COURSE SYLLABUS

RED510
REAL ESTATE PRACTICE AND PRINCIPLES

Term: Spring, 2015
Mondays, 2:00-5:20pm
Regular course sessions: January 12, 2015, to April 27, 2015
Final Exam: Monday, May 11, 2015, 2:00-4:00pm

Room: VPD110; RGL Auditorium (updtd 01/26/15)

Instructor: MARK S. RUFF MBA MRED PDCM
mruff@usc.edu
310-210-9652 cell
@ruffmark
marksruff
www.facebook.com/groups/MarkRuffUSCstudents/
www.linkedin.com/pub/mark-ruff/19/120/222/

Office Hrs: By appointment, but best for me Mondays late morning or otherwise before class.

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 does happen occasionally).

Quote: “It is the learning that you do after your school days that really counts. Otherwise, you know only that which everyone else knows.” --Henry Doherty

COURSE OBJECTIVES:

This is an overview/survey course and moves at a very brisk pace. The course objective is 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.

1 Subject to change.
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 concepts, there will be a more comprehensive review of material 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

**Professional Real Estate Development: The ULI Guide to the Business**
Richard B. Peiser and David Hamilton
3rd ed., © 2012, ULI

**OPTIONAL READING/WATCHING:**

(N.B.: You will not be responsible for any material from the optional readings, but they are listed here if you have a thirst for additional knowledge and have an abundance of 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**
Kenneth T. Jackson
© 1985, Oxford University Press

**The End of Suburbia**
YouTube video
[https://www.youtube.com/watch?v=Q3uvzcY2Xug](https://www.youtube.com/watch?v=Q3uvzcY2Xug)

**www.PeterGordonsBlog.com**
A blog exploring the intersection of economic thinking, urban planning/real estate development, and related big-think themes. Dr. Gordon is Professor Emeritus here at the Price School, is a former Dean of the (formerly known as) School of Urban and Regional Planning, and was one of my Professors in the MRED program.

**BASIS FOR DETERMINING GRADES:**

*Students will be graded based on the following:*

- Unscheduled 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.

Instructor’s policy on cell phone, texting, or other social media-type use during class:
Zero tolerance. If you must use your cell phone or otherwise surf the web during class for other than class appropriate use, please be courteous to me and other students and step outside the class.

Additional information at the directive of the Vice-Provost, Graduate Programs, from Memo to Faculty (dtd 09/14/14), required insert into all graduate Course Syllabi:

Statement on Academic Conduct and Support Systems

Academic Conduct
Plagiarism – presenting someone else’s ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in SCampus in Section 11, Behavior Violating University Standards. Other forms of academic dishonesty are equally unacceptable. See additional information in SCampus and university policies on scientific misconduct, http://policy.usc.edu/scientific-misconduct/.

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/or undocumented reliance on material found on the World Wide Web/internet 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.

Discrimination, sexual assault, and harassment are not tolerated by the university. You are encouraged to report any incidents to the Office of Equity and Diversity http://equity.usc.edu/ or to the Department of Public Safety http://capsnet.usc.edu/department/department-public-safety/online-forms/contact-us. This is important for the safety whole USC community. Another member of the university community – such as a friend, classmate, advisor, or faculty member – can help initiate the report, or can initiate the report on behalf of another person. The Center for Women and Men http://www.usc.edu/student-affairs/cwm/ provides 24/7 confidential support, and the sexual assault resource center webpage sarc@usc.edu describes reporting options and other resources.

Support Systems
A number of USC’s schools provide support for students who need help with scholarly writing. Check with your advisor or program staff to find out more. Students whose primary language is not English should check with the American Language Institute http://dornsife.usc.edu/ali, which sponsors courses and workshops specifically for international graduate students. The Office of Disability Services and Programs

RED510, Spring 2015, Ruff, rev. 01/26/15, Page 4
http://sait.usc.edu/academicsupport/centerprograms/dsp/home_index.html provides certification for students with disabilities and helps arrange the relevant accommodations. If an officially declared emergency makes travel to campus infeasible, USC Emergency Information http://emergency.usc.edu/ will provide safety and other updates, including ways in which instruction will be continued by means of blackboard, teleconferencing, and other technology.

**SCHEDULE OF CLASS TOPICS:**

The course meets once per week, for approximately 3 ¼ 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 commitment(s).

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 **Final Project** will be assigned which requires each student to identify an income-producing property currently offered for sale and to generate an evaluation and financial projection for that property.

**CLASS MEETINGS:**

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<tr>
<th>Week #</th>
<th>Date</th>
<th>Title of Material Covered</th>
<th>Nature of Material Covered</th>
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| 1      | 01/12      | Introduction and Overview of Course; Real Estate Development, Organizing for Development | 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  
 d. Peiser, Chapters 1 and 2  
 e. Ling, Chapter 1 |
<p>| 2      | 01/19      | <strong>No class</strong> – MLK Jr. holiday                                  | N/A                                                 |
| 3      | 01/26      | Stages of Development: Concept and Feasibility; Legal Foundations to Value and Conveyance | 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 |</p>
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<td>of Real Estate - 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” d. Legal and regulatory determinations of value e. Nature of property and forms of ownership f. Conveying real property g. Ling, Chapters 2 and 3</td>
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<td>4</td>
<td>02/02</td>
<td>Measures of Return; Real Estate Brokerage: Representation (aka “Listing”) Agreements and Contracts for Sale (aka “PSA”) – Part 1 a. This session will review the key relationship between value and income and discuss static measurements 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 Ling Chapters 5 and 8 e. Basic definitions and differing perspectives of real estate development and analysis f. The purpose and fundamentals of brokerage, contracts, closings g. Ling Chapters 12 and 13 h. STUDENTS TO SELECT AN INCOME-PRODUCING REAL PROPERTY CURRENTLY OFFERED FOR SALE FOR CLASS PROJECT – DRAW LOTTERY FOR ORDER OF PRESENTATION</td>
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<td>5</td>
<td>02/09</td>
<td>Real Estate Brokerage: a. Conclude</td>
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RED510, Spring 2015, Ruff, rev. 01/26/15, Page 6
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<tr>
<th>Week</th>
<th>Date</th>
<th>Topic</th>
<th>Notes</th>
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<tr>
<td>6</td>
<td>02/16</td>
<td>No class – President’s Day holiday</td>
<td>N/A</td>
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| 7    | 02/23| Legal Foundations of Value; Real Estate Finance: Laws and Contracts | a. The critical importance of development rights  
  b. Land use regulation and zoning.  
  c. Ling, Chapter 4  
  d. Real estate notes, loan types, interest rates  
  e. Deed of trust  
  f. Ling, Chapters 9 and 10 |
| 8    | 03/02| Time Value of Money (TVM) – Parts 1 and 2, including Mortgage Calculations and Decisions | a. Basic terms: Future value, present value, compounding, discounting, NPV, IRR  
  b. Financial tools: Financial calculator, Excel  
  Ling, Chapters 14 and 15 |
| 9    | 03/09| MID-TERM EXAM, closed book, closed note | You will have the entire class period to complete the Mid-Term |
| 10   | 03/16| No class – Spring recess | N/A |
| 11   | 03/23| Sources of Commercial Debt and Equity Capital (Parts 1 and 2) | 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  
  e. Guest Speaker – “Debt and Equity Capital Sources” |
| 12   | 03/30| Retail Development | a. Guest Speaker – “Retail Development”  
  b. Peiser, Chapter 7 |
| 13   | 04/06| Final Project Meetings | Individual, private meetings with students in the RGL Student “Lounge” regarding Final Projects |
| 14   | 04/13| Land Development; Multi-Unit Development | a. Peiser, Chapter 3  
  b. Peiser, Chapter 4 |
| 15   | 04/20| Office Development; Industrial Development | a. Peiser, Chapter 5  
  b. Peiser, Chapter 6 |
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<tr>
<th>Date</th>
<th>Event</th>
<th>Details</th>
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<tr>
<td>04/27</td>
<td>Trends and Issues</td>
<td>a. Peiser, Chapter 8</td>
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<td>Final Project presentations</td>
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<tr>
<td>05/11</td>
<td>FINAL EXAM, Cumulative</td>
<td>Closed book, closed note 2:00pm-4:00pm</td>
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