

FBE 470 Fall 2023: Advanced Real Estate Analysis

Class Meeting: Monday/Wednesday, 4:00-5:50pm PST,



Professor: Juan Gonzalez

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Office Hours: Wednesdays 3:00 – 4:00pm PST or by appointment

Course Description

This is an advanced course in real estate investments. The class will introduce principal issues involved with real estate investment and finance including market analysis, asset valuation, deal structure, negotiation, asset management, portfolio management, and repositioning. The course will follow a case study/lecture approach, will invite guest speakers with relevant industry experience and will introduce international investments.

Learning Objectives

Topics include real estate financial analysis and valuation in a variety of contexts (single and multifamily residential, commercial/industrial, retail, and hotel properties), deal structuring, international investments, development, joint ventures, REITs, and asset workouts/repositioning.

Specific topics covered will include:

- Perform real estate financial analysis and valuation in a variety of contexts (single and multi-family residential, commercial/industrial, retail, and hotel properties).
- Identify the benefits of diversification of real estate assets in an investment portfolio.
- Understand the opportunities, risks and specific processes of investing in international markets: near-shoring, joint ventures, deal structuring.
- Describe current real estate financing alternatives.
- Identify alternatives for real estate deal structuring (ownership structure, SPV's).
- Perform basic real estate development analysis.
- Understand how effective real estate asset workouts/repositioning works.
- Examine the connections between entrepreneurship and real estate.

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/or 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:

Most of the communication outside of class time will take place on Blackboard or direct email from me. I'll post all class related information, including the syllabus, lecture notes, most 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 me, contact me at the end of class or at office hours.

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, a midterm exam and a final group project:

	<u>Points</u>	<u>% of Grade</u>
Class participation	150	15%
Assignments	300	30%
Midterm exam	250	25%
Final group project	300	30%
TOTAL	1000	100%

Class participation: Most of our classes will consist of the discussion/analysis of case studies, or of guest-lectures. Participation in the case discussions (and lectures if no cases are assigned) will be a significant element of your course grade. Valuable class participation goes beyond a mere recitation of case or lecture facts, but draws significant implications, makes conclusions, or suggests actions from the facts presented. Your participation should build on the comments of others, further understanding of the issues, and can be controversial, if appropriate.

Descriptions of Assignments/Deliverables: I 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. 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: There will be one midterm exam and one final project. Exams will cover all materials examined in class or the class notes. The midterm will test material covered in the first half of the course. The midterm exam will be take-home, and thus open book/notes.

Final group project: The group project (again in groups to be formed in class) will serve as the culmination of the class. The goal of the project is to search for a potential real estate investment, broadly defined, and to present your group's investment proposal to me and other professionals and/or faculty on the day/evening of the final exam. Each group will be required to turn in their written analysis 24 hours prior to the date and time of the scheduled final exam.

The potential subject of your final project should be the acquisition of an existing development, building or portfolio, though exceptions may be made with my consent. The source of your proposal can be the broker community, the Internet (loopnet.com and/or any all brokerage firm websites, e.g., Marcus & Millichap, CB Commercial, CBRE, IPA, Seeley & Co., Cushman & Wakefield) have their listings posted on their websites), the Wall Street Journal (each Friday the Journal has a "Real Estate Corner" section), or your own contacts. Additional key information on the final group project will be provided.

Scores for individual student contributions to team assignments and the final group project are assigned by me, based on my observations of the team's working dynamics, my assessment of the team's project quality, and thoughtful consideration of the information provided through your peer evaluations.

ADDITIONAL INFORMATION

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://keepsteaching.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

Technology Policy

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 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. o Log in using your Marshall username and password. o (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.

Use of other personal communication devices during academic or professional sessions is considered unprofessional and is not permitted. ANY e-devices (cell phones, iPads, other texting devices, laptops, I-

Pods) must be completely turned off during class time. Upon request, you must comply and put your device on the table in off mode and FACE DOWN.

AI Policy

Since creating, analytical, and critical thinking skills are part of the learning outcomes of this course, all assignments should be prepared by the student working individually or in groups. Students may not have another person or entity complete any substantive portion of the assignment. Developing strong competencies in these areas will prepare you for a competitive workplace. Therefore, using AI-generated tools is prohibited in this course, will be identified as plagiarism, and will be reported to the Office of Academic Integrity.

Open Expression and Respect for All

An important goal of the educational experience at USC Marshall is to be exposed to and discuss diverse, thought-provoking, and sometimes controversial ideas that challenge one's beliefs. In this course we will support the values articulated in the USC Marshall "[Open Expression Statement](https://www.marshall.usc.edu/open-expression-statement)" (<https://www.marshall.usc.edu/open-expression-statement>).

USC Statement on Academic Conduct and Support Systems

Academic Integrity:

The University of Southern California is a learning community committed to developing successful scholars and researchers dedicated to the pursuit of knowledge and the dissemination of ideas. Academic misconduct, which includes any act of dishonesty in the production or submission of academic work, compromises the integrity of the person who commits the act and can impugn the perceived integrity of the entire university community. It stands in opposition to the university's mission to research, educate, and contribute productively to our community and the world.

All students are expected to submit assignments that represent their own original work, and that have been prepared specifically for the course or section for which they have been submitted. You may not submit work written by others or "recycle" work prepared for other courses without obtaining written permission from the instructor(s).

Other violations of academic integrity include, but are not limited to, cheating, plagiarism, fabrication (e.g., falsifying data), collusion, knowingly assisting others in acts of academic dishonesty, and any act that gains or is intended to gain an unfair academic advantage.

The impact of academic dishonesty is far-reaching and is considered a serious offense against the university. All incidences of academic misconduct will be reported to the Office of Academic Integrity and could result in outcomes such as failure on the assignment, failure in the course, suspension, or even expulsion from the university.

For more information about academic integrity see the student handbook or the Office of Academic Integrity's website, and university policies on Research and Scholarship Misconduct.

Please ask your instructor if you are unsure what constitutes unauthorized assistance on an exam or assignment, or what information requires citation and/or attribution.

Students and Disability Accommodations:

USC welcomes students with disabilities into all of the University's educational programs. The Office of

Student Accessibility Services (OSAS) is responsible for the determination of appropriate accommodations for students who encounter disability-related barriers. Once a student has completed the OSAS process (registration, initial appointment, and submitted documentation) and accommodations are determined to be reasonable and appropriate, a Letter of Accommodation (LOA) will be available to generate for each course. The LOA must be given to each course instructor by the student and followed up with a discussion. This should be done as early in the semester as possible as accommodations are not retroactive. More information can be found at osas.usc.edu. You may contact OSAS at (213) 740-0776 or via email at osasfrontdesk@usc.edu.

Support Systems:

Counseling and Mental Health - (213) 740-9355 – 24/7 on call

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

988 Suicide and Crisis Lifeline - 988 for both calls and text messages – 24/7 on call

The 988 Suicide and Crisis Lifeline (formerly known as the National Suicide Prevention Lifeline) provides free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week, across the United States. The Lifeline is comprised of a national network of over 200 local crisis centers, combining custom local care and resources with national standards and best practices. The new, shorter phone number makes it easier for people to remember and access mental health crisis services (though the previous 1 (800) 273-8255 number will continue to function indefinitely) and represents a continued commitment to those in crisis.

Relationship and Sexual Violence Prevention Services (RSVP) - (213) 740-9355(WELL) – 24/7 on call

Free and confidential therapy services, workshops, and training for situations related to gender- and power-based harm (including sexual assault, intimate partner violence, and stalking).

Office for Equity, Equal Opportunity, and Title IX (EEO-TIX) - (213) 740-5086

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

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

The Office of Student Accessibility Services (OSAS) - (213) 740-0776

OSAS ensures equal access for students with disabilities through providing academic accommodations and auxiliary aids in accordance with federal laws and university policy.

USC Campus Support and Intervention - (213) 740-0411

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

Diversity, Equity and Inclusion - (213) 740-2101

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

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) 442-1200 – 24/7 on call
Non-emergency assistance or information.

Office of the Ombuds - (213) 821-9556 (UPC) / (323-442-0382 (HSC)

A safe and confidential place to share your USC-related issues with a University Ombuds who will work with you to explore options or paths to manage your concern.

Occupational Therapy Faculty Practice - (323) 442-2850 or otfp@med.usc.edu

Confidential Lifestyle Redesign services for USC students to support health promoting habits and routines that enhance quality of life and academic performance.

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. Some reports and readings will be uploaded on Blackboard).

Week #1 (8/21 and 8/23)

Topics: Introduction to course, review of real estate investment and finance, acquisition of single-family residences

Read (due 8/23): HBS Case #9-215-080 To Buy or What to Buy: Your First Home

Additional Readings (link): [2023 Emerging Trends in Real Estate ULI](#)

Review Materials (links):

- [Your home loan tool kit](#)
- [Buy vs rent calculator](#)

Week #2 (8/28 and 8/30)

Topics: Review of commercial real estate valuation. Commercial real estate outlook. Office leasing and sale process.

Guest Speaker (8/28): Tony Price, L.A. Realty Partners, Director

Read (8/30): HBS # 9-375-376 Angus Cartwright III

Week #3 (9/6 no class on 9/4 Labor Day)

Topic: Private equity real estate. Industrial real estate investments.

Guest Speaker (9/6): Brent Josephson. Investments at Cottonwood Group.

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

Week #4 (9/11 and 9/13)

Topic: Multifamily residential acquisition, management and ownership.

Guest Speaker (9/13): Mike Sanghvi. Principal at Standifer Capital. Multifamily investments.

Read (9/13): HBS #9-209-012 Polanco: A Fashionable Opportunity

Additional Readings(link): [IPA Special Report Class A Multifamily Outlook Midyear 2023](#)

Week #5 (9/18 and 9/20)

Topics: International real estate investing. Nearshoring and industrial real estate in Mexico. Joint Ventures.

Read: Impacts of Nearshoring on Demand for Mexican Logistics Real Estate, Prologis Research, June 2023.

Additional Readings: Nearshoring in Mexico: A lifetime opportunity, BofA Securities, October 25, 2022.

Week #6 (9/25 and 9/27)

Topics: Real Estate Investment Trusts (REIT). Successful strategies in retail.

Read (9/25): HBS #9-205-019 Wells REIT II. **Submit Homework Assignment by 9/25 (2pm).**

Guest Speaker (9/27): Jose-Antonio Gonzalez. Principal at JAGAR Architecture.

Read Additional Readings: United States Retail Outlook Q2 2023, JLL

Week #7 (10/2 and 10/4)

Topic 1: REIT.

Guest Speaker (10/2): Christopher Johnston, Americas REIT Sector Leader, EY.

Topic 2: Real estate and entrepreneurship.

Read (10/4): USC Marshall #SCG-526 Bratwurst, Beer and Business: Planning for Growth at Wurstkuche.

Week # 8 (10/9 and 10/11)

Topics: Asset and portfolio management

Guest Speaker (10/9): Greg Fink (Managing Director) and Chantalle Rochel (Vice President) at Bellwether Asset Management.

EXAM: (10/11) MIDTERM

Week # 9 (10/16 and 10/18)

Topic 1: Real Estate in investment portfolios.

Guest Speaker (10/16): Alex King, Portfolio Management, Nuveen.

Topic 2: Assessing international market entry.

Read (10/18): Ivey #909N03 CADIM: The China and India Real Estate Market Entry Decisions.

Week # 10 (10/23 and 10/25)

Topics: Site acquisition and development considerations. Student housing.

Guest Speaker (10/23): Brian Wynne, Wynne Yasmer Real Estate, President and Co-Founder

Read (10/25): Kellogg #KEL854 Back to School: Real Estate Development of Off-Campus Student Housing

Additional Readings:

- [Student Housing Performance](#)

Week # 11 (10/30 and 11/1)

Topics: Equity raising alternatives.

Guest Speaker (10/30): Tim Farahnik. Partner at Seyfarth Shaw. Real Estate Transactions.

Read (11/1): IN1244 Pro-Invest: How to Launch a Private Equity Real Estate Fund

Week # 12 (11/6 and 11/8)

Topics: Private equity real estate. Local operator acquisitions and Joint Ventures.

Read (11/6): HBS #9-212-050 Pioneers in Colombia. **Submit Homework Assignment by 11/6 (2pm).**

Guest Speaker (11/8): Ricardo Goldberg, Managing Partner, Olive Point Capital.

Week # 13 (11/13 and 11/15)

Topics: Hotels. Distressed opportunities and asset repositioning.

Read (11/13): Kellogg #KEL518 Hotel Perennial. **Submit Homework Assignment by 11/13 (2pm).**

Guest Speaker (11/15): Simond Lavian. Managing Director Asset Management at Calmwater Capital

Additional Readings:

- [Global Hotel Investment Outlook 2023, JLL Research](#)

Week # 14 (11/20 , no class on 11/22 Thanksgiving)

Topic: (11/20): Groups preparation for final project.

Week # 15 (11/27 , 11/29)

Topics: Environmental considerations. Course wrap-up.

Guest Speaker (11/27): Winefield & Associates, Inc. – Contaminated Property Acquisitions (www.winefieldinc.com).

Week # 16 (12/4) Final project reviews for final project presentation (if necessary)

Final – Final project presentations 12/6 – 4.30pm-6.30pm