Course Overview:

This course provides an introduction to income-producing real estate from the various perspectives of finance, valuation, market analysis and development. Focusing on the analytical techniques necessary to provide a understanding of properties in a market context, this course provides essential information for those students interested in taking advanced real estate courses, those planning careers in real estate, or for those interested in managing their own property portfolios.

Learning Objectives:

Students successfully completing this course will be able to understand industry-standard terminology and techniques for valuing income-producing real estate, as well as be able to employ basic spreadsheet skills to analyze the income potential of a range of property types.

By means of a series of case studies, the student will develop a practical understanding of how the formal finance and market analysis concepts learned in the course are applied in a practical context. Students will also gain insights into the roles of debt and equity in the structure of real estate transactions, as well as syndications and partnerships.

The final section of the course introduces the integrated "feasibility study", which evaluates the potential profitability of a new development project from the three perspectives of finance, design and market analysis. At the conclusion of this section, the student will have gained critical insights into the development process, as well as the concept of "highest and best use" for a particular property.
Course Organization:

This course is in lecture format with a number of assignments including spreadsheet exercises, case analyses, a mid-term and final exam. The class meets twice weekly and students are expected to have read the textbook and other assigned material prior to the classes during which the topics are to be discussed.

Grading Criteria:

The final grade will be determined on the basis of the total number of points the student has earned during the grading period. Points will be awarded for examinations, homework assignments, and for attendance at Marshall and Lusk Center speaker and industry events. Attendance at the events is strongly recommended, however, students who are unable to attend the events will be provided with an alternative assignment.

<table>
<thead>
<tr>
<th>Assignments</th>
<th>Points</th>
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<tbody>
<tr>
<td>Mid-Term Exam</td>
<td>150</td>
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<tr>
<td>Final Exam</td>
<td>150</td>
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<tr>
<td>Assignments</td>
<td>150</td>
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<tr>
<td>Attendance at Marshall and Lusk Center Events</td>
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Requirements:

The assignments will be drawn from the questions at the back of the chapters in the textbook, the cases, or will be related to current and newsworthy material covered in class.

All homework assignments must be submitted in printed form during the class session on the day they are due. **No late work will be accepted.**

Textbook, Equipment, Cases and Readings:


The Breuggeman and Fisher text is required. Page number and chapter references in the course outline refer to this textbook. Occasional additional readings will be distributed to enhance the coverage of some topics. A few cases
will also be discussed in class to provide a more appropriate real-world perspective on certain topics. Assignments associated with some of the cases will be graded. Those grades will be included in the assignment component of the grade.

The student is required to have a financial calculator during each class session, and must have a thorough working knowledge of its operation prior to the beginning of the course. The Hewlett-Packard 17B II will be used by the instructor for the course, and no class time will be devoted to the operation of other calculator models.

Some computer exercises will be conducted using the latest version of Microsoft Excel. Students must have a basic understanding of the program, and have access to a computer for homework exercises.

The instructor will distribute notes with each lecture to facilitate note taking and the lecture. The notes will allow for handwritten notes in the margin. In many cases, these notes provide a different perspective than, or go beyond material that is covered in the text. Students should be sure that if they miss class a classmate secures a copy of the notes and handouts for them.

Students should read the Wall Street Journal regularly in order to track real estate market and mortgage market activity. Also, in Barron’s, The Ground Floor column is periodically devoted to real estate. The Los Angeles Business Journal is the best periodic source of local information and news on California and Los Angeles regional real estate activity.

Class Meetings:

Note: Student readings from the 575 Robinson Blvd. case in preparation for lectures and class sessions are shown in boldface type.

Introduction and Background:

January 9   Course Overview, 575 Robinson Blvd. Case

Brueggeman and Fisher, Real Estate Finance and Investments (B&F) Chapter 1

January 11  Time Value of Money, Compound Interest, Present and Future Value, Net Present Value

B&F, Chapter 3, (Students must have the course text and have a financial calculator in class for all sessions beginning with this session)
Sections 1 through 3: 575 Robinson Blvd. Case

January 16  Internal Rate of Return, Introduction to Pro-Forma Analysis

B&F, Chapter 3. Sections 3 through 5: 575 Robinson Blvd. Case

Analyzing Income Properties and Real Estate Interests:

January 18  Pro-Forma Analysis: University View Case.

University View Case (to be distributed by instructor)

January 23  Valuation and the Appraisal Process

B&F Chapter 9

January 25  Valuation and the Appraisal Process Continued


B&F Chapter 4. Sections 6 through 7: 575 Robinson Blvd. Case

February 1  Fixed-rate mortgages

B&F Chapter 5. Section 8: 575 Robinson Blvd. Case

February 6  Adjustable Rate and Variable Payment Mortgages

B&F Chapter 7

February 8  Financing Income Property. Review of Basic Mortgage Types

B&F Pages 85-102, Pages 125-130, Pages 134-158, Chapter 11

February 13  Southpark IV. Harvard Case 9-390-181
February 20  Legal Considerations in Real Estate

B&F Chapter 2
<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Chapter</th>
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<tbody>
<tr>
<td>February 22</td>
<td>Real Estate Market Performance. Risk and Return</td>
<td>B&amp;F Ch. 10</td>
</tr>
<tr>
<td>February 27</td>
<td>Entity Choice, Syndications and Joint Ventures</td>
<td>B&amp;F Ch. 12</td>
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<tr>
<td>March 1</td>
<td>Leases, Valuation of Leasehold Interests, Ground Leases and Lease vs. Buy Decisions</td>
<td>B&amp;F Ch. 14</td>
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<td>March 6</td>
<td>Review</td>
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<td>March 8</td>
<td>Mid-Term Exam</td>
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<td>March 13, 15</td>
<td>Spring Recess</td>
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<tr>
<td>March 20</td>
<td>Review Corrected Exams.</td>
<td>B&amp;F Ch. 18</td>
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<tr>
<td>March 22</td>
<td>REITs.</td>
<td>B&amp;F Ch. 20</td>
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Real Estate Markets:

March 22  Introduction to Real Estate Markets
March 27  Real Estate Market Analysis: the Macro View

Section 11, 575 Robinson Blvd. Case

March 29  Real Estate Market Analysis: the Micro View

Development and Development Financing:

April 3  Introduction to the Development Process
Development Financing.

B&F Chapter 15

April 5  Construction and Construction Loans.

B&F Chapter 15

April 10 Land Acquisition and Development.

B&F Chapter 16

April 12

April 17 Additional Topics in Development and Finance.

April 19 Spreadsheet Applications For Development

Section 12, 575 Robinson Blvd. Case

April 24 Spreadsheet Applications For Development
Continued

April 26 Review

May 1 Tentative Date of Final Examination  Location: TBA
Instructor Access:

Office hours by appointment only on Tuesdays from 12:00 to 2:00 PM.

E-mail is the preferred method of communicating with the instructor.

Campus Office: 602J Hoffman Hall
Telephone: 213-740-6527
e-mail: rbridges@marshall.usc.edu

Academic Integrity:

The use of unauthorized material, communication with fellow students during an examination, attempting to benefit from the work of another student, and similar behavior that defeats the intent of an examination or other class work is unacceptable to the University. It is often difficult to distinguish between a culpable act and inadvertent behavior resulting from the nervous tensions accompanying examinations. Where a clear violation has occurred, however, the instructor may disqualify the student’s work as unacceptable and assign a failing mark on the paper.

Returned Paperwork:

Returned paperwork, unclaimed by a student, will be discarded after 4 weeks and, hence, will not be available should a grade appeal be pursued by a student following receipt of his/her grade.

Students With Disabilities:

Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to the instructor as early in the semester as possible. DSP is located in STU 301 and is open 8:30 a.m. - 5:00 p.m., Monday through Friday. The phone number for DSP is (213) 740-0776.