

Contact Info: diop@price.usc.edu

Office Hours: Tuesdays and Wednesdays 11:00am - 12:00pm or by appointment

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

Teaching Assistant

N/A

Course Description

This commercial real estate development and investment analysis course. It covers the fundamental concepts and analytical methods used in making commercial real estate investment and financing decisions. We will discuss 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 cash flow proformas using Excel to evaluate various income-producing properties, i.e., multifamily residential, office, retail, and industrial properties. This course requires extensive Excel use.

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 cash flow proformas using 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: Excel Workshop

Course Notes

I will post lecture slides and any course material on Blackboard. The lecture slides will not necessarily include everything discussed in class. **You are expected to take your own notes. You will be tested on any topic discussed in class.** I will only post PDF versions of Excel spreadsheets.

You are expected to attend class and complete reading assignments in advance so that you can contribute to class discussions.

Technological Proficiency and Hardware/Software Required

You will regularly have to develop Excel spreadsheets. Therefore, we requires access to have a computer with Excel. You should be aware that Excel runs better on Windows. You will also need a financial calculator and to know how to use it.

Required Readings and Supplementary Materials

There is no required textbook for this course. But here are textbooks you may want to consider should you need a reference textbook:

- Ling and Archer (2018) "Real Estate Principles: A Value Approach", 5th Edition, McGraw-Hill
- Brueggeman and Fisher (2019) "Real Estate Finance and Investments", 6th Edition, McGraw-Hill
- Geltner and Miller (2014) "Commercial Real Estate Analysis and Investments", 3rd Edition OnCourse Learning

Grading Breakdown

- Midterm Exam: 25%
- Final Exam: 25%
- Project: 20%
- Cases: 10%
- Homework assignments: 15%
- Attendance / 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

Assignment due dates are listed on the course schedule below. These assignments are meant to evaluate your understanding of the material discussed in class and further expand your learning. I will post homework assignments on Blackboard. Be aware that all assignments are individual assignments. You are encouraged to discuss them with other classmates, but you must complete and submit your own work. Any form of plagiarism will be severely punished.

EXAMS: (50%)

There will be two equally weighted exams: a midterm and a final. The final exam will be non-cumulative and will be on finals week. Exceptionally, you may be excused from taking an exam at the scheduled time, provided that you have a good reason and you notify me prior to the exam.

HOMEWORK ASSIGNMENTS: (15%)

This course includes eight (8) homework assignments. Do not take these assignments lightly because each one accounts for a significant portion of your grade. Homework assignments must be turned in at their due dates – see late assignment policy below. For assignments requiring Excel, you will have to submit your Excel spreadsheets as well. Again, these are individual assignments.

CASES: (10%)

We will spend two sessions on a real estate valuation case and a real estate investment case. We will discuss all relevant aspects of these cases in class and develop the required Excel spreadsheets. You will then have to complete the assignments on your own and submit your work later by the indicated due dates.

PROJECT: (20%)

As a key requirement of this course, you will have to complete and present a commercial real estate project at the end of the semester. The purpose of this project is to give you an opportunity to apply the 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 cash flow projections, and feasible financing structure. The project will be the subject of a separate memo later.

ATTENDANCE / PARTICIPATION: (5%)

You are required to attend class, prepared and ready to fully participate in all classroom activities. I may give unannounced quizzes from time to time as part of the attendance/participation portion of your grade.

ASSIGNMENT SUBMISSION POLICY

Assignments are due on due date. Unless approved in advance, late submissions will be penalized by 10% if submitted the next day and 20% if submitted the day after. No late assignments will be accepted 48 hours after the due date.

Course Schedule

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

Topics	Topics	Assignments
Week 1 January 13	Real Estate Markets Financial Concepts	
Week 2 January 20	No Class 01/20 (MLK Birthday) Measuring Investment Performance	Homework 1: Financial Concepts (Due Jan. 22)
Week 3 January 27	Leases and Cash Flow Calculations (PGI to NOI) Leases and Cash Flow Calculations (PGI to NOI)	Homework 2: Performance Measurement (Due Jan. 27)
Week 4 February 3	Real Estate Valuation Real Estate Valuation	
Week 5 February 10	Real Estate Valuation Case Study Commercial Real Estate Finance	Homework 3: Valuation (Due Feb. 12) Valuation Case (Due Feb. 14)
Week 6 February 17	No Class 02/17 (President's Day) Mortgages and Related Topics	
Week 7 February 24	Mortgages and Related Topics Mortgages and Related Topics	Homework 4: Mortgages (Due Feb. 26)
Week 8 March 2	Investment and Risk Analysis Midterm Exam (March 4)	
Week 9 March 9	Investment and Risk Analysis Investment and Risk Analysis	Homework 5: Investment Topics (Due Mar. 13)
Week 10 March 16	SPRING RECESS	
Week 11 March 23	Real Estate Investment Case Study Residential Properties /Office Properties / Retail Properties	Investment Case (Due Mar. 27)
Week 12 March 30	Retail Properties / Industrial Properties Real Estate Development Process	Homework 6: Investment Analysis (Due Apr. 3)
Week 13 April 6	Real Estate Development Process Real Estate Project Session	Homework 7: Development Analysis (Due Apr. 10)
Week 14 April 13	Real Estate Finance Topics Real Estate Finance Topics	
Week 15 April 20	Real Estate Investment Topics Mezzanine Finance	Homework 8: RE Finance and Investment Topics (Due Apr. 20)
Week 16 April 27	Project Presentations Project Presentations	Project Report Due
Week 17	Final Exam (May 11, 11 am-1 pm)	

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