

Real Estate Investments Course #
52:390:341:90 & 53:390:531:90
Fall 2021
Synchronous Remote (SR)
Monday: 7-10 PM

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<p>Course Description</p>	<p>This course is designed to provide an overview of the financing decision, methods, and techniques utilized in a commercial real estate transaction while promoting sound real estate investment decision-making. This course challenges and instructs students on how to approach the three approaches to real estate valuation – cost, sales comparison and income capitalization – with a primary focus on the income capitalization approach, teaching students the basics of direct capitalization and discounted cash flow (“DCF”) analysis. Students will also approach DCF analysis on a before-tax and after-tax basis. Students will participate in extensive hands-on work solving real-world case studies. This course will also challenge and teach students on how to utilize Argus Enterprise, the global standard for real property asset management and valuation, and the primary software utilized by real estate companies to track the performance of their assets throughout the lifecycle of an investment. This course will also guide students on determining the appropriate capital structure for a real estate transaction, ranging from fixed vs. floating senior debt structures to joint venture equity waterfalls. After taking this course, students should: (1) Understand how to properly underwrite various types of income-producing property with a primary focus on multifamily, retail, office, and industrial asset types; (2) Think critically on how to utilize a wide array of equity and debt financing options and; (3) Have hands-on experience with Argus Enterprise.</p>
<p>Course Materials</p>	<p>Textbooks (Required):</p> <p><i>Real Estate Finance & Investments, 16th Edition</i> by William Brueggeman and Jeffrey Fisher. (ISBN-13: 978-1259919688; ISBN-10: 1259919684)</p> <p>Additional materials will be made available on Canvas or handed out in class. Canvas is the primary course management tool for this course. It is your responsibility to make sure you have proper access to Canvas. This will be one of the primary means of communicating to students. Canvas will contain class</p>

	announcements, syllabus, course assignments, reading materials and other important information. Every student should also check their official Rutgers email account regularly.
Argus Enterprise	Argus Enterprise will be provided to each student and will be utilized in a team-based case study exercise.
Other Utilities	As we will spend a significant amount of time in MS Excel, you should bring a Windows or a Mac laptop to class each week. A financial calculator is recommended, but not required. I recommend the HP12c, which is the one that I use and the industry standard.
Course Delivery Mode	Synchronous Remote (SR). Please use your RU Zoom accounts when logging into class.
Web-Cam Etiquette	You are required to keep your web cameras on during each class session, unless instructed otherwise. You are welcome to use virtual backgrounds (see https://rutgers.app.box.com/v/rbs-zoom-info for RBS virtual backgrounds).
Learning Goals	<ul style="list-style-type: none"> • Demonstrated understanding of real estate finance principles • Coverage of the three approaches to real estate valuation • Overview of discounted cash flow analysis (“DCF”), before and after-tax • Analyzing appropriate capital structures for real estate transactions (debt and equity) • Structuring joint venture equity waterfalls (deal-level) • Hands-on experience with Argus Enterprise
Learning Objectives	<ul style="list-style-type: none"> • Thorough understanding of the financing decision, methods, and techniques utilized in a commercial real estate transaction • Understand how to properly underwrite an income-producing commercial real estate property • Think critically on how to utilize various equity and debt financing options to capitalize a commercial real estate transaction • Have hands-on experience with Argus Enterprise, the primary software utilized in the commercial real estate industry

	<ul style="list-style-type: none"> • Provide a foundation on how real estate investments enhance the performance of a traditional stock/bond, 60/40 portfolio
Prerequisites	None Required.
Academic Integrity	Students are responsible for understanding the RU Academic Integrity Policy . I will strongly enforce this Policy and pursue all violations. Every student is expected to abide by the university's honor pledge: "On my honor, I have neither received nor given any unauthorized assistance on this examination or assignment." I do NOT tolerate cheating. Don't let cheating destroy your hard-earned opportunity to learn.
Attendance & Preparation Policy	<p>Attendance is expected at all regularly scheduled classes. If you miss a class, please consult your classmates on what was covered. Please consult the Rutgers University regulations regarding the attendance policy.</p> <p>Expect me to attend all class sessions. I expect the same of you. If I am to be absent, my department chair or I will send you notice via email and Canvas as far in advance as possible. If you are to be absent, report your absence in advance at Self-Reporting Absence Application. If your absence is due to religious observance, a Rutgers-approved activity, illness, or family emergency/death <u>and</u> you seek makeup work, also send me an email with full details and supporting documentation within 24 hours of your first absence. Explain other aspects of your absence policy in detail; it will save you trouble later.</p> <p>For weather emergencies, consult the campus home page. If the campus is open, class will be held.</p>
Assignments	<p>Assignments may be individual or team-oriented and will be graded. Due dates will be announced in advance. All assigned work is due on the dates noted in the weekly plan posted on canvas. Assignments not submitted by the due date and time will not be accepted unless proof of an extenuating circumstance (as previously noted) is provided. I do not consider technology-related issues a sufficient justification for submitting assignments late. There are no make-up opportunities available for assignments.</p> <p>Do NOT wait until the last minute, as assignment items may automatically close shortly after the due date and time.</p> <p>I will strive to grade your assignments within 48-72 hours of submission.</p>

Exam Dates & Policies	<p>There are (2) examinations in this course:</p> <p>Mid-Term Exam: November 1, 2021 Final-Term Exam: December 20, 2021</p>
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Grading Scheme	Grading Component	Grading Percentage
	Assignments & Case Studies	30%
	Mid-Term Exam	25%
	Final Exam	35%
	Class Participation	10%
	Total	100%

<p>Notes:</p> <ol style="list-style-type: none"> 1. Additional readings may be added for more information. 2. This schedule may change. 	
Session #1	Topic #1 – Course Introduction; Introduction to Real Estate; Market Analysis and Highest & Best Use
<p>September 8, 2021 Wednesday 7:00-10:00pm</p>	<p>In the first session, we will provide an overview of what exactly is “real estate” and take a deeper dive into market analysis and highest & best use. We will also discuss topics on market delineation, shift-share analysis, location quotients and multiplier effects as well as explore DiPasquale & Wheaton’s Four-Quadrant Model.</p> <p>Pre-Class Readings:</p> <ul style="list-style-type: none"> - <i>Market Analysis for Real Estate Concepts and Applications in Valuation and Highest and Best Use, 2nd Edition</i> by Stephen F. Fanning, MAI, Chapters 1-12 - <i>The Markets for Real Estate Assets and Space: A Conceptual Framework</i>, by Denise DiPasquale and William C. Wheaton <p>Assignments:</p> <ul style="list-style-type: none"> - None
Session #2	Topic #2 – Market Analysis and Highest & Best Use Cont.
<p>September 13, 2021 Monday 7:00-10:00pm</p>	<p>We will wrap up our discussion of market analysis and highest and highest & best use and work through some in-class exercises on financial feasibility and timing of use.</p>

	<p>Pre-Class Readings:</p> <ul style="list-style-type: none"> - None <p>Assignments:</p> <ul style="list-style-type: none"> - None
Session #3	Topic #3 – Understanding Financial Calculations and Mortgage Yields
September 20, 2021 Monday 7:00-10:00pm	<p>In the third session, we will provide an overview of the time value of money and work through several calculations on present value (PV), future value (FV), payments (PMT) and interest rate calculations (RATE). This will be basis for next week’s discussion on loan types, payment structures, and loan balances.</p> <p>Pre-Class Readings:</p> <ul style="list-style-type: none"> - <i>Real Estate Finance & Investments, 16th Edition</i> by William Brueggeman and Jeffrey Fisher, Chapter 3 <p>Assignments:</p> <ul style="list-style-type: none"> - None
Session #4	Topic #4 – Understanding Loan Types, Payment Structures and Loan Balances
September 27, 2021 Monday 7:00-10:00pm	<p>In the fourth session, we will build upon the prior session and begin applying the time value of money concepts to fixed, floating, and adjustable-rate mortgages. We will also explore the effective cost of capital and the computation of mortgage yields, yield to maturity, points, fees, and prepayment penalties.</p> <p>Pre-Class Readings:</p> <ul style="list-style-type: none"> - <i>Real Estate Finance & Investments, 16th Edition</i> by William Brueggeman and Jeffrey Fisher, Chapters 4, 5 and 6 <p>Assignments:</p> <ul style="list-style-type: none"> - Work Packet #1 (Excel-Based) Due on 10/4/2021
Session #5	Topic #5 – Three Approaches Valuation & Basic Underwriting Concepts
October 4, 2021 Monday 7:00-10:00pm	<p>In the fifth session, we will step through the three approaches to real estate valuation, with a primary focus on the income capitalization approach. We will learn how to properly underwrite income-producing property, focusing on the four primary asset types (multifamily, retail, office, and industrial).</p>

	<p>We will also analyze the qualitative and quantitative factors of a real estate investment as well as step through the anatomy of a commercial lease.</p> <p>Pre-Class Readings:</p> <ul style="list-style-type: none"> - <i>The Appraisal of Real Estate, 15th Edition</i> by the Appraisal Institute, Chapters 20-31 (pp. 351-559) - <i>Cap Rates & Real Estate Cycles</i>, by J. Clayton, Cornerstone Real Estate Advisors <p>Assignments:</p> <ul style="list-style-type: none"> - None
Session #6	Topic #6 – Understanding Financial Decision-Making
<p>October 11, 2021 Monday 7:00-10:00pm</p>	<p>In the sixth session, we will start combining the lessons we learned in Sessions #3, #4, and #5 into financial decision-making using net present value (NPV), internal rate of return (IRR), and discounted cash flow (DCF) analysis.</p> <p>Pre-Class Readings:</p> <ul style="list-style-type: none"> - <i>Real Estate Finance & Investments, 16th Edition</i> by William Brueggeman and Jeffrey Fisher, Chapters 11, 12, and 13 <p>Assignments:</p> <ul style="list-style-type: none"> - None
Session #7	Topic #7 – Discounted Cash Flow (DCF) Analysis & Financing Structures (Debt Only)
<p>October 18, 2021 Monday 7:00-10:00pm</p>	<p>In the seventh session, we will build off what we did in Session #6 and take a deeper dive into DCF analysis on a before-tax and after-tax basis.</p> <p>Pre-Class Readings:</p> <ul style="list-style-type: none"> - None <p>Assignments:</p> <ul style="list-style-type: none"> - Work Packet #2 (Excel-Based) Due on 10/25/2021
Session #8	Topic #8 – Discounted Cash Flow (DCF) Analysis & Financing Structures (Debt Only) Cont.
<p>October 25, 2021 Monday 7:00-10:00pm</p>	<p>In the eight session of class, we will wrap up our discussion of discounted cash flow analysis and review work packet #2. We will also discuss the mid-term examination and review any questions, where needed.</p>

	<p>Pre-Class Readings:</p> <ul style="list-style-type: none"> - None <p>Assignments:</p> <ul style="list-style-type: none"> - Prepare for Mid-Term Exam
Session #9	Topic #9 – Mid-Term Exam; Argus Enterprise Day #1
<p>November 1, 2021 Monday 7:00-10:00pm</p>	<p>In the ninth session, we will have our mid-term examination which will be focused on the material we have covered thus far. After the exam, we will start on day 1 of 3 covering the Argus Enterprise certification manual. Argus Enterprise is the industry-leading commercial property valuation and asset management software that enables real estate companies to value and manage the performance of their real estate assets throughout the investment life cycle.</p> <p>Pre-Class Readings:</p> <ul style="list-style-type: none"> - Argus Enterprise Certification Manual (pages TBD) <p>Assignments:</p> <ul style="list-style-type: none"> - None
Session #10	Topic #10 – Argus Enterprise Day #2; Angus Cartwright Case Study Discussion
<p>November 8, 2021 Monday 7:00-10:00pm</p>	<p>In the tenth session, we will start on day 2 of 3 covering the Argus Enterprise certification manual. We will also discuss the Angus Cartwright HBS Case Study, which will be a team-based assignment and presentation.</p> <p>Pre-Class Readings:</p> <ul style="list-style-type: none"> - Argus Enterprise Certification Manual (pages TBD); Angus Cartwright HBS Case Study <p>Assignments:</p> <ul style="list-style-type: none"> - Angus Cartwright Write-Up & Presentation Due on 11/22/2021
Session #11	Topic #11 – Argus Enterprise Day #3
<p>November 15, 2021 Monday 7:00-10:00pm</p>	<p>In the eleventh session, we will finish covering the Argus Enterprise certification manual.</p> <p>Pre-Class Readings:</p> <ul style="list-style-type: none"> - Argus Enterprise Certification Manual (pages TBD) <p>Assignments:</p>

	- None
Session #12	Topic #12 – Angus Cartwright Presentation & Review
November 22, 2021 Monday 7:00-10:00pm	In the twelfth session, each team will present their findings for the Angus Cartwright case study and then we will review it collectively as a class. Pre-Class Readings: - None Assignments: - None
Session #13	Topic #13 – Equity Investment Analysis and Joint Venture Equity Waterfalls
December 6, 2021 Monday 7:00-10:00pm	In the thirteenth session, we will begin our discussion with an overview of equity investment analysis and JV equity waterfalls, incorporating examples of highly structured real estate transactions. Pre-Class Readings: - <i>Real Estate Finance & Investments, 16th Edition</i> by William Brueggeman and Jeffrey Fisher, Chapter 18 - <i>You Can't Eat IRR</i> by Howard Marks Assignments: - None
Session #14	Topic #14 – Real Estate & Institutional Portfolio Management
December 13, 2021 Monday 7:00-10:00pm	In the fourteenth and final session, we will conclude the course with a discussion of how real estate fits into the portfolio of an institutional investor. We will also discuss the pros and cons of unlisted real estate funds (open-end funds vs. closed-end funds) as well as listed real estate funds (REITs and exchange-traded funds based on real estate indices). Pre-Class Readings: - <i>Building a Better Portfolio: Balancing Performance and Liquidity</i> by Junying Shen, Ding Li, Grace Qiu, Vishv Jeet, Michelle Teng and Ki Cheong Wong, GIC EIS and PGIM IAS, 2020 - <i>Alternative Investments: An Allocator's Approach, 4th Edition</i> by Donald Chambers, Hossein Kazemi and Keith Black, Chapter 28 (pp. 589-598).

	<ul style="list-style-type: none"> - <i>Real Estate Finance & Investments, 16th Edition</i> by William Brueggeman and Jeffrey Fisher, Chapters 21, 22 and 23 <p>Assignments:</p> <ul style="list-style-type: none"> - Prepare for Final Exam
Session #15	Final Exam
December 20, 2021 Tuesday 7:00-10:00pm	Final Examination

Support Services	<p>If you need accommodation for a <i>disability</i>, obtain a Letter of Accommodation from the Office of Disability Services. The Office of Disability Services at Rutgers, The State University of New Jersey, provides student-centered and student-inclusive programming in compliance with the Americans with Disabilities Act of 1990, the Americans with Disabilities Act Amendments of 2008, Section 504 of the Rehabilitation Act of 1973, Section 508 of the Rehabilitation Act of 1998, and the New Jersey Law Against Discrimination. More information can be found at: https://ods.rutgers.edu</p> <p>If you are <i>pregnant</i>, the Office of Title IX and ADA Compliance is available to assist with any concerns or potential accommodations related to pregnancy.</p> <p>If you seek <i>religious accommodations</i>, the Office of the Dean of Students is available to verify absences for religious observance, as needed.</p> <p>If you have experienced any form of <i>gender or sex-based discrimination or harassment</i>, including sexual assault, sexual harassment, relationship violence, or stalking, the Office for Violence Prevention and Victim Assistance provides help and support. More information can be found at: http://vpva.rutgers.edu/</p> <p>If students who have experienced a temporary condition or injury that is adversely affecting their ability to fully participate, you should submit a request via: https://temporaryconditions.rutgers.edu</p> <p>If you are a military <i>veteran</i> or are on active military duty, you can obtain support through the Office of Veteran and Military</p>
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	<p>Programs and Services. More information can be found at: http://veterans.rutgers.edu/</p> <p>If you are in need of <i>mental health</i> services, please use our readily available services.</p> <p>If you are in need of <i>physical health</i> services, please use our readily available services.</p> <p>If you are in need of <i>legal</i> services, please use our readily available services: http://rusls.rutgers.edu/</p> <p>Students experiencing difficulty in courses due to <i>English as a second language (ESL)</i> should contact the Program in American Language Studies for supports.</p> <p>If you are in need of additional <i>academic assistance</i>, please use our readily available services.</p>
<p>Code of Professional Conduct</p>	<p>Rutgers Business School is recognized for its high-quality education. To that end, maintaining the caliber of classroom excellence requires students to adhere to the same behaviors that are expected in professional career environments. As such, all students should adhere to the Code of Professional Conduct.</p>
<p>COVID-19 Guidelines</p>	<p>Rutgers University COVID-19 Guidelines</p>
<p>Mask Mandates</p>	<p>For in-class exams, where applicable, in order to protect the health and well-being of all members of the University community, masks must be worn by all persons on campus when in the presence of others (within six feet) and in buildings in non-private enclosed settings (e.g., common workspaces, workstations, meeting rooms, classrooms, etc.). Masks must be worn during class meetings; any student not wearing a mask will be asked to leave. Masks should conform to CDC guidelines and should completely cover the nose and mouth: https://www.cdc.gov/coronavirus/2019-ncov/prevent-getting-sick/about-face-coverings.html</p> <p>When you arrive on campus or leave your residence hall, you must complete the brief survey on the My Campus Pass symptom checker self-screening app.</p>