

RSM 484H1S REAL ESTATE INVESTMENT

Winter 2025

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Course Description

The first half of the course covers the basics of what you need to know as a real estate investor before developing, acquiring, or financing a property. We start with the pro forma, which is the financial analysis of an income-producing property that the real estate industry uses to make investment decisions. We cover a number of topics related to completing the pro forma such as taxation, mortgages, leases, and valuation. We also cover topics in real estate finance such as the underwriting of real estate loans, and the sources of commercial real estate finance.

In the second half of the course, we turn to the non-financial analysis of the real estate investment decision. We consider legal and political issues related to land use and entitlement of a property, as well as economic issues related to the market drivers of demand for real estate space. We also discuss the different forms of ownership of real estate assets.

The course covers various property types, including office buildings, single- and multi-family residential, industrial space, retail properties and mixed-used projects. A series of case studies and of classroom visits by industry professionals serve to illustrate key concepts covered in lectures, to build your professional network, to learn about career opportunities, and to introduce you to specialized topics.

The course has historically had success at placing students in various real-estate positions, but more broadly draws students from diverse career paths who anticipate, as entrepreneurs or general managers, having to make real estate investment decisions such as leasing, buying, or building office space. A term project gives students a way to showcase their skills when they describe their coursework in job interviews.

Learning outcome

Upon completing this course, students will be able to perform a financial analysis of a real estate investment, including a full pro forma, and assess the legal and economic factors that affect the risk of that investment.

Course Organization

I will hold weekly office hours before class on Thursday from 4pm to 5pm. The course meets every Thursday from 5:10pm to 7pm. The lectures are held in room 25 in the Woodsworth College Residence (WO) building at 125 St-Georges. There will be a five to ten minute break around 6pm.

I will hold weekly office hours before class on Tuesday from 4pm to 5pm. My office is in the Rotman South Building, on the 8th floor, #8062. The TA for this class is Wendy Jiayun Liu (wendyjy.liu@rotman.utoronto.ca). Wendy will also set up a weekly office hour to meet with students.

Prerequisites

Prerequisite [ECO204Y1/ ECO206Y1, ECO220Y1/ ECO227Y1/ \(STA220H1, STA255H1\)/\(STA237H1, STA238H1\)/\(STA257H1, STA261H1\), RSM332H1](#) **Corequisite** [RSM333H1](#) **Exclusion** [RSM380H1](#)

Evaluation

Case Study Write-up: 10%. There is one case study write-up to submit by e-mail to Wendy (TA) and on February 6th before the beginning of the class during which we discuss the case. I will hand in the assignment for each case write-up two weeks before the due date. The write-up must be done in teams of four or five students.

Midterm exam: 45%, to be held in class on February 27th. The midterm will consist mostly of a pro forma analysis, similar to that in previous midterms for this class that I will post on Quercus.

Term project: 30%. You will create teams of four or five to conduct the project. If you are not in a team by January 23rd (third lecture) then I will choose a team for you based on your background and interests.

The objective of the project is the careful analysis of a real estate investment. You have a lot of flexibility in choosing a real estate investment for your project. The only requirement is that your project analyzes the development, acquisition, or financing of an existing property, as opposed to a hypothetical one. You are also free to conduct your project from the perspective of any investor that you choose. For instance, you can be a private equity or public REIT manager considering the acquisition of an office tower in downtown Toronto, or a banker underwriting a mortgage to a shopping center, or just yourselves considering an investment in a small multifamily building in Vancouver. I encourage each team to set up a short meeting with me – e.g., during my office hours, during class break, after class - to discuss their proposed project. The graded output from the project consists of:

- 1) A five-page executive summary describing the proposed investment, summarizing the financial analysis of the project including key pro forma tables, discussing any land use issues, and including a short market analysis and an assessment of investment risk. This summary should mention all data sources used in the analysis. (50 points)
- 2) A detailed excel pro forma. (50 points)

The detailed grading scheme for the project is available in the “Assignment” section of Quercus.

Class Participation: 15%. Much of the learning in this course occurs in class, and it is thus important to attend every session and to participate actively, especially in case discussion. I will evaluate your participation based on both the quality and frequency of your contributions. In order to facilitate evaluation, I ask you to sit in the same general area for the duration of the semester.

Evaluation	Date Due	Percentage of Total
Case Write-up: Angus Cartwright IV (team)	February 6 th	10%
Mid-term	February 27 th	45%
Term Project (team)	April 3 rd	30%
Participation	Every Lecture	15%
Total		100%

Missed Tests and Late Assignments: Students who miss a term test or assignment for reasons entirely beyond their control (e.g. illness) may request special consideration within 2 business days of the missed midterm/test/assignment due date. Students who do not submit their requests and documentation within 2 days may receive a grade of 0 (zero) on the missed course deliverable. In such cases, students must:

1. Complete the Request for Special Consideration form: <https://uoft.me/RSMConsideration>
2. Provide documentation to support the request, e. g. Absence Declaration from [ACORN](#), medical note etc. As of September 2023, students may use the Absence Declaration on ACORN *one time per term* to report an absence and request consideration. Any subsequent absence will require a [Verification of Illness form](#) or other similar relevant documentation.

There will be a make-up midterm for students who miss it. All assignments are due on the date and at the time specified in Quercus. Late submissions will normally be penalized by 5% if the assignment is not received on the specified date, at the specified time. A further penalty of 5% will be applied to each subsequent day.

Readings and learning material

Textbook (required): Brueggeman and Fisher, *Real Estate Finance and Investments*, McGraw-Hill, 17th Edition, 2021, available at the bookstore. If anyone wants to use the 15th or 16th edition – which is fine – then I can post previous syllabi for the exact page numbers.

Optional Reading: Vicky Ward, *“The Liar’s Ball: The Extraordinary Saga of How One Building Broke the World’s Toughest Tycoons”*, Wiley, Edition 1, October 2014.

Slides: I will post all lecture material on Quercus at least two days prior to the lecture, in the module corresponding to each lecture.

Case Studies: We will cover three cases in class. All three of them are HBS case studies, available at <https://hbsp.harvard.edu/import/1236912>. The cases are intended both to teach new concepts and to complement the lecture. **Pinckney Street** is an introductory case highlighting the many hurdles one has to go through to find and acquire a small income-producing property. **Angus Cartwright IV** is a classic case on the financial analysis of real estate investments. The case asks you to create pro formas for four different property investments and to consider a range of factors influencing their profitability. **AMB Consolidation** is about a private investment advisor's plan to restructure and go public as a REIT. The case describes how REITs are characterized as an investment asset, and relates the cash flow measures that are standard in real estate to the traditional measures in corporate finance.

HBS Notes (optional): I created an additional “optional reading” package that you can purchase at <https://hbsp.harvard.edu/import/1236914>. The package consists of eight “industry notes from HBS, of about 15 pages each. You will see these notes in the detailed schedule below as “optional readings” for different lectures. You do not need to read these notes to perform well in any of the course evaluation. However, I encourage those highly motivated to succeed in the real estate business to read them. Relative to the textbook, the HBS notes have more practical applications and advice to help you make good investments. Please be aware that these notes provide specific example that relate to the United States, which is not ideal. However, the general principles of, say, taxation or environmental law also apply to Canada.

Library Sources: Sean Forbes, (sean.forbes@rotman.utoronto.ca), a business librarian at Rotman, is creating a guide to library sources for the real estate industry. He is also creating a resource with more detailed information specifically for this course. I will update this syllabus with a link when these resources are ready.

Software: You will need Microsoft Excel to complete the exams and the case write-ups.

Guest Lecturers: The guest lecturers will complement the lectures and provide you with exposure to accomplished professionals in the real estate industry. I will post any material that they send me on Quercus prior to the lecture. Our first and second guests are still to be determined. **Janice Lin** is a Managing Director at Blackstone and head of Canada in the real estate group. She will lecture about the private equity real estate business and share her views about best practice in the acquisition of real estate assets.

Detailed Syllabus and Schedule

Lecture 1: January 9th

Slide A: Overview and Preliminaries

- Optional reading, *HBS Note: “A Note on Real Estate Research”*, available on *Study.net*.
- Optional reading, *Brueggeman and Fisher, Chapter 1*

Case Study: Pinckney Street

- Required reading, *HBS Case Study: Pinckney Street*, available on *Study.net*.
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Lecture 2: January 16th

Case Study: Pinckney Street, continued

Slide B: Introduction to Pro forma

- Required reading: *Brueggeman and Fisher, Chapter 9 (pp. 278-291) and Chapter 11 (pp. 348-371)*.
 - Required reading: “*Pro forma Summary*”, available on Quercus.
 - Optional reading: “*Basic Finance for Real Estate Investment Analysis*”, available on Quercus.
 - Optional reading, *HBS Note: “Financial Analysis of Real Property Investments*”, available on Study.net.
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Lecture 3: January 23rd

Slide B: Introduction to Pro forma, continued

Slide C: Taxation

- Required reading: *Brueggeman and Fisher, Chapter 11 (pp. 371 - 381)*.
- Optional reading, *HBS Note: “Note on Taxation*”, available on Study.net.

Team project: Deadline to form a team for case study and term project.

Lecture 4: January 30th

Slide D: Commercial Mortgages

- Required Reading: *Brueggeman and Fisher, Chapter 12 (pp. 409-413)*.
 - Optional reading, *HBS Note: “Technical Note on Financial Leverage in Real Estate*”, available on Study.net.
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Lecture 5: February 6th

Case Study: Angus Cartwright IV

- Required reading: *HBS Case Study: Angus Cartwright*, available on Study.net.
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Lecture 6: February 13th

Slide E: Leases

- Required Reading: *Brueggeman and Fisher, Chapter 9 (pp. 266 – 278)*.
- Optional reading: *HBS Note: “Tenant and Landlord Rights*”, available on Study.net.

Slide F: Valuation

- Required reading: *Brueggeman and Fisher, Chapter 10.*
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Lecture 7: February 27th

Midterm

- Covers all material from Lecture 1 to 6.
 - Bring laptop with excel to complete pro forma exercise.
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Lecture 8: March 6th

Slide F: Valuation, continued

Slide G: Land Use Regulation (legal and political analysis)

- Required reading: *Brueggeman and Fisher, Chapter 16 (pp. 526-534).*
 - Required reading: *Brueggeman and Fisher, Chapter 17 (pp. 561-568).*
 - Optional reading: *HBS Note: "Environmental Law in Real Estate Transactions", available on Study.net.*
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Lecture 9: March 13th

Slide G: Land Use Regulation (legal and political analysis), continued

Slide H: Ownership Structures (partnerships, joint ventures, private equity, REITs)

- Required Reading: *Brueggeman and Fisher, Chapter 18.*
 - Optional reading, *HBS Note: "Note on Forms of Real Estate Ownership", available on Study.net.*
 - Optional reading, *Darden Note: "The Basics of Private Equity Funds", available on Study.net.*
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Lecture 10: March 20th

Guest speaker TBD

Slide H: Ownership Structures (partnerships, joint ventures, private equity, REITs), continued

Lecture 11: March 27th

Case Study: AMB consolidation

- Required reading: *HBS Case Study: AMB Consolidation, available on Study.net.*

Slides I: Market Analysis

- Required reading: *Brueggeman and Fisher, Chapters 9 (pp. 254-266)*.
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Lecture 12: April 3rd

Guest speaker: Janice Lin, Managing Director and head of Canada real estate, Blackstone

Slides I: Market Analysis, continued

If time Slide J: Single Family Housing

Additional statements and considerations

Team or Group Assignments: The term project requires students to work in teams of 4 or 5. Learning to work together in teams is a crucial transferrable skill you will use not only in your coursework, but also in your future careers. Support is available if you encounter common teamwork challenges such as:

- Team members feeling left out of the team.
- Team members not responding in a timely manner to communication.
- Division or quality of work among team members being unequal or unfair.

Consult the [Centre for Professional Skills Teamwork Resources page](#) for tips, strategies, and best practices. You can also [book an appointment with a teamwork mentor](#) through the RC Centre for Professional Skills Writing Centre. Teamwork mentors can help you resolve or mitigate conflict, strategize on planning, or improve team communication.

If you are a student registered with Accessibility Services, and extensions are one of your academic accommodations, consult with your Accessibility Advisor about the teamwork in this course.

Class Participation: Students are expected to prepare thoroughly and make every effort to attend every class. As class participation is a graded component of the course, students will be evaluated on the following:

- Thoughtful responses
- Understanding and analysis of topic
- Idea generation
- Promoting further discussion
- Respectful active listening
- Attentiveness

While attendance is necessary for students to participate in class discussions, attendance on its own will not result in a high participation grade. Students must actively contribute and participate by exhibiting the components listed above.

Statement on Equity, Diversity and Inclusion: The University of Toronto is committed to equity, human rights and respect for diversity. All members of the learning environment in this course should strive to create an atmosphere of mutual respect where all members of our community can express themselves, engage with each other, and respect one another's differences. U of T does not condone discrimination or harassment against any persons or communities.

Commitment to Accessibility: The University is committed to inclusivity and accessibility, and strives to provide support for, and facilitate the accommodation of, individuals with disabilities so that all may share the same level of access to opportunities and activities offered at the University.

If you require accommodations for a temporary or ongoing disability or health concern, or have any accessibility concerns about the course, the classroom or course materials, please [email Accessibility Services](#) or visit the [Accessibility Services website](#) for more information as soon as possible. Obtaining your accommodation letter may take up to several weeks, so get in touch with them as soon as possible. If you have general questions or concerns about the accessibility of this course, you are encouraged to reach out to your instructor, course coordinator, or Accessibility Services.

Generative AI / ChatGPT: Student can use generative AI tools as they see fit to help with the case study and term project. However students cannot use the internet (and so cannot use AI) or electronic communication during the midterm.

Academic Integrity: Academic Integrity is a fundamental value essential to the pursuit of learning and scholarship at the University of Toronto. Participating honestly, respectfully, responsibly, and fairly in this academic community ensures that the U of T degree that you earn will continue to be valued and respected as a true signifier of a student's individual work and academic achievement. As a result, the University treats cases of academic misconduct very seriously.

[The University of Toronto's Code of Behaviour on Academic Matters](#) outlines the behaviours that constitute academic misconduct, the process for addressing academic offences and the penalties that may be imposed. You are expected to be familiar with the contents of this document. Potential offences include, but are not limited to:

In papers and assignments

- Using someone else's ideas or words without appropriate acknowledgement.
- Submitting your own work in more than one course without the permission of the instructor.
- Making up sources or facts.
- Obtaining or providing unauthorized assistance on any assignment (this includes collaborating with others on assignments that are supposed to be completed individually).

On test and exams

- Using or possessing any unauthorized aid, including a cell phone.
- Looking at someone else's answers.
- Misrepresenting your identity.

- Submitting an altered test for re-grading.

Misrepresentation: Falsifying institutional documents or grades. Falsifying or altering any documentation required by the University, including (but not limited to) medical notes. All suspected cases of academic dishonesty will be investigated by the procedures outlined in the [Code of Behaviour on Academic Matters](#). If you have any questions about what is or is not permitted in the course, please do not hesitate to contact the course instructor. If you have any questions about appropriate research and citation methods, you are expected to seek out additional information from the instructor or other U of T or RC resources such as the RC Centre for Professional Skills, the College Writing Centres or the Academic Success Centre.

Email: At times, the course instructor may decide to communicate important course information by email. As such, all U of T students are required to have a valid UTmail+ email address. You are responsible for ensuring that your UTmail+ email address is set up and properly entered on ACORN. For more information visit the [Information Commons Help Desk](#). Forwarding your utoronto.ca email to a Gmail or other type of email account is not advisable. In some cases, messages from utoronto.ca addresses sent to Gmail accounts are filtered as junk mail, which means that important messages from your course instructor may end up in your spam or junk mail folder.

Recorded Lectures: Lectures and course materials prepared by the instructor are considered by the University to be an instructor's intellectual property covered by the Canadian Copyright Act. Students wishing to record a lecture or other course material in any way are required to ask the instructor's explicit permission and may not do so unless permission is granted. Students who have been previously granted permission to record lectures as an accommodation for a disability are excepted. This includes tape recording, filming, photographing PowerPoint slides, Quercus materials, etc.

If permission for recording is granted by the instructor (or via Accessibility Services), it is intended for the individual student's own study purposes and does not include permission to "publish" them in any way. It is forbidden for a student to publish an instructor's notes to a website or sell them in any other form without formal permission.