

RED 542: Finance of Real Estate Development

Class Schedule

Time: Monday and Wednesday, 2:00 – 3:50 PM

Room: Ralph and Goldy Lewis Hall (RGL) 209

Instructor

Austin Maddux

- Phone/cell: 310-463-9111
- Preferred email: austin@incite-partners.com
- USC email: maddux@usc.edu
- Office: There is an adjunct instructor shared office on the first floor of Ralph and Goldy Lewis Hall (RGL) but given its summer, while on campus and not in the classroom, I will likely be in the nearby courtyard. Phone or Zoom calls are preferred for office hours.
- Office Hours: By appointment Mondays (4:30 pm to 5:30 pm). I have a 50-mile commute home after class so phone or Zoom group calls during this time are optimal. I can make other arrangements as needed.

Course Overview

This course is designed to help students master the core skills needed to evaluate real estate investment and financing decisions in real-world situations. Three overarching questions guide this framework – (1) what investments should be made, (2) how should those investments be funded and (3) what payout decisions need to be made? The course focuses on enabling students to think critically in real world situations with imperfect information in a changing environment about the factors that influence real estate valuations, risks, and returns. This course is intended to answer questions of “why” and “how” and not just “what.”

This course is also designed to help students understand the risk and return differences between different real estate investment positions, how to evaluate the tradeoffs between them, and to understand how fluid and flexible these positions can be. To accomplish this, students will evaluate the risk and return factors associated with various real estate product types, repositioning programs, and capital stack positions.

The class will evaluate the eco-system of real estate through the lens of finance and investment. Real estate professionals add value when they understand and implement these concepts, regardless of whether they are architects, brokers, capital providers, developers, government employees, or investors.

Together we will establish our shared goals and standard for the class. We will focus on education and career development/preparation.

Course Organization

The course is a combination of lectures, labs, guest speakers, and case assignments. Lectures and labs are intended to prepare students by giving them the tools necessary to critically and creatively analyze the issues found in the cases. The cases have been selected to provide students with a broad array of advanced real estate topics and to guide them to apply the concepts taught during lecture in a real-world setting. Guest speakers will play two important roles – (1) they will provide context for class material and current information about a variety of markets and product types and (2) they will assist in running discussion related to individual cases (typically cases in which they had material participation). Students are expected to be prepared to discuss every case. Assignments include market analyses, case questions, case write-ups, and presentations. There also may be additional exercises to support cases as the semester progresses. There will be one midterm exam and an individual final project; these

will build on the case assignments and lectures throughout the semester. Given we are covering a typical 16-week semester's content in 10 weeks, we will maintain the requisite pace.

Typical Class Organization

- Mondays
 - o Current events – 10 mins
 - o Career corner – 10 mins
 - o Case review/student presentations/discussion – 30 mins
 - o Lecture – 60 mins
- Wednesdays
 - o Current events – 10 mins
 - o Career corner – 10 mins
 - o Case review/student presentations/discussion – 30 mins
 - o Lecture – 60 mins

Material (Textbook, Slides, & Periodicals)

Class Session Slides: PDF slides that correspond to the class session will be posted prior to.

Current Events/Periodicals: Students are expected to know what is happening in real estate markets as well as general financial markets. By staying abreast of what is happening, students can test their understanding of real estate lingo and fundamentals. We will begin each class with a brief discussion on relevant current events. Here are a few initial sources of current information: the Wall Street Journal, Calculated Risk, Housing Wire, Urbanize LA, Curbed LA, Pensions & Investments, NAREIT Investment Smartbrief, Institutional Real Estate Newslines, TREPP Talk, and MSCI Real Estate Newsletter.

YouTube – Excel Tutorials Resource:

Excel Is Fun – <https://www.youtube.com/user/ExcelsFun>

Potential Textbooks (not required)

We will not use a formal textbook in this class. I will not be referencing any textbooks. Any graduate level text from a credible institution may serve as a reference text with valuable information. Potential textbooks, if desired by a student, are: (1) Allen, *Essentials of Financial Practice*, AFS Voyager Press, 2015, (2) Bodie, Kane, and Marcus, *Investments*, McGraw-Hill Education, 2017 and (3) Linneman and Kirsch, *Real Estate Finance and Investments: Risks and Opportunities*, 5th Edition, 2018.

RED 542 – Class Outline

The class outline below is intended to provide a general sense of class structure. Class each day will begin with current events and career corner. There are many approaches to teaching real estate finance and investment. We will cover many components of other overall real estate investment eco-system evaluating and discussing each through a finance lens. We will partner together in the class to maximize learning and experience moving faster or slower through certain topics based on student feedback and mastery of the material.

Class Session	Date	Career Corner	Class Session Topic	Assignment Due
1	6/5/23	• LinkedIn and the Trojan network	• Class intro, market overview, finance and accounting essentials	• Pre-class survey monkey • Review syllabus and be prepared with any questions
2	6/7/23	• Defining your sandbox	• What investments should be made? • 3 Major forces	• Prop case: 2041-2115 Colorado (tee up)
3	6/12/23	• Contacting and info interviews	• Asset valuation, cash flow underwriting	• Prop case: NYC Urban Logistics (napkin math)
4	6/14/23	• Thinking about the long game (follow-up)	• Acquisition and development investment closings • Reversions	• Prop case: NYC Urban Logistics (tee up)
5	6/19/23	NO CLASS - JUNETEENTH	NO CLASS - JUNETEENTH	NO CLASS - JUNETEENTH
6	6/21/23	• Selling "you inc.", elevator pitches	• Risk management, leasing, capex, taxes	• Prop case: @First (napkin math)
7	6/26/23	• Securing internships while in school	• How desirable investments should be made?	• Prop case: 1K Fulton (desktop underwriting)
8	6/28/23	• Industry events	• Incorporating debt	• Prop case: 1K Fulton (SWOT)
9	7/3/23	NO CLASS - INDEPENDENCE DAY OBSERVED	NO CLASS - INDEPENDENCE DAY OBSERVED	NO CLASS - INDEPENDENCE DAY OBSERVED
10	7/5/23	• Job postings review	• Investment vehicles, client capital management	• Prop case: Northshore (underwriting & investment rationale)
11	7/10/23	• Resume building	• Managing portfolios, portfolio finance	• Prop case: Alta Dove Valley (underwriting)
12	7/12/23	• Mock interviews	• How should payments and distributions be made?	• Prop case: Alta Dove Valley (SWOT & investment rationale)
13	7/17/23	• Key factors for job selection	• Structuring, joint ventures	• Prop case: Oregonian (underwriting) • Required reading: HBS Case_Structuring Real Estate Deals_An Investor's Perspective
14	7/19/23	• Balancing offers	• Promotes, waterfalls	• Prop case: Oregonian (scenario analysis)
15	7/24/23	• Compensation negotiation	• Topic review	• Prop case: None
16	7/26/23	• None - midterm exam	• Midterm exam	• Prop case: None
17	7/31/23	• Non-cash compensation	• Sustainability, ESG&R (finance perspective)	• Prop case: Inland Empire industrial development (underwriting)
18	8/2/23	• Entrepreneurship	• Technology in real estate (finance perspective)	• Prop case: Inland Empire industrial development (short investment brief)
19	8/7/23	• Final mock interview / networking / self-promotion	• Designated slack (space for content we intended to cover but didn't get to or content needing refreshing)	• Prop case: Final - River Run (due by midnight)
20	8/9/23	• None - final project presentations	• Final project presentations	• Prop case: Final - River Run

Grade Evaluation

Course grades will be based on a 100-point scale.

- Cases and assignments – 30% (8 property cases will be assigned. The first property will not be scored (7 scored cases). Your top 6 scoring assignments with a value of 5 pts each (3pts total for numbers, 2 pts total for written) will be counted towards grade scoring. If students complete all 7 scored property cases the lowest score will not be included. Effort, quality, accuracy and improvement will be graded.
 - Final Project – 25%
 - Midterm Exam – 15% (all topics up to date of exam in play)
 - Attendance – 15% (we have 18 class sessions, 1 pt per session up to 15)
 - Participation – 15% (instructor discretion, value consistent quality contribution over quantity)
- Total – 100%

Cases and Assignments (30%)

Cases will be completed either individually or in small groups as determined case by case by the instructor. I will assign groups for some cases and assignments and students will be allowed to self-select for some cases and assignments. Each case or assignment will carry a 5-point value. Grades will be assessed on both the written deliverable, including financial analysis, and a verbal presentation of the material. Detailed information on these cases will be posted to Blackboard along with the expectations for each case. Students are required to come to class prepared to discuss each case. Case assignments are due prior to the corresponding class session. Any late assignments will receive a zero-point grade unless there is an excused absence compliant with University policy.

Final Project (25%)

The final project will be comprised of a written deliverable, financial analysis and oral presentation that encompasses material learned throughout the course. Oral presentations will involve Q&A and each student will be expected to defend their recommendations and analysis. The project will be due by 11:59pm on August 7th and the oral presentations will be August 9th in our final class session.

Midterm Exam (15%)

The first midterm exam will be held on Wednesday, July 26th. All material covered prior to this date may be included in the exam material.

Attendance (15%)

Class attendance is critical for this course. By attending class in person you will develop your relationships with fellow students, be able to ask questions and participate in the discussion (no questions will be allowed for students attending via Zoom) and engage with professional guest speakers. Each class will be worth 1 point up to 15 points. You are adults and will be treated as adults. I am not interested in your reasons for being absent. If you have a job interview or other pressing matter, I understand, and you must make your attendance decision based on your best judgment. That said, if there is an assignment due prior to class that day, the assignment is due regardless of your attendance in class.

Participation (15%)

Participation grades are subjective and will be based on a student's ability to contribute positively to class discussions. Actively and regularly contributing positively to class discussions will increase a participation grade. Arriving late, sleeping in class, not attending class, not paying attention, or mis-using electronic devices during class will decrease a participation grade. Online Zoom participants negatively impact and distract in-person participants when they ask questions either through Zoom or messaging devices. As such, students will be penalized for asking questions remotely through Zoom. Again, students need to be present to contribute. The only

way to obtain the full participation credit for the day is to attend in person. I am more interested in the quality of your contribution to the class vs the quantity of your participation. Laptops will be allowed initially unless they prove to be a class distraction.

Additionally, 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 and no later than the end of the first week of classes 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. If you have a prolonged medical issue that requires you to miss several class sessions, contact me and we will discuss how to best proceed.

Grading Difficulty

Assignment grading will gradually increase in difficulty. Grading at the beginning of the semester will be more lenient and become more critical over the semester.

Grading Scale

Final grades will be determined based on the following scale:

A	93-100
A-	90-92
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

Guest Speakers

An important part of participation happens when we have guest speakers. Guest speakers generously give of their time and provide a real-world perspective of the current fundamentals influencing real estate finance. Please prepare to represent both you and the MRED program when guest speakers join us by researching the individual and their company. Students are expected to come prepared to ask questions related to the guest speakers' area of expertise. 3-5 guests are expected later in the semester.

Administrative Points

Homework Points

Q: Can I prepare for Homework & Case Assignments with classmates?

A: Yes. Except where noted, collaboration and working in groups *is encouraged*. Homework and Case Assignments are designed for your benefit. They are designed to give you experience in applying what you learn in class and from the readings. They also reflect what the midterm exam and final project will look like (in part). It is highly recommended that you treat case studies and other assignments seriously. Waiting until the last minute to work on assignments and prepare for class is sub-optimal and will likely lead to sub-optimal performance.

Q: How much time should I expect to spend studying and preparing outside of class?

A: Only you know. Some topics may be more difficult or easy for you to grasp. You will have ample opportunity to dig as deep as you want to develop skills and understanding. As a general rule of thumb, you can expect to spend approx. 3 hours studying/preparing outside of class for every 1 hour in class.

Office Hours, Emails and General Questions

Our office hours' time will be more productive together if you email me ahead of time with the topics you wish to discuss. I will attempt to reply promptly to your emails. If I think the question is broadly applicable to the class I may share the response during the next class session. If for any reason I haven't responded to you, please follow-up. While I periodically check my USC email, I am active daily on my preferred work email (austin@incite-partners.com) so please email me there.

Notification of Scores and Final Grades:

Grade results are not given via phone, US post, e-mail, or verbally in person. Materials submitted for grading throughout the term will be returned to students generally within one week after submission. Students with unexcused absences on the date that material is returned must retrieve their materials at the instructor's office. Students may obtain their final grades online.

Excused Absences and Make-Ups

Please contact the instructor prior to any affected deadlines if you have an excused absence. Excused absences are those outlined by the University. It is the responsibility of absent students to obtain and understand any class material missed. This includes, but is not limited to, the concepts discussed, notes, and any handouts provided. Make-up opportunities will not be given for unexcused absences.

Request for Regrade / Clarification Policy

Final grades are determined by performance on the items discussed in the "Grade Evaluation" section. Extra credit or make-up assignments (for unexcused absences) are not possible. However, grading errors should be corrected. Appeals must be submitted in writing within one week after the originally graded work is returned to the class. When submitting an appeal, it's important to note that the entire document will be regraded and checked for all grading errors. All grading errors that are found will be corrected. Depending on if any errors are found, revised grades could either increase, decrease, or keep the grade the same.

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:

Student Health Counseling Services - (213) 740-7711 – 24/7 on call
engemannshc.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) 740-4900 – 24/7 on call
engemannshc.usc.edu/rsvp

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

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

Information about how to get help or help a survivor of 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.

Bias Assessment Response and Support - (213) 740-2421
studentaffairs.usc.edu/bias-assessment-response-support

Avenue to report incidents of bias, hate crimes, and microaggressions for appropriate investigation 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 Support and Advocacy - (213) 821-4710
studentaffairs.usc.edu/ssa

University of Southern California

Price School of Public Policy

Summer 2023

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.