University of Washington Foster School of Business
FIN 579A: Intro to Real Estate Finance and Investment
Lectures: 1:30-3:20pm TTh in PCAR 394

Instructor Information

Instructor: Dr. Tracey Seslen
Office: PCAR 564
Email: seslen@uw.edu
Phone: 310-874-8777 (Cell. Please no calls before 9am or after 9pm.)
Office Hours: Wednesdays 12:30-2pm. Other times by appointment. Phone meetings are welcome, with advance planning.

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. In addition, students will learn how taxation impacts a property’s bottom line. Learning will take place via lectures, problem sets, case discussions, 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.
Required Course Materials

- Brueggeman and Fisher: Real Estate Finance and Investments, Fourteenth Edition. (ISBN # 0-07-337733-3). 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 a positive educational experience, it is strongly recommended that you do the readings associated with each lecture prior to coming to class.
- *Calculator or phone-based calculator app with financial functions.* My calculator of choice is the HP 17B II+, but you may use whatever model with which you feel most comfortable. I will not be spending any time discussing the operation of any particular calculator in class, and may not be able to assist with the operation of any other model.
- Access to the *Wall Street Journal, Puget Sound Business Journal,* or other real estate publication. Students should keep abreast of local and national news and trends in the real estate markets so that they may more effectively participate in class discussions.

Grading Policy

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

- **Problem Sets (3) and Speaker attendance (2 or 3)** 15%
- **Revere Street and Wildcat Equity Partners Cases** 20%
- **Negotiation Game** 8%
- **Exam** 25%
- **Final Project**
  - **Timely submission of proposal** 2%
  - **Final Report** 20%
  - **Presentation** 10%

  **Total** 100%

Disputes regarding grades must be brought to my attention within one week of the item being returned to the student. Disputes of a “subjective” nature must be submitted in writing along with the original exam paper or case document. Incorrectly added scores, problems with bad erasures, etc., may be handled face-to-face. Everything will be graded on a curve, although the overall, absolute quality of student work will determine what the median will be.
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 24 hours late for 75% credit or 24-48 hours late for 50% credit. Beyond 48 hours, no credit will be awarded.

Cases

The Revere Street and Wildcat Equity Partners cases must be done in teams, the size of which will be determined by course enrollment. These cases may be purchased and downloaded from the Harvard Business Case Library, at

https://cb.hbsp.harvard.edu:443/cbmp/access/26054040

Exact deliverables will vary by case and will be posted at the time the case is assigned. Each case will be graded on a 100-point scale, and all students on a team will receive the same case grade. Teams should be the same for the Revere Street and Wildcat cases. For the negotiation exercise, teams may be re-assigned based on the anticipation of differing amounts of work for each of the parties in the simulation and student preferences regarding roles they wish to play.

No late cases will be accepted.

In all assignments, if an early mistake propagates many others down the line, you will only be penalized for the first mistake in the chain.

Exam

There will be one exam. A make-up will be given only under truly extenuating circumstances and only with prior notification, where possible.

Old exams and practice questions will be distributed in advance to familiarize students with formats and question style/complexity.

The exam is closed book/closed note.
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 to the class. Students should plan to work in their Revere/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 twice a week and attendance is mandatory. 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.

Communication

Nearly all course materials, assignments, solution sets and important announcements will be posted on Canvas (http://canvas.uw.edu/). It will be the students’ responsibility to check Canvas on a regular basis (or arrange the settings to send notifications of new activity via email) in order to keep on top of things.

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 standards of honesty, respect, and integrity, and accept the responsibility to encourage others to adhere to these standards.

The use of unauthorized material, plagiarism, communicating with fellow students during an examination, attempting to benefit from the work of another student, allowing another student to benefit from one’s own work, and similar behavior that defeats the intent of an examination or other class work is unacceptable. Where a violation has occurred, the student will receive an F on the assignment/exam and may be subject to further disciplinary action. Examples of violations include (but are not limited to) copying off another student, allowing another student to copy off your paper, using books, notes, or unauthorized “cheat sheets” during an exam, and refusing to stop at the designated ending time.
## Course Outline and Readings:

<table>
<thead>
<tr>
<th>Class #</th>
<th>Date</th>
<th>Topic</th>
<th>Chapter</th>
<th>Due</th>
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<tbody>
<tr>
<td>1</td>
<td>4/1</td>
<td>Introduction to the course; begin Valuation Conventions and Techniques</td>
<td>3, 10</td>
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<td>2</td>
<td>4/3</td>
<td>Valuation conventions and techniques (cont’d); Intro to Huntington Flats</td>
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<td>3</td>
<td>4/8</td>
<td>Pro-forma Analysis; Pro-forma-building exercise (Huntington Flats)</td>
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<td>4</td>
<td>4/10</td>
<td>Introduction to fixed-rate mortgages; form case groups</td>
<td>4</td>
<td>HW #1 (Ch. 3, 10)</td>
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<td>5</td>
<td>4/15</td>
<td><strong>Guest Speaker -- TBA</strong></td>
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<td>6</td>
<td>4/17</td>
<td>Catch up; Revere Street Case Discussion</td>
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<td>1st Case Writeup</td>
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<td>7</td>
<td>4/22</td>
<td>Leases; Market Leasing Assumptions</td>
<td>9</td>
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<td>8</td>
<td>4/24</td>
<td>Risk and Return; <strong>Discussion of Final Project</strong></td>
<td>13</td>
<td>HW #2 (Ch. 4)</td>
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<td>9</td>
<td>4/29</td>
<td><strong>2nd Annual Foster/Runstad Commercial Real Estate Symposium</strong></td>
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<td>10</td>
<td>5/1</td>
<td>Financing alternatives (debt vs. equity); Excel pro-formas with debt</td>
<td>12</td>
<td>HW #3 (Ch. 9 and 13)</td>
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<td>11</td>
<td>5/6</td>
<td>Excel pro-formas with debt (cont’d); Huntington Flats Revisited</td>
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<td>Final Project Proposal</td>
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<td>12</td>
<td>5/8</td>
<td>Taxation</td>
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<td>13</td>
<td>5/13</td>
<td>Review Session</td>
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<td>14</td>
<td>5/15</td>
<td><strong>Exam</strong></td>
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<td>15</td>
<td>5/20</td>
<td>Equity Partnerships</td>
<td>18</td>
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<td>16</td>
<td>5/22</td>
<td>Huntington Flats wrap-up; Development</td>
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<td>17</td>
<td>5/27</td>
<td>Wildcat Equity Partners Case Discussion</td>
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<td>2nd Case Writeup</td>
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<td>18</td>
<td>5/29</td>
<td><strong>Guest Speaker -- TBA</strong></td>
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<td>19</td>
<td>6/3</td>
<td>Real Property Negotiation Game</td>
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<td>Deal sheet due at end of class</td>
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<td>20</td>
<td>6/5</td>
<td>Real Property Negotiation Debrief; In-class work-day for final projects; Evaluations</td>
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6/13 Project Presentations and Final Project Report (Hard Copy) due at 2:30 pm

Please bring your laptop to class on 4/3, 4/8, 5/1, 5/6, 5/8