



RED 375: Real Estate Development Analysis

Units: 4

Term: Fall 2021, Section 51644

Days: Mondays and Wednesdays

Time: 12:00 – 1:50 pm

Location: VPD 112 (in person)

Instructor: Moussa Diop

Office: RGL 315

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

Contact Info: diop@price.usc.edu

Teaching Assistant: N/A

Course Description

This is commercial real estate development financial analysis course focused on teaching students how to develop cash flow proformas using Microsoft Excel and apply finance concepts to inform property development and investment decisions – the finance techniques used in this course were covered in BUAD 215 and RED 362 but will be reviewed as part of this course. The topics covered in this course include the real estate development process, before- and after-tax cash flow calculations, financial feasibility analysis, property valuation, capital structure and development financing, investment analysis, and cash flow waterfalls and returns calculations. We will also cover key aspects of multifamily, retail, office, and industrial real estate development – see the weekly course schedule at the end of the syllabus for more detail.

Learning Objectives

These are the course's key learning objectives for students.

- Demonstrate a thorough understanding of the commercial property development process, particularly market analysis and financial feasibility analysis.
- Be familiar with the costing and financing of commercial real estate development, and real estate capital markets.
- Understand fundamental differences between retail, office, industrial and multifamily property development.
- Demonstrate a thorough understanding of the steps involved in modeling before and after-tax operating cash flows and cash flows from property disposal.
- Demonstrate a knowledge of Microsoft Excel as it pertains to developing cash flow proformas, analyzing cash flows, and conducting necessary sensitivity studies.
- Be familiar with affordable housing and how the low-income housing tax credit program works.

- Understand commercial real estate lease structures, how they are used, and how they affect cash flow risk.

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

Co-Requisite(s): N/A

Concurrent Enrollment: N/A

Recommended Preparation

Excel Workshop

Attendance Policy and Recording of Lectures

This is an in-person course. Unless students provide an accommodation letter from USC's Office of Student Accessibility Services, attendance and active participation is expected in the classroom. Any student with such accommodations should submit their accommodation document to the instructor as soon as possible to discuss appropriate accommodations. Either classroom recordings or live remote access to the class via Zoom will be provided.

Students who are experiencing illness should not attend class in person. Student must inform instructor in advance of any class sessions they cannot attend for medical reasons and accommodations will be arranged to view recorded lectures and submit alternatives to any missed class participation. Students will not be penalized for not attending class in-person under these circumstances.

At the discretion of the instructor, the in-person lectures will be recorded via Zoom and made available to students in situations where students are unable to attend class.

Course Notes

You will need to take notes during lectures. I will post my lecture slides and other course materials, as necessary, via Blackboard. However, lecture slides will not include everything discussed in class. You will be tested on any material covered in class.

Communication

All class communications will be via Blackboard postings and messaging. The best way to reach me is via email. I will make sure to respond to email within 24 hours.

Technological Proficiency and Hardware/Software Required

It is important that you have some basic knowledge of Microsoft Excel. You will need to have your laptop with you, particularly during Excel labs.

USC technology rental program

Attending classes online and completing coursework remotely requires access to technology that not all students possess. If you need resources to successfully participate in class activities, such as a laptop or internet hotspot, you may be eligible for the university's equipment rental program. To apply, please [submit an application](#).

USC Technology Support Links

[Blackboard help for students](#)

[Software available to USC Campus](#)

Required Materials

Peiser, Richard B. and Hamilton, David (2012) Professional Real Estate Development Third Edition.

Textbook readings are listed below with the weekly lecture topics. **Readings must be completed before class.** Depending on the course's progress, the topics and readings for each week are subject to change. Required additional readings will be available on Blackboard. The course Blackboard site can be accessed at <http://blackboard.usc.edu>.

Optional Materials

Geltner, David M. and Norman G. Miller (2014) Commercial Real Estate Analysis and Investments. 3rd Edition South-Western Educational Pub -

Readings from this textbook are optional since this is not a required textbook. However, it will serve you well to purchase this book, if you don't have it already, and read this material before class.

Description and Assessment of Assignments

As a way of checking student progress and providing timely feedback, this course includes several assignments that are aligned with the learning objectives. These assignments are meant to evaluate your understanding of the material discussed in class and further expand your learning. Each assignment serves to measure student performance on at least one learning objective. Indicative assignment due dates are listed on the course schedule below. **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.**

1. Exams: (40%)

There will be a midterm exam and a final exam worth 20% each. The final exam will be non-cumulative with the understanding that the course builds on previously covered material. **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.**

2. Excel Labs: (15%)

Students will be asked to complete four (4) Excel exercises. The Excel lab will include an instructor presentation/demonstration, followed by an assignment to be completed and submitted on Blackboard by the end of the session. Students are required to use a Laptop with Excel during Excel Labs. These are individual assignments, but you can work with your peers as long as you produce and submit your own work.

3. Quizzes: (10%)

You will be asked to complete 8 true/false and multiple-choice quizzes testing your understanding of course materials. Each quiz will consist of approximately 5 questions to be completed in 10 minutes on Blackboard. You are advised to review the relevant course materials before taking the quizzes. You will have 48 hours to take quizzes. But once you open a quiz, you will have 10 minutes to complete the quiz in one attempt. Your quiz grade will be based on the average of the 6 highest quizzes.

4. Homework Assignments: (15%)

This course includes three (3) homework assignments worth 5% each. These assignments must be turned in on 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.

5. Case Study: (15%)

As a key requirement of this course, you will have to complete a comprehensive development financial case study at the end of the semester. This will give you an opportunity to apply and integrate all the concepts learned during the semester. This assignment will be the subject of a separate memo later.

6. Class Participation: (5%)

You are required to attend classes prepared and ready to fully participate in all classroom activities. Your class participation will be based on your participation to class activities while in class. I will monitor class participation for the purpose of assigning participation grades.

Grading Breakdown

The course meets twice per week, for 110 minutes. Students are expected to attend each class and have read the required readings prior to class so that they can contribute to in-class discussions. Depending on progress during sessions, the topics and readings for each week may be subject to change.

Assignment	% of Grade
Midterm (Oct. 11, tentatively)	20
Final (December 10, 11-1 pm)	20
Homework (3)	15
Excel Labs (4)	15
Case Study	15
Quizzes (6 out of 8)	10
Class Participation	5
Total	100

Grading Scale

Course final grades will be determined using the following scale:

A	95-100
A-	90-94
B+	87-89
B	83-86
B-	80-82
C+	77-79
C	73-76
C-	70-72
D+	67-69
D	63-66
D-	60-62
F	59 and below

To receive an “A” grade, students must complete all work on time and submit work of superior quality at every stage. Work must address all aspects of the required assignments, exceed the minimum requirements, and demonstrate critical thinking and creative thinking. Students must consistently contribute to class discussion.

Course-specific Policies (Assignment Submission, Grading Timeline, Late work, and Technology)

Assignment Submission Policy

All assignments must be submitted on Blackboard. Emailed submissions are strictly forbidden because I will communicate grades and feedback via Blackboard. Each assignment will include specific submission instructions.

Grading Timeline

I will strive to complete the grading of assignments and exams in a timely manner, but this will take time since spreadsheets will need to be graded individually.

Late Assignment Submissions

Assignments must be turned in by their due dates. Unless approved in advance, late submissions will be penalized by 20%. Assignments that are more than 2-day late will not be accepted.

Sharing of course materials outside of the learning environment

USC has a policy that prohibits sharing of course content outside of the learning environment.

SCampus Section 11.12(B)

Distribution or use of notes or recordings based on university classes or lectures without the express permission of the instructor for purposes other than individual or group study is a violation of the USC Student Conduct Code. This includes, but is not limited to, providing materials for distribution by services publishing class notes. This restriction on unauthorized use also applies to all information, which had been distributed to students or in any way had been displayed for use in relationship to the class, whether obtained in class, via email, on the Internet or via any other media. (See Section C.1 Class Notes Policy).

Course evaluation

Course evaluation, which occurs at the end of the semester university-wide, is an important review of students’ experience in the class. You will receive an email invitation to review the class at the end of the semester. Your feedback will help make appropriate changes to the course. In addition, I will seek your feedback at mid-semester for early course correction.

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” 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, 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 – 24/7 on call
suicidepreventionlifeline.org

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 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, 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.

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.

The Office of Disability Services and Programs - (213) 740-0776
dsp.usc.edu

Support and accommodations for students with disabilities. 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.

USC Campus Support and Intervention - (213) 821-4710
campussupport.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, 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.

Course Schedule: A Weekly Breakdown (Subject to adjustments)

	Topics / Daily Activities	Readings	Deliverables
Week 1 – Mon Aug. 23	Introduction Real Estate Development Process	PH 1, 2 GM 28	
Week 1 - Wed Aug. 25	Real Estate Development Process	PH 1, 2 GM 28	Quiz 1, 8/27
Week 2 - Mon Aug. 30	Multifamily Property Development Property-Level Cash Flows	PH 4 GM 11	
Week 2 - Wed Sep. 2	Property-Level Cash Flows	GM 11	Quiz 2, 9/4 Homework 1, 9/4
Week 3 - Mon Sep. 6	No Class (Labor Day)		
Week 3 - Wed Sep. 8	Valuation	GM 10	
Week 4 - Mon Sep. 13	Valuation	GM 10	Quiz 3, 9/15
Week 4 - Wed Sep. 15	Excel Lab 1		Lab 1 assignment
Week 5 - Mon Sep. 20	Capital Structure	GM 15, 13	
Week 5 - Wed Sep. 22	Mortgage Basics	GM 17	Quiz 4, 9/24 Homework 2, 9/24
Week 6 - Mon Sep. 27	Mortgage Basics Financial Feasibility Analysis	GM 17 GM 28	
Week 6 - Wed Sep. 29	Financial Feasibility Analysis	GM 28	
Week 7 - Mon Oct. 4	Excel Lab 2		Lab 2 assignment
Week 7 - Wed Oct. 6	Midterm Review		
Week 8 - Mon Oct. 11	Midterm Exam (Tentatively)		
Week 8 - Wed Oct. 13	After-Tax Cash Flows	GM 14	
Week 9 - Mon Oct. 18	After-Tax Cash Flows	GM 14	
Week 9 - Wed Oct. 20	After-Tax Return Analysis	GM 14, 10	Quiz 5, 10/22 Homework 3, 10/22
Week 10 - Mon Oct. 25	Excel Lab 3		Lab 3 assignment
Week 10 - Wed Oct. 27	Affordable Housing		
Week 11 - Mon Nov. 1	Affordable Housing Retail Property Development	PH 7	Quiz 6, 11/3
Week 11 - Wed Nov. 3	Retail Property Development	PH 7	

Week 12 - Mon Nov. 8	Cash Flow Waterfalls		
Week 12 - Wed Nov. 10	Cash Flow Waterfalls		
Week 13 - Mon Nov. 15	Excel Lab 4		Lab 4 assignment
Week 13 - Wed Nov. 17	Office Property Development	PH 5	Quiz 7, 11/19
Week 14 - Mon Nov. 22	Office Property Development Industrial Property Development	PH 5 PH 6	Case Study, 11/22
Week 14 - Wed Nov. 24	No Class (Thanksgiving Holiday)		
Week 15 - Mon Nov. 29	Industrial Property Development	PH 6	Quiz 8, 12/1
Week 15 - Wed Dec. 1	Final Exam Review		
December 10 Friday	Final Exam 11 am – 1 pm		

In the readings column, “PH” refers to chapter numbers in Peiser, Richard B. and Hamilton, David (2012) Professional Real Estate Development Third Edition and “GM” refers to chapters in Geltner, David M. and Norman G. Miller (2014) Commercial Real Estate Analysis and Investments. 3rd Edition South-Western Educational Pub.