






## COURSE SYLLABUS<sup>1</sup> PPD 362

### REAL ESTATE FUNDAMENTALS FOR PLANNING AND DEVELOPMENT

- Term: Fall, 2015  
MW, 12:00pm-1:50pm, August 24, 2015, to December 2, 2015  
Final Exam: Friday, December 11, 2015, 11:00am-1:00pm
- Room: RGL215
- Instructor: **MARK S. RUFF**  
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 [www.linkedin.com/pub/mark-ruff/19/120/222/](http://www.linkedin.com/pub/mark-ruff/19/120/222/)
- Office Hrs: By appointment, but best for me ~10:00am to ~12:00pm, Mondays or Wednesdays, if in person. I can also periodically make myself available otherwise via phone or Skype.
- Attendance: I automate the class attendance record keeping function via the Arkaive app. The app is free to students and is available for iPhone or Android. The enrollment code for PPD362 this semester is: 9HZG. Be sure to check-in at the beginning of each class. I've set the system to allow a 30-minute check-in grace period. After the first 30 minutes of class, the system will not allow you to check-in. At the end of class, no check-out is required. For helpful YouTube instructional videos on the Arkaive attendance app, including how to check in, visit: [www.youtube.com/channel/UCh\\_HbqnQ-E0LQK7ualGGM6A](http://www.youtube.com/channel/UCh_HbqnQ-E0LQK7ualGGM6A). For additional information, visit [www.Arkaive.com](http://www.Arkaive.com).
- 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 occasionally happens).
- 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

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<sup>1</sup> Subject to change.

## **COURSE OBJECTIVES:**

The purpose of this course is to present the fundamental principles of real estate, including finance, leasing, economics, capital markets, marketing, 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, 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 and investment analysis
- 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

## **REQUIRED TEXTBOOK:**

### **Real Estate Principles: A Value Approach**

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

## **OPTIONAL READING/WATCHING:**

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

### **Professional Real Estate Development: The ULI Guide to the Business**

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

### **The Geography of Nowhere**

James Howard Kunstler  
© 1993, Touchstone  
ISBN 978-0-671-88825-1 (paperback)

### **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  
ISBN 978-0-19-504983-1 (paperback)

### **The End of Suburbia**

Movie +-1 hr.  
<https://www.youtube.com/watch?v=Q3uvzcY2Xuq>

### **[www.PeterGordonsBlog.com](http://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:*

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| • Unscheduled homework:                       | 10% |
| • 3 Mid-terms <sup>2</sup> @ 10% each:        | 30% |
| • Student project:                            | 25% |
| • Final Exam <sup>3</sup> :                   | 25% |
| • In-class participation/SQS's <sup>4</sup> : | 10% |

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<sup>2</sup> Closed book, closed note.

<sup>3</sup> Ibid.

<sup>4</sup> Student Question Submission

### *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, unless approved in advance, late work will not be accepted. If approved in advance, late work will receive a penalty of one full letter grade per day.** The way to view this is to treat me as a property seller who does not wish to grant you an extension on your due diligence, but may do so reluctantly and for a steep price. 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 at 3601 Watt Way (GFS120) and is open from 8:30am to 5:00pm Monday through Friday. The phone number for DSP is (213) 740-0776, or may be contacted by email at [ability@usc.edu](mailto:ability@usc.edu).

#### *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. ***You will be asked to leave class for that class session if you violate this policy.***

*Additional information at the directive of the Vice-Provost, Undergraduate Programs, from Memo to Faculty (dtd 09/14/14), required insert into all undergraduate 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* <https://scampus.usc.edu/1100-behavior-violating-university-standards-and-appropriate-sanctions/>. 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 University and I take academic integrity very seriously. The recommended sanction for violations of academic integrity, such as plagiarism, cheating on an exam, or otherwise submitting course work which is not your own, 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 of the entire 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](mailto:sarc@usc.edu) describes reporting options and other resources.

### **Support Systems:**

A number of USC 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* [http://sait.usc.edu/academicsupport/centerprograms/dsp/home\\_index.html](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 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 scheduling and availability is subject to change or cancellation due to their professional commitments.

There is extensive reading, both via textbook and additional collateral materials which will be posted to Blackboard, 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 *unscheduled* homework assignments. Students are expected to bring a computer to class that is capable of running Excel. Excel exercises will periodically be part of class.

A **Final Project** will be assigned which requires each student to identify an income-producing property (e.g., multi-unit<sup>5</sup>, retail, or office) currently offered for sale and to generate a narrative

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<sup>5</sup> Consisting of ≥ 5 units.

evaluation and financial projection for the property. The methodology(ies) for the financial underwriting component will be presented throughout the course.

In addition to the material we will cover in the Ling text, be certain to check **Blackboard** frequently, as I post collateral materials there which will amplify the material from Ling.

**CLASS MEETINGS:**

<b>Date</b>	<b>Chapter title, etc.</b>	<b>Ling Text Chapter</b>
08/24	Course introduction/overview, expectations, etc.; The Nature of Real Estate and Real Estate Markets	- 1
08/26	Legal Foundations to Value	2
08/31	Conveying Real Property Interests	3
09/02	Government Controls and Real Estate Markets	4
09/07	<b>No class – Labor Day holiday</b>	-
09/09	Market Determinants of Value	5
09/14	Forecasting Ownership Benefits and Value: Market Research; The market study	6
09/16	Valuation Using the Sales Comparison and Cost Approaches; The appraisal	7
09/21	<b>Mid-Term #1, closed book, closed note</b>	-
09/23	Valuation Using the Income Approach; More on the capitalization rate	8
09/28	Real Estate Finance: The Laws and Contracts	9
09/30	Residential Mortgage Types and Borrower Decisions	10
10/05	Sources of Funds for Residential Mortgages; The “primary” vs. “secondary” mortgage market	11
10/07	Real Estate Brokerage and Listing Contracts; Why brokers are important	12
10/12	<b>Mid-Term #2, closed book, closed note</b>	-
10/14	Contracts for Sale and Closing; Due diligence	13
10/19	The Effects of Time and Risk on Value	14
10/21	Mortgage Calculations and Decisions; Effective cost of debt: What lenders don’t want you to know, and why you need to know it	15
10/26	<b>Mid-Term #3, closed book, closed note</b>	-
10/28	Commercial Mortgage Types and Decisions	16
11/02	Sources of Commercial Debt and Equity Capital	17
11/04	Investment Decisions: Ratios <sup>6</sup> ; The investment pro-forma, Part 1	18
11/09	Investment Decisions: NPV and IRR <sup>7</sup> ; The investment pro-forma, Part 2	19
11/11	Income Taxation and Value The investment pro-forma, Part 3: Bringing it all together	20

<sup>6</sup> Important for Final Project.

<sup>7</sup> Ibid.

11/16	Enhancing Value Through Ongoing Management	21
11/18	Leases and Property Types; “Average” vs. “Effective” rent	22
11/23	Development: The Dynamics of Creating Value	23
11/25	<b>No class – Beginning of Thanksgiving holiday</b>	-
11/30	Final Project Presentations – Group 1	-
12/02	Final Project Presentations – Group 2	-
12/09	<b>Final Exam, 11:00am-1:00pm Cumulative, closed book, closed note</b>	-