

RE 3381

REAL ESTATE FUNDAMENTALS CLASS:

REAL ESTATE MARKETS AND VALUATION MODULE

SPRING 2014

CLASS NO. 1

JANUARY 22, 2014

- **Next Class Reading Assignment: Excerpts from Chapters 1, 2 and 3 in Handout (see Syllabus)
And: Three Dannis Blogs Found in the Attached Notes**

SEGMENT 1: INTRODUCTION TO MODULE

- A. My Vita
- B. Roll Call
- C. Syllabus/Class Structure
 - 1) Textbook Selection – not using one this module: Reading Material Handout
 - 2) Course intent
 - 3) Syllabus schedule
 - 4) Notes: Handed out at each class
 - 5) Pop Tests: Why. Format. Grading.
- D. House rules
 - 1) On time
 - 2) Absences
 - 3) Talking/attention span
 - 4) Honor Code
 - 5) Asking questions/interaction
 - 6) Laptop policy
- E. SMU Real Estate Society (See Attached) – Spring Meeting is TBD.
- F. Any Questions?



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SOCIETY**

COX SCHOOL OF BUSINESS

I. Purpose

- A. To effectively promote the ongoing relationship between the real estate business community and SMU.
- B. To promote existing elements of the Cox School of Business, specifically The Center for Research in Real Estate and Land Use Economics, The SMU Finance Institute, the Business Leadership Center and the Executive and Management Development Program directly to professionals in the real estate business community.
- C. To create a mentoring relationship between the real estate business community and current (as well as prospective) real estate majors at the Cox School of Business.
- D. Provide a formal networking forum for Society members and the real estate community - at-large.

Lifetime Members

Mary Frances Burleson

Leo Corrigan, Jr.

Frank Crossen

Trammell Crow

Robert H. Dedman, Sr.

Robert S. Folsom

Joe Geary

Denny Holman

Ray L. Hunt

Henry S. Miller, Jr.

Honorary Members

Robert E. Glaze

**Albert W. Niemi, Jr.
Dean, Cox School of
Business**

**Sydney Reagan,
Professor Emeritus**

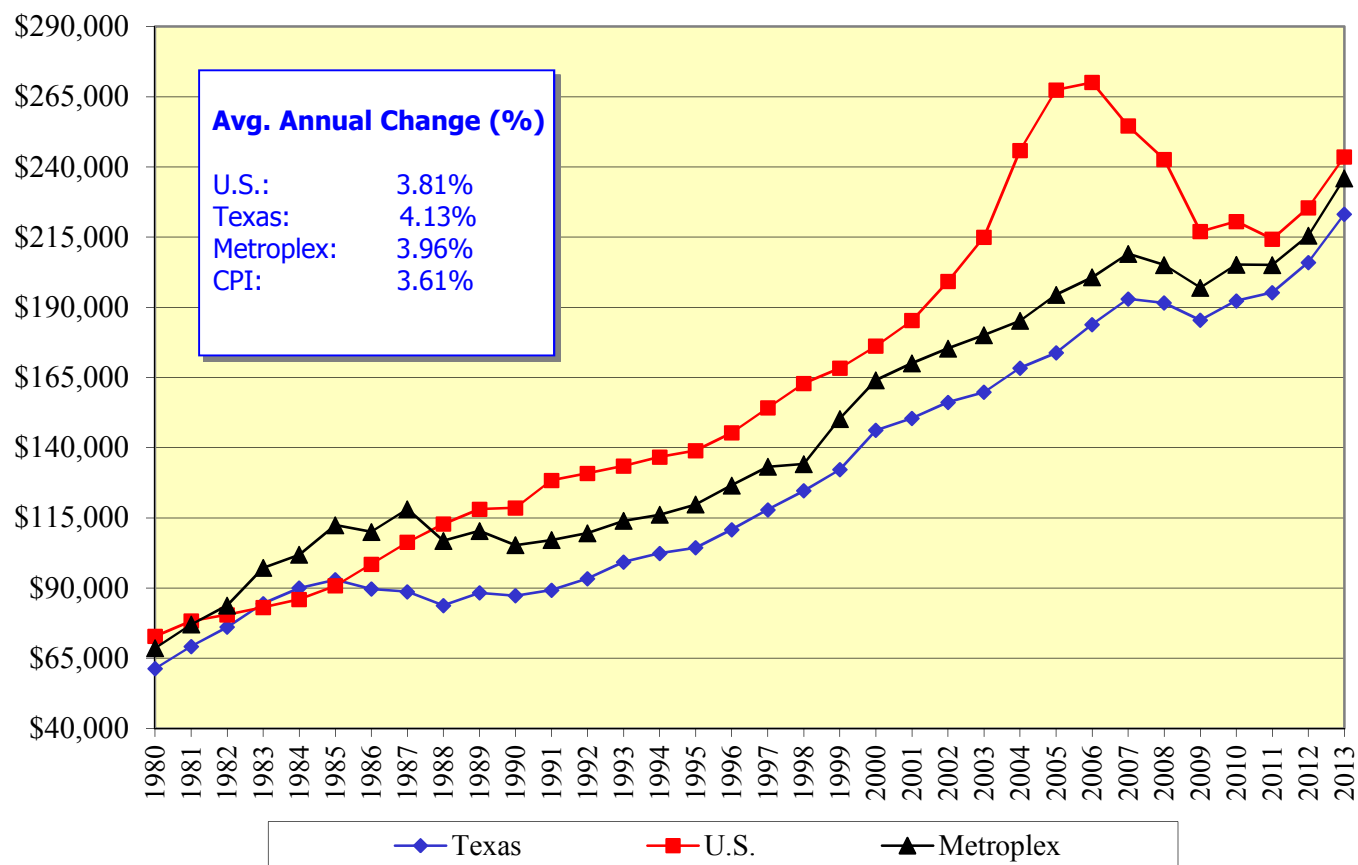
II. Goals

- A. Sponsor at least two formal educational/networking conferences each year at the Cox School of Business for Society members and current real estate majors at SMU.
- B. Provide a direct avenue for SMU real estate/finance majors to meet potential employers.
- C. Elevate the awareness of the real estate business community of the research capabilities of SMU's full-time real estate department and associated centers/institutes within the Cox School of Business.

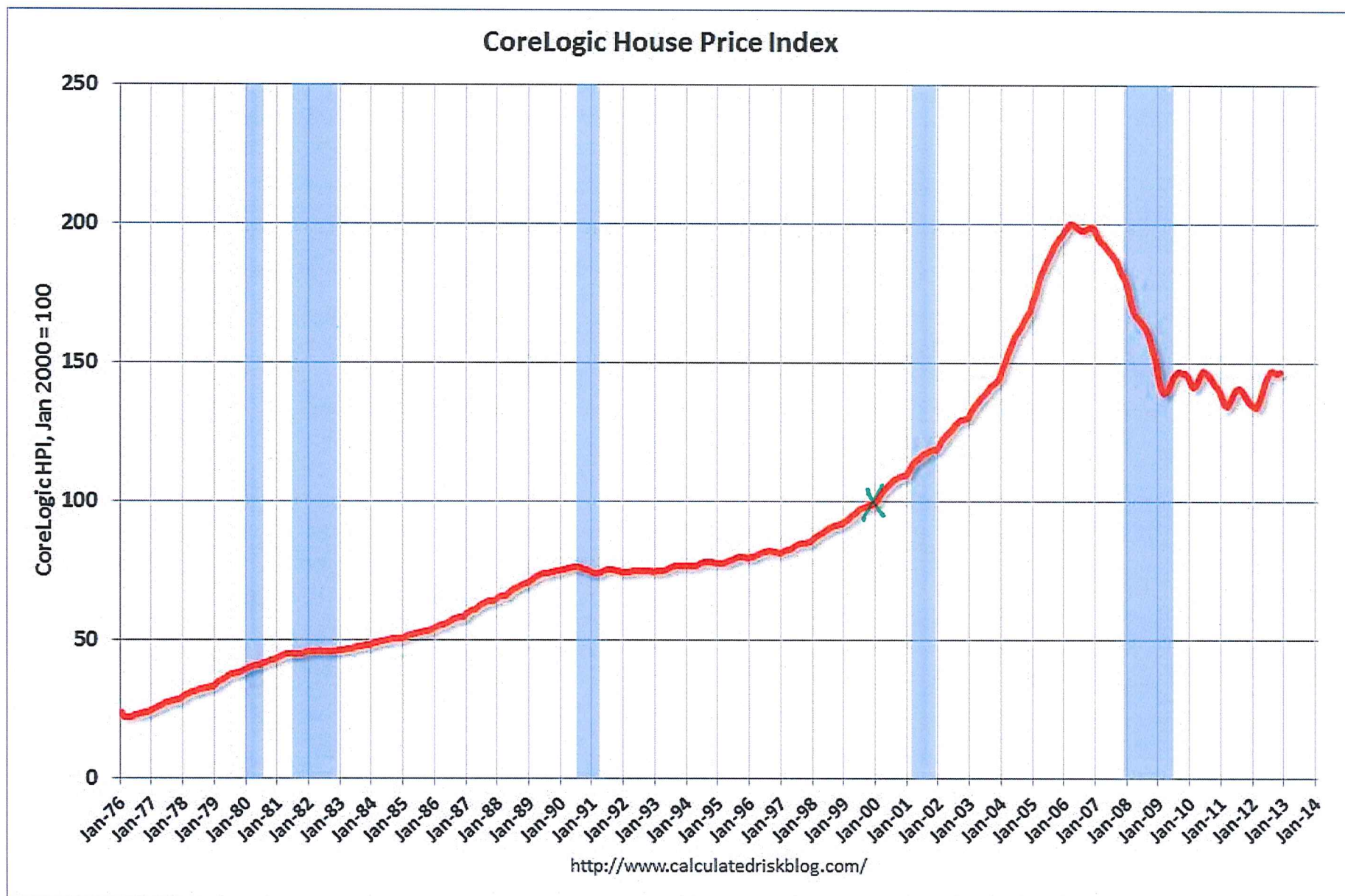
Resume Package

If you are graduating and are seeking a job in real estate, the Career Center will prepare a package of resumes to be available to prospective employers at the meeting. Your current resume needs to be e-mailed to the Career Center before the Spring meeting (Date to be announced).

Average Single-Family Residential Sales Price U.S. v. TEXAS v. METROPLEX

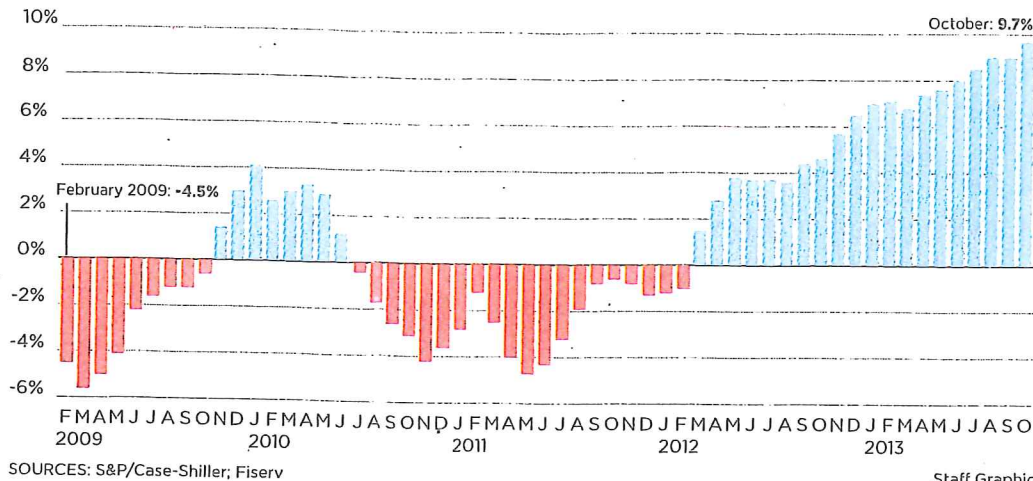


Source: Real Estate Center at Texas A&M and www.housingeconomics.com
Compiled and edited by Crosson Dannis, Inc.



Dallas-area home price changes

Year-over-year change as measured in the S&P/Case-Shiller Home Price Index:



up about 10 percent this year — about twice the long-term average annual rate.

David Brown, who heads the Dallas office of analytics firm Metrostudy Inc., said the big price increases were fueled by the summer homebuying rush.

Housing activity in North Texas and other markets cooled in the fall because of seasonal factors and higher mortgage rates.

"In the fourth quarter, pric-

ing slowed. We weren't seeing as rapid appreciation," Brown said. "But it won't be until the early part of the year when we start seeing that being reflected in the Case-Shiller Index."

Brown said 2014 will still see significant housing gains in North Texas.

"I expect 2014 to still be a good year but not as strong as 2013," he said. "Interest rates are rising and it will impact the ability to raise prices as fast."

The Dallas area has made up

all of the home price losses from the recession. But nationwide home prices are still lagging by about 20 percent from where they were in 2006, according to Case-Shiller.

Case-Shiller's index tracks over time the prices of specific single-family homes located in each metropolitan area. The index survey does not include condominiums and townhouses. It only covers pre-owned properties — not new construction.

S&P Case-Shiller Home Price Index

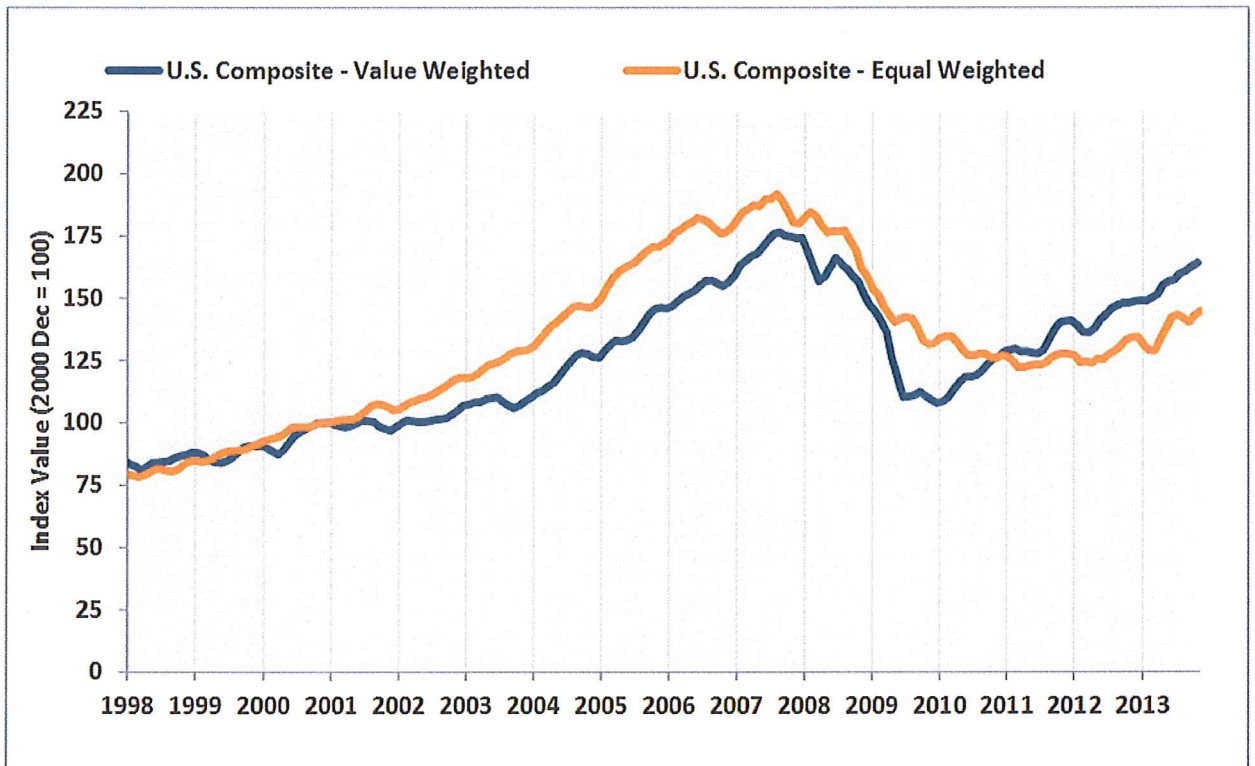
Percentage change in home prices in October 2013 compared to a year earlier in each market.

Atlanta	19%
Boston	8.6%
Charlotte, N.C.	8.8%
Chicago	10.9%
Cleveland	4.9%
Dallas	9.7%
Denver	9.5%
Detroit	17.3%
Las Vegas	27.1%
Los Angeles	22.1%
Miami	15.8%
Minneapolis	11.3%
New York	4.9%
Phoenix	18.1%
Portland, Ore.	12.7%
San Diego	19.7%
San Francisco	24.6%
Seattle	13.1%
Tampa, Fla.	15.2%
Washington	7.4%
Composite-20 city	13.6%

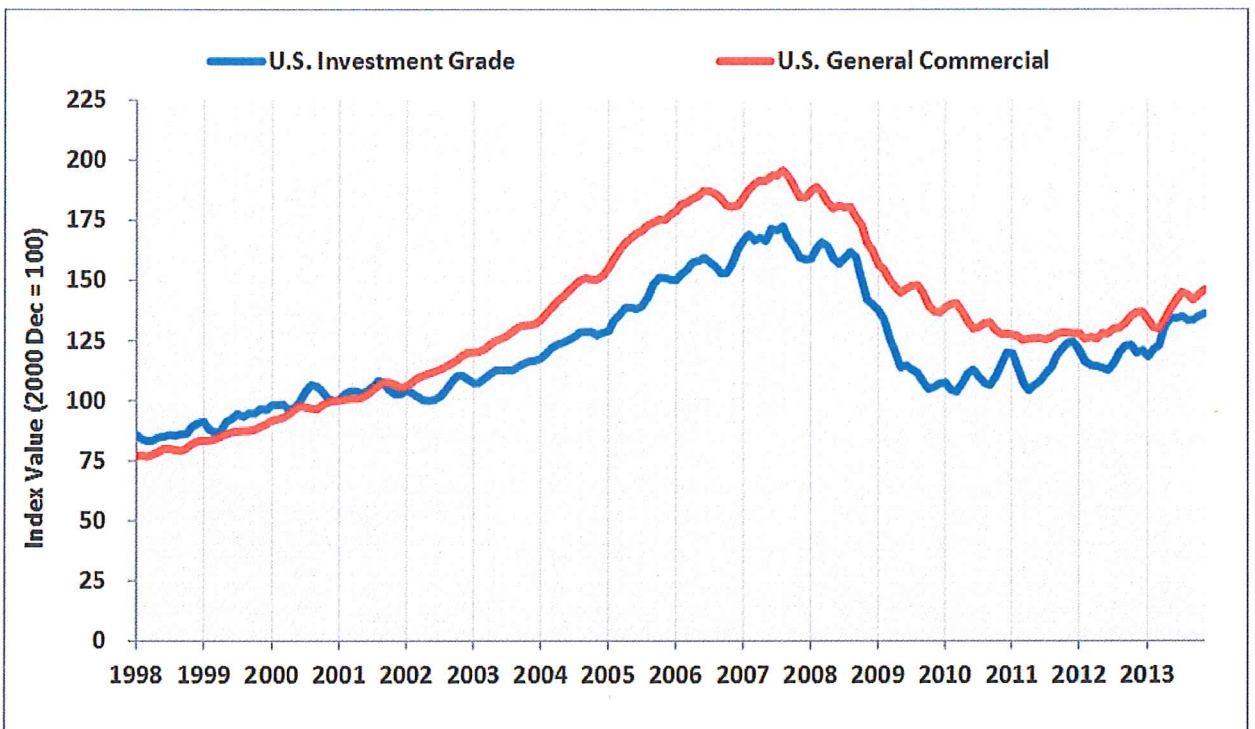
SOURCES: S&P Dow Jones Indices; CoreLogic

Staff Graphic

U.S. Composite Indices: Equal- and Value-Weighted, Data through November of 2013



U.S. Equal-Weighted Indices by Market Segment, Data through November of 2013



Chuck Dannis: Why Real Estate is Cool

By CHUCK DANNIS | October 30, 2011 10:20am



Chuck Dannis

This week I have the distinct privilege of addressing the incoming class of BBA Scholars at SMU's Cox School of Business. These are the brightness of the bright; the top of their classes from all over the world. My task is to introduce them to the Real Estate Finance program at Cox. I view my goal as being fairly simple: Recruit these top students into a profession that I have enjoyed for almost 40 years since I graduated from SMU. I tell them that the real estate program at SMU was one of the first at the university level in the United States.

What I have learned from my experiences with young students is that the "real estate" profession is a rather vague concept. When someone says "I'm in real estate", usually people assume that he or she sells houses for a living. Nothing could be farther from reality and the complexity—or depth—of "real estate" as a profession.

So, to illustrate why I think real estate is a cool profession to consider, and why I promote it, I use the development of an office building as an example of what being in real estate can really encompass.

Here's the way my 10-step example works:

Step 1. Long before major highways are built, a real estate speculator decides to invest in a tract of vacant land, usually farm land, somewhere in the path of the growth of the city.

Step 2. A real estate broker finds the speculator a suitable tract of vacant land to buy. The investor waits.

Step 3. The city grows and before long streets are built, homes get occupied and the need arises for employment centers—office buildings.

Step 4. A creative, risk-taking office developer decides it is time to construct an office building.

Step 5. A real estate broker sells the developer the tract: a commission is paid to the broker and the speculative investor smiles.

Step 6. The developer goes on a hiring spree: real estate attorney, architects, interior designers, contractors, appraisers, and, financial brokers.

Step 7. The developer also hires a project leasing firm: they are responsible for filling the building with tenants. These tenants are most likely represented by their own broker (tenant reps).

Step 8. The building gets filled up with tenants—all represented on both sides by real estate brokers. The developer hires an experienced real estate management company to oversee operation of the building.

Step 9. Ultimate value has been created when this well-located, well-designed, well-financed and well-tenanted office building is



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Culinary Capitalists



Bill Moore's Good Fight



North Texas CEOs: What 2012 Will Bring



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Hearthstone Properties has acquired a 14,674-square-foot industrial facility on seven acres of land at 1315 Riverside Drive in Fort Worth. [More »](#)

Service First Mortgage has renewed and expanded its 2,616-square-foot office lease at Cordovan Park in Arlington. [More »](#)

The Soccer Corner has leased 2,908 square feet of retail space in Southlake Corners Shopping Center in Southlake. [More »](#)



completed. The developer hires a real estate broker to market and sell the building.

Step 10. A real estate investment firm (could be private, public, a pension fund, either domestic or international), represented by a real estate broker, negotiates and buys the building—after they have hired more attorneys, engineers, appraisers, and financial brokers for its due diligence. The developer smiles.

Look at all the real estate professionals that are needed as this real estate asset comes to life. There are multiple levels of risk—and reward—that can be assumed at any point of this process. And, for the most part, the economic system works well: the more risk you take, the more reward (read: money) you can make. The whole process is intellectual, fast-paced, ever-changing, creative, and ultimately extremely rewarding for those professionals who can meet these challenges.

So I ask you, how cool is that?

Chuck Dannis is co-founder of Crosson Dannis Inc., which provides real estate appraisal and consultation services for many of the nation's largest real estate lenders and owners. Contact him at cdannis@crossondannis.com.

 Like 4

3 comments

"Step 5. A real estate broker sells the developer the tract: a commission is paid to the broker and the speculative investor smiles."

The missing link in today's process.

[...] D Magazine [...]

Inland Real Estate Stock Hits New 52-Week Low (IRC) — [TheStreet.com](#)

[...] partnership perspective that seems missing as I read Chuck Dannis' Oct. 3 RealPoints blog, "Why Real Estate is Cool." Mr. Dannis offers to incoming SMU Cox School of Business Scholars a simple 10-step example of how [...]

[Real Points » Blog Archive » Don Powell: Bending the Real Estate Risk and Reward Curve](#)

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- Mark Cuban: The Ultimate Maverick
- CEOs Give 2012 Outlook
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- 12/08 NTCAR—Uptown/CBD Virtual Bus Tour
- 12/09 CREW—2011 Awards Brunch
- 12/14 DREM—Encounter Breakfast
- 12/15 NTCAR—MCE Class: Increasing Fees Through Market Analysis

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Real

DAILY REPORTS ON DALLAS COMMERCIAL REAL ESTATE

Chuck Dannis: This Just Might Be as Good as it Gets

By CHUCK DANNIS | July 11th, 2011 9:33am



Chuck Dannis

I am gearing up to start my 24th year of teaching real estate at Southern Methodist University's Cox School of Business. It's time to update lectures, line up guest speakers, and start visiting with students about what they might like to do when they graduate. Because most of my students are seniors, their future career plans—for them and their parents!—are first and foremost on their minds. As I start this process, I have begun to realize what an incredible opportunity these students have in front of them, if they ultimately chose a career in real estate, especially here in Texas. Here's where I'm headed with this premise, and what I think I will share with them during our first class.

- The United States is coming out of what arguably may be the worst real estate collapse in a generation. The decline in values was fast, deep, and spared few. But that was then and this is now: Money is coming back in droves—both debt and equity. Sure, deals are tough to make and the days of high leverage have waned, but the market has clearly turned around. Real estate is still on sale and investors throughout the world like what they see.

- It is a tenant rep's dream out there—retail, office, industrial, take your pick. When the U.S. economy lost some 8 million jobs, building vacancies shot up everywhere, virtually overnight. Landlords are begging for tenants and will readily pay dearly for those brokers who can lead any healthy tenant through the door. Except in select submarkets, double-digit vacancies and soft rents should keep hard-working tenant reps in strong demand over the next several years.

- This generation is smart, connected, technically armed and, from my perspective (that is, at SMU Cox), have a great sense of community. These students just seem to want to "do the right thing." They will be involved in the social fabric of the neighborhoods in which they live. They will think green and sustainable. They will earn enough money to make them happy, but it will not be No. 1 on their to do list. To put this personal observation into real estate terms, students today just seem to have "a sense of place."

- And speaking of place, I am also immensely grateful I am writing this blog at my desk in Dallas. From the Super Bowl, our NBA Championship, and the World Series, to being in a job-creating machine like Texas, with the third highest concentration of Fortune 500 companies in the nation—Dallas is on a roll. From a pure real estate perspective, no matter how you look at our area, the triangle created by Dallas-Fort Worth/Houston/San Antonio is about as close to being the center of free world capitalism as one can get. Students who once thought of their time at SMU as a temporary stop-over, now consider Texas as the best place for them to get the career they want.

I am genuinely excited about the beginning of this semester because I see such great opportunities for these students entering the real estate market, at this time, in Dallas. In fact, for some of these students, this just might be



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Can't wait for class!

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GREATER
IRVING
LAW COLLEGE
CHAMBER OF COMMERCE
1906-2011

Category:

Author:

By [Chuck Dannis](#)

Post date:

April 23rd, 2013 11:14pm



Chuck Dannis

For my fellow bloggers in this column—and most certainly for its loyal readers—when I write that Dallas is “a real estate town,” everyone knows what I’m talking about. and everyone will agree with me.

Many of this country’s great real estate developers, brokers, investors and lenders are domiciled within 30 miles of D Magazine’s downtown Dallas headquarters: Crow, Lincoln, Hunt, DR Horton, Perot, Fraker, O’Boyle, Grunnah, HFF, and Beal, to name just a few. Couple these national industry leaders with an economy that puts Dallas-Fort Worth at or near the top of job growth, in migration and building starts, creates local real estate nirvana.

Given this ready access to both superb human real estate capital and robust real estate economic drivers, the timing was perfect for the announcement concerning Southern Methodist University’s initiative to create a world class institute in real estate education, research, and leadership. At last Wednesday’s spring meeting of the SMU Real Estate Society, the Dean of the Cox School of Business, Dr. Al Niemi Jr., announced to the more than 300 attendees that the school is “gassing-up” the Robert and Margaret Folsom Institute for Real Estate to create a real estate institute that will rival those found anywhere else in the country.

The Folsom Institute for Real Estate, for those of you who may not know, was created almost 30 years ago by a generous endowment from Bobby Folsom—SMU’s last three-sport letterman, former Mayor of Dallas, and the real estate developer widely credited with creating what is known today as the “Golden Corridor” (that land north of Interstate 635 between Preston Road and the Tollway).

Dean Niemi announced that a search committee has been formed to find an experienced and proven leader for the institute, and that Dr. Bill Brueggeman, co-author of the most widely used real estate finance text book in the world, will remain academic chair of Cox’s Real Estate Department.

In his comments, the dean highlighted what I noted above about Dallas being a real estate town. But it is also important to emphasize SMU has deep roots in the real estate community as well. Indeed, in the early 1950’s SMU was one of the first universities in the world to offer real estate education at the university level. Just look at the names on many of SMU’s buildings, departments, chairs and endowed gifts, and it reads like a who’s who of real estate: Crow, Dedman, Hunt, Corrigan and Miller, just to name a few.

And, as evidenced by the membership size of the SMU Real Estate Society, now the largest alumni group at Cox, with more than 700 members, many of the leading real estate companies in North Texas are owned or led by SMU alums, including Ebby Halliday Realtors, Northmarq Capital, L&B Realty Advisors, CB Richard Ellis—Americas, Capital Title, and all the other family companies mentioned above, again to cite just a few.

Of course there will be cycles, and things will change, but right now Dallas sure seems to be in the sweet spot of our country’s improving real estate market. And right here in the heart of Dallas is SMU: We are real estate.