



King Saud University
College of Business Administration
Syllabus: Real Estate Finance & Investment (FIN 351)
Fall 1440/1441 - 2019/2020



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Course description. In this course, students will compare alternative investments with traditional investments; describe categories of alternative investments; describe potential benefits of alternative investments in the context of portfolio management; describe private equity and real estate investments, including, as applicable, strategies, sub-categories, potential benefits and risks, fee structures, due diligence and valuation methodologies.

Course objectives. Upon successful completion of this course, students will be able to:

1. Compare alternative investments with traditional investments;
2. Describe categories of alternative investments;
3. Describe potential benefits of alternative investments in the context of portfolio management;
4. Describe private equity and real estate investments, including, as applicable, strategies, sub-categories, potential benefits and risks, fee structures, and due diligence;
5. Describe, calculate, and interpret management and incentive fees and net-of-fees returns to private equity funds;
6. Valuation of private equity portfolio companies and funds.
7. Valuation of private real estate and public real estate funds
8. Describe issues in valuing and calculating returns on private equity and real estate.

Course materials. The course material is based on CFA Level I Volume 6 Derivatives and Alternative Investments book and CFA Program Level II Volume 6 Alternative Investments and Portfolio Management book.

Prerequisites. The prerequisite for this class is FIN 210 and FIN 220.

Course structure. The course format will be lecture with classroom discussion. Students are responsible for material discussed during class meetings, assigned readings (see below), case studies, a midterm examination, and a final examination.

Attendance. Aside from illness, attendance at all class sessions is a requirement of the class. Please be in the room and ready at the start of class. If circumstances beyond your control delay your arrival past the start of class, you should still come to class on that day.

Electronic devices. Please make sure your cell phone is turned off throughout each class session. Use of laptop computers is required in this class. All web browsing, texting, chatting, and other communication features of computers must be turned off during class. If computers become a distraction, they will be banned from the classroom.

Projects and Case Studies. There will be projects and graded case studies. Projects and case studies are to be done individually.

Midterm and final examinations. The midterm will be given during the regularly scheduled class session as per the course schedule below. The final will be given as per the course schedule below, following the KSU Final Exam schedule. Attendance at both exams is a requirement of the course. Exams are closed book. Calculators are allowed.

Grading. Course grades will reflect the total points earned on six class requirements:

Requirement	Percentages
1. Participation & Attendance	5%
2. Homework	20%
3. Projects	20%
4. Midterm examination	15%
5. Final examination	40%
Total	100%

Regular email messages with course-related materials. I will use Slack, my website and KSU Edugate to send you emails throughout the semester about ongoing developments in the world of alternative investments. I will rely to a large degree on Argaam, Zawya and the Wall Street Journal as a source for this material. These emails are an integral and important part of the course. I will use them to illustrate key points from the main topics that we will analyze over the course of the semester. I expect you to stay up-to-date on the emails for in-class discussion. They are fair game for examinations.

Class notes policy. Notes or recordings made by students based on a university class or lecture may only be made for purposes of individual or group study, or for other non-commercial purposes that reasonably arise from the student's membership in the class or attendance at the university. This restriction also applies to any information distributed, disseminated or in any way displayed for use in relationship to the class, whether obtained in class, via email or otherwise on the Internet, or via any other medium. Videotaping faculty lectures is not permitted. Audiotaping may be permitted if approved by the instructor. Use of any recorded or distributed material is reserved exclusively for the KSU students registered in this class. Actions in violation of this policy may subject an individual or entity to university discipline and/or legal proceedings.

Class Participation. Class participation is an extremely important part of the learning experience in this course as the richness of the learning experience will be largely dependent upon the degree of preparation by all students prior to each class session. A course that incorporates the frequent use of case analyses to illustrate the practical application of concepts and practices require the student to diligently and thoroughly prepare cases and actively offer the results of the analyses and conclusions derived as well as recommendations during each class session. My expectation and that of your classmates are that you are prepared for all classes and will actively participate in and meaningfully contribute to class discussions. In-class participation is also a critical part of this course's learning experience. Cold calling may take place to encourage active participation and to gain multiple perspectives and points of view, thus lending itself to the richness of the learning experience. In-class participation grading will be based on students' demonstrated willingness to participate and the quality of the comments expressed, rather than quantity. While some students are far more comfortable than others with class participation, all students should make an effort to contribute meaningfully. Students will offer their opinions in group settings many times in their careers; thus, class participation serves to prepare students for this business experience. The evaluating of in-class participation is based on the following:

- Relevance – Does the comment or question meaningfully bear on the subject at hand? Irrelevant or inappropriate comments can detract from the learning experience.
- Responsiveness – Does the comment or question connect to what someone else has said?
- Analysis – Is the reasoning employed consistent and logical? Has data from course materials, personal experience, or general knowledge been employed to support the assertions/findings?
- Value – Does the contribution further the understanding of the issues at hand?
- Clarity – Is the comment concise and understandable?

The importance of course evaluations. The student course evaluations are valuable. This course is continuously improved, based on feedback from students and instructor observations.

Statement of academic conduct and support systems. KSU seeks to maintain an optimal learning environment. Students are expected to submit original work. They have an obligation both to protect their own work from misuse and to avoid using another's work as their own. All students are expected to understand and abide by the principles of academic honesty.

Course Lectures

The outline below specifies readings for each topic that we will discuss in class over the semester. In addition to these readings, handouts may be distributed during class meetings. Those handouts are an integral part of the required reading for the course. Students are expected to have read the readings before class. Do not get bogged down in mastering the details of each study. Rely on the discussion in class to get the main points. However, to be able to get the main points in class, you must have read the material before the class.

- **Alternative Investments**
 - Introduction to Alternative Investments

- **Private Equity**
 - Introduction to Private Equity
 - Exit Strategies, Private Equity Diversification Benefits, Risk and Investment Considerations and Due Diligence
 - Private Equity Valuation Part 1
 - Private Equity Valuation Part 2
 - Private Equity Fund Structures and Valuation
 - Due Diligence Investigations by Potential Investors
 - A Note on Valuation of Venture Capital Deals
 - Private Equity Practice Problems

- **Introduction to Real Estate**
 - Introduction to Real Estate Part 1
 - Introduction to Real Estate Part 2

- **Private Real Estate Investments**
 - Private Real Estate Investments
 - Overview of the Valuation of Commercial Real Estate
 - The Income Approach to Valuation

- The Discounted Cash Flow (DCF) Method
 - Advanced DCF Lease-by-Lease Analysis
 - The Cost and Sales Comparison Approaches to Valuation
 - Reconciliation
 - Private RE Practice Problems
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- **Publicly Traded Real Estate Securities**
 - Publicly Traded Real Estate Securities
 - Equity REITs Property Subtypes
 - Valuation Net Asset Value Approach
 - Valuation Relative Value (Price Multiple) Approach
 - Valuation Discounted Cash Flow Approach
 - REIT Valuation Mini Case Study
 - Publicly Traded Real Estate Securities Practice Problems

23/12/2019 Final Exam (As per KSU's final exams schedule) from 10:30 to 12:30AM