

# USC Marshall

School of Business

## **FBE 591: Real Estate Finance and Investment**

Syllabus

Fall 2024 - Mon / Wed 5:00-6:20 pm 3.0 Units

Location: JKP 102

*Department of Finance and Business Economics*

**Professor:** Mark Sprague

**Contact:** 310.592.8171

[msprague@marshall.usc.edu](mailto:msprague@marshall.usc.edu)

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**Office Hours:** TBD

**Location:** ACC 301D

**TA:** TBD

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### **Course Description:**

This course introduces how individuals and real estate professionals trade, lease, manage, develop, finance and invest in real estate properties. We study these processes and the analytic methods that help people make good real estate decisions in a market context. This course provides essential information for those students interested in taking advanced real estate courses, planning a career in real estate, or who are interested in managing their own property portfolios.

### **Course Objectives:**

Students successfully completing this course will be able to:

1. Use industry-standard terminology and techniques for valuing income producing real estate
2. Employ basic spreadsheet skills to analyze the income potential of a range of property types.
3. Explain how the formal finance and market analysis concepts learned in the course are applied in a practical context, by means **of current event articles and case studies**.
4. Describe the roles of debt and equity in the structure of real estate transactions, as well as syndications and partnerships.
5. Perform an integrated “feasibility study”, which evaluates the potential profitability of a new development or investment project from the three perspectives of finance, design and market analysis, demonstrating the concept of “highest and best use” for a particular property.

**Course Organization:**

This course is in lecture format and includes a wide array of spreadsheet exercises, case analyses, a mid-term and final exam. The class meets twice weekly and students are expected to have read the textbook and other assigned material prior to the classes in order to keep up with class lecture content.

**Course Requirements:**

	<u>Points</u>	<u>% of Grade</u>
Mid-Term Exam or Project	100	25%
Final Exam or Project	100	25%
Assignments and Quizzes	100	25%
Participation, preparedness and making a meaningful contribution to the interactive environment of the classroom	<u>100</u>	<u>25%</u>
	400	100%

The assignments and quizzes will be drawn from the questions at the back of the chapters in the textbook, articles and cases, or will be related to other current and newsworthy material covered in class.

***All homework assignments must be submitted in printed form or via Blackboard, as directed by the instructor, prior to the class session on the day they are due. No late work will be accepted.***

**Collaboration policy (for non-quiz/exam assignments):**

*Students are permitted and encouraged to discuss with others their ideas for completing assignments; however, once a student begins writing the deliverable, all work must be individual and independent. Students may not seek help from anyone outside the class, including but not limited to former students of this course, friends and family, tutors, and online forums. Students may consult course materials and web resources. Students may not post anything related to the assignments online. Failure to abide by the above guidelines may constitute a case of suspected plagiarism or cheating, which will be reported and investigated. Please see the “Academic Integrity and Conduct” section below for further details. For more information about unauthorized collaboration, visit: <https://libraries.usc.edu/tutorial/academic-dishonesty> [http://lib-php.usc.edu/tutorials/academic-dishonesty/story\\_html5.html](http://lib-php.usc.edu/tutorials/academic-dishonesty/story_html5.html).*

**Course Materials:**

Linneman, Peter and Kirsch, Bruce, ***Real Estate Finance and Investments: Risks and Opportunities*** Edition 5.3. Philadelphia, Pennsylvania. Linneman.

You can purchase the text from the USC Bookstore:

<http://www.bkstr.com/usctextstore/home>

The Linneman and Kirsch text is required. Page number and chapter references in the course outline refer to this textbook. Occasional additional readings will be distributed to enhance the coverage of some topics. A few cases will also be discussed in class to provide a more appropriate real-world perspective on certain topics. Assignments associated with some of the cases will be graded. Those grades will be included in the assignment component of the grade.

The student is required to have access to a spreadsheet software program during multiple class sessions. There will be basic instruction on the use of this software. I will use the latest version of Microsoft Excel. Students must have access to a computer for homework exercises.

**Course Notes:**

The instructor will post outlines to Blackboard with each lecture to facilitate note taking during the lecture. The notes will allow for student-written notes in the margin. In many cases, these notes provide a different perspective than, or go beyond material that is covered in the text. *Students should be sure that if they miss class a classmate secures a copy of the notes or handouts for them.*

All case studies and industry related articles discussed in class will also be posted to Blackboard after class.

It is recommended that Students read real estate related websites including the **Wall Street Journal, Globestreet, The Real Deal, Urbanize LA, Co-Star and Curbed LA** regularly in order to track real estate market and mortgage market activity. Some of those websites are better than others for local information and news on California and Los Angeles regional real estate activity.

Periodically, **industry-leading guest speakers** will be brought to class to further enhance the practical understanding of income producing real estate development and investment. These are highly interactive class sessions that augment the written course materials.

**Class Meetings:**

Students are not required to have access to a financial calculator during class sessions.

Note: Student readings from the Linneman and Kirsch and cases in preparation for lectures and class sessions are shown in **boldface type**.

## *Introduction and Background:*

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Note: The following course schedule represents a target. ***But, the actual schedule will be determined by class progress.*** Students must attend classes to gauge actual dates, assignments and other deliverables.

August 26 <sup>th</sup>	Course Overview, Industry Overview, Introductions Chapter 2 – What is Real Estate & Who Owns it?
August 28 <sup>th</sup>	Risks & Opportunities, The Basics of Discounted Cash Flow & NPV <b>Linneman and Kirsch (L&amp;K) Prerequisite I</b>
September 4 <sup>th</sup>	The Basics of Discounted Cash Flow & NPV <b>Linneman and Kirsch (L&amp;K) Prerequisite</b>
September 9 <sup>th</sup>	Internal Rate of Return <b>L&amp;K Prerequisite II</b>
September 11 <sup>th</sup>	Property-Level Pro Forma Analysis (Unleveraged) <b>L&amp;K Chapter 5 (Tentative Schedule)</b>
September 16 <sup>th</sup>	Property-Level Pro Forma Analysis (Leveraged) <b>L&amp;K Chapter 5 (Tentative Schedule)</b>
September 18 <sup>th</sup>	Legal aspects of Real Estate Ownership overview <b>Reading to be Distributed by Instructor</b>
September 23 <sup>rd</sup>	<b>QUIZ #1</b> Should You Borrow? <b>L&amp;K Chapter 14</b>
September 25 <sup>th</sup>	Should You Borrow? <b>L&amp;K Chapter 14 (cont.)</b>
September 30 <sup>th</sup>	Spreadsheet Workshop and terminology overview
October 2 <sup>nd</sup>	Spreadsheet Workshop
October 7 <sup>th</sup>	The Use of Debt and Mortgages <b>L&amp;K Chapter 15</b>

## *Analyzing Income Properties and Real Estate Interests:*

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October 9 <sup>th</sup>	Group Project in Class
October 14 <sup>th</sup>	Group Project in Class
October 16 <sup>th</sup>	The Fundamentals of Commercial Leases <b>L&amp;K Chapter 4</b>
October 21 <sup>st</sup>	Financial Modeling <b>L&amp;K Chapter 6</b>
October 23 <sup>rd</sup>	Real Estate Due Diligence Analysis <b>L&amp;K Chapter 7</b>
October 28 <sup>th</sup>	<b>QUIZ #2</b> Taxation of Income Properties <b>L&amp;K Chapter 5 (pp 77-79)</b>
October 30 <sup>th</sup>	Mid Term Review
November 4 <sup>th</sup>	Mid Term Exam
November 6 <sup>th</sup>	International Real Estate Investing <b>L&amp;K Chapter 3</b>
November 13 <sup>th</sup>	Analyzing Metropolitan Long-Term Growth Patterns <b>L&amp;K Chapter 8</b>
November 18 <sup>th</sup>	Sources of Long- and Short-Term Debt <b>L&amp;K Chapter 16</b>
November 20 <sup>th</sup>	Investment Return Profiles <b>L&amp;K Chapter 20</b>
November 25 <sup>th</sup>	<b>QUIZ #3</b> Pro Forma Analysis (Pre-Tax Analysis) <b>B&amp;F Chapter 18</b>
December 2 <sup>nd</sup>	Development Process, Continued
December 4 <sup>th</sup>	Decision Making, Ambition and Power in Real Estate <b>Final Exam Review</b>
December x	<b>Final Exam (TBD)</b>

*Instructor Access:*

The instructor will hold office hours as noted above or by appointment.

*E-mail is the preferred method of communicating with the instructor.*

**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>).

**ACADEMIC INTEGRITY**

The University of Southern California is foremost a learning community committed to fostering successful scholars and researchers dedicated to the pursuit of knowledge and the transmission of ideas. Academic misconduct is in contrast to the university's mission to educate students through a broad array of first-rank academic, professional, and extracurricular programs and includes any act of dishonesty in the submission of academic work (either in draft or final form).

This course will follow the expectations for academic integrity as stated in the [USC Student Handbook](#). All students are expected to submit assignments that are original work and prepared specifically for the course/section in this academic term. You may not submit work written by others or "recycle" work prepared for other courses without obtaining written permission from the instructor(s). Students suspected of engaging in academic misconduct will be reported to the Office of Academic Integrity.

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

Academic dishonesty has a far-reaching impact and is considered a serious offense against the university. Violations will result in a grade penalty, such as a failing grade on the assignment or in the course, and disciplinary action from the university itself, such as suspension or even expulsion.

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.

**STATEMENT ON UNIVERSITY ACADEMIC AND SUPPORT SYSTEMS**

**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](http://osas.usc.edu). You may contact OSAS at (213) 740-0776 or via email at [osasfrontdesk@usc.edu](mailto:osasfrontdesk@usc.edu).

**Student Financial Aid and Satisfactory Academic Progress:**

To be eligible for certain kinds of financial aid, students are required to maintain Satisfactory Academic Progress (SAP) toward their degree objectives. Visit the [Financial Aid Office webpage](#) for [undergraduate](#)- and [graduate-level](#) SAP eligibility requirements and the appeals process.

**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 consists 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

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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) 740-2500

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](mailto: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.

**AI**



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In this course, I encourage you to use artificial intelligence (AI)-powered programs to help you with assignments that indicate the permitted use of AI. You should also be aware that AI text generation tools may present incorrect information, biased responses, and incomplete analyses; thus they are not yet prepared to produce text that meets the standards of this course. To adhere to our university values, you must cite any AI-generated material (e.g., text, images, etc.) included or referenced in your work and provide the prompts used to generate the content. Using an AI tool to generate content without proper attribution will be treated as plagiarism and reported to the Office of Academic Integrity. Please review the instructions in each assignment for more details on how and when to use AI Generators for your submissions.