Course Description
This course uses case studies to enhance student understanding of investment and financing decisions in the commercial real estate industry. Building on the material covered from the prerequisite course, FINC-454, this course emphasizes topics particularly relevant to the professional property investor. The course begins by exploring how to value land held for commercial development, how to make investment decisions regarding ground-up development, and the circumstances that lead the public sector to support private real estate development. Next, the course explores the role of financial markets to provide financing through securitization of both commercial and residential mortgages. The course concludes with examinations of the corporate use of real estate, performance attribution, and the allocation and investment decisions made by institutional investors into real estate assets.

Prerequisites
Students must have completed FINC-454 prior to taking FINC-455. The prerequisite course may not be taken concurrently.

Course Readings
Class notes and readings as assigned. Case studies, which will be available through Study.net, are accessed through Canvas.

Assignments
Over the course of the quarter, students will be working through eight cases. Completion of all eight cases is required. Four of the cases are completed individually and four of the cases are to be completed by a group of 3-5 students. Email me the names of the people in your group before 5:00PM on Thursday of the first week of classes.

PLEASE NOTE THE FOLLOWING REGARDING CASE SUBMISSIONS!
- **Discussions of the cases will take place during class, but no “solutions” will be provided.** All case assignments must be submitted on Canvas on or before 12:30 PM on the day they are due.
- **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.
• Submitted excel spreadsheets must be well documented. For some, but not all cases, I will collect not only a case write-up, but also your financial model. However, an excel spreadsheet will receive no credit unless it is clear to me not only what your key inputs and outputs are, but how you arrived at your outputs. Finance is partially an exercise in math and numbers, but it is also an exercise in communication. Between the write-up and your spreadsheet, I should understand your numerical answer, your logic and methods, and why the numbers lead to your conclusion.

• Cases require multiple deliverables.
  o PDF write-ups are to be uploaded directly into Canvas.
  o Excel spreadsheets (when required) are to be uploaded directly into Canvas.

• 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 how they allocate the work.

Grading
Your grade in the course will weight performance across several dimensions as follows:
  • 40% four group cases, 40% four individual cases, 10% class participation, 10% peer review.

With regard to the peer review:
No later than Friday of week 10, all students must complete a peer review, where you will be asked to evaluate the contribution made by each of your group members with respect to the completion of the case studies. There are many components of a successful group case submission and peer reviews should be completed with the understanding that a student need not necessarily be the lead financial modeler to be the most valuable member of the team. Students that do not complete the peer review on time will receive no credit for the peer review component of their own grade.

With regard to class participation:
No later than Friday of week 10, 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. Participation may be made either in our live Zoom sessions or on the discussion board.
<table>
<thead>
<tr>
<th>Participation Grade</th>
<th>Characteristics</th>
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<tbody>
<tr>
<td>A</td>
<td>Regularly volunteered comments or asked questions that other students found valuable. In response to being called upon, always demonstrated preparedness.</td>
</tr>
<tr>
<td>B+</td>
<td>Often volunteered comments or asked questions that other students found valuable. In response to being called upon, generally demonstrated preparedness.</td>
</tr>
<tr>
<td>B</td>
<td>Occasionally volunteered comments or asked questions that other students found valuable. In response to being called upon, generally demonstrated preparedness.</td>
</tr>
<tr>
<td>B-</td>
<td>Infrequently volunteered comments or asked questions that other students found valuable. In response to being called upon, sometimes demonstrated lack of preparedness.</td>
</tr>
<tr>
<td>C</td>
<td>Never volunteered comments or asked questions that other students found valuable. In response to being called upon, demonstrated lack of preparedness.</td>
</tr>
</tbody>
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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 meet with students via Zoom at other times by appointment. To schedule an appointment, send an email directly to me at c-furfine@kellogg.northwestern.edu.

Classroom Etiquette
I expect all students in the class to abide by the Kellogg etiquette guidelines. These are available here: 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 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. Please keep your microphone on mute. Unmute to ask a question or post your questions to the chat box.

Honor Code
I require all students in the class to abide by the Kellogg Honor code. The first sentence of the Kellogg Honor code reads: “All students enrolled in a course offered by the Kellogg School of Management agree to abide by the Kellogg Honor Code.” If you are unsure of what this means, please read the honor code. You can find it at: https://www.kellogg.northwestern.edu/policies/honor-code.aspx. If you are in doubt about whether something is acceptable under the honor code, please do not hesitate to ask me.

In particular, the following are considered honor code violations:
1. Consulting materials from the class distributed in previous quarters.
2. Discussing individual cases (before their due date) with any individuals – including former students.
3. Discussing group cases (before their due date) with any individuals – including former students – other than those students in your current case group.
4. Sharing course materials with anyone. See below.
5. In future quarters, discussing any course assignment with students then enrolled in this class before those students’ due date.

Auditing policy
I do not allow any auditing of FINC-455. Since this course is reliant on case discussions, it requires active participation both inside and outside of class. Thus, it is not appropriate to audit.

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.

Other
The class notes, slides, assignments, and answers are the intellectual property of the instructor. You may not distribute class notes electronically or in any form to anyone – inside or outside of Kellogg. In particular, you may not duplicate these notes for use by your employers after graduating from Kellogg.
**Course Outline**
This is an approximate schedule of topics to be covered.

<table>
<thead>
<tr>
<th>Date</th>
<th>Class</th>
<th>Topic</th>
<th>Readings*</th>
<th>Assignment Due</th>
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</thead>
</table>
| Tuesday, April 7 | 1     | Course introduction  
Real options  
Land valuation | Group Case: The Right of Acquisition |                                      |
| Tuesday, April 14| 2     | Case discussion  
The finance of real estate development | Individual Case: Back to School | Group Case: The Right of Acquisition |
| Tuesday, April 21| 3     | Case discussion  
Public policy and real estate development | Group Case: Redeveloping Newcastle | Individual Case: Back to School     |
| Sunday, April 26 | 4     | Case discussion  
Commercial mortgage backed securitization | Individual Case: Return of the Loan | Group Case: Redeveloping Newcastle   |
| Tuesday, April 28| 5     | In class CMBS exercise  
Subprime securitization, Credit derivatives | |                                      |
| Tuesday, May 5  | 6     | Case discussion  
In class RMBS exercise | Group Case: Betting on Failure | Individual Case: Return of the Loan   |
| Tuesday, May 12 | 7     | Case discussion  
Corporate use of real estate | Individual Case: Office Space | Group Case: Betting on Failure       |
| Tuesday, May 19 | 8     | Case discussion  
Performance attribution in real estate | Group Case: Cause and Effect | Individual Case: Office Space       |
| Tuesday, May 26 | 9     | Case discussion  
Portfolio theory and real estate  
Real estate investment strategies | Individual Case: The Search for Property | Group Case: Cause and Effect        |
| Tuesday, June 2 | 10    | Case discussion  
Possible guest speaker (TBD) | | Individual Case: The Search for Property |
| Friday, June 5  |       | **PARTICIPATION SELF EVALUATION AND PEER REVIEW DUE** | |                                      |

* Additional readings may be posted on Canvas and should be completed prior to class.