





COURSE SYLLABUS

RED510 – REAL ESTATE PRACTICE AND PRINCIPLES (4 UNITS)

- Term: Fall, 2014
Mondays and Wednesdays, 10:00am-11:50am
August 25, 2014, to December 3, 2014
- Room: RGL #209
- Instructor: **MARK S. RUFF MBA MRED PDCM**
mruff@usc.edu
310-432-6592 Office
 @ruffmark
 marksruff
- Office Hrs: By appointment, but best for me 9:00am-10:00am, Monday or Wednesday, in person, via phone, or via Skype.
- Twitter: It is suggested that you “follow” me as **@ruffmark** via Twitter is a methodology I employ to communicate in real-time with students (e.g., if I might be running late for a class, or if we need to cancel and reschedule a class due to a professional commitment. Note that this would be rare, but it could happen).

COURSE OBJECTIVES:

To present the fundamental principles of real estate analysis, economics, capital markets, and development decision making. Basic techniques of investment analysis and real estate appraisal will be covered. We will examine the relationships between real estate markets and federal, state and local government policies; the factors that create real estate market cycles, bubbles, and crashes; and the impacts of real estate cycles and capital flows upon regional and national societies. At the conclusion of the course, students will have been exposed to the basic tools needed to make intelligent real estate development and investment decisions.

This course provides an overview of key concepts in real estate development and real estate development feasibility. The main topics initially include a definition of the real estate development process, the key stages in that process, the role of feasibility analysis in that process, a definition of feasibility, and example application of feasibility analysis to commercial and residential development projects. The orientation is toward the analysis of income producing property types. The emphasis is on providing students who have little or no financial analysis background with three key assets:

1. An appreciation of the real estate development process and the critical role played by pro forma financial analysis.

2. A working knowledge of the critical vocabulary and concepts involved in pro forma analysis.
3. A reasonable appreciation of how these concepts inform the real estate development and financing decision making process.

The course is intended more to assure a reasonable understanding of these concepts than to create the ability to perform complex analyses.

Following the introduction to real estate development there will be a more comprehensive review of general concepts so that at the conclusion of the course, students should:

- Understand the basic sequence of real estate development
- Be familiar with the nature of property
- Examine the nature of city development and how it has evolved
- Understand the role of government in regulating land use
- Know what the time value of money means and learn to calculate Net Present Value (NPV) and Internal Rate of Return (IRR)
- Learn to value property and methodologies to do so
- Identify sources of debt and equity for commercial real estate transactions
- Understand the development process and how it is applied to the major product types

REQUIRED TEXTBOOKS:

Real Estate Principles: A Value Approach

David C. Ling and Wayne R. Archer
4th ed., © 2013, McGraw-Hill Irwin
ISBN 978-0-07-337734-6

Professional Real Estate Development: The ULI Guide to the Business

Richard B. Peiser and David Hamilton
3rd ed., © 2012, ULI
ISBN 978-0-87420-163-5

OPTIONAL READING:

(N.B.: You will not be responsible for any material from these texts/books, but they are listed here if you have a thirst for additional knowledge and have an abundance of free time.)

The Geography of Nowhere

James Howard Kunstler
© 1993, Touchstone
ISBN 978-0-671-88825-1 (paperback)
Be sure to check the movie *"The End of Suburbia"* (available at Netflix or YouTube.com which was drawn extensively from Kunstler's book).

Home From Nowhere

James Howard Kunstler
© 1996, Touchstone
ISBN 978-0-684-83737-6 (paperback)

Crabgrass Frontier: The Suburbanization of the United States

BASIS FOR DETERMINING GRADES:

Students will be graded based on the following:

- Quizzes/Homework: 15%
- Midterm: 25%
- Student Project: 25%
- Final Exam: 25%
- In-class participation: 10%

Grading Standards:

- A: Work of excellent quality
- B: Work of good quality
- C: Work of fair quality
- D: Work of minimum passing quality
- F: Failure to adequately complete course work

Student work must be turned in on time and late work will receive a penalty grade. Be certain to make a copy of your work if you desire to keep a copy for your permanent file or record.

OTHER INFORMATION:

Disability Services

Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to me as early in the semester as possible. DSP is located in STU 301 and is open from 8:30am to 5:00pm Monday through Friday. The phone number for DSP is (213) 740-0776.

Academic integrity

Students should maintain strict adherence to standards of academic integrity, as described in SCampus (www.usc.edu/dept/publications/scampus/). In particular, the University recommends strict sanctions for plagiarism as defined below.

Plagiarism

- a. The submission of material authored by another person but represented as the student's own work, whether that material is paraphrased or copied in verbatim or near-verbatim form.
- b. The submission of material subjected to editorial revision by another person that results in substantive changes in content or major alteration of writing style.
- c. Improper acknowledgment of sources in essays or papers.

Culpability is not diminished when plagiarism occurs in drafts which are not the final version. Also, if any material is prepared or submitted by another person on the student's behalf, the student is expected to proofread the results and is responsible for all particulars of the final draft. Source: SCampus University Governance at:

www.usc.edu/dept/publications/SCAMPUS/governance/gov05.html.

The recommended sanction for violations of academic integrity, such as plagiarism or cheating on an exam, is a final grade of "F" for the course.

Heavy and undocumented reliance on material found on the Wide World Web is discouraged, though identifying information later obtained in hard copy format is not. If web-based material is used, all such material must be fully documented with regard to author as well as the URL.

If you have any questions about academic integrity or citation standards, please ask in advance.

SCHEDULE OF CLASS TOPICS:

The course meets twice per week, for approximately 2 hours each class meeting. Students are expected to attend each class and to have read the required readings *prior* to class so that they can contribute to in-class discussions. Depending on progress during sessions, the topics and readings for each week are subject to change. Guest Speaker availability is subject to change due to their professional commitments.

There is extensive reading and beginning the second session of class, each student must bring to class specific written questions based on the readings. The questions are to be submitted ***IN HARD COPY ONLY*** using a standard format posted on Blackboard. In addition, there will be short quizzes and/or homework assignments. Students are expected to bring a computer to class that is capable of running Excel. Excel exercises will be part of class. When appropriate, the Instructor will also present calculations based on a financial calculator (e.g., H/P 12c or other such device).

A short student project will be assigned which requires each student to identify a real property currently offered for sale and to generate a simple evaluation and financial projection for that project.

CLASS MEETINGS:

<i>Week #</i>	<i>Date</i>	<i>Title of Material Covered</i>	<i>Nature of Material Covered</i>
1	08/25	Introduction and Overview of Course	a. Instructor and student introductions. b. An overview of course will be given followed by some key terms, a definition of real estate development, real estate development classification; and the key distinction between financial analysis of development and investments. c. A simplified set of development stages used for this course will be discussed, followed by a discussion of "sale" as a development stage and the critical importance of pre-development stage as microcosm of whole process.
1	08/27	Real Estate Development, Organizing for Development	a. Peiser, Chapters 1 and 2 b. Ling, Chapter 1
2	09/01	No class – Labor Day	N/A

		holiday	
2	09/03	Stages of Development: Concept and Feasibility	<ul style="list-style-type: none"> a. This session will address three types of feasibility; Market - Does anyone want it, and at what price? Economic - Is the price high enough to pay for it? Financial - Can you find the money to build it? This will be followed by a diagrammatic and logical presentation of capital sources and return in real estate. b. The focus here is on financial feasibility with definitions of some critical terms. Particular attention will be given to net operating income is the key measure in all of real estate and there will be a discussion of simplified measures of return. c. Guest Speaker - Feasibility
3	09/08	Legal Foundations to Value and Conveyance of Real Estate	<ul style="list-style-type: none"> a. Legal and regulatory determinations of Value. b. Nature of property and forms of ownership c. Conveying real property d. Ling, Chapters 2 and 3
3	09/10	Measures of Return	<ul style="list-style-type: none"> a. This session will review the key relationship between value and income and discuss Static measurements including Return on cost as related to cap rates and return on investment. b. The advantages and challenges of dynamic (multi-period) analysis will be described together with the two key dynamic measurements of return, the concept of present value, and an overview of internal rate of return. c. A simple static pro forma will be constructed showing value as a function of income; the elements of cost, and the value added as the margin between total costs a completed value. d. Two basic types of analysis will be described, static and dynamic, noting that the best measures are dynamic but we will elaborate on static analysis for general understanding. Additional somewhat less simplified analyses will be illustrated. e. Ling Chapters 5 and 8
4	09/15	Real Estate Brokerage: Representation (aka "Listing") Agreements and Contracts for Sale (aka "PSA") – Part 1	<ul style="list-style-type: none"> a. Basic definitions and differing perspectives of real estate development and analysis b. The purpose and fundamentals of brokerage, contracts, closings c. Ling Chapters 12 and 13

			d. STUDENTS TO SELECT A REAL PROPERTY CURRENTLY OFFERED FOR SALE FOR CLASS PROJECT – DRAW LOTTERY FOR ORDER OF PRESENTATION
4	09/17	Real Estate Brokerage: Representation (aka “Listing”) Agreements and Contracts for Sale (aka “PSA”) – Part 2	a. Conclude b. Quiz
5	09/22	Market Valuation (Parts 1 and 2)	c. What constitutes value to real estate? d. The relationship between value and cost e. How to determine market value f. Valuation approaches: Sales comparison and cost approach g. How values change in response to external changes h. Valuation approaches: Income approach i. Ling, Chapters 6 and 7
5	09/24	Legal Foundations of Value	a. The critical importance of development rights b. Land use regulation and zoning. c. Ling, Chapter 4
6	09/29	MID-TERM EXAM moved to 10/22	Closed book, closed note
6	10/01	Real Estate Finance: Laws and Contracts	a. Real estate notes, loan types, interest rates b. Deed of trust c. Ling, Chapters 9 and 10
7	10/06	Time Value of Money (TVM) – Part 1	a. Basic terms: Future value, present value, compounding, discounting b. Financial tools: Financial calculator, Excel c. Ling, Chapter 14
7	10/08	Time Value of Money (TVM) – Part 2	a. Conclude b. Quiz
8	10/13	Mortgage Calculations and Decisions	c. Basic computations d. Mortgage types and alternate financing instruments e. Lender underwriting f. Ling, Chapter 15
8	10/15	Sources of Commercial Debt and Equity Capital (Part 1)	a. Equity sources: REITs, pension funds, insurance companies, and private real estate funds b. Forms of ownership c. Debt sources: CMBS, development and construction financing d. Ling, Chapters 16 and 17
9	10/20	Sources of Commercial Debt and Equity Capital	a. Guest Speaker – Debt and Equity Capital b. Conclude

		(Part 2)	
9	10/22	MID-TERM Closed book; closed note	No Student Question Submission sheets due today. You will have the entire class period to complete the Mid-Term.
10	10/27	Retail Development (Parts 1 and 2)	a. Guest Speaker – Retail Development b. Peiser, Chapter 7 – note that this is a lengthy chapter. Don't delay its reading.
10	10/29	Land Development	a. Peiser, Chapter 3
11	11/03	Multi-Unit Development (Part 1)	a. Peiser, Chapter 4
11	11/05	Multi-Unit Development (Part 2)	a. Guest Speaker - Design trends in multi-unit development
12	11/10	Residential Development: Rental Housing, Comparison of Issues and Process Between Residential and Commercial - Conclusion	a. Conclude rental housing b. Introduction to mixed use c. Project meetings – individual meetings regarding course project
12	11/12	Office Development – Part 1	a. Project feasibility, design, construction, financing, and leasing b. Peiser, Chapter 5
13	11/17	Office Development – Part 2	a. Conclude
13	11/19	Industrial Development – Part 1	b. Project feasibility, design, construction, financing, and leasing c. Peiser, Chapter 6
14	11/24	Industrial Development – Part 2	a. Conclude b. Quiz
		Guest Speaker	c. Trends and issues in development d. Peiser, Chapter 8
14	11/26	TBD	
15	12/01	Presentations of Student Projects – Part 1	Order of presentations to be determined in advance by lottery
15	12/03	Presentations of Student Projects – Part 2	Order of presentations to be determined in advance by lottery
16	12/15	FINAL EXAM	8:00am – 10:00am Closed book, closed note