

RE 358/URB 351 Intro to Real Estate and Urban Development

Fall 2013

Professor Joseph Cahoon
Office GSB 5.160

Office Hours Wed: 3-6pm or by appointment

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Course Web Page via Blackboard

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Office Hours: by appointment

Course Objectives

This course introduces you to the principals of real estate economics and finance. The goal of the course is to give you broad exposure to the landscape of real estate markets, while at the same time introducing you to issues in these markets and teaching you to think about them in a rigorous way from a finance perspective. The course is part of the core Real Estate curriculum at UT. Topics include the fundamentals of the investment process, including land valuation, real estate market analysis, and project assessment of site, environmental, legal, zoning and design issues. We will then examine the property underwriting and valuation process, including a comparison of equity and debt investment issues. We will also undertake a comparison of financial theory and real world application of financial concepts and evaluation methods; mortgage banking, loan instruments, mortgage securitization, as well as lenders' and borrowers' decisions regarding real estate investment and financing in today's rapidly changing capital markets. This course will be a mix of lecture, individual homework assignments and a team-based case study.

Course Materials

Required Texts: Real Estate Principles: A Value Approach, 4th Edition, by David C. Ling and

Wayne R. Archer

Additional readings will be available via Blackboard

Course Requirements and Grading

Grades will be based on the student's performance on the class assignments, mid-term examination, case analysis, class participation, and the final exam as follows:

Homework Assignments (2), Case Analysis (1) and Class Participation 30% Mid-Term Examinations (2) 40% Final Examination 30%

Two (2) mid-term exams will be given during the semester. 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. 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 not be taken, but students will be held responsible for everything covered or assigned in class. Take note that tests and assignments will be heavily based on the lectures; our textbook is to serve as a reference guide to supplement the lecture material. *Please make every effort to be present on days when guest speakers will be joining us.* Our guest speakers are making a special effort to share their experience with us and a good reception is warranted. On other days, in addition to reviewing assigned material, class time may be devoted to industry situations and conditions that place the material in context and enhance students' understanding and appreciation of the issues. *Your general conduct in class, including attendance, promptness and participation, will be a factor in your final grade*.

There will be **two (2) graded 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 and due dates can be found in the *Course Outline* below. Additionally, there will be **one (1) teambased case study** that will allow you to apply the skills learned over the course of the semester in valuing a commercial property in Austin. **Teams may be no more than four (4) students**. The final deliverable for the case will be a written analysis, no longer than five (5) typewritten pages (excluding exhibits). The case must be turned via Blackboard by the start of class on the day of the case discussion. No late papers will be accepted. Case papers should be prepared in the format of an investment memorandum outlining your analysis and recommendations. Neatness, organization, clarity, grammar, punctuation, spelling, and conciseness matter, and will be taken into consideration in grading. Do not submit anything that you would not feel comfortable submitting to the CEO of a prospective future employer!

Students will be required to form their teams by October 17th and notify me of the team members.

Note: A financial calculator capable of performing present value and rate of return functions with unequal cash flows is <u>required</u>. It is your responsibility to learn the functionality of the calculator. I would recommend one of the following three models: HP 12c (approx. \$60); HP 10bII (approx. \$28); TI BA II Plus (approx. \$28).

Note for Texas URE Program Students: Undergraduate Real Estate Program students are required to have credit for or concurrent enrollment in either FIN 320F or FIN 357 to take this course. URE program students who are enrolled in this course and the required finance course concurrently, but choose to drop FIN 320F or FIN 357 must withdraw their enrollment from this course immediately.

McCombs Classroom Professionalism Policy

The highest professional standards are expected of all members of the McCombs community. The collective class reputation and the value of the McCombs Business School experience hinges on this.

Faculty are expected to be professional and prepared to deliver value for each and every class session. Students are expected to be professional in all respects.

Please remember the following considerations to enhance the classroom experience for everyone:

- Students arrive on time. On time arrival ensures that classes are able to start and finish at the
 scheduled time. On time arrival shows respect for both fellow students and faculty and it enhances
 learning by reducing avoidable distractions.
- **Students display their name cards.** This permits fellow students and faculty to learn names, enhancing opportunities for community building and evaluation of in-class contributions.
- **Students minimize unscheduled personal breaks.** The learning environment improves when disruptions are limited.
- Students are fully prepared for each class. Much of the learning in the Texas BBA program takes
 place during classroom discussions. When students are not prepared they cannot contribute to the
 overall learning process. This affects not only the individual, but their peers who count on them, as
 well.
- Students respect the views and opinions of their colleagues. Disagreement and debate are encouraged. Intolerance for the views of others is unacceptable.
- Laptop use is discouraged. When students are surfing the web, responding to e-mail, instant messaging each other, and otherwise not devoting their full attention to the topic at hand they are doing themselves and their peers a major disservice. Those around them face additional distraction. Fellow students cannot benefit from the insights of the students who are not engaged. Faculty office hours are spent going over class material with students who chose not to pay attention, rather than truly adding value by helping students who want a better understanding of the material or want to explore the issues in more depth. Students with real needs may not be able to obtain adequate help if faculty time is spent repeating what was said in class. There are often cases where learning is enhanced by the use of laptops in class. Faculty will let you know when it is appropriate to use them. In such cases, professional behavior is exhibited when misuse does not take place.
- Phones and wireless devices are turned off. We've all heard the annoying ringing in the middle of a meeting. Not only is it not professional, it cuts off the flow of discussion when the search for the offender begins. When a true need to communicate with someone outside of class exists (e.g., for some medical need) please inform the professor prior to class.

Academic Dishonesty

The McCombs School of Business has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the BBA Program's Statement on Scholastic Dishonesty at http://www.mccombs.utexas.edu/BBA/Code-of-Ethics.aspx. By teaching this course, I have agreed to observe all faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all student responsibilities described in that document. If the application of the Statement on Scholastic Dishonesty to this class or its assignments is unclear in any way, it is your responsibility to ask me for clarification. 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, the integrity of the University, and the value of our academic brand, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services website at http://deanofstudents.utexas.edu/sjs/ to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

Students with Disabilities

Students with disabilities may request appropriate academic accommodations from the Division of Diversity and Community Engagement, Services for Students with Disabilities, 512-471-6259, http://www.utexas.edu/diversity/ddce/ssd/.

Accommodations for Religious Holidays

By UT Austin policy, you must notify me of your pending absence at least fourteen days prior to the date of observance of a religious holy day. If you must miss a class, an examination, a work assignment, or a project in order to observe a religious holy day, you will be given an opportunity to complete the missed work within a reasonable time after the absence.

Campus Safety

Please note the following recommendations regarding emergency evacuation from the Office of Campus Safety and Security, 512-471-5767, http://www.utexas.edu/safety/

- Occupants of buildings on The University of Texas at Austin campus are required to evacuate buildings when a fire alarm is activated. Alarm activation or announcement requires exiting and assembling outside.
- Familiarize yourself with all exit doors of each classroom and building you may occupy.
 Remember that the nearest exit door may not be the one you used when entering the building.
- Students requiring assistance in evacuation should inform their instructor in writing during the first week of class.
- In the event of an evacuation, follow the instruction of faculty or class instructors.
- Do not re-enter a building unless given instructions by the following: Austin Fire Department, The University of Texas at Austin Police Department, or Fire Prevention Services office.
- Behavior Concerns Advice Line (BCAL): 512-232-5050
- Further information regarding emergency evacuation routes and emergency procedures can be found at: www.utexas.edu/emergency.

RE 358 - Introduction to Real Estate and Urban Land Development - Fall 2013

Thurs., Aug. 29 Course Overview; Nature of Real Estate and Real Estate Markets Reading: Ling & Archer, Chapter 1 Tues., Sept. 3 Legal Foundations of Real Estate I Reading: Ling & Archer, Chapter 2 Thurs., Sept. 5 Legal Foundations of Real Estate II Reading: Ling & Archer, Chapter 3 Government Controls and Real Estate Markets Tues., Sept. 10 Reading: Ling & Archer, Chapter 4 **Urban Land Economics I** Thurs., Sept. 12 Reading: Ling & Archer, Chapter 5 Tues., Sept. 17 **Urban Land Economics II** Reading: Ling & Archer, Chapter 5 Thurs., Sept. 19 Sales Comparison & Cost Approach to Valuation I Reading: Ling & Archer, Chapter 7 Sales Comparison & Cost Approach to Valuation II Tues., Sept. 24 Reading: Ling & Archer, Chapter 7 Thurs., Sept. 26 Mid-term 1 Tues., Oct. 1 Income Approach to Valuation Reading: Ling & Archer, Chapter 8 Thurs., Oct. 3 Real Estate Finance: Introduction to debt financing Reading: Ling & Archer, Chapter 9 Tues., Oct. 8 Real Estate Finance: Introduction to debt financing II Reading: Ling & Archer, Chapter 9 Thurs., Oct. 10 Mortgage Calculations & Decisions Reading: Ling & Archer, Chapter 15

Commercial Mortgages

Reading: Ling & Archer, Chapter 16

Tues., Oct. 15

Thurs., Oct 17 Residential Mortgages Reading: Ling & Archer, Chapters 10, 11 Case Study group member names due Tues, Oct 22 Introduction to Real Estate Equity I Reading: Ling & Archer, Chapter 17 Homework Assignment #1 due via Blackboard by beginning of class Thurs., Oct. 24 Introduction to Real Estate Equity II Reading: Ling & Archer, Chapter 17 Mid-term 2 Tues., Oct. 29 Thurs., Oct. 31 Real Estate Investment Analysis I: Intro to real estate pro forma models Tues., Nov. 5 Real Estate Investment Analysis II: Intro to Argus Thurs., Nov. 7 No class due to ULI Fall Meeting Tues., Nov. 12 Real Estate Investment Analysis III: NPV, IRR and Ratios Reading: Ling & Archer, Chapter 18 & 19 Thurs., Nov. 14 Real Estate Investment Analysis IV: NPV, IRR and Ratios Reading: Ling & Archer, Chapter 18 & 19 Tues., Nov. 19 Leases and Property Types - Office Reading: Ling & Archer, Chapter 22 Homework Assignment #2 due via Blackboard by beginning of class Leases and Property Types - Retail Thurs., Nov. 21 Tues., Nov. 26 Leases and Property Types - Multifamily No class - Thanksgiving Holiday Thurs., Nov. 28 6th and Congress Case Study Discussion Tues., Dec. 3 Case Study written reports due via Blackboard by beginning of class Thurs., Dec. 5 Course wrap-up; review