



# Rotman Commerce UNIVERSITY OF TORONTO

## Course Outline

### RSM484H1 | L5101

Real Estate Finance and Investment

Fall 2019

Thursday evenings from 6:00 – 8:00 p.m.

Woodsworth College, 119 St. George St. Room 121

---

Instructor: Joseph Shaw – Off Campus  
E-Mail / Phone: [josephshawcfa@gmail.com](mailto:josephshawcfa@gmail.com) / 647-408-2201  
Homepage: <http://portal.utoronto.ca>  
Office Hours: By appointment or Thursday evenings from 8:00 – 9:00 p.m.  
Teaching Assistant: Alon Grinberg, [alon\\_grinberg@hotmail.com](mailto:alon_grinberg@hotmail.com)

### Course Scope

The objective of the course is to provide students with practical commercial property valuation skills and the ability to conduct acquisition underwriting. This quantitatively heavy course will expose students to the three major valuation approaches (sales comparison approach, cost approach, and income capitalization approach), cash flow pro-forma modeling and the financial impact of leverage from a lender and borrower perspective. It will develop a student's ability to conduct direct research on the financial factors that drive income-producing real estate's profitability and apply sensitivity analysis. This course will involve interaction with industry practitioners through a real-world assignment.

### Course Mission

To help students to understand the economics of, and financial metrics used in the analysis of real estate investments and capital markets; to introduce students to the principal concepts and theories in real estate investment and finance-based investment analysis building on the student's academic background in investment analysis; and to understand the drivers of a commercial property's cash flows and value.

### Course Prerequisites

**Prerequisite:** ECO204Y1/ECO206Y1,  
ECO220Y1/ECO227Y1/(STA220H1,STA255H1)/(STA257H1,STA261H1), RSM332H1

**Corequisite:** RSM333H1 If you drop course RSM333 (the co-requisite) during the academic term, you must also drop this course. Contact Rotman Commerce Academic Program Services for academic advising if needed.

**Exclusion:** RSM380H1

## Required Readings

The textbook for the course will be Peter Linneman's "Real Estate Finance and Investments: Risks and Opportunities" 5<sup>th</sup> Edition. Linneman Associates, Philadelphia, PA, 2018. This book is available at the Campus Bookstore. **A financial calculator (with time value of money functionality) is required at every class.**

Students are expected to have completed the readings before class and be ready to discuss and debate them during lectures. See the schedule below for mandatory readings.

Additional supplemental readings posted in the course shell include:

- Brooks, Michael J. 2006. Canadian Real Property -Theory and Commercial Practice
- Deloitte REIT Guide. Deloitte and Touche

## Evaluation and Grades

Grades are a measure of the performance of a student in individual courses. Each student shall be judged on the basis of how well he or she has command of the course materials.

COMPONENT	WEIGHT	DUE
Midterm Exam	30%	October 17 <sup>th</sup>
Group Assignment: Case Study of a Potential Investment Opportunity	10% Group Presentations	November 28 <sup>th</sup>
	20% Written Submission	
Final Exam	40%	December 7 <sup>th</sup> – 20 <sup>th</sup>

## COURSE FORMAT AND EXPECTATIONS

### Methods of Evaluation

The course has 3 main components: Mid-Term, Case Study Submission and Presentation, and Final.

Mid-Term Exam. The exam is worth 30% towards the final grade. The exam will be primarily multiple choice and survey material from the readings and class discussion.

Group Case Study. The case study is worth 30% towards the final course grade. The case study is a mini-research exercise applying academically learned concepts to the real world. The objective of this exercise is to select and analyze an income-producing commercial property using a professional approach. The group will present their learnings from the case study in a short presentation to classmates (10%) and submit a written evaluation of the potential investment (20%).

Final Exam. The final is worth 40% towards the final grade. The exam will include multiple choice questions and a financial modelling component and survey material from the readings and class discussion.

Students are responsible for the content of any lectures that they have missed. The material will not be re-taught.

**The case study and presentation slides are to be submitted to Mr. Shaw and Mr. Grinberg by email no later than November 28<sup>th</sup>.**

Please note that clear, concise, and correct writing will be considered in the evaluation of the Case Study. That is, you may lose points for writing that impedes communication: poor organization, weak paragraph development, excessive wordiness, hard-to-follow sentence structure, spelling mistakes and grammatical errors. Students who require additional support and/or tutoring with respect to their writing skills are encouraged to visit the Academic Success Centre (<http://www.studentlife.utoronto.ca/asc>) or one of the College Writing Centres ([www.writing.utoronto.ca/writing-centres](http://www.writing.utoronto.ca/writing-centres)). These centres are teaching facilities – not editing services, where trained staff can assist students in developing their academic writing skills. There is no charge for the instruction and support.

The Case Study requires that you undertake research with human participants. Please note that research of this nature requires treating participants ethically, according to established standards and practices. Please consult with your instructor before commencing your research to ensure that your research activities comply with the applicable policy and procedure.

The Case Study requires students to work in teams of 3-4.

Learning to work together in teams is an important aspect of your education and preparation for your future careers. That said, project-based teamwork is often new to students; to work well in teams, it helps to follow a set of core expectations to best succeed at your team projects.

1. Read the document entitled, “Working in Teams: Guidelines for Rotman Commerce Students” which is available on the RC portal under the Academic Services tab.

2. When working in a team, Rotman Commerce students are expected to:

- Treat other members with courtesy and respect;
- Honour the ground rules established by the team;
- Contribute substantially and proportionally to the final project;
- Ensure enough familiarity with the entire contents of the group project/assignment so as to be able to sign off on it as original work;
- Meet the project timeline as established by the team.

3. Resolving conflicts:

Conflicts are part of the team’s process of learning how to work together. When handled well, it can generate creativity and bring-multiple perspectives to the solution.

Student teams are expected to work through their misunderstandings as soon as they arise (and prior to submission of the final project). When teams are unable to arrive at a solution that works for all members, the team must meet with the Rotman Commerce Team Coach\*\* as soon as possible. The Coach will listen to the team and help develop options for improving the team process. All members of the project team must commit to, and, utilize their action plans.

\*\*For an appointment with a Rotman Commerce Team Coach, please contact Professor Nouman Ashraf at [nouman.ashraf@rotman.utoronto.ca](mailto:nouman.ashraf@rotman.utoronto.ca) Nouman is highly skilled at facilitating team dynamics and collaboration. Note that the Team Coach’s role is to provide guidance, support and advice on team matters – not to formally evaluate or assess teamwork for academic purposes.

## **Electronic Course Materials**

This course will not require electronic materials however the following may prove beneficial:

Student Supplemental Material – Companion to Linneman Text, 5th Edition

These materials are freely available with the purchase of the text book. The use of these materials complies with all University of Toronto policies which govern fees for course materials.

### Weekly Schedule

Class	Date	Content	Pre-Readings
1	Sep 5	Course overview, expectations, class conduct, overview of real estate property and capital markets	
2	Sep 12	What is real estate?  Investing risks  Basic time value of money	Chapters 1 and 2  Pre-requisite I
3	Sep 19	Leases: gross vs. net, reimbursements, rights, options, NER	Chapter 4  Realpac Sample Lease
4	Sep 26	Net Operating Income and Cash Flow	Chapters 5, 6, 7
5	Oct 3	3 approaches to value, cap rates, discount Rate, modeling	Pre-requisite II  Supplemental IV
6	Oct 10	Applying IRR, NPV and DCF to CRE; understanding and pricing risk; selection between competing opportunities	Chapter 9 (but no in-chapter supplements)  Chapter 20  Supplemental I and IA
7	Oct 17	Midterm - 2 Hours, Closed Book	
8	Oct 24	Selection of Case Property Required  Review Midterm  Exiting investments	Chapter 18
9	Oct 31	Basic Real Estate Finance – the underwriting process  Debt, underwriting metrics and approaches  CMBS	Chapters 14, 15 and 16  Pre-requisite III
10	Nov 7	Reading week – no class	
10	Nov 14	Real Estate Capital Markets	Chapters 12, 19, 21

		Securitization of real estate equity and debt; corporate debt; capital market valuation and public/private market arbitrage	
11	Nov 21	Corporate Real Estate Cycles Ethics	Chapters 23, 24, 25 and 26  Supplemental III
12	Nov 28	Case Presentations Submission of Case	
	TBD	Final Exam - 3 Hours, Closed Book	

## **POLICY AND PROCEDURE**

### **Missed Tests and Assignments (including midterm examinations)**

Students who miss a test or assignment for reasons entirely beyond their control (e.g. illness) may submit a request for special consideration. The Request for Special Consideration Form and supporting documentation must be submitted in a timely manner in order for the request to be reviewed.

In such cases, students must notify the Rotman Commerce Program Office on the date of the course deliverable such as a missed test, or assignment missed class (in the case of participation marks), or due date. They must then complete a [Request for Special Consideration Form](#) and submit it along with supporting documentation (e.g. [Verification of Student Illness or Injury form](#)) to the Rotman Commerce Office within **2 business days** of the originally scheduled course deliverable. Students who do not provide appropriate or sufficient supporting documentation will be given a grade of 0 (zero) for the missed course deliverable.

Documentation submitted in support of petitions for missing tests and assignments must be original; no faxed or scanned copies will be accepted.

**Note that the physician's report must establish that the patient was examined and diagnosed at the time of illness, not after the fact. Rotman Commerce will not accept a statement that merely confirms a later report of illness made by the student to a physician.**

Missed exams or case study presentations will result in a re-weight (other grading components will be reweighted to 100% of the total grade) upon verification of illness or injury to Rotman Commerce. No make-up exam will be given for a missed test.

### **Late Assignments**

All assignments are due at the beginning of class on the date specified in the course outline. Late submissions will normally be penalized by 10% if the assignment is not received on the specified date, at the specified time. A further penalty of 10% will be applied to each subsequent day.

Students who, for reasons beyond their control, are unable to submit an assignment by its deadline must obtain approval from the instructor for an extension. Supporting documentation will be required as per the policy on missed tests and assignments.

## Accessibility Needs

The University of Toronto is committed to accessibility. If you require accommodations for a disability, or have any accessibility concerns about the course, the classroom or course materials, please contact Accessibility Services as soon as possible:

[accessibility.services@utoronto.ca](mailto:accessibility.services@utoronto.ca) or <http://www.studentlife.utoronto.ca/as>.

## Academic Integrity

Academic Integrity is a fundamental value essential to the pursuit of learning and scholarships at the University of Toronto. Participating honestly, respectfully, responsibly, and fairly in this academic community ensures that the UofT 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*

<http://www.governingcouncil.utoronto.ca/policies/behaveac.htm> 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 following procedures outlined in the *Code of Behaviour on Academic Matters*. If you have any question 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 UofT resources such as 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 UofT 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 the ROSI system. For more information please visit <http://help.ic.utoronto.ca/category/3/utmail.html>

Forwarding your utoronto.ca email to a Hotmail, Gmail, Yahoo or other type of email account is not advisable. In some cases, messages from utoronto.ca addresses sent to Hotmail, Gmail or

Yahoo 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.

### **Quercus and the Course Page**

The online course page for this course is accessed through Quercus. To access the course page, go to [q.utoronto.ca](http://q.utoronto.ca) and log in using your UTORid and password. Once you have logged in, you will be at the Quercus Dashboard. On this page you will see all of the courses you are presently enrolled in. If you don't see the course listed here but you are properly registered for the course in ROSI, wait 48 hours.

### **Recording 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 (note: students who have been previously granted permission to record lectures as an accommodation for a disability are, of course, excepted). This includes tape recording, filming, photographing PowerPoint slides, Quercus materials, etc.

If permission 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 anyway. It is absolutely forbidden for a student to publish an instructor's notes to a website or sell them in any other form without formal permission.