Course Contact Information

Professor: Tracey Seslen
Office: PCAR 564
Office Hours: Wednesday 5:00-5:45, Tuesdays 12:30-2:00, and by appointment.
Email: seslen@uw.edu
Phone: 310-874-8777 (cell) No calls before 9am or after 9pm, please.

Classroom: PCAR 294
Class Time: W 6:00-9:20
Class Website: http://canvas.uw.edu

Graders: Ryan Skorupski (Finance PhD student, cases only) skorupry@uw.edu (848) 229-5878
Brian Olsen (MBA student, problem sets/speaker turn-ins) brian@bbolsen.com

Description

The goal of this course is to equip students with a toolbox of fundamental concepts and analytical techniques for the purpose of making prudent real estate investment decisions. The course will be built upon the modern corporate finance curriculum; however, a key objective of the course is to impart understanding of the factors that distinguish real estate from conventional securities investments and the implications of those differences. By the end of the quarter, students will learn various real estate valuation techniques and the circumstances under which they are best used; how to tailor a property’s lease structure to best fit the property and specific tenant type; how to choose the best loan for a property; how to set up an equity partnership, and how to identify and better control risk in a property investment. Learning will take place via lectures, problem sets, case discussions, in-class exercises (i.e. Huntington Flats, negotiation game), class visits from industry experts, and a group project in which students carry out a detailed financial analysis of an actual for-sale property in the Puget Sound area.

Prerequisites

MBA Core Finance or equivalent. Individuals should have a basic understanding of cash flow discounting and present value mathematics. In this course, the students will develop a more solid understanding of such techniques, as applied to real estate issues. For those of you needing a PV math or discounting refresher, a worksheet with solutions has been posted in the Miscellaneous section of Canvas. Step-by-step solutions are also available in video format under the Panopto link.
**Recommended Course Materials**

- Brueggeman and Fisher: Real Estate Finance and Investments, Fourteenth Edition. (ISBN # 0-07-337733-3). This edition has been out for a while, so you should be able to find inexpensive, used copies relatively easily. Please use caution if thinking of acquiring a different edition. You will be solely responsible for any problems that may arise from using an edition other than the above. To facilitate the most positive educational experience, it is recommended that you do the readings associated with each lecture prior to coming to class.

- Excel and/or calculator/calculator app with financial functions.

**Grading Policy**

Each student’s grade is made up of the following categories:

- **Problem Sets (3) and Speaker turn-ins (2)** 15%
- **Pinckney Street and Wildcat Equity Partners Cases** 20%
- **Negotiation Game**
  - (8% participation + 2% performance) 10%
- **Exam** 25%
- **Final Project**
  - **Timely submission of preliminaries** 5%
  - **Final Report** 25%

Total 100%

Disputes regarding grades must be brought to my attention within two weeks of the item being returned (I encourage you to pick up your papers promptly, as the clock starts when I bring your papers back to class). Disputes of a “subjective” nature must be submitted in writing along with the original exam paper or case document. Incorrectly added scores or other obvious grading mistakes may be handled face-to-face. Course grades will follow the Foster School’s standard policy for 500-level elective median targets.
Problem Sets

Problem sets will be graded on a full-credit/no-credit basis. To receive full credit for a problem set, you should have made a reasonable attempt to solve every problem assigned. Each student must turn in their own paper, although students may work together to solve the problems. Students may turn in problem sets up to 48 hours late for 50% credit. Beyond 48 hours, no credit will be awarded. Solutions to problem sets will be posted on Canvas approximately 48 hours past the due date and links to Tegrity/Panopto video explanations may be posted for particularly challenging problems. Computational questions on the exam will be similar to the types of problems found in the problem sets, with extra consideration for time constraints.

Guest Speakers

To add an additional element of real world color to the class, two guest lecturers will be visiting the class. While attendance will not be explicitly graded, you will be required to turn in a very brief writing assignment at the end of the period designed to indicate active listening. Generally speaking, everyone who attends a lecture will receive full credit, which counts for three percent of your total course grade (6% total for the two lectures).

Cases

There will be two “traditional” cases and one in-class negotiation game. The Pinckney Street and Wildcat Equity Partners cases must be done in teams of 4 or 5. Each team should turn in one hard copy and one electronic copy of the case deliverables at the time they are due. Case assignment questions and deliverable guidelines will be posted on Canvas approximately one week before the assignment is due.

No late cases will be accepted.

The cases will be graded out of 100 points. Grades will be based on accuracy of calculations, depth of analysis, insightfulness, conciseness, and conforming to a “professional” level of report formatting – pages should be numbered, graphs and tables properly labeled, and the text free of typographical and grammatical errors. If an early mistake in a calculation propagates others down the line, teams will only be penalized for the first mistake in the sequence.

The Pinckney Street and Wildcat cases may be purchased and downloaded from the Harvard Business Case Library, at:

https://cb.hbsp.harvard.edu/cbmp/access/41160827

For the in-class negotiation game, teams will be re-assigned by me according to students’ submitted preferences and the anticipated workloads for each of the parties involved in the simulation. Negotiation game materials will be distributed about a week in advance of the game being played out in the classroom.
Exam

There will be one (1) timed, take-home exam. You will be permitted one 8.5”x11” cheat-sheet (both sides), and usage of Excel, a financial calculator, or calculator app. You will be given 4 hours to complete the exam (although it will be designed to take about two hours). Old exams and practice questions will be distributed in advance to familiarize students with formats and question style/complexity. I strongly recommend that your review include working through the practice exam/practice questions. A review session will be held on Tuesday 11/10 from 5-6pm at a location TBD, the day before the exam is posted on Canvas.

Final Project

The culminating learning experience of this class will be a project requiring you to seek out an actual real estate investment opportunity in the Puget Sound area, evaluate that opportunity, and present your findings in a 12-15-page report (excluding graphics). Students should plan to work in their Pinckney/Wildcat case teams on this assignment. Further details on acceptable property types, sizes, deliverables, etc. will be discussed later in the quarter.

Participation/Classroom Etiquette

Lectures will take place once a week. You should arrive on time and not leave until class has been dismissed. You should also return promptly at the designated time from any breaks. While participation in class will not be explicitly graded, it may be used to decide cases in which a student’s final grade falls on a borderline. Good classroom participation constitutes making a meaningful contribution to the intellectual environment of the classroom. Any disruptive or disrespectful behavior may have a negative impact on your grade. All electronic devices (laptops, tablets, smart phones, etc.) should be turned off and put away unless you are actively using the device to take notes, perform calculations, or participating in an in-class Excel exercise.

Academic Integrity

By being a student in this class, you acknowledge that you are a member of a learning community in the Foster School of Business that is committed to the highest academic standards. As a member of this community, you agree to uphold the fundamental tenets of the MBA Honor Code and actively encourage others to do so. Where a violation has occurred, the student will receive a zero on the assignment/exam and may be subject to further disciplinary action.
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<thead>
<tr>
<th>Class #</th>
<th>Date</th>
<th>Topic</th>
<th>Chapter</th>
<th>Due</th>
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<tr>
<td>1</td>
<td>9/30</td>
<td>Introduction to the course; begin valuation conventions and techniques; Intro to Huntington Flats</td>
<td>3, 10</td>
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<td>2</td>
<td>10/7</td>
<td>Valuation conventions and techniques (cont'd); Real estate pro-forma analysis</td>
<td>4, 9</td>
<td>Problem Set #1 (Chapter 10 + Huntington Flats Part 2)</td>
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<tr>
<td>3</td>
<td>10/14</td>
<td>Introduction to fixed-rate mortgages; Leases</td>
<td>4, 9</td>
<td>Problem Set #1 (Chapter 10 + Huntington Flats Part 2)</td>
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<tr>
<td>4</td>
<td>10/21</td>
<td>Risk and Return; Pinckney Street Case Discussion</td>
<td>13</td>
<td>Case writeup #1</td>
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<td>5</td>
<td>10/28</td>
<td>Financing alternatives (debt vs. equity); Huntington Flats Part 3</td>
<td>12</td>
<td>Problem set #2 (Chapter 4, 9)</td>
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<td>6</td>
<td>11/4</td>
<td>Advanced debt structuring; <strong>Final Project Discussion</strong></td>
<td>18</td>
<td>Take-home midterm (5:00pm); Final Project Proposal</td>
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<td>7</td>
<td>11/10</td>
<td>(Tuesday) Exam Review Session 5-6pm. Location TBD.</td>
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<td>8</td>
<td>11/11</td>
<td><strong>No Class -- Veteran's Day Holiday</strong></td>
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<td>9</td>
<td>11/18</td>
<td>Guest Speaker #1 - Matthew Gardner, Chief Economist at Windermere; Equity Partnerships</td>
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<td>Take-home midterm (5:00pm); Final Project Proposal</td>
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<td>10</td>
<td>11/25</td>
<td><strong>No Class -- Thanksgiving Holiday</strong></td>
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<td>11</td>
<td>12/2</td>
<td>Guest Speaker #2 - Liz Dunn, CEO of Dunn + Hobbes; Wildcat Equity Partners case discussion</td>
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<td>12</td>
<td>12/9</td>
<td>Real Property Negotiation Game; Negotiation game debrief; Course wrap-up; Evals</td>
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<td>13</td>
<td>12/16</td>
<td><strong>Final Project Due (Electronic Copy via Canvas) at 11:59pm.</strong></td>
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Please bring your laptop to class on 9/30 and 10/28