






## COURSE SYLLABUS<sup>1</sup> RED510 REAL ESTATE PRACTICE AND PRINCIPLES

- Term: Fall 2017, Section #51602R  
M, 6:00pm-9:30pm, August 21, 2017, to November 27, 2017  
Final Exam: December 11, 2017, 7:00-9:00pm
- Room: VKC261
- Instructor: **MARK S. RUFF**  
[mruff@usc.edu](mailto:mruff@usc.edu)  
Phone: 310-210-9652 cell/text  
 [@ruffmark](https://twitter.com/ruffmark)  
 marksruff  
 [Prof. Ruff's LinkedIn profile](#)
- Office Hrs: By appointment, but best for me ~ 5:00pm to ~6:00pm, Mondays if in person. I can also periodically make myself available otherwise via phone or Skype. For my online calendar, click [here](#).
- 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 RED510 this semester is: **MQP2**. Be sure to check-in at the beginning of each class. I've set the system to allow a 10-minute check-in grace period. After the first 10 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, click [here](#). For additional information, visit [www.Arkaive.com](http://www.Arkaive.com). *Be certain to check-in. After the first week of class, I won't make post-class attendance adjustments.*
- Twitter: I suggest that you "follow" me as [@ruffmark](https://twitter.com/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 an off-campus 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:**

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
- Submit a Final Project which includes both a (1) narrative, and (2) financial analysis of an investment property

## **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

## **RECOMMENDED TEXTBOOK:**

### **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

## **OPTIONAL READING:**

(N.B.: You will *not* be responsible for any material from the following 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**

Kenneth T. Jackson

© 1985, Oxford University Press

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

### **[Dr. Peter Gordon's blog](#)**

A blog exploring the intersection of economic thinking and urban planning, real estate development, and related big-think themes. Dr. Gordon is a former Dean of the (formerly known as) USC School of Urban and Regional Planning and is one of my former Professor's in the MRED program.

## **BASIS FOR DETERMINING GRADES:**

*Students will be graded based on the following:*

- Periodic, unscheduled Quizzes/Homework: 15%
- Midterms (2 @ 12.5% each): 25%
- Final Project: 25%
- Final Exam (cumulative): 25%
- Attendance/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. Instructor retains all academic work product.

### **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 are required to leave the class for that entire class session for any violation of this policy.

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* <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 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](mailto: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* [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.

**INSTRUCTOR’S POLICY ON RETENTION OF ACADEMIC WORK PRODUCT:**

All exams, quizzes, homework assignments, projects, and any other academic work product(s) submitted will be retained by the Instructor. You are advised to retain a copy of all work product submitted.

**SCHEDULE OF CLASS TOPICS:**

The course meets once per week on Mondays and is scheduled for 3 ½ hours. Some classes will take the entire scheduled duration, and some classes will conclude early, depending on material covered and Q/A. 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 throughout the course. 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.

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

**CLASS MEETINGS:**

<b><i>Date</i></b>	<b><i>Title of Material Covered</i></b>	<b><i>Nature of Material Covered</i></b>
08/21	A. 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

	B. Real Estate Development, Organizing for Development	<p>distinction between financial analysis of development and investments.</p> <p>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 entire process.</p> <p>a. Peiser, Chapters 1 and 2<sup>2</sup></p> <p>b. Ling, Chapter 1</p>
08/28	<p>A. Stages of development; concept and feasibility; introduction to static metrics (terms and definitions)</p> <p>B. Legal foundations to value, and conveyance in real estate</p>	<p>a. This session addresses 3 types of feasibility: Market (does anyone want it and at what price), Economic (Is the price high enough to pay for it), and Financial (can you find the money to build it and at what price). Will be followed by a diagrammatic and logical presentation of capital sources and return in real estate.</p> <p>b. The focus here is on financial feasibility with definitions of some critical terms that will be used throughout the course and in your real estate careers. Particular attention will be given to net operating income (NOI) as the key measure in all of real estate, and there will be a discussion of simplified measures of return.</p> <p>c. Guest Speaker (not yet confirmed), Jim Rabe, Keiser Marston, L.A.</p> <p>d. Legal and regulatory determinations of value.</p> <p>e. Nature of property and forms of ownership.</p> <p>f. Conveying real estate, clouds on title.</p> <p>g. Ling, Chapters 2 and 3</p>
09/04	NO CLASS	Labor Day holiday
09/11	A. Measures of return	<p>a. Review of key relationship between value and income, and discussion of "static" measurements.</p> <p>b. Advantages and challenges of dynamic (multi-period) analysis will be described together with the 2 key dynamic measurements of return, the concept of present value (PV), and an overview of the internal rate of return (IRR).</p> <p>c. A simple static pro forma will be constructed showing value as a function</p>

<sup>2</sup> All Peiser readings are optional, but recommended.

	B. Real estate brokerage, Part 1	<p>of income; the elements of cost, and that value added is the margin between total cost and completed value.</p> <p>d. 2 basic types of analysis will be described (static and dynamic) noting that the “best” measurements are dynamic, but we will elaborate on static analysis for general understanding. Additional, somewhat less simplified analyses will be illustrated.</p> <p>e. Ling, Chapters 5-8</p> <p>a. The purpose and fundamentals of brokerage, contracts, closings</p> <p>b. Ling, Chapter 12</p>
09/18	<p>A. Real estate brokerage, Part 2</p> <p>B. Market valuation</p>	<p>a. Ling, Chapter 13</p> <p>b. What constitutes value to real estate?</p> <p>c. The relationship between cost and value</p> <p>d. Valuation approaches: Sales comparison, Income, and Cost approaches</p> <p>e. How real estate values change in response to external changes</p> <p>f. Ling, Chapters 6 and 7</p>
09/25	<p>A. Legal foundations to value</p> <p><b>B. Mid-Term #1</b></p>	<p>a. The critical importance of development rights</p> <p>b. Land use regulation and zoning</p> <p>c. What is the “optimal” amount of government intervention in real estate, if any?</p> <p>d. Ling, Chapter 4</p> <p>a. Closed book, closed note</p> <p>b. Select property for Final Project</p>
10/02	<p>A. Real estate finance; Laws and contracts</p> <p>B. Time value of money (TVM), Part 1</p>	<p>a. Real estate notes, loan types, interest rates</p> <p>b. The Deed of Trust</p> <p>c. Ling, Chapters 9 and 10</p> <p>d. Basic terms: Present value, future value, compounding, discounting.</p> <p>e. Financial tools: Financial calculator, spreadsheets (e.g., MS Excel).</p> <p>f. Ling, Chapter 14</p>
10/09	<p>A. Time value of money (TVM), Part 2</p> <p>B. Mortgage calculations and decisions</p>	<p>a. Conclude Ling, Chapter 14</p> <p>b. Basic computations</p> <p>c. Mortgage types and alternate financing instruments</p> <p>d. Lender underwriting</p> <p>e. Ling, Chapter 15</p>

10/16	A. The concept of Effective Cost of Debt B. Review for M/T #2	a. Are most lenders legal liars? b. The concept of “absolute truth vs. half-truth in lending” c. Closed book, closed note; but you may use the spreadsheet that you built over the last 1 or 2 weeks in class.
10/23	A. Mid-Term #2 B. Meet in final project groups	a. You may use a financial calculator and/or the spreadsheet that you built in class over the last 2 weeks. b. I’ll provide you with your Final Project inputs. Bring your OM to class.
10/30	A. Land Development B. In-class finance lab	a. The nature of landev (planned communities). b. Bring your financial calculator and/or laptop.
11/06	A. Retail Development B. In-class finance lab	a. The nature of retail; what drives retail development b. Bring your financial calculator and/or laptop.
11/13	A. Multi-unit development B. In-class finance lab	a. The nature of multi-unit development; what drives apartment construction? b. Bring your financial calculator and/or laptop.
11/20	A. Office and Industrial Development B. In-class finance lab	a. The nature of office and industrial development. What drives these product types? b. Bring your financial calculator and/or laptop.
11/27	<b>Final Project presentations</b>	We’ll draw by lottery for the order of presentations.
12/11	<b>Final Exam</b>	7pm-9pm. Cumulative.