



McCombs School of Business

RE 358 | URB 351
Introduction to Real Estate and Urban Land Development
Spring 2014

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Course Objectives

This course is a fundamental part of the core real estate curriculum at UT.

In this course we will introduce you to the basic principles of commercial real estate transactions, economics, and finance. The goal of the course is to give you broad exposure to the legal and practical aspects of the various commercial real estate markets, while at the same time introducing you to various analytical tools that will enable you to examine and evaluate those markets in a rigorous way, both from a practical and a financial perspective.

We will begin the course by exploring the nature of real property, commercial real estate, and real estate markets. As part of that process, we will differentiate between the various types of property rights and see how those rights are created and transferred. We will also cover commercial leasing transactions and the operation and valuation of income producing properties. As part of that process we will investigate the impact of government on real estate, as well as urban land economics and the various methods for valuing commercial real estate.

Finally, we will explore the analytical tools used to evaluate real estate transactions and undertake a comparison of financial theory and the real world application of financial concepts and evaluation methods.

Course Materials

Required Textbook: Real Estate Principles: A Value Approach, 4th Edition, by David C. Ling and Wayne R. Archer

Additional written materials will be made available via Canvas.

The textbook and the classroom sessions are intended to be complementary, and while it is not compulsory that you will have read the applicable chapters of the textbook prior to each lecture, it is expected that you will read and understand the textbook materials as a part of this course. Also, if you do choose to peruse the materials prior to our classroom sessions, it should help to enhance your understanding of what we are talking about during class and also assist you in asking intelligent questions.

Financial Calculator: You will need a financial calculator capable of performing present value and rate of return functions with unequal cash flows. I would recommend one of the following (each of which should be available for under \$30) – HP 10bII+ or a TI BA II Plus.

It is your responsibility to learn how to work your calculator. Take my advice – familiarize yourself with the operation of the calculator prior to the financial calculation part of the course (which will come after spring break). You won't want to be trying to figure out how to work the calculator and solve the problems at the same time.

Course Requirements and Grading

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

Homework assignments (2)	20%
Case analysis	15%
Class participation	5%
Mid-term examinations (2)	30%
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; the textbook is to serve as a reference guide to supplement the lecture material. From time to time, we may be joined by a guest speaker. 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.

There will be one (1) team-based case study that will allow you to apply the skills learned over the course of the semester in valuing a commercial property. 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 Canvas 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!

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.

Course Schedule Spring, 2014

Note: since this is the first time that I am teaching this course, the following schedule is subject to revision as we go along. I do not anticipate changing the order in which the various topics will be addressed, however, we may very well wind up spending more time on some subjects, and less time on others.

One more reason to come to class.

Monday 1/13/14	Introduction & Course Overview
Wednesday 1/15/14	Nature of Real Estate and Real Estate Markets - L&A, Ch. 1
Monday 1/20/14	MLK Day – No Class

Wednesday 1/22/14	Legal Foundations to Value L&A, Ch. 2
Monday 1/27/14	Title & Conveyancing I L&A, Ch. 3
Wednesday 1/29/14	Title & Conveyancing II L&A, Ch. 3
Monday 2/3/14	Title & Conveyancing II L&A, Ch. 3
Wednesday 2/5/14	Contracts & Closing I (incl. RE Brokers, L&A, Ch. 12) L&A, Ch. 13
Monday 2/10/14	Contracts & Closing II L&A, Ch. 13
Wednesday 2/12/14	Leases – Overview, Office & Industrial L&A 22
Monday 2/17/14	Leases – Retail & Multifamily L&A 22
Wednesday 2/19/14	Government Controls and Real Estate Markets — L&A, Ch. 4
Monday 2/24/14	Mid-term #1
Wednesday 2/26/14	Urban Land Economics I — L&A, Ch. 5
Monday 3/3/14	Urban Land Economics II — L&A, Ch. 5
Wednesday 3/5/14	Sales Comparison & Cost Approach to Valuation I — L&A, Ch. 7
Monday 3/10/14	Spring Break
Wednesday 3/12/14	Spring Break
Monday 3/17/14	Sales Comparison & Cost Approach to Valuation II — L&A, Ch. 7
Wednesday 3/19/14	Income Approach to Valuation — L&A, Ch. 8
Monday 3/24/14	Residential Mortgages — L&A, Chs 10 & 11
Wednesday 3/26/14	<i>Homework #1 due via Canvas by beginning of class</i> Mortgage Calculations & Decisions — L&A, Ch. 15
Monday 3/31/14	Financing & Commercial Mortgages I - L&A, Ch. 16
Wednesday 4/2/14	Financing & Commercial Mortgages II— L&A, Ch. 16

Monday 4/7/14	Introduction to Real Estate Equity I — L&A, Ch. 17
Wednesday 4/9/14	Introduction to Real Estate Equity II — L&A, Ch. 17
Monday 4/14/14	Real Estate Inv Analysis I: NPV, IRR and Ratios — L&A, Ch. 18 &19
Wednesday 4/16/14	Real Estate Inv Analysis II: NPV, IRR and Ratios — L&A, Ch. 18 &19
Monday 4/21/14	<i>Homework #2 due via Canvas by beginning of class</i> Mid-term #2
Wednesday 4/23/14	Development I - L&A 23
Monday 4/28/14	Development II - L&A 23
Wednesday 4/30/14	Course wrap up & review

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 email, 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.

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/>.

Religious Holy Days

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.

Policy on Scholastic 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.mcombs.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.

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 the 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: <http://www.utexas.edu/emergency>.