

**NORTHWESTERN UNIVERSITY**

**Real Estate Finance and Investments  
BUS\_INST\_331**

Professor Craig Furfine  
c-furfine@kellogg.northwestern.edu

**Course Syllabus – Fall 2022**

**Course Description**

This course is an introduction to the most fundamental concepts, principles, analytical methods and tools useful for making investing and financing decisions regarding income-producing property. We begin the course by considering how to estimate the cash flows and discount rates for investment property, allowing us to estimate a property's fundamental value. We next discuss how investment property is generally financed by a close examination of real estate debt markets as well as real estate private equity. We consider the taxation of property as well as how investors should think about the risks to investing in property. We conclude with important considerations for investors when their investment thesis does not come to fruition. We will study property investment using the tools and framework of modern corporate finance and investments, while focusing on the institutional features unique to the real estate industry. As such, the course is designed for students with or without a real estate background, who may be interested in learning about investing in property, either personally or professionally.

**Prerequisites**

The presumption in this class is that you have no prior real estate experience, and no pre-existing knowledge of the real estate industry is necessary to do well in this class. However, the course requires a thorough understanding of finance principles at the level taught in BUS\_INST\_304. *The corporate finance course may not be taken concurrently.*

**Course Readings**

1. The textbook for the course is my book: *Practical Finance for Property Investment*. The book will be available at the bookstore. It is also available online [here](#) or [here](#).
2. Additional readings will be posted to Canvas. The case studies you will need for the course are published within the textbook.

**Grading**

Your grade in the course will be based on the maximum of the following:

- 15% three individual homework assignments, 30% five group case studies, 15% midterm, 30% final, 10% class participation
- 15% three individual homework assignments, 30% five group case studies, 0% midterm, 45% final, 10% class participation

As indicated above, there are seven components to your course grade.

1. **Individual homework:** There are three traditional homework assignments to be completed individually. You are to complete the assignment and submit your answers in the form of an *Excel spreadsheet* that is built from a template file that I will provide to you. This must be submitted on

or before **12:30 PM** on the day they are due. Solutions to the homework assignments will be posted to the website.

2. **Group case studies:** There are five case studies. For each case study, students will be assigned into a different study group of approximately four people. Case study groups for each case will be posted on Canvas by the end of the first week of class. Discussions of the cases will take place during class, but no “solutions” will be provided. For each case, one student from each group must upload a single *PDF* file to Canvas on or before **12:30 PM** on the day they are due.
3. **Midterm exam:** There will be an in-class midterm exam on Monday, October 31<sup>st</sup>. The midterm exam is open book and open note. You will need your laptop to complete the midterm, but laptop use is restricted to accessing the course webpage, course files you have saved to your computer, or to conduct calculations in Excel. Completing the midterm exam is *optional*, and as a result, there will be no rescheduling of the midterm exam.
4. **Final exam:** There will be a mandatory in-person final exam on Monday, December 5<sup>th</sup> between 3:00PM and 5:00PM. *No students will be allowed to take the final exam at any other time.* The final exam is cumulative. The final is open book and open note. You will need your laptop to complete the final, but laptop use is restricted to accessing the course webpage, course files you have saved to your computer, or to conduct calculations in Excel.
5. **Participation self-evaluation:** No later than Wednesday, November 23<sup>rd</sup>, all students must complete a participation self-assessment where you will be asked to evaluate your class participation according to the guidelines listed below. Students that do not complete the participation self-assessment *on time* will receive no credit for the class participation component of their own grade. I have very specific expectations regarding class participation, and I evaluate such participation formally according to the following guidelines. To qualify for a participation grade other than “C”, you must satisfy or exceed **ALL** of the listed characteristics for the given grade. To facilitate my evaluation of your participation, I will be assigning you to a specific seat beginning at the start of class 2.

Participation Grade	Characteristics
A	<p>Missing from or arriving late to no more than 1 lecture.                      When missing a class or arriving late, you always notified me in advance.                      Regularly volunteered comments or asked questions that <i>other students found valuable</i>.                      In response to being called upon, always demonstrated preparedness.                      Always used name-card.</p>
A-	<p>Missing from or arriving late to no more than 2 lectures.                      When missing a class or arriving late, you always notified me in advance.                      Regularly volunteered comments or asked questions that <i>other students found valuable</i>.                      In response to being called upon, always demonstrated preparedness.                      Always used name-card.</p>
B+	<p>Missing from or arriving late to no more than 3 lectures.                      When missing a class or arriving late, you always notified me in advance.                      Often volunteered comments or asked questions that <i>other students found valuable</i>.                      In response to being called upon, generally demonstrated preparedness.                      Always used name-card.</p>
B	<p>Missing from or arriving late to no more than 3 lectures.                      When missing a class or arriving late, you sometimes failed to notify me in advance.                      Occasionally volunteered comments or asked questions that <i>other students found valuable</i>.                      In response to being called upon, generally demonstrated preparedness.</p>
B-	<p>Missing from or arriving late to no more than 3 lectures.                      When missing a class or arriving late, you sometimes failed to notify me in advance.                      Infrequently volunteered comments or asked questions that <i>other students found valuable</i>.                      In response to being called upon, sometimes demonstrated lack of preparedness.</p>
C	<p>Missing from or arriving late to 4 or more lectures.                      Never volunteered comments or asked questions that other students found valuable.                      In response to being called upon, demonstrated lack of preparedness.</p>
F	<p>Missing from or arriving late to 4 or more lectures.                      Never volunteered comments or asked questions that other students found valuable.                      In response to being called upon, demonstrated lack of preparedness.                      Occasionally disruptive to the learning environment of others.</p>

### Calculation of final course grade

I will calculate a separate score for each student in each of the five categories. These five scores will be weighted according to the weights shown above. Grades are then assigned on a relative basis. There is no fixed "percentage score" to achieve any particular course grade.

### Additional rules regarding assignment submissions

- *Late submissions are not allowed.* Deadlines for this class are non-negotiable. If you have a question about a deadline, you should resolve your question sufficiently prior to the deadline so that you can complete the assignment by the due date.
- *Only Excel spreadsheets based on the provided template will be acceptable for homework. Only PDF files can be submitted for cases.* Although case submissions may include cells from a spreadsheet, handing in an excel spreadsheet is not considered sufficient analysis necessary for a case. Finance is partially an exercise in math and numbers, but it is also an exercise in communication. The best case writeups will contain numbers, but must also explain your logic and methods, and how and why the numbers and logic lead to your conclusion.
- *All students within a study group will receive identical scores on group case submissions.* Responsibility for submitting the desired answers by the deadline is the joint responsibility of the entire group, regardless of how the group determines the allocation of the work.

### Additional Availability

Outside of class, post your questions on the discussion board. I will post my response by the next business day, and in practice, my responses are typically much quicker than that. Course-related questions sent to me directly will be posted on the discussion board with attribution. Students are welcome to post replies where applicable. I am also available to Zoom with students at other times by appointment. To schedule a zoom meeting with me, visit [calendly.com/cfurfine/30min](https://calendly.com/cfurfine/30min).

### Classroom etiquette

Although this is not a Kellogg course, I expect you to abide by the etiquette guidelines followed by Kellogg students. This ensures that the classroom environment enhances the learning experience for all students. Please take the time to familiarize yourself with the Classroom Etiquette code.

<https://www.kellogg.northwestern.edu/policies/etiquette.aspx>

In particular:

1. I expect you to attend every class. If you are unable to attend for an unavoidable reason, you must notify me in advance. There is material discussed in class that is not found elsewhere. Students missing class are expected to speak with classmates about material that was missed. *I do not allow use of any recording devices.*
2. I expect you to be ready to begin class on time.
3. I expect you to stay for the entire class.
4. Cell phones should be turned off. You may not use electronic devices for non-class purposes (i.e. email, web-surfing) during class.

### Academic Integrity

Students in this course are required to comply with the policies found in the booklet, "Academic Integrity at Northwestern University: A Basic Guide". All papers submitted for credit in this course must be submitted electronically unless otherwise instructed by the professor. Your written work may be tested

for plagiarized content. For details regarding academic integrity at Northwestern or to download the guide, visit: <https://www.northwestern.edu/provost/policies/academic-integrity/index.html>

In particular, the following are considered violations of the academic integrity policy:

1. Consulting materials distributed in any past Northwestern real estate finance course.
2. Discussing cases with any individuals – including former students – other than those students in your current case group.
3. Sharing course materials with anyone at any time. See below.
4. In future quarters, discussing any course assignment with students then enrolled in a Northwestern real estate finance class before those students' due date.
5. Seeking or receiving any assistance with homework assignments, the midterm, or the final exam.

### **Student liaison**

The class will nominate a student volunteer to be the student liaison. The liaison will:

- Be a sounding board for me on student related issues;
- Communicate to me any scheduling conflicts regarding assignments, classes, or exams to the professor.

Please contact me if you are interested in serving as the class liaison.

### **Copyright notice**

All course materials are the intellectual property of the instructor. You may not distribute class materials electronically or in any form to anyone – inside or outside of Northwestern. In particular, you may not share course materials with other students or with your employers after graduating from Northwestern. Unauthorized copying or distribution of any course materials is strictly prohibited.

### **Other Northwestern Policies**

Northwestern University is committed to providing the most accessible learning environment as possible for students with disabilities. Should you anticipate or experience disability-related barriers in the academic setting, please contact AccessibleNU to move forward with the university's established accommodation process (e: [accessiblenu@northwestern.edu](mailto:accessiblenu@northwestern.edu); p: 847-467-5530). If you already have established accommodations with AccessibleNU, please let me know as soon as possible, preferably within the first two weeks of the term, so we can work together to implement your disability accommodations. Disability information, including academic accommodations, is confidential under the Family Educational Rights and Privacy Act.

Unauthorized student recording of classroom or other academic activities (including advising sessions or office hours) is prohibited. Unauthorized recording is unethical and may also be a violation of University policy and state law. Students requesting the use of assistive technology as an accommodation should contact [AccessibleNU](#). Unauthorized use of classroom recordings – including distributing or posting them – is also prohibited. Under the University's [Copyright Policy](#), faculty own the copyright to instructional materials – including those resources created specifically for the purposes of instruction, such as syllabi, lectures and lecture notes, and presentations. Students cannot copy, reproduce, display, or distribute these materials. Students who engage in unauthorized recording, unauthorized use of a recording, or unauthorized distribution of instructional materials will be referred to the appropriate University office for follow-up.

Northwestern University is committed to supporting the wellness of our students. Student Affairs has multiple resources to support student wellness and mental health. If you are feeling distressed or overwhelmed, please reach out for help. Students can access confidential resources through the Counseling and Psychological Services (CAPS), Religious and Spiritual Life (RSL) and the Center for Awareness, Response and Education (CARE).

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**Course Outline**

This is an approximate schedule of topics to be covered. We may move faster or slower than indicated. Numbers listed under “Readings” refer to chapters from text. All readings should be completed prior to class. Regardless of the realized pace of the class, the midterm date will not change.

Date	Class	Topic	Textbook/Case Readings	Assignment Due
Wednesday, September 21	1	Course introduction, Leases and Leasing	Chapter 1 / Tulaberry Plaza	
Monday, September 26	2	Leases and Leasing, continued Valuation	Chapter 2 / Golden Opportunity	
Wednesday, September 28	3	Valuation, continued		HW 1
Monday, October 3	4	Case discussion		Tulaberry Plaza
Wednesday, October 5	5	In-class valuation exercise <b>LAPTOPS NEEDED</b>		
Monday, October 10	6	Case discussion		Golden Opportunity
Wednesday, October 12	7	Financing property: Debt	Chapter 3 / A Tale of Two Properties	HW 2
Monday, October 17	8	Financing property: Debt, continued		
Wednesday, October 19	9	Financing property: Private equity	Chapter 4 / Wildcat Capital Investors	
Monday, October 24	10	Financing property: Private equity, continued In-class private equity exercise <b>LAPTOPS NEEDED</b>		

Date	Class	Topic	Textbook/Case Readings	Homework Due
Wednesday, October 26	11	Case discussion		A Tale of Two Properties
Monday, October 31	12	MIDTERM EXAM		
Wednesday, November 2	13	Case discussion		Wildcat Capital Investors
Monday, November 7	14	The taxation of property	Chapter 5 / OPTIONAL: A Landlord's Certainty	
Wednesday, November 9	15	In-class after-tax exercise <b>LAPTOPS NEEDED</b>		
Monday, November 14	16	When things go wrong	Chapter 7 / Working at Workouts	HW 3
Wednesday, November 16	17	When things go wrong, continued		
Monday, November 21	18	<b>THIS CLASS WILL BE DELIVERED REMOTELY VIA ZOOM</b> @Risk software demonstration The quantification of risk	Chapter 6 / OPTIONAL: Should I Rent My Condo?	
Wednesday, November 23		<b>NO CLASS TODAY</b>		Working at Workouts AND Participation Self-Evaluation
Monday, November 28	19	<b>THIS CLASS WILL BE DELIVERED REMOTELY VIA ZOOM</b> Case discussion		
Monday, December 5 3:00PM – 5:00PM			<b>Final exam</b>	