Overview of the Course

The course is an introduction to the concepts, principles and analytical methods involved in making the broad variety of key investment decisions regarding commercial real estate. It is designed to supplement, rather than replace SURP 844: Real Estate Project Planning. Therefore, the emphasis of this course is on commercial real estate investment rather than development. However, some elements of the latter will inevitably be addressed. The focus will be on fully-operational income-generating properties, primarily large in scale. The main asset types of office, industrial, retail and multi-unit residential will be discussed (and possibly a few more specialized types). Another emphasis of the course will be on the micro level – the evaluation of the investment merits of individual properties (or at least individual transactions). Less attention will be paid to the macro level i.e. portfolio management. To the extent possible, the course content (including readings, cases and assignments) will be Canadian (although it is recognized that real estate investment is increasingly a global endeavour).

This is primarily a combination seminar and case study course. Lectures covering fundamental course content will be supplemented by five carefully chosen guest speakers, who will each address their specific area of expertise within commercial real estate investment. Course readings, six case studies and assignments provide a “hands-on” practical orientation to this course, and provide many opportunities to put theory into practice by simulating the real world of commercial real estate investment.

While there are no prerequisites for this course (other than a keen interest in the subject area), students should be reasonably comfortable working with numbers. For the most part, the mathematical calculations involved in real estate analysis are quite straightforward. There will be a moderately heavy (but interesting) reading load (with which students are expected to keep up) and lots of hands-on learning activities such as cases and assignments.
Required Readings and Cases

In order to provide the best set of readings for this course, and to minimize the cost to students, there is no textbook to purchase. Instead, weekly readings are available on the course OnQ site. The Schedule of Session Topics beginning on page 4 lists the required readings for each session.

Five of the six case studies used in this course are published by the Harvard School of Business. Soft copies (in .pdf format) must be purchased directly by each student as a “coursepack”, at: https://hbsp.harvard.edu/import/565138. The cost is US$21.25. A soft copy of Case 5 ("CREIT") will be available free of charge on the OnQ site.

In order to get the most from this course, it is important that all assigned readings and case study preparation be completed prior to each session. Most weeks there will be little point in attending the session if you have not done so.

Other Materials

You will need to own or have access to an inexpensive business/financial calculator such as the type sold by the Campus Bookstore. You will also need a common financial spreadsheet software package such as Excel, which is part of the Microsoft Office software available for free to students from the ITS website. You may not use specialized real estate analysis software such as Argus for this course, as you are required to design your own Excel spreadsheet.

Recommended (Optional) Textbooks

There are several excellent textbooks on real estate investment and related topics, but they tend to be expensive. Three that I particularly recommend are listed below. Many of the required readings for this course are in fact drawn from these three sources. However, if you intend to work in the real estate field you may wish to purchase one or more of these books. The first three are the best of the very few Canadian books available; whereas the others are from the U.S.


**Assignments & Evaluation**

| Informed, constructive participation | All sessions | 10 % |
| Assignment 1: Team-Led Class Case Discussion | Assigned dates: Oct. 22 – Nov. 26 | 20 % |
| Assignment 2: *Pro Forma* and Spreadsheet Analysis | Due at start of Nov. 12 class | 25 % |
| Assignment 3: Analysis of a Potential Real Estate Investment | Due Friday, Dec. 7, 4:00 pm | 45 % |

**Assignment 1: Team-Led Class Case Discussion**

In the September 24 class, students will be divided into six small groups; the number of students in each will depend on course enrolment. Each group will be assigned one of the six real estate cases (five from Harvard and one from Western). Each case consists of the case itself (the five Harvard cases need to be purchased online as discussed above) and the supplemental guidance questions provided on OnQ. Each group will be responsible for leading a comprehensive class discussion of their assigned case, on the appropriate date (see the schedule beginning on page 4). This will include informal presentation of the group’s own thorough analysis of the case, but in a pedagogical format and in the context of fostering class participation. Further instructions will be provided in class. The grade for this leadership of the case class discussion will comprise 20% of the final course grade.

Each student in the class is expected to come to each case discussion having already worked through its questions and required financial analysis. Each should have their analysis at hand, and be prepared to participate actively in the discussion being led by the student presenters and to answer the questions they will pose to the class. During the class, students may be asked to show their preparation work.

**Assignment 2: *Pro Forma* and Spreadsheet Analysis of Real Estate Investments**

This assignment will give students practice designing a spreadsheet for the *pro forma* analysis of real estate investments, and in writing financial reports. In this case students will analyze a hypothetical retail property. Students will be able to use the spreadsheets they produce for the third and final assignment. Detailed assignment instructions will be posted to the OnQ site. This assignment is due at the beginning of the session on November 12 and will comprise 25% of the final course grade.

**Assignment 3: Analysis of a Potential Real Estate Investment**

Teams of two students are asked to conduct a thorough analysis of the financial feasibility of an actual and local income-producing real estate asset of their choosing, and prepare a formal report.
detailing the analysis and the recommendations it supports. The report must provide specific and useful conclusions and recommendations, and clearly trace the process used to reach them. Properties should be identified to the instructor and will be registered on a first-come, first-served basis. Further written instructions will be distributed in class. This assignment is due on December 7 and will comprise 45% of the final course grade.

**Individual In-Class Participation**

Ten (10) percent of the final course grade will be assigned for the quality (informed and constructive) and quantity of each student’s participation during all sessions; and particularly during the student-led case discussions. Students are reminded that the key to being fully engaged in the course is preparation in advance of each session. This includes, but is not limited to having worked through each of the case studies prior to the session in which it is presented and discussed, and having completed the assigned readings before each class.

**Academic Integrity**

Students are encouraged to discuss the course material with each other and to assist one another with assignments. However, answers, conclusions and recommendations that a student submits for an individual assignment must be the result of that student’s individual effort. It is your responsibility to avoid making all aspects of your work products available to any other student. Failure to meet these criteria could result in charges of academic dishonesty that will be vigorously pursued by the university. For the university’s policies on academic integrity, please see [www.queensu.ca/academicintegrity/home](http://www.queensu.ca/academicintegrity/home).

**Health and Accessibility Accommodation**

Queen’s University is committed to an inclusive campus community with accessible goods, services, and facilities that respect the dignity and independence of persons with disabilities. Please contact the instructor should you be in need of accessibility support. Should you experience any complications due to health, illness or personal circumstances that may impede your learning in this course, please consult with the various support services available at Queen’s and talk in confidence with your instructor for assistance with referrals. All of these services, and accessibility support, are provided by Student Wellness Services: [www.queensu.ca/studentwellness/](http://www.queensu.ca/studentwellness/)

**Schedule of Session Topics** (subject to change)

1. Sept. 10  
   **Part 1: Introduction to the Course**

   **Part 2: Introduction to Commercial Real Estate Investment and Analysis**

   Readings:
• Geltner, David M. et al. 2007. Ch. 7: “Real Estate as an Investment.”

1a. Prior to Session 2, students not very comfortable using Excel should complete one of the many online tutorials on Excel and the reading below.

Reading:

2. Sept. 17

Part 1: The Time Value of Money - Discounting, Present and Future Values and Discounted Cash Flow (DCF) Analysis

Readings:

Part 2: Financial Feasibility Evaluation of Potential Real Estate Investments

Readings:
• Ling, David C. and Wayne R. Archer. 2018. Ch. 8: “Valuation Using the Income Approach.”
• Brooks, Michael S. 2016. Ch. 7: “Valuation and Advanced Real Estate Finance.”

3. Sept. 24

Measuring Returns of Real Estate Investments

Readings:
• Hamilton, Stanley W, ed. 2011. Ch. 8: “Real Estate Investment Analysis.”
• Linneman, Peter. 2011. Ch. 4: “Property Level Pro Forma Analysis.”
4. Oct. 1  **Leverage and Investment Risk**

Readings:

5. Oct. 15  **Guest: Michelle Taggart, Director, Planning and Development, Tamarack Homes and Taggart Investments**

**Land Development and Urban Planning: A Developer’s Perspective**

Reading:

6. Oct. 22  **Part 1: Guest: Gilbert Schiller, Director of Acquisitions, Revera Inc.**

**Seniors Housing – Analyzing Transactions**

Readings:
- Brooks, Michael S. 2016. Ch. 8: “Acquisitions and Dispositions.”
- Hamilton, Stanley W, ed. 2011, Ch. 11: “Real Estate Ownership Structures.”

**Part 2: Case 1: “Shady Trail” - Harvard Business School**

Readings:
- Case 1: “Shady Trail” and additional discussion questions (pdf).

7. Oct. 29  **Part 1: Guest: Real Estate Market Analysis**

Readings:
- Geltner, David M. et al. 2007, Ch. 6: “Real Estate Market Analysis.”
Part 2: Case 2: “Millegan Creek Apartments” - Harvard Business School

Reading:
- Case 2: “Millegan Creek Apartments” and additional discussion questions (pdf).

8. Nov. 5

Part 1: Guest: Lachlan MacQuarrie, Vice President, Real Estate Management, Oxford Properties Group
Smart Buildings and Other Differentiation in Commercial Real Estate

Readings:


Reading:
- Case 3: “Angus Cartwright III” and additional discussion questions (pdf).

9. Nov. 12

Assignment 2 due at start of class

Part 1: Guest: Mat Abramsky
Real Estate Private Equity – Part 1

Reading:

Part 2: Case 4: “South Park IV” - Harvard Business School

Reading:
- Case 4: “South Park IV” and additional discussion questions (pdf).

10. Nov. 19

Part 1: Guest: Mat Abramsky
Real Estate Private Equity – Part 2

Part 2: Case 5: “CREIT: The Property Investment Decision” – Ivey School of Business, Western University

Reading:
- Case 5: CREIT: The Property Investment Decision” (pdf) and additional discussion questions (pdf).

Reading:
- Case 6: “JKJ Pension Fund” and additional discussion questions (pdf).

**Part 2: Guest: Emma Kozak, National Director - Group Risk Management - Real Estate, Royal Bank of Canada**

**Commercial Real Estate Financing**

Readings: