

Real Estate
Course Number: 33:851:380
Course Title: Essentials of Real Estate

COURSE DESCRIPTION

The central objective of this course is to provide you with the background and tools necessary to analyze value, risk, and return in property markets.

The initial emphasis of the course is on mortgage finance and is dedicated to providing an understanding mortgage structure and mechanics in both residential and commercial markets. The focus then shifts to the evaluation of investment in property markets from the perspective of an institutional investor. This is accomplished by developing projections of future cash flows from a given property and using them to construct measures of value, risk and return and consider their sensitivity to changes in base assumptions. Extensions include tax issues, the relationship between value, returns and leverage, structuring the distribution of cash flows in partnership agreements and/or real options. Finally, the course provides extensive training and certification in ARGUS, a real estate industry-standard software package used for entering lease information and analyzing risk and return in property markets.

COURSE MATERIALS

There is no text for the course. I will teach using notes and in-class problem sets. Slides, announcements and supplemental materials will be posted on Canvas (canvas.rutgers.edu) which will serve as central location for all information concerning the course. It is expected that you will check the course page on Canvas on a daily basis for updated information and announcements.

In this course, you are required to be familiar with Excel.

LEARNING GOALS AND OBJECTIVES

This course is designed to help students (1) develop skills and knowledge in applied corporate finance and (2) demonstrate their ability to use portfolio theory to analyze the risk and return associated with investment in real property.

In this course, students will:

- ...acquire a thorough understanding of both residential and commercial mortgage finance. (1)
- ...acquire a working understanding of commercial lease terms and conditions and the ability to determine the revenues and expenses corresponding to the space that is subject to the lease. (1)
- ...understand the relationship between capitalization rates and returns on investment and use

capitalization rates to estimate the value of property for a given net income. (1), (2)

- ...develop projections of the future cash flows for a given property to determine the value and return generated by the property. (1), (2)
- ...quantify risks associated with an investment using investment performance ratios and understanding the sensitivity of return to changes in base assumptions. (2)
- ...understand the relationship between leverage, risk and the return to equity. (1), (2)
- ...consider the risks and incentives associated with financing alternatives to simple debt and equity. (2)

Students will develop these skills and knowledge through homework assignments, the analysis of cases and exams. In- and out-of-class assignments will serve as the basis for the developing the basic skills and concepts that are at the core of applied corporate finance and exams will provide an opportunity for students to demonstrate this knowledge.

PREREQUISITES

Success in this course requires a solid understanding of the basic tools of finance. The formal prerequisite for this course is satisfied by completing any one of the following three courses: Finance (29:390:329), Financial Economics (21:220:439), or Finance for Entrepreneurs and Small Businesses (29:382:203). A quick review of fixed-income analysis will take place during the first week of the course in order to provide a common foundation for the material that will follow.

ACADEMIC INTEGRITY

I do NOT tolerate cheating. Students are responsible for understanding the RU Academic Integrity Policy (<http://academicintegrity.rutgers.edu/>)

I will strongly enforce this Policy and pursue *all* violations. On all examinations and assignments, students must sign the RU Honor Pledge, which states, “On my honor, I have neither received nor given any unauthorized assistance on this examination or assignment.” I will screen all written assignments through *SafeAssign* or *Turnitin*, plagiarism detection services that compare the work against a large database of past work. Don’t let cheating destroy your hard-earned opportunity to learn. See business.rutgers.edu/ai for more details.

ATTENDANCE AND PREPARATION POLICY

Regular attendance is vital to success in this course. If you must miss a class, it is your responsibility to find out what material was covered in class during which you were absent and to understand that material prior to the next lecture.

If I am to be absent, my department chair or I will send you notice via email and Canvas as far in advance as possible.

EXAM DATES AND POLICIES

There are 3 exams in this course:

Midterm:

Midterm:

Final: Finals week

All exams are open-book and open-notes. No collaboration of any sort is allowed during the exams. If you have a disability that influences testing procedures, please provide to me an official letter from the Office of Disability Services at the start of the semester.

GRADING POLICY

The letter grade you receive in the course will be based on your performance on your exams.

- Each of the three exams will be scored out of 100 points.
 - There are no makeup exams.
 - When computing your grade, I will drop your lowest exam score. The two remaining exam scores will each count 50% to your final grade.
 - This means that you can miss one exam for any reason.
 - o You will receive a zero on any exam that you miss.
 - o If you miss one exam you will get a zero for that exam -- but this zero will not count towards your final grade as I will drop this zero and the scores on the other two exams will be used to calculate your final grade.
 - o If you happen to miss two exams, you will receive a zero on each of the exams you miss. Since you can only drop one grade, one of the zero scores from the missed exams will count 50% towards your final grade.
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SCHEDULE OF LEARNING OUTCOMES

- Midterm 1 will cover
 - o Review of NPV, how to use your calculator, multi-period returns
 - o Residential Mortgages
 - o Commercial Mortgage Underwriting and Economics
 - o Pooling and Tranching
- Midterm 2 will cover
 - o Midterm 1 +

- o Commercial Property Underwriting
- o Underwriting using Excel

- Final (date TBD) will cover
- o Midterm 1 and Midterm 2 +
- o Leverage and the Return on Equity
- o Private Equity

SUPPORT SERVICES

If you need accommodation for a *disability*, obtain a Letter of Accommodation from the Office of Disability Services. The Office of Disability Services at Rutgers, The State University of New Jersey, provides student-centered and student-inclusive programming in compliance with the Americans with Disabilities Act of 1990, the Americans with Disabilities Act Amendments of 2008, Section 504 of the Rehabilitation Act of 1973, Section 508 of the Rehabilitation Act of 1998, and the New Jersey Law Against Discrimination. More information can be found at ods.rutgers.edu.

[Rutgers University-New Brunswick ODS phone (848)445-6800 or email dsoffice@echo.rutgers.edu]

[Rutgers University-Newark ODS phone (973)353-5375 or email ods@newark.rutgers.edu]

If you are *pregnant*, the Office of Title IX and ADA Compliance is available to assist with any concerns or potential accommodations related to pregnancy.

[Rutgers University-New Brunswick Title IX Coordinator phone (848)932-8200 or email jackie.moran@rutgers.edu]

[Rutgers University-Newark Office of Title IX and ADA Compliance phone (973)353-1906 or email TitleIX@newark.rutgers.edu]

If you seek *religious accommodations*, the Office of the Dean of Students is available to verify absences for religious observance, as needed.

[Rutgers University-New Brunswick Dean of Students phone (848)932-2300 or email deanofstudents@echo.rutgers.edu]

[Rutgers University-Newark Dean of Students phone (973)353-5063 or email DeanofStudents@newark.rutgers.edu]

If you have experienced any form of *gender or sex-based discrimination or harassment*, including sexual assault, sexual harassment, relationship violence, or stalking, the Office for Violence Prevention and Victim Assistance provides help and support. More information can be found at <http://vpva.rutgers.edu/>.

[Rutgers University-New Brunswick incident report link: <http://studentconduct.rutgers.edu/concern/>. You may contact the Office for Violence Prevention and Victim Assistance at (848)932-1181]

[Rutgers University-Newark incident report link: https://cm.maxient.com/reportingform.php?RutgersUniv&layout_id=7 . You may also contact the Office of Title IX and ADA Compliance at (973)353-1906 or email at TitleIX@newark.rutgers.edu. If you wish to speak with a staff member who is confidential and does **not** have a reporting responsibility, you may contact the Office for Violence Prevention and Victim Assistance at (973)353-1918 or email run.vpva@rutgers.edu]

If students who have experienced a temporary condition or injury that is adversely affecting their ability to fully participate, you should submit a request via <https://temporaryconditions.rutgers.edu> .

If you are a military *veteran* or are on active military duty, you can obtain support through the Office of Veteran and Military Programs and Services. <http://veterans.rutgers.edu/>

If you are in need of *mental health* services, please use our readily available services.

[Rutgers University-Newark Counseling Center: <http://counseling.newark.rutgers.edu/>]

[Rutgers Counseling and Psychological Services–New Brunswick: <http://rhscaps.rutgers.edu/>]

If you are in need of *physical health* services, please use our readily available services.

[Rutgers Health Services – Newark: <http://health.newark.rutgers.edu/>]

[Rutgers Health Services – New Brunswick: <http://health.rutgers.edu/>]

If you are in need of *legal* services, please use our readily available services: <http://rusls.rutgers.edu/>

Students experiencing difficulty in courses due to *English as a second language (ESL)* should contact the Program in American Language Studies for supports.

[Rutgers–Newark: PALS@newark.rutgers.edu]

[Rutgers–New Brunswick: eslpals@english.rutgers.edu]

If you are in need of additional *academic assistance*, please use our readily available services.

[Rutgers University-Newark Learning Center: <http://www.ncas.rutgers.edu/rlc>]

[Rutgers University-Newark Writing Center: <http://www.ncas.rutgers.edu/writingcenter>]

[Rutgers University-New Brunswick Learning Center: <https://rlc.rutgers.edu/>]

[Optional items that many faculty include:

- Students must sign, date, and return a statement declaring that they understand the RU Academic Integrity Policy.

- Students must sign, date, and return a statement declaring that they understand this syllabus.]