



Kuwait University
College of Business Administration
Department of Finance & Financial
Institutions



Course Syllabus
Fall 2024
Dr. Fahad Almudhaf
FIN 460 – Real Estate Finance & Investments

Lecture Time and Location:

FIN 460/ 01A : Mon & Wed TIME 8:00 – 9:15 AM Classroom # S| 01 D1 1006

Contact Information:

Location : Department of Finance & Financial Institutions – 4th Floor - Zone B - Office #1027

Email : fahad.almudhaf@ku.edu.kw

Office Hours : Mon & Wed from 11:00 AM to 12 PM or by appointment.

Course Link : On MS Teams

Course Description:

This course provides a broad introduction to real estates with a focus on financing issues. Basic project evaluation, financing strategies, and capital market issues related to real estate are covered. The students are expected to rapidly acquire a working knowledge of real estate markets. The course contains three cases that help students to evaluate the impact of more complex financing and capital market tools used in real estates. Kuwait's asset wealth is heavily tilted towards the private real estate sector. Our goal is to get you familiar with the Real estate sector and comfortable in valuing the major types of real estate. By the end of this course, you should be able to have a sense of how to value both residential and commercial real estate in addition to how to finance a real estate transaction. You will also be familiar with the laws that govern building permits in Kuwait.

Course Learning Outcomes:

The learning outcomes for this course, listed below, relate to the learning goals of the College of Business Administration Undergraduate Program. Upon successful completion of the course, students will:

- CLO1. Apply financial analysis techniques (e.g., market comparison, income capitalization) to evaluate the feasibility of real estate investment projects.
- CLO2. Identify and differentiate the major property types (residential, commercial, industrial) and their valuation approaches.
- CLO3. Evaluate the feasibility of a real estate investment project using financial metrics (cash flow, IRR, NPV).
- CLO4. Utilize financial software (Excel, RealNex & ARGUS) or calculators to perform real estate valuation and feasibility analysis.
- CLO5. Recognize the ethical considerations involved in real estate transactions and investments.
- CLO6. Demonstrate a foundational understanding of key real estate finance and investment concepts, integrating knowledge from finance, accounting, and law.
- CLO7. Evaluate real estate case studies focusing on financing strategies and capital market tools, identifying potential risks and opportunities.
- CLO8. Effectively communicate real estate financial concepts and valuation techniques in written reports and class presentations.
- CLO9. Critically analyze different financing options (mortgages, REITs) to determine their impact on real estate investment returns.



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CLO Mapping to CBA Skill Based Competency Goals

CLO	Competency Goal				
	Analytical	Communication	Technology	Business Knowledge	Ethics
1	I				
2				I	
3	A				
4			I		
5					A
6				I	
7	A				
8		A			
9	I				

Type of Emphases:

- **(I)ntroduce:** Students will be introduced to the skill and their grasp of it assessed in the course.
- **(A)pply:** The course will not cover the skill. Students should have a high-level grasp of the skill and are required to apply it in the course.
- **(R)einforce:** Students should have an introductory-level grasp of the skill and the course will improve their mastery to a higher level.

Required Material:

Textbook : Brueggeman and Fisher. *Real Estate Finance & Investments*, 17th ed. McGraw-Hill

Additional Material :

- Other material, including course PPT Slides are available on MS Teams.
- Financial calculator

Expectations: I expect every student to

- 1) Read the chapter before and after the class.
- 2) Not entirely depending on the PowerPoint slides for your studying.
- 3) Attend each class and participate in discussions.
- 4) Do your assignments on time and attend the tutorials.

Financial Calculator: You will need a financial calculator for this class. Only the CASIO FC-200V, and CASIO FC-100V are approved for the exams. Tutorials and help will be based on the CASIO FC-200V calculator. If you choose to use the other approved calculator, that is fine, but I may not be able to provide technical assistance in setting up certain problems. You may **NOT** use a programmable graphing calculator for the exams. If you are not sure if your calculator is okay for the exams, please show your calculator to me or the TA. You may not use a smart-phone calculator app. Procedures for calculator will be demonstrated in class and are shown in the textbook. Understanding the basic financial functions of your calculator is necessary for success in this course.



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Exams: There will be 2 midterms and a final exam. The majority of the questions on the exams will be based on material from the lectures. The rest will come from the text and assigned readings. The final exam is cumulative.

Cases & Assignments: The case assignments and other assignments will be done individually. Students will be analyzing a case article or an existing REIT that I may assign to you or ask you to choose. In addition, we will have a field trip to a real estate company project.

Real Estate Reports: We will go over several reports regarding the Kuwaiti real estate market. Reports are published by KFH, KIB, Markaz, Aayan Real Estate, Alshal consulting, and others.

Attendance: Every student in this course must abide by the Kuwait University Policy on Attendance (published in the Student Guide, Chapter 3, Section 13). A copy of the student guide can be accessed online on: https://kuweb.ku.edu.kw/cs/groups/ku/documents/ku_content/kuw055940.pdf

I highly encourage you to attend every class, and you are responsible for any announcement made in class. As an incentive for those who attend, some of the bonus points will be based on attendance of extracurricular activities.

Grading: The scores in this course will be the weighted average of the following items:

Weight	Description
5%	Attendance, Participation, Contribution, and Class Discussion
15%	Cases & Assignments
20%	Midterm 1
20%	Midterm 2
40%	Final Exam
100%	TOTAL

These are the only factors that will be used to determine your course grade. Other factors such as your major, graduation plans, graduate school plans, participation in extracurricular activities including sports, family events, employment or your financial situation cannot and will not be considered in determining your course grade. You will be graded on a scale of a 100. However, I may decide to allocate up to 5 bonus points spread across the various exams, assignments, participation, extracurricular activities, and in-class and tutorial attendance.

Cheating and Plagiarism: I have a zero tolerance policy towards cheating, plagiarism, and academic misconduct. Any student found cheating in this course will receive an F and will be reported to the office of the dean. Every student in this course must abide by the Kuwait University Policy on Cheating and Plagiarism (published in the Student Guide, Chapter 3, Section 2). A copy of the student guide can be accessed online on: https://kuweb.ku.edu.kw/cs/groups/ku/documents/ku_content/kuw055940.pdf

Please carefully note all sources and assistance when you turn in your work. Under no circumstances should you take credit for work that is not yours. You should neither receive nor give any unauthorized assistance on any deliverable. If you have any questions about what constitutes “unauthorized assistance” please email me before the deliverable is submitted.

Writing Style: Students must refer to APA writing style for their assignments and report writing. Refer to the English Language Center for help.



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Grade Distribution:

Grade	Range
A	≥ 95
A-	≥ 90 and < 95
B+	≥ 87 and < 90
B	≥ 83 and < 87
B-	≥ 80 and < 83
C+	≥ 77 and < 80
C	≥ 73 and < 77
C-	≥ 70 and < 73
D+	≥ 65 and < 70
D	≥ 60 and < 65
F	< 60

Course Outline:

Title	Topics
Fixed Interest Rate Mortgage Loan	Determinants of Mortgage Interest Rates, Understanding Fixed interest rate mortgage (FRM), Calculating payments and loan balances
Adjustable & Floating Rate Mortgage Loans	The price level adjusted mortgage (PLAM), ARMs and floating rate loans, ARM payment mechanics
Single Family Housing	Factors that influence housing as an investment, Analyzing expected house prices, Housing supply, three approaches to estimating value, Investing in distressed properties
Income Producing Properties	Property types, supply and demand analysis, the Business of real estate, the market for income producing real estate, Underwriting tenants, general content of leases, Developing statements of operating cash flows (office, retail and apartment).
Valuation of Income Properties	Valuation fundamentals, appraisal process and approached to valuation, Sales comparison approach, income approach, Land values: highest and best use analysis, Mortgage equity capitalization, Cap rates, property values and market conditions
Investment Analysis and Taxation of Income Properties	Real estate market characteristics and investment strategies, Market analysis, Projecting cash flows, Introduction to investment analysis, IRR, NPV, Introduction to debt financing, Taxation of income producing real estate, Taxable income from operation of real estate, After tax investment analysis
Financial leverage and financing alternatives	Introduction to financial leverage, Break even interest rate, Risk and leverage, Underwriting loans on income properties, Participation loans, Sale lease back of the land, Interest only loans, Accrual loans, Convertible mortgage
Risk Analysis	Types of risk, Sensitivity analysis, Risk and leverage, Real option approach to investment decisions
Real Estate Investment Trusts (REITs)	Types of REITs, Equity REITs, Importance of FFO (Funds from Operation), Valuing REITs as investments
Real Estate Investment Performance and Portfolio Considerations	The four quadrants of real estate investments, Computing holding period return, Elements of portfolio theory, Adding REITs to the portfolio, Beta and CAPM, Calculating beta for a portfolio
Real Estate Funds	Investor goals and objectives, Calculating returns, Investor's return versus fund return, Choosing IRR versus TWR for performance measurement, Attribution analysis, Risk measures, Risk-adjusted attribution analysis



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Tentative Course Schedule:

Week	Topic & Chapter
16- Sep	Single Family Housing: Pricing, Investments & Tax Considerations – Ch. 7
23 – Sep	Single Family Housing: Pricing, Investments & Tax Considerations – Ch. 7 (cont.)
30 – Sep	Income Producing Properties: Leases, Rents and the Market for Space – Ch. 9
7 – Oct	Valuation of Income Properties: Appraisal & the Market for Capital – Ch.10
14 – Oct	Investment Analysis and Taxation of Income Properties – Ch. 11
21 – Oct	Kuwait International Bank - KIB (Appraisal)
28 – Oct	Midterm 1 & Financial leverage and financing alternatives – Ch. 12
4 - Nov	Risk Analysis – Ch. 13
11 – Nov	Real Estate Investment Trusts (REITs) – Ch. 21
18 – Nov	Real Estate Investment Performance and Portfolio Considerations – Ch. 22
25 – Nov	Midterm 2 & Real Estate Funds: Structure, Performance, Benchmarking, Risk and Attribution Analysis – Ch. 23
2 - Dec	Fixed Interest Rate Mortgage Loans – Ch. 4
9 – Dec	Adjustable & Floating Rate Mortgage Loans – Ch.5
16 – Dec	Adjustable & Floating Rate Mortgage Loans – Ch.5 (continued)
26 – Dec	Final Exam



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CBA Competency Goals

1. Analytical Competency: A CBA graduate will be able to use analytical skills to solve business problems and make a well-supported business decision.

Student Learning Objectives:

- 1.1. Use appropriate analytical techniques to solve a given business problem.
- 1.2. Critically evaluate multiple solutions to a business problem.
- 1.3. Make well-supported business decisions.

2. Communication Competency: A CBA graduate will be able to communicate effectively in a wide variety of business settings.

Student Learning Objectives:

- 2.1. Deliver clear, concise, and audience-centered presentations.
- 2.2. Write clear, concise, and audience-centered business documents.

3. Information Technology Competency: A CBA graduate will be able to utilize Information Technology for the completion of business tasks.

Student Learning Objectives:

- 3.1. Use data-processing tools to analyze or solve business problems.

4. Ethical Competency: A CBA graduate will be able to recognize ethical issues present in business environment, analyze the tradeoffs between different ethical perspectives, and make a well-supported ethical decision.

Student Learning Objectives:

- 4.1. Identify the ethical dimensions of a business decision.
- 4.2. Recognize and analyze the tradeoffs created by application of competing ethical perspectives.
- 4.3. Formulate and defend a well-supported recommendation for the resolution of an ethical issue.

5. General Business Knowledge: A CBA graduate will be able to demonstrate a basic understanding of the main business disciplines' concepts and theories.

Student Learning Objectives:

- 5.1. Acquire a fundamental understanding of knowledge from the main business disciplines (e.g. finance, accounting, marketing, and management information systems, among others).