

FBE 470 Fall 2021: Advanced Real Estate Analysis

Class Meeting: Monday/Wednesday, 2:00-3:50pm PST, room JFF 417

Professors:

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Office Hours: Wednesday, 12:00-1:00pm PST

Course Description

This is an advanced course in real estate investments. The aim of the class is to introduce advanced topics in the analysis and valuation of real estate investments, and to study the strategies implemented, and the challenges faced, by real estate investors in private and public capital markets. Students will work individually and in small teams on the analysis of case studies, and will participate to in-class discussions and guest-lectures, in which they will meet senior practitioners and industry leaders with experience in different areas of real estate investments.

Learning Objectives

Students successfully completing the course will be able to:

- Identify the investment strategies used by different types of real estate investors (Private Equity Funds, REITs, Pension Funds, Wealth Managers, Life Insurance Companies), and the key sources of value creation in these strategies.
- Understand the incentives, objectives and the relevant regulatory environment faced by different categories of investors.
- Use advanced valuation techniques to evaluate real options and distressed assets in real estate.
- Evaluate sustainable and green investments in real estate.
- Use quantitative skills and industry knowledge to produce investment recommendations, which can be communicated effectively to industry professionals.

Required Materials

There is no required textbook for the class. The Harvard Business School cases are required, and can be purchased online from Harvard Business Online. The website will allow you to purchase a digital copy of each case for \$4.25 using your credit card. The login link for the course will be provided in class.

If you would like to have a reference textbook for basic concepts in real estate finance, a good recommendation is Geltner, Miller, Clayton and Eichholtz, *Commercial Real Estate Analysis & Investments*, South-Western Educational Publishing; 3rd edition (February, 2013). It is available from all major online booksellers and at the USC bookstore. You can use any edition of the textbook.

Assignment/case submissions will be made through Blackboard. Make sure to complete your submission by the due date and time announced on Blackboard.

Prerequisites and Recommended Preparation

FBE 391 is a prerequisite. Students should have a good understanding of real estate finance and basic excel modeling for real estate investments.

Course Notes and Communication

Most of the communication outside of class time will take place on Blackboard. We will post all class related information, including the syllabus, lecture notes, Zoom recordings, most of the readings and cases on Blackboard. Please check the Blackboard site regularly for class materials and announcements. If you have any class related questions or comments outside of the class time, you can email either of us, or contact us at the end of class or at office hours

Classroom Policies

Class participation is an extremely important part of the learning experience in this course as the richness of the learning experience will be largely dependent upon the degree of preparation by all students prior to each class session. In-person class attendance is mandatory, unless students receive official dispensation from in-person attendance from the university, in which case they will be expected to fall lectures synchronously from Zoom. Any exceptions from this policy will have to be discussed with the instructors.

This course incorporates the frequent use of case analyses to illustrate the practical application of concepts and practices, and guest lectures in which practitioners will share their insights. Thus, the class requires students to prepare diligently, and actively engage in discussion. It follows that our expectation is be that students will be prepared for all classes and actively will participate in and meaningfully contribute to class discussions.

In-class participation grading will be based on students' demonstrated willingness to participate and the quality of the comments expressed, rather than quantity. While some students are far more comfortable than others with class participation, all students should make an effort to contribute meaningfully in every class.

Zoom Information

In case you are authorized to attend the class remotely, the Zoom link is provided under "USC Zoom Pro Meeting" on Blackboard. Logging on to Blackboard will take you directly into the classroom without waiting in a "waiting room".

Here is USC's page for students on how to use their USC Zoom account:

<https://keepeteaching.usc.edu/students/student-toolkit/classroom/zoom/>.

If you have any questions about Zoom, please contact the Marshall Help Desk at helpdesk@marshall.usc.edu.

Grading Policies

This is an “applied” course, in which in-class interaction and hands-on work play a key role. Your grade will be determined by class-participation, assignments, and two take-home exams:

Class participation	10%
Assignments	30%
Midterm exam	30%
Final exam	30%

Class participation: Most of our classes will consist of the discussion/analysis of case studies, or of guest-lectures. Everybody is expected to prepare for and attend the classes, participate in discussions and provide answers to our questions if called upon. During class sessions, we will assume the responsibility of facilitators, to encourage a discussion that includes perspectives from a variety of viewpoints and, secondly, to help pull together a unified analysis. The direction and quality of a discussion is the collective responsibility of the group. We expect students to provide the initiative for sound and lively discussion.

Assignments: We will assign case-preparation questions ahead of most case discussions. You are expected to turn in your answers before the beginning of the class discussion. Each student is required to make a separate submission, but you are allowed (and encouraged) to work on the cases in groups. Moreover, we will ask you to turn in questions to be submitted to our speakers ahead of guest lectures. More details will be provided in class.

Midterm and Final exam: There will be one midterm exam and one final exam. Exams will cover all materials examined in class or the class notes. The two tests will jointly account for 40% of your grade. The midterm will test material covered in the first half of the course, while the final will focus on the second half of the course. However, remember that the latter material builds heavily on the earlier material. Exams will be **take-home**, and thus **open book/notes**.

ADDITIONAL INFORMATION

Technology Requirements

The following equipment and system requirements are recommended to successfully participate in this online course:

- Computer with webcam
- Earphones or headset
- Reliable (preferably high speed) Internet connection
- Current operating system for Windows or Mac
- Current browser
 - o Google Chrome
 - o Firefox
 - o Internet Explorer (not recommended)
 - o Safari (Mac)

For technical support please see:

- **USC Systems** (Blackboard, USC Login, MyUSC)

For assistance with your USC login or other USC systems, please call +1 (213) 740-5555 or email Consult@usc.edu. They are open Mon – Fri 9:30 am – 5:00 pm and weekends from 8:00 am – 5:00 pm (all Pacific time).

- **Zoom Video Web Conferencing System** (Live Zoom Sessions)
For assistance using Zoom, go to Zoom Support Page. You may also call +1 (888) 799-9666 ext. 2. They are available 24/7.
- **Marshall Systems** (MyMarshall, Marshall Outlook email)
For assistance with Marshall systems you can call +1 (213) 740-3000 Mon-Fri 8am-6pm (Pacific), email HelpDesk@marshall.usc.edu or use our self-help service portal as shown below. The portal allows you to get immediate assistance by searching for the information you need. You can also use it to chat with a technician or input a request. To access the service portal, follow these steps:
 - On a computer or mobile device, go to MyMarshall Home Page and click the “Help” link on the upper right.
 - Log in using your Marshall username and password.
 - (If you don’t know your Marshall login please follow the onscreen instructions pertaining to login issues. You will need to know how to login to your Marshall account for accessing Argus Enterprise in week 8.)

If your computer does not have Microsoft Word, Office 365 package is available to you free of charge and allows you to install Word, Excel, PowerPoint, Outlook, OneNote, Publisher, and Access on up to 5 PCs or Macs and Office apps on other mobile devices including tablets. Office 365 also includes unlimited cloud storage on OneDrive. To download Office 365 log into your student (University) email through a web browser, choose Settings (top right corner), and select software. If you have further questions or need help with the software, please contact the USC ITS service portal.

Notice on 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.

Academic dishonesty includes: (Faculty Handbook, 1994: 21-22):

- Examination behavior - any use of external assistance during an examination shall be considered academically dishonest unless expressly permitted by the teacher.
- Plagiarism - the appropriation and subsequent passing off of another’s ideas or words as one’s own. If the words or ideas of another are used, acknowledgment of the original source must be made through recognized referencing practices.
- Other types of academic dishonesty - submitting a paper written by or obtained from an-

other, using a paper or essay in more than one class without the teacher's express permission, obtaining a copy of an examination in advance without the knowledge and consent of the teacher, changing academic records outside of normal procedures and/or petitions, using another person to complete homework assignments or take-home exams without the knowledge or consent of the teacher.

USC 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:

Counseling and Mental Health - (213) 740-9355 – 24/7 on call studenthealth.usc.edu/counseling

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

National Suicide Prevention Lifeline - 1-800-273-8255 suicidepreventionlifeline.org

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

Relationship and Sexual Violence Prevention and Services (RSVP) - (213) 740-9355(WELL), press "0" after hours – 24/7 on call studenthealth.usc.edu/sexual-assault

Free and confidential therapy services, workshops, and training for situations related to gender-based harm.

Office of Equity and Diversity (OED) - (213) 740-5086 | Title IX - (213) 821-8298 equity.usc.edu, or titleix.usc.edu

Information about how to get help or help someone affected by harassment or discrimination, rights of protected classes, reporting options, and additional resources for students, faculty, staff, visitors, and applicants. The university prohibits discrimination or harassment based on the following protected characteristics: race, color, national origin, ancestry, religion, sex, gender, gender identity, gender expression, sexual orientation, age, physical disability, medical condition, mental disability, marital status, pregnancy, veteran status, genetic information, and any other characteristic which may be specified in applicable laws and governmental regulations. The university also prohibits sexual assault, non-consensual sexual contact, sexual misconduct, intimate partner violence, stalking, malicious dissuasion, retaliation, and violation of interim measures.

Reporting Incidents of Bias or Harassment - (213) 740-5086 or (213) 821-8298 usc-advocate.symplicity.com/care_report

Avenue to report incidents of bias, hate crimes, and microaggressions to the Office of Equity and Diversity |Title IX for appropriate investigation, supportive measures, and response.

USC Support and Advocacy - (213) 821-4710 uscsa.usc.edu

Assists students and families in resolving complex personal, financial, and academic issues adversely affecting their success as a student.

Diversity at USC - (213) 740-2101 diversity.usc.edu

Information on events, programs and training, the Provost's Diversity and Inclusion Council, Diversity Liaisons for each academic school, chronology, participation, and various resources for students.

USC Emergency - UPC: (213) 740-4321, HSC: (323) 442-1000 – 24/7 on call dps.usc.edu, or emergency.usc.edu

Emergency assistance and avenue to report a crime. Latest updates regarding safety, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible.

USC Department of Public Safety - UPC: (213) 740-6000, HSC: (323) 442-120 – 24/7 on call dps.usc.edu

Non-emergency assistance or information.

Office of Disability Services and Programs - (213) 740-0776 dps.usc.edu, ability@usc.edu.

USC is committed to making reasonable accommodations to assist individuals with disabilities in reaching their academic potential. Services include assistance in providing readers/notetakers/interpreters, special accommodations for test taking needs, assistance with architectural barriers, assistive technology, and support for individual needs. 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 (dsp.usc.edu) 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 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.

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). 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 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. Students requesting test-related accommodations will need to share and discuss their DSP recommended accommodation letter with me at least three weeks before the date the accommodations will be needed. 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.

Note

This syllabus is an invitation to you as a student to engage in an exciting and interactive study of real estate finance and investments. My instruction will focus on real-world engagement with real estate investments; it will provide you with information, offer practice with skills, and enhance your preliminary understanding of real estate concepts. It is my intention to provide a collaborative and supportive learning environment where students learn from one another both in and out of the classroom. To that end, modifications to this syllabus might be warranted as determined by the instructor as I assess the learning needs of this particular class of students.

TENTATIVE COURSE OUTLINE

(You should expect some deviations from the outline. Significant changes will be announced on Blackboard and in class.)

Week #1 (8/23, 8/25)

Topic: Quick review of space and asset markets, basics of valuation, current situation in Commercial Real Estate

Guest Speaker (8/25): Eric Willett, Director of Research, CBRE

Readings: *2021 Emerging Trends in Real Estate (ULI)* [link](#)

Week #2 (8/30, 9/1)

Topic 1: Introduction to Urban Economics

Topic 2: In-depth review of CRE valuation

Class case discussion (9/1): *HBS # 9-375-376 Angus Cartwright III*

Week #3 (9/8) no class on 9/6 (Labor Day)

Topic: The role of real estate in investment portfolios

Guest Speaker (9/8): Gary Palmer, Managing Principal, Westbrook Partners LLC

Readings: *HBS # 9-209-152 How Institutional Investors Think About Real Estate*

Week #4 (9/13, 9/15)

Topic 1: Real Estate in Pension Funds

Class case discussion (9/13): *HBS # 9-800-133 The IBET Pension Fund*

Topic 2: Benchmarking of Real Estate Investments

Week #5 (9/20, 9/22)

Topic 1: Real Estate Investment Trusts (REITs)

Class case discussion (9/20): *HBS # 9-205-019 Wells REIT II*

Topic 2: Private Equity

Class case discussion (9/22): *HBS # 9-816-013 Blackstone at Age 30*

Readings: *IN1244 Pro-invest: How to Launch a Private Equity Real Estate Fund*

Week #6 (9/27, 9/29)

Topic 1: Real Estate Investment Trusts (REITs)

Guest Speaker (9/27): Stuart Tanz, President and CEO, ROIC

Topic 2: Private Equity

Guest Speaker (9/29): Byron Blount, Managing Director, Blackstone

Week #7 (10/4, 10/6)

Topic: Private Equity

Class case discussion (10/4): *HBS # 9-213-078 Project Sun Devil and Project Paris*

Guest Speaker (10/6): Dylan Fonseca, Managing Partner, Fondo Atlas

Week #8 (10/11, 10/13)

Take-Home Midterm Week

Week #9 (10/18, 10/20)

Topic: Investment under Uncertainty and the Valuation of Real Options

Class case discussion: *HKU # 134 CITIC Tower II*

Guest Speaker (10/20): Ron Kravit, Investment Committee Member, Silverfern Group

Week #10 (10/25, 10/27)

Topic: Distressed Assets, the Owner (Equity) Perspective

Class case discussion: *HBS # 9-211-106 Stuyvesant Town: America's Largest Foreclosure*

Guest Speaker (10/20): Terrance McGrath, Founder, McGrath Properties

Week #11 (11/1, 11/3)

Topic: Distressed Assets, the Lender (Debt) Perspective

Class case discussion: *KEL # 697 Working at Workouts: CRE Debt in Distress*

Guest Speaker (11/3): Mark Loewen, Managing Director, Wells Fargo CRE Los Angeles

Week #12 (11/8, 11/10)

Topic 1: CRE Outlook – Industrial

Guest lecture (11/8): Howard Schwimmer, Co-CEO, Rexford Industrial Realty

Topic 2: CRE Outlook – Retail

Guest lecture (11/10): *(to be confirmed)*

Week #13 (11/15, 11/17)

Topic 1: CRE Outlook – Hospitality

Guest lecture (11/15): Matt DeNapoli, CEO, DeNapoli Capital Partners

Topic 2: CRE Outlook – Multi-Family/Housing

Guest lecture (11/17): Matt Koart, President, Koart Residential

Week #14 (11/22) no class on 11/24 (Thanksgiving Holiday)

Topic: CRE Outlook – Office

Guest lecture (11/22): *(to be confirmed)*

Week #15 (11/29, 12/1)

Sustainability and the Green Economy

Class case discussion: *HBS # 9-211-103 Patagonia Sur: For-Profit Land Conservation in Chile*

Guest Speaker (12/1): Steve Dietz, Partner and President, Choice Remodeling and Restoration Inc.

Final Exam Schedule

Pending: Exam period is December 8 – December 15