

Course Outline:
Project Feasibility Analysis & Valuation

The anticipated schedule for covering the course material is as follows:

Week 1 Project Feasibility Analysis & Valuation Overview

An overview of the course topics & the purpose behind investment analysis will be the focus.

Week 2 Analyzing an Investment Opportunity

The fundamentals of financial modeling can be applied to analyze every type of real estate product across the broad spectrum of real estate investment including capital improvements, land acquisitions, leasehold interests, build to suit (BTS) development & speculative development. This week will address the question “Is the project financially viable & what will it be worth to me, based on my intended plans?”. Examples analyzing both value-add opportunities (improving existing properties) and new construction (development) will be examined. Also discussed will be identifying the various parties who will analyze a potential investment & the perspective from which the investment is analyzed such as the buyer, the lender or the outside investor.

Week 3 Anatomy of a Financial Model

The tools for analyzing an investment will be considered & discussed. Financial modeling will be presented, along with the determinants for when to employ Argus vs. Excel. The core components of a financial model- income, expense & debt service will be highlighted, as will an introduction to discount rates, cap rates, hurdle rates & profit multiples.

Week 4 Market Analysis: Using Market Metrics to Analyze Demand

How do you know there’s market demand for the space you’re constructing? The class will cover the purpose behind Market Studies when planning a project. What are the demand drivers for different types of space- retail, office, medical office, Understanding the basic market economics that drive demand & supply (competitive space) provides insight about how developers forecast demand/space needs within the competitive universe of options.

Week 5 Projecting Income- Positive Cash Flows

This week will focus on setting up the revenue side of the forecast. The components of income for a project will be examined & explained. Income projections will be defined, based on differing types of projects. Setting assumptions for timing, including when income comes on line & absorption rates will be discussed.

Week 6 Projecting Expenses- Negative Cash Flows

The week will focus on establishing a cost profile for the project improvements & understanding how expense line items are forecasted. Using development budget estimates & interest expense forecasts, the class will work through an example of extracting budgeted cost estimates as inputs for the analysis. Other mechanics will be discussed such as discount rates, interest rates & cap rates. Students will form small groups to begin work on a test case of a financial feasibility model.

Week 7 Case Study: O'Hare Airport Collateral Land Analysis

The class will focus on a case study of a financial feasibility analysis prepared for a municipal client, from beginning to end.

Week 8 Performing Sensitivity Analyses

This class will complete the case study from the prior week & also explore the concept of sensitivity analysis. Examining when & how to employ sensitivity analysis, the class will focus on testing a range of outcomes, based on altering one or several variables.

Week 9 Methods of Valuing Real Estate & Valuation Case Study

The various methods of valuing different types of commercial real estate will be described- including market comparison, replacement cost & income capitalization approaches. The use of cap rates –how they're applied & calculated will be discussed & the class will review a related case study that illuminates the valuation process.

Week 10 Student Groups Present Their Feasibility Analysis