College of Business Administration
University of Texas at Austin

RE 376G
Real Estate Investments
Fall 2012
Unique # 03840
UTC 1.130, T 5:00 – 8:00 pm

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Office hours are by appointment.

Course Prerequisites

Finance 357
Real Estate 358 – Introduction to Real Estate and Urban Land Development

Course Description

The course examines debt and equity financing for residential and commercial real estate properties. The objective of the course is to establish a solid foundation in the fundamentals of real property valuation and underwriting, as well as an understanding of the various debt and equity financing alternatives available and in use in the capital markets. The course will also examine lender and investor perspectives on risk and reward across property types.

The course begins with an overview of the legal aspects of real estate finance, followed by the application of financial mathematics to the calculation of payment streams, mortgage yields, outstanding loan balances, equity returns and other basic financial measurements. We will then turn to a discussion of financing issues specific to various types of real property, starting with mortgage underwriting and valuation of residential real estate. The course will then turn to the financing of existing, income producing commercial properties, including a review of valuation and appraisal methodologies and cash flow analysis across property types. We will examine income producing properties as investments, evaluating the components of risk and understanding the impact of taxation on equity returns. We will also review a variety of loan instruments, and various ownership vehicles such as joint ventures, limited partnerships and syndications, and discuss their application in structuring real estate investments. We will then take a brief look at the risks of new development from both the lender and investor/developer perspectives.

The final section of the course will focus on real estate capital markets, and will include a brief review of the secondary mortgage markets and REITs. We will complete the course with a discussion of real estate investment in the context of an investment portfolio, with a presentation by a manager of an institutional real estate investment portfolio.

Required Text

Bruggeman and Fisher, *Real Estate Finance and Investments*, 14th Edition

Course Requirements and Grading

Course grades will be based on the following:

Mid-Term Examinations (2)	60%
Final Examination	30%
Homework and Attendance	10%

There will be homework assignments given during the semester. These assignments will utilize the analytical tools covered in the text and in class lectures and give students the opportunity to apply them to specific valuation problems and financing situations. These assignments will be given out during the semester. Homework will be assigned and turned in via blackboard.

Two (2) mid-term exams will be given during the semester. Both exams will have equal weightings. The first exam will cover material discussed up through the previous class session; the second exam will cover material since the date of the first exam. Scheduled dates for the exams are included in the ***Course Outline*** below; exam reviews will be held prior to each exam. The final examination will be comprehensive and will be given during the scheduled period during Finals week. No makeup exams will be given without the prior written consent of the instructor, and only in special circumstances and with proper documentation.

Attendance will be taken and students will be held responsible for everything covered or assigned in class. Case studies will be used as part of the coursework and the content will be included on the exams. In addition to reviewing the material assigned in the textbook and any outside materials introduced during the course of the semester, class time will be devoted to industry situations and conditions that will place the material in context and enhance students' understanding and appreciation of the material. Your general conduct in class, including attendance, promptness and participation, will be a factor in your final grade. Notebook computers are permitted in class only when we are working on a cash flow assignment.

Note: A financial calculator capable of performing present value and rate of return functions with unequal cash flows is required.

Policy on Scholastic Dishonesty

Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. Since dishonesty harms the individual, all students, and the integrity of the University, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services website at http://www.utexas.edu/depts/dos/ or the General Information Catalogue to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

Student with Disabilities

The University of Texas at Austin provides upon request appropriate academic accommodations for qualified students with disabilities. For more information, contact the Office of the Dean of Students at 471-6259.

Course Outline

September 4

Foundation
Introduction and Course Administration
Legal Issues in Real Estate Finance
Introduction to Income-Producing Properties:

Reading Assignment: Chapters 1 & 2
Review problems:

Case Study #1: Due September 18

September 11

Mortgage Loan Foundations
Fixed Rate Mortgages

Reading Assignment: Chapters 3 & 4
Review problems:
Chapter 3, Problems #1-#5
Chapter 4, Problems #2, #3,#4, #6, and #10

September 18

No Class Meeting in UTC
Meet in Computer Lab to work on Case Study
Excel Instruction provided

Mortgage Analysis
Variable Rate Mortgage Pricing and Valuation

Reading Assignment Chapters 5 &6
Review problems:
Chapter5 Problems #2,#4
Chapter6 Problems #1-#4

Case Study #1 Assignment Due

September 25

Leases, Rents, and the Market for Space
Valuation of Income-Producing Properties:
Reading Assignment: Chapters 9& 10

Review Problems:
Chapter 9, Problems #4,#5 and #6
Chapter 10, Problems #1,#2,#3, #4 and #5

October 2 Review Chapters 1-10 (excluding chapter7,8)

October 9 **EXAMINATION #1**

October 16

Income Analysis and Taxation of Income Properties
Reading Assignment Chapter 11

Review Problems:
Chapter 11, Problems #1, #3

Cash Flow Assignment #2: Due October 30

October 23 Financial Leverage and Financing Alternatives
Reading Assignment Chapter 12

Review Problems:
Chapter 12, Problems #1,#2 & #3

October 30

Risk Analysis & Disposition and Renovation of Income Properties

Reading Assignment: Chapters 13 & 14
Review Problems
Chapter 13, Problems #1,#2,#3 and #4
Chapter 14, Problems #1 & #2

Cash Flow Assignment #2 Due

November 6 Financing Project Development
Financing Corporate Real Estate

Reading Assignment: Text, Chapters 15 & 16
Review Problems
Chapter 15, Problems #1 &,#2
Chapter 16, Problems #1&,#2

Review Period for Exam

November 13 **EXAMINATION #2**

November 20 Financing Land Development

Reading Assignment: Text, Chapter 17
Review Problems:
Chapter 17, Problems #1,#2,#3 and #4

November 27 Joint Ventures, Syndications and Partnerships
Financing and Development Projects

Reading Assignment: Text, Chapter 18
Review Problems:

Chapter 18, Problems #1

December 4 Institutional Real Estate

ReadingHighlights: Chapter 19.20, 21 & 22
Web Site Review: *http://www.NAREIT.com*.

Final Exam Review Session

FINAL EXAMINATION
Confirm with Registrar