



Graduate School of Architecture, Planning and Preservation

## Real Estate Finance and Development (PLA 6700)

Spring 2014

### **Instructor**

Prof. Kahr

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My company's offices are in New Jersey. Therefore, office hours are by appointment only and on campus.

### **Location and Time**

200 Fayerweather

Monday, 9:00 to 11:00 am

### **Teaching Assistant**

There is one TA for the class this semester.

If you are not able to reach me, the TA is the next best person to call with concerns, issues, and questions.

### **Electronic Resources**

In general, I will distribute materials by email and/or dropbox.

I do not use Blackboard.

### **Description**

From the bulletin:

"Prerequisites: Familiarity with computer spreadsheets, concepts of net present value, and other financial formulae. Introduction to methods of financial analysis for real estate investments. Topics include methods of valuation, cash flow forecasting, computer modeling, debt, leverage, and deal structures. Emphasis is placed on the financing of individual projects. This course requires greater than average preparation time. It is heavily oriented toward numerical analysis and makes use of case studies and computer spreadsheet analysis"

From Edge City, Joel Garreau, Anchor, 1992, p. 224:

*"People who are consistently successful as developers, by contrast, surviving both boom and bust, have special gifts of character. Not the least of these is their ability to routinely roll the dice with millions of dollars on the table and then sleep at night.*

*But by and large, developers as a breed have only one specialized skill not generally available in the population: they have the ability to do fairly high-level arithmetic, in their heads, while talking about a completely different topic. What developers do, fundamentally, is run the numbers. And the most impressive number they run is the one in which they manage to divide extremely large dollar figures by 43,560, which is the number of square feet in an acre. By so doing they can and do reduce much of the human experience – quite accurately, as it turns out – to the Deal."*

## **Required Textbook**

There is a required textbook for the class. It is:

Real Estate Finance and Investments, Brueggeman and Fisher, 14th edition

They are available for purchase online. Do not buy a previous edition in an attempt to save money. The books are regularly updated.

## **Suggested Additional Materials**

All students will need to have a working knowledge of Excel in order to succeed in this class. If you do not, buy this book:

Excel: The Missing Manual, Matthew MacDonald, O'Reilly Press

All students should use Excel 2003, 2007, or 2010. I will use Excel 2010 in class.

While the Mac version of Excel is acceptable, it is not preferred. Almost no one uses the Mac version of Excel in the financial world. If you have a Mac, you should strongly consider running Windows on it and the Windows version of Excel.

## **Calculators**

All students are expected to own a financial calculator.

If you do not have one, buy a HP 17bII+. An HP 12C is also acceptable. If you have a different financial calculator and you know how to use it, you do not need to buy a new one. It is not acceptable to use your smart phone as a financial calculator.

We will not spend class time discussing how to use the financial calculator, but we will refer to it periodically during the class. There are a number of online and in print resources that you may use in your quest for calculator mastery.

## **Examinations and Grading**

Problem Sets	50
Mid-term examination	25
Final examination	<u>25</u>
Total	100 points

Deadlines in this class, as they are in business, are firm. Assignments are due at the beginning of the scheduled class. **If assignments are not handed in on time, they will not be accepted.** An extension of the due date will be considered only under extreme circumstances (i.e., a life-threatening illness that renders you incoherent, natural disaster, act of war, and/or divine intervention).

All homework assignments must be completed using Microsoft Excel. Assignments must be submitted by email and properly formatted for printing.

## **Policy on Regrading**

1. You may dispute your grade for up to three days after the grades have been distributed.
2. You must submit specific reasons why you disagree with the grade that you have received. This must include a detailed list of every item you wish to dispute and why.

### **Electronic Homework Submittal Responsibilities:**

The name of your file should have your first and last name in it. For example, "HW 1, Joshua Kahr.xlsx" would be acceptable.

**Failure to correctly label an assignment will result in a 10 point deduction.**

### **Sessions**

	<u>Date</u>	<u>Topic</u>	<u>Chapters in B&amp;F</u>	<u>HW</u>
1	1/27/14	Introduction, Time Value of Money	3	
2	2/3/14	Fixed Rate Mortgages, Residential Finance	4, 5, 6	
3	2/10/14	Unleveraged Cash Flow	9, 10, 11	
4	2/17/14	Unleveraged Cash Flow	9, 10, 11	#1 Due
5	2/24/14	Leveraged Cash Flow and Debt Structures, After Tax Analysis	12	
6	3/3/14	Leveraged Cash Flow and Debt Structures, After Tax Analysis	12	#2 Due
7	3/10/14	Mid-Term Exam		
	3/17/14	Spring Break – No Class		
8	3/24/14	Risk Analysis, Corporate Real Estate		
9	3/31/14	Risk Analysis, Corporate Real Estate	13, 14, 15	
10	4/7/14	Construction Financing and Development	16	#3 Due
11	4/14/14	Construction Financing and Development	17	
12	4/21/14	Partnerships	18	
13	4/28/14	Secondary Markets		#4 Due
14	5/5/14	Final Exam		

The homework assignments can require a remarkable amount of time to complete. Allow up to two full days per assignment. Additional readings will be assigned as needed.

### **Additional Student Responsibilities:**

- If you miss class, you are responsible for obtaining reading assignments and handouts from other students. A student's absence will not excuse that person from deadlines regarding assignments that are due on the date of the absence.
- You may not record lectures if you are not present. Under no circumstances may you videotape a lecture.
- Please set your cell phones to vibrate (or off) before entering class. Do not break the flow of class with your ring tone.
- Class starts on time. From the movie, Fast Times at Ridgemont High:

Mr. Hand: Mr. Spicoli, what's your excuse for your truancy?

Jeff Spicoli: I just couldn't make it on time.

Mr. Hand: You couldn't or wouldn't come to class?

Jeff Spicoli: Well, there was a long line in the cafeteria and I was having a hit of the munchies...

Mr. Hand: Food will be eaten on your time, Mr. Spicoli. Mr. Spicoli, why are you continually late for this class? Why are you continually wasting my time and the classes with this tirade every day?

Jeff Spicoli: Uh, uh... I don't know.

- Attendance is not the same as participation. Participation is strongly encouraged. From the movie Ferris Bueller's Day Off:

Economics Teacher: In 1930, the Republican-controlled House of Representatives, in an effort to alleviate the effects of the... Anyone? Anyone? ...the Great Depression, passed the... Anyone? Anyone? The tariff bill? The Hawley-Smoot Tariff Act? Which, anyone? Raised or lowered? ...raised tariffs, in an effort to collect more revenue for the federal government. Did it work? Anyone? Anyone know the effects? It did not work, and the United States sank deeper into the Great Depression. Today we have a similar debate over this. Anyone know what this is? Class? Anyone? Anyone? Anyone seen this before? The Laffer Curve. Anyone know what this says? It says that at this point on the revenue curve, you will get exactly the same amount of revenue as at this point. This is very controversial. Does anyone know what Vice President Bush called this in 1980? Anyone? Something-d-o-o economics. "Voodoo" economics.

### **Plagiarism:**

Copying the work of others is cheating. **This includes copying the Excel models of others, or working together with classmates on assignments that are meant to be completed individually.** While you should feel free to discuss matters pertaining to the homework with your classmates, do not make the mistake of blatantly copying their work.

**Any cheating offence will result in failure of the class, not just the assignment.**

In addition, exams are based in great part on the homework. If you don't do the homework problems, you'll bomb the exams. This is a subject that you cannot fake your way through.