FIN460: Real Estate Finance and Investment

Summer 2015

MTWR 5:00 - 7:20 PM	Eller College of Management
McClelland Hall, Room 128	University of Arizona

Instructor:	Charles Favreau
Email:	cfavreau@email.arizona.edu
Office:	315R
Office Hours:	M 3:00pm - 5:00pm

Course Description

This course focuses on the evaluation, financing, and management of real property. The format of the course will consist of lecture and active learning assignments. Prior to taking this course, students should be familiar with time value of money concepts offered in introductory finance courses. There are two broad objectives for this course:

1. Gain exposure to real estate topics and questions commonly encountered in real estate transactions and investments.
2. Learn financial tools to address those common questions in real estate investments. Tools include time value of money, net present value, Excel, sensitivity analysis, scenario analysis, optimization.

At the end of this course, I expect you to have a firm grasp of the fundamental issues in real estate finance and demonstrate the ability to apply these concepts to real-world problems.

Course Materials

1. **Required Text:** *Real Estate Finance and Investments, 14th edition* by William B. Brueggeman and Jeffrey D. Fisher.
2. **Laptop:** You are required to bring a laptop to each class installed with Microsoft Excel or equivalent. We will be doing in class exercises, such as sensitivity analysis, which require the use of spreadsheets. If you do not own a laptop, you can borrow one from the main library. More information on technology lending can be found at

   http://www.library.arizona.edu/services/equipment-lending/computers
3. **Course Website:** The course website (via Blackboard) will display slides and examples used in class, assignments, grades, and other relevant information. It is your responsibility to create a Blackboard account and check the site regularly.

   https://blackboard.eller.arizona.edu

Instructor Availability

I am available in my office during the stated office hours. Please make an effort to limit office visits to these times. If it is impossible for you to make my office hours, an appointment should be scheduled ahead of time.

Grade Determination

ASSESSMENT	WEIGHT
Quizzes	60 Points
Group Project	20 Points
Exercises	10 Points
Attendance & Participation	10 Points

Total points for the course will be the sum of your scores in the three categories, and letter grades will be assigned according to 90/80/70/60 breakpoints. No incomplete grades will be assigned for marginal or failing grades at the end of the semester.

Quizzes - 60 Points

There will be 5 quizzes in the course. The first four quizzes will be held on roughly a weekly basis, and will cover the material from the week before. The fifth quiz will be held on the last day of class, and will be cumulative.

The quizzes will be administered on the dates listed on the schedule below. Each quiz is worth 15 points. **The lowest quiz grade will be dropped**. You are encouraged to plan on taking the first four quizzes, and dropping the last one. This strategy is beneficial in several ways.

- **There are no make-up quizzes:** Quizzes are scheduled well in advance so that you can plan accordingly. Dropping the lowest quiz grade allows you to miss up to 1 quiz for any reason.
  - *Unexcused absences:* An unexcused absence for a quiz will result in a grade of zero. If you miss one of the first four quizzes for an unexcused reason, plan on dropping that quiz as your lowest grade and taking the fifth cumulative quiz.
  - *Excused absences:* For an absence with supporting documentation, (e.g., a dean's note, doctor's note or police report explicitly stating that you are unable to attend the exam) your grade for that quiz will be the average from your other three highest quizzes.
- **There is no end of semester grade negotiation or extra credit:** If you have an 89 in the class, and would like to do something to get an A, taking the final quiz will be your option to do so.

Group Project - 20 Points

The group project will be composed of two components, a presentation and a deliverable. Detailed information on the grading rubric will be provided in the project assignment.

Exercises - 10 Points

In class, students will be assigned problems which they will solve using a spreadsheet program, such as Excel. Students can assist each other, but each student must work on and upload an individual file.

Attendance & Participation - 10 Points

Attendance and participation will be evaluated by randomly calling on students near the end of class. Each student will be called on four times in the course for a total of 10 points. If the student is present, the student will be awarded 2.5/2.5 points. Otherwise the student will be awarded 0/2.5 points.

You are responsible for any material covered or announcements made in class, regardless if that information is posted on Blackboard. In the case of an absence, you are encouraged to coordinate with another student to obtain any information you missed.

Grading errors

If you believe that any of your work is graded or recorded incorrectly, you may submit a written appeal (email is okay) for review within one week of the time grades are reported. Any request that is turned in after this time limit will not be considered. You will be notified when the response to your request is available. This policy applies to both exams and assignments.

Late Assignments

Assignments are due by 11:59PM of the due date. Each day late will result in a 10 percent deduction from total points available on the assignment.

Miscellaneous

Academic Integrity

It is the responsibility of students and instructors to help maintain scholastic integrity at the university by refusing to participate in or tolerate academic dishonesty or misconduct. I will pursue all suspected cases in accordance with the policies of the Eller College of Management and the University of Arizona. For more specific examples of academic dishonesty, academic misconduct, and how to avoid such behaviors, please visit:

http://ugrad.eller.arizona.edu/etegrity/policies.apx

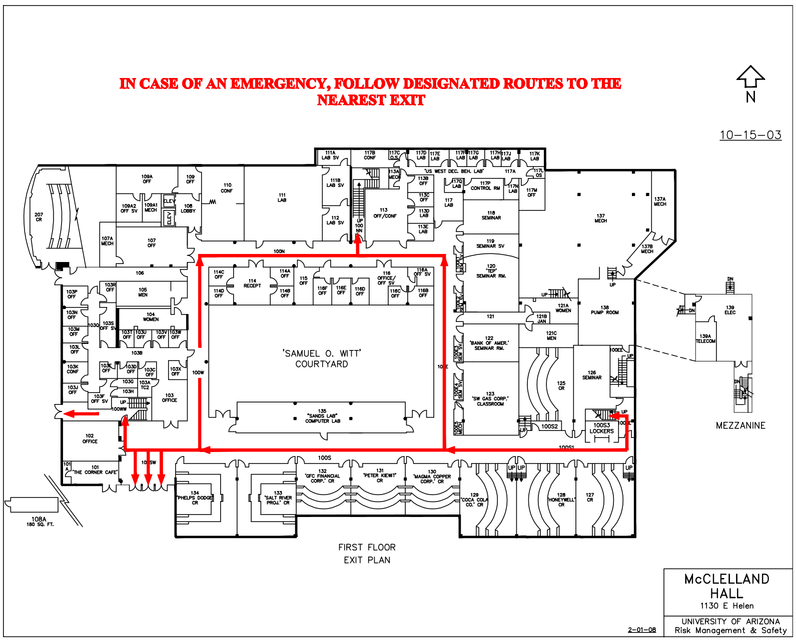
Students with Disabilities

Students with disabilities who require accommodations to participate in course activities must register with the Disabilities Resource Center. If you qualify for services through the DRC, please bring your letter of accommodation to me as soon as possible, and let me know what I can do assist you in the course.

Classroom Evacuation Procedures

When fire sirens sound in UA buildings, Arizona law and University policy require you to evacuate

- In all cases, when notice is made to evacuate, leave the building right away in an orderly manner using established evacuation routes and stairs.
- Take immediately available personal items with you (purses, backpacks, keys, phones) - they may not be available to you for some time.
- **Do not use the elevators**.
- Persons with handicaps who cannot exit the building should remain in the nearest stairwell until an emergency responder comes to help. If you know the locations of such a person, report as soon as possible to an emergency responder.
- Help others identify safe passage out of the building.
- **Move away from the building**.
- DO NOT go back into a building to retrieve personal items. Go to your predetermined gathering point (if you know of one) or remain at a distance of at least 200 feet from the building. In the case of McClelland Hall, this means at or beyond the Speedway underpass or across Helen Street.
- Follow all orders from authorized persons.
- As information becomes available, you will receive updates from designated personnel.
- Stay together as a class, if possible.
- Do not re-enter the building until directed to do so by emergency response personnel.



Course Schedule

The following class schedule is a tentative plan for this course. While exam dates are fixed, curriculum could shift during the course.

Class	Date	Topic	Chapters
1	Jun 8	Introduction to Real Estate, Legal Concepts and Financing	1 & 2
2	Jun 9	Time Value of Money	3
3	Jun 10	Net Present Value in Excel	
4	Jun 11	Net Present Value in Excel	
5	Jun 15	Quiz 1	
6	Jun 16	Investment Strategies, Development and Business Entities	11 & 18
7	Jun 17	Single Family Homes	7
8	Jun 18	Valuation	10 & 11
9	Jun 22	Quiz 2	
10	Jun 23	Fixed Rate Mortgages	4
11	Jun 24	Adjustable Rate Mortgages	5 & 6
12	Jun 25	Underwriting	8
13	Jun 29	Quiz 3	
14	Jun 30	Risk and Decisions while Holding	13 & 14
15	Jul 1	REITS, Portfolio Considerations	21 & 22
16	Jul 2	Finance Careers and Job Interviews	
17	Jul 6	Quiz 4	
18	Jul 7	Presentations	
19	Jul 8	Presentations	
20	Jul 9	Quiz 5 (Cumulative)	