

Course Syllabus

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Instructors:

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Teaching Assistants for lectures and Labs:

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Class Locations:

Lecture: 113 Avery Monday 9-11 am

Excel Skills Workshop: 200 Fayerweather Wednesday 4-6pm

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Course Overview:

This course comprises two main parts:

1. Finance in the development phase of real estate.
2. Financial structuring of the equity investment in real estate.

Given the fundamental financial analysis of an income-producing property learnt in Real Estate Finance I, in this course students learn about the financing of the real estate development process that generally results in an

income-producing property, and then, learn about the distribution of profits and return of capital to the investors, both for income producing properties and development projects that are sold upon completion.

Development Finance:

The first part of this course will provide the student with important knowledge and understanding of the financial markets for real estate development and construction activities and the analytical methods used by real estate developers, lenders and investors in assessing these projects. The goals are for students to further their understanding of, and facility with, the various tools used in evaluating the financial feasibility of real estate development projects; to apply these analytical capabilities in making critical comparisons of various real estate development proposals; and to utilize these tools in formulating the capital structure of debt and equity for development and construction projects.

Equity Investment:

The second part of the course investigates the many vehicles through which investors in real estate gain equity exposure. Specifically, students will learn the structuring the deal's capital stack to achieve maximized returns, establishing appropriate operator incentives and the alignment of equity interests, ensuring liquidity and planning for liquidity events, and focusing on tax efficiency. Through advanced cash flow modeling, students will specify the format and timing of the investors' respective returns. A broad array of equity structures are reviewed to determine the associated cash flow patterns and tax implications, with particular attention partnership promotes and waterfall distributions.

Prerequisites:

Real Estate Finance I (PLANA 4310)

Excel Skills Workshop

In parallel with the lectures, students **MUST** attend an Excel Skills Workshop every other week – that is, the class will be divided into two smaller groups, each attending on alternate weeks. Students who successfully complete a qualifying test may opt out.

The Adjunct Faculty instructors for this workshop are Jiho Lee and Johnny Din, as above.

Course Structure:

Technical Content: During the course, students will learn the technical concepts and analytical methods utilized in determining the financial feasibility, the debt funding and investment returns of real estate investments and development projects. Competence with the applicable financial modeling tools will be gained; and the details of decision-making in the various stages of the investment analysis process will be covered.

Application:

Most critical to the student's learning in this course is the application of the learnt concepts and methods of finance to real life real estate development and investment situations. This application will be achieved by the student's participation in the following activities:

1. **Attendance and Participation in Class:** Concepts and analytical methods will be learned by reasoning through the real estate investment and development processes. Students are **expected to engage** in these investigative sessions with the professor by asking questions, responding to queries, and challenging notions.
2. **Quizzes, Tests and Homework Assignments of specific problems** will be undertaken **individually** by the student throughout the semester in order to ascertain that specific student's progress in understanding and utilizing the concepts and analytical methods.

3. **EXCEL SKILLS LAB: Attendance and successful completion of the assignments are required for passing the course.**

Specific Objectives of the Workshop:

- **Be able to do Back of the Envelope and other short-cut Feasibility Evaluations.**
- **Be capable of building a comprehensive development and construction financial model.**
- **Be able to build a comprehensive model of a deal's capital stack specifying the amount and timing of equity contributions, return of capital, and distribution of profits, in addition to clarifying the hierarchy of financial liability, tax obligations, ranking of the various equity interests.**

Required Textbook:

Professional Real Estate Development 3rd Edition, Richard B. Peiser & David Hamilton, 2012 Urban Land Institute.

Recommended Reference Textbooks:

Real Estate Finance and Investments, 14th Edition, William B. Brueggeman, Ph.D and Jeffrey D. Fisher, Ph.D.

Commercial Real Estate Analysis & Investments, 3rd edition, Geltner, Miller, Clayton, Eichholtz, 2013, Cengage Learning.

Recommended Readings:

- *Wall Street Journal* (in particular, Wednesday's Real Property section)
- *NY Times* (Sunday's Real Estate Section)
- *Crain's NY Business*
- *The Real Deal*

Course Requirements:

Students will be expected to attend and participate in class discussions as these will factor in to the final grade.

- **Attendance:** Class attendance will be reflected in the final grade. An email notifying the professor of your expected absence is recommended. If a class is missed, the student is responsible for reviewing the posted class notes and make arrangements to meet with the professor to ensure that the lessons of the missed class are understood.
- **Class Participation:** Students are required to participate in all class discussions. Active participation will be an essential component of your grade in the course.
- **Class Preparedness:** Students are required to read all assigned readings for each class, together with any supplemental presentations, case studies and homework assignments. Readings from the required textbook (or e-book) and recommended readings are provided in the Session Topics listing below.
- **Excel:** Many of the concepts in the class will utilize Excel and the successful completion of the Excel Skills Lab projects is required.

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Final Grades:

Grades will be weighted and assigned as follows:

- Attendance and class participation in the discussion of technical material, quizzes, and case studies: 10%.
- Excel Skills Workshop Projects: 10% and critical for course completion
- Homework Quizzes: 20%
- MIDTERM EXAM (Part 1): 30%
- FINAL EXAM (Part 2): 30%

Electronic Resources:

CourseWorks2/Canvas @ Columbia will be used for:

- Posting of the instructor's powerpoint slides for the class lectures, post-class.
- Posting of Homework Quizzes, Midterm and Final Exams.
- Student submissions of completed Homework Quizzes and Final Exams.
- Posting of Excel Skills Workshop assignments and completed assignments.
- Announcements, communications and alerts relevant to the course.

Student Laptops:

- Downloading instructor's class slides after class.
- Downloading and submitting Homework Quizzes, Midterm and Final Exams.
- During Excel Workshop classes & assignments.
- NOT ALLOWED IN LECTURE CLASSES (only Excel Tutorials).

Course Summary: