

PRELIMINARY COURSE OUTLINE
PPD 435
ANALYZING REAL ESTATE MARKETS
Fall Semester 2007

Instructor: Howard Kozloff
HKozloff@TheMartinGroup.com
(310) 393-8006 x204

In-depth market analysis is an essential component in real estate transactions. Individuals and institutions use the analysis to make critical decisions in markets that change frequently and often unevenly; i.e., the housing market is strong, but the office market is weak.

Decisions for financing, investing, development, public policy formulation and asset management/disposition require comprehensive market analysis as one major step in the development and financing process to: (1) reduce risk and (2) make informed investment decisions. The analyses are applicable to both the public and the private sectors – non-profit organizations, as well as for-profit.

The basic objective of the course is to present fundamental economic theories, analytic and observational techniques and practical applications for market analysis of various forms of real estate.

Additional course objectives are to:

- Explore the fundamental analytic tools used in market analysis for primary real estate uses.
- Show how the market analysis fits into the development, financing and investment process.
- Explore key trends influencing real estate transactions

Assigned reading as well as class participation and a focus on current events in real estate will be crucial to the course. The course will also emphasize various skills – presentation, written and problem solving as examples. Specialists in various land uses will be guest speakers at various times throughout the semester. A final project consisting of a feasibility study of a selected development project will be prepared by all students.

Subject to refinement as the course unfolds, a schedule of topics to be considered within a semester-long course is as follows:

<u>Date</u>	<u>Topic / Speaker</u>	<u>Assignments for Next Class</u>
1 Aug. 29	<u>Introduction and Overview</u> Review course objectives, content and requirements, as well as student expectations. Discuss site analysis, land uses to be considered, purpose and applications of market analysis, relationships to financial and investment analysis, typical shortcomings and pitfalls of market analysis, critical issues and opportunities.	Reading: Chapter 1 Assignment: Hometown
2 Sept. 5	<u>Acquisition and Development Process; Regional, Locational and Initial Financial Analysis</u> Supply/demand analysis, absorption, economic base, employment categories, workforce/wage rates/housing costs, Southern California growth dynamics. <i>Presentation: Hometown</i>	Reading: Chapter 2 Assignment: LA City Government Policy
3 Sept. 12	<u>Government Influences</u> <i>Speaker: Kevin Keller, LA Dept. of Planning Marie Rumsey, CD9 – Councilwoman Perry</i> Define public objectives and responsibilities. Discuss public/private partnerships, economic development, Business Improvement Districts (BIDs), government policy and intervention, public planning process. <i>Presentation: LA City Government Policy</i>	Reading: Chapter 3 Assignment: Current Events
4 Sept. 19	<u>Residential Development</u> <i>Speaker: Omar Brownson, CityView</i> Define the basic techniques for projecting housing demand by price and type within a metropolitan region. Define market dynamics – household formations, immigration, implications of income distribution, resales versus new housing, research methodologies, causes of price appreciation. <i>Presentation: Current Events</i>	Reading: Chapter 4 Assignment: Residential Case Study
5 Sept. 26	<u>Office/Industrial Development</u> <i>Speaker: Craig Borstein, Borstein Enterprises</i> Focus on relationship of economic growth, employment shifts and demographic trends to demand for employment center land uses. Significance of investment capital and rates of return. <i>Presentation: Residential Case Study</i>	Reading: Chapter 5 Assignment: Office/Industrial Case Study Other: Assign international case studies and groups

6 Oct. 3	<u>Retail Development</u> <i>Speaker: Chris Wilson, Wilson Commercial Real Estate</i> Discuss methodologies for analysis of various retailing forms, market segmentation and capture. <i>Presentation: Office/Industrial Case Study</i>	Reading: Chapter 7 Assignment: LA Retail
7 Oct. 10	<u>Mixed-Use/Infill/Downtown Development</u> <i>Speaker: Hal Bastian, Downtown Center BID</i> Discuss the various components of mixed-use developments and analyze the proper grouping of uses. Discuss planning and design issues. Analyze financing challenges. <i>Presentation: LA Retail</i>	Reading: n/a Assignment: n/a
8 Oct. 17	<u>MIDTERM – International Development</u> Comparison of international economies and implications for real estate markets. Students to present International Development Case Study group projects <i>Presentation: Midterm – All</i>	Reading: Chapter 6 Assignment: LA Mall / Broadway Other: Assign Final Project Site
Oct. 24	NO CLASS – ULI Fall Meeting	
9 Oct. 31	<u>Hotels & Resorts</u> <i>Speaker: TBD</i> Implications of resort markets. Alternative forms of lodging facilities and market segments for each. Importance of operator. Financial measures for lodging and resorts. How resort markets differ from urban and suburban markets. <i>Presentation: LA Mall / Broadway</i>	Reading: Handout Assignment: n/a
10 Nov. 7	<u>Large Scale Development</u> <i>Speaker: Doug Moreland, Wilson Meany Sullivan/Hollywood Park</i> Analyzing process and feasibility for large-scale developments. Illustrating internal market interactions among uses within large scale multi-use projects.	Reading: Handout Assignment: LA Live v. Grand Avenue
11 Nov. 14	<u>Sports/Arenas/Cultural</u> <i>Speaker: TBD</i> Analytic approaches and impacts on surrounding markets from stadiums, arenas, performing arts complexes, convention centers, theatres, museums and parks. <i>Presentation: LA Live v. Grand Avenue</i>	Reading: n/a Assignment: n/a

Nov. 21 NO CLASS – Thanksgiving

12 Project Presentations
Nov. 28 The class will be comprised of student presentations and critique of selected field research projects.

All papers due

13 Project Presentations
Dec. 5 The class will be comprised of student presentations and critique of selected field research projects.

Dec. 12 FINAL PAPER
Due by 5p via e-mail – HKozloff@TheMartinGroup.com

Textbook

Real Estate Market Analysis, Schmitz and Brett, Urban Land Institute, 2001.

Weekly Handouts / Presentations

At selected course sessions, a two-page writing assignment will be handed out. These assignments are intended to improve writing abilities. Although the writing assignment will not be graded (other than for completion), four to six students will be selected at random at each session following the handout of a weekly assignment to give a brief (approximately five minutes) oral presentation, which will be graded.

Midterm Assignment / Presentations

The midterm assignment will be a group (four students) project in which the market and development fundamentals of a selected country (to be pre-approved) will be investigated. Each group will be required to make an in-class presentation of no more than fifteen minutes in which to relay their findings. Additionally, a single group paper will be required, the length of which should be approximately fifteen to twenty pages, plus graphs, charts, photographs, etc. The specific components of the assignment will be decided upon by the groups depending on that group's determination of key points and issues.

Land Use Sessions

Most of the course sessions will focus on a specific land use. A portion of the class sessions will be spent on discussion of case studies and field sites, with heavy class participation. The balance will consider the other reading materials and lectures regarding the land use in questions, to cover:

- Product variations and types (i.e., for residential, differing market issues involving single-family, luxury housing, affordable housing, high-rise forms, apartments, condominiums, retirement and congregate forms)
- Geographic differences – local, national, international
- Characteristics of product producers
- Market segmentation
- Methodologies for conclusions
- Implications for the economy, society and urban forms

Final Research Assignment

The final research assignment will involve group (four students) preparation of a market analysis for a site and proposed land use (a sample document outline is attached for reference). Students will be asked to visit the site and submit a summary of site and locational characteristics affecting market potentials, key issues in determining development potentials of the site, supply and demand analysis and a proposed program, including initial financial analysis. Typically, reports will include site description, regional economic overview, definition of the target market, comparable project research, primary research, financial review, recommended project definition, appropriate graphics and conclusions. Topics are to be approved by the October 17th class session. Presentations will be on November 28th and December 5th; reports will all be due on November 28th.

Final Paper

In lieu of a final exam, students will be asked to individually submit a five page paper summarizing alternative development programs for their group sites. Alternatives to this assignment may include position papers on a topic discussed during the semester, subject to the instructor's approval

Grading

Grades will be determined according to the following weights:

Class Discussion/Participation	15%
Weekly Assignments/Presentations	15
Midterm (group)	25
Final Research Project (group)	25
Final Paper	<u>20</u>
	100%

Useful Resources

U.S. Census – <http://factfinder.census.gov>

Data Place – <http://www.dataplace.org>

LA County Economic Development Corporation – <http://www.laedc.org>

Casden Forecast – <http://www.usc.edu/schools/sppd/lusk/casden>

Anderson Forecast – <http://www.uclaforecast.com>

Urban Land Institute – <http://www.uli.org>

American Planning Association – <http://www.planning.org>

Los Angeles Times – <http://www.latimes.com>

LA Downtown News – <http://www.downtownnews.com>

Wall Street Journal – <http://www.wsj.com>

GlobeSt – <http://www.globest.com>

Business Journals – <http://www.bizjournals.com>

RenTV – <http://www.rentv.com>

Planetizen – <http://www.planetizen.com>

Sample Document Outline

- I. Executive Summary
- II. Introduction
- III. Site Analysis
 - a. Location & Map
 - b. Access
 - c. Visibility
 - d. Area Image
 - e. Area Development Trends
 - f. Summary
- IV. Economic and Demographic Analysis
 - a. Historical & Forecast
 - i. Population
 - ii. Households
 - iii. Employment
 - 1. Unemployment
 - 2. Growth
 - 3. Major employers
 - b. Interpretation
 - c. Summary
- V. Supply Analysis
 - a. Current Supply
 - i. Type
 - ii. Size
 - iii. Amenities
 - iv. Design
 - v. Niche
 - vi. Performance
 - b. Projected – Under Construction, Planned and Rumored
 - c. Analysis of Comparable & Competitive Supply
 - d. Matrix of Comparable & Competitive Supply
 - e. Findings

- VI. Demand Analysis
 - a. Summary of Total and Net Demand
 - b. Rationale
 - c. Compare to Supply

- VII. Critical Issues

- VIII. Conclusion/Feasibility
 - a. Concept
 - b. Target Market
 - c. Absorption
 - d. Sensitivity