

University of Washington Foster School of Business
FIN 579 A/B: Intro to Real Estate Finance and Investment
Autumn 2019
Professor Tracey Seslen

Course Contact Information

Professor: Tracey Seslen

Office: PCAR 564

Office Hours: Mondays 4:45-5:45pm, Wednesdays 12:30-2pm, and by appointment.

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Phone: 310-874-8777 (cell) No calls before 9am or after 9pm, please.

Classroom: PCAR 295

Class Time: M 6:00-9:20pm

Class Website: <http://canvas.uw.edu>

Grader: Bingyu Yan (Ph.D. Student in Finance) byan109@uw.edu

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, 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 solid understanding of cash flow discounting and present value mathematics. In this course, the students will develop an understanding of such techniques as applied to real estate issues. For those of you needing a PV math or discounting refresher, please work through the “PV Math Pre-Test” document posted in the “Miscellaneous” section of the class Canvas page. Step-by-step solutions are available in video format under the Panopto link.

Recommended Course Materials

- Brueggeman and Fisher: Real Estate Finance and Investments, Fifteenth Edition. (ISBN #978-0-07-337735-3). 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. Understand that due to the great scope of the book and limited time allotted to the class, we will not be covering every topic in the assigned chapters. The main purpose of the book will be as a source for homework problems, and as a means of filling in any gaps from the lectures, slides, or personal notes. Reading of the book chapters should *not* be used as a first approach in studying for exams. This book will be on reserve in the Foster Business Library if you choose not to purchase it.
- Harvard Case Library Coursepack: <https://hbsp.harvard.edu/import/667969> (Registration required). \$8.50 for required materials, plus \$4.25 for optional materials.
- Excel or calculator with financial functions.

Grading Policy

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

• Problem Sets (4)	12%
• Speaker turn-ins (2)	4%
• Huntington Flats in-class exercises	2%
• Pinckney Street and Wildcat Equity Partners Cases	20%
• Exam	25%
• Final Project	
○ Timely submission of proposal	1%
○ Final Report	24%
• Peer Evaluation	
(1% for submission + 1% for assessment)	2%
• Participation	<u>10%</u>
Total	<u>100%</u>

Disputes regarding grades must be brought to my attention within one week 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. ***So please note: It is better to turn in a complete problem set late, than an incomplete one on-time, both from a grading as well as a knowledge acquisition perspective.***

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 two percent of your total course grade (4% total for the two lectures).

Huntington Flats In-Class Case

Throughout the quarter, you will have the opportunity to solidify your understanding of basic valuation and pro-forma-building within a real-world context through a case called “Huntington Flats”. Two of the four parts of the case will be done in-class, and you will be free to consult with me or with your fellow students to complete the exercises. There is an expectation that all students will attend class on those days, and remain in class, working productively, until class is over OR you have successfully (correctly) completed the exercise. Students will submit their work to Canvas (either an Excel file or a jpeg of handwritten work) when it is complete or class is over. If you expect to be absent on a “Huntington Flats” day (9/30 and 12/2), you may do the work at home and receive full credit, but you **MUST** notify me in advance, and the work **MUST** be submitted within 24 hours of the class in which it was assigned.

Other Cases

In addition to the Huntington Flats case, students will be assigned two “traditional” Harvard-style cases. The Pinckney Street and Wildcat Equity Partners cases must be done in teams of 4 or 5, depending on course enrollment. 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 are posted on Canvas under each assignment link. 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://hbsp.harvard.edu/import/667969> (Registration required)

Exam

There will be one (1) three-hour, in-class exam. You will be permitted one 8.5”x11” cheat-sheet (both sides), and usage of Excel or a financial calculator. Make-ups will be given only under truly extenuating circumstances and only with prior arrangement, where possible. Old exams and solutions are available on Canvas 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 scheduled for Sunday 11/17 in Paccar Hall at a mutually agreed-upon time.

Study Strategies: Please review the slides, the notes you’ve taken on them, in-class math examples, homework problems/solutions, sample exams, and non-slide class handouts. Once again, the main purpose of the book is as a means of filling in any gaps in knowledge regarding material discussed in class. Reading of the book chapters should *not* be used as a first approach in studying, and anything found in the book that I haven’t discussed in class **will not** be covered on the exam.

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.

Peer Evaluation

Given the emphasis on group work in this class, you will be asked to assess your own and your group members' contributions to the Pinckney Street and Wildcat cases, and to the final project. It is not expected that all group members in all situations will contribute exactly equally, but there is an expectation that over the course of the quarter, everyone roughly "pulls their weight" and avoids productivity-killing drama. Situations in which there is a consistent pattern of reporting of "slacking off" or not being a "team player" will result in a deduction of points from the performance component of the peer evaluation grade. Students will receive 1 point for submitting the evaluation and 1 point for a positive assessment of their contributions throughout the quarter.

Participation/Classroom Etiquette

Lectures will take place once a week and attendance is *strongly recommended*. You should arrive on time and not leave until class has been dismissed. You should also return at the designated time from any breaks. 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 participate in an in-class Excel exercise. Participation will be based on a combination of a self-assessment and my observations of student preparedness and engagement. Please see the Self-Assessment document on Canvas for an explanation on how participation is assessed and what the options are for obtaining your desired score.

Religious Accommodation

Washington state law requires that UW develop a policy for accommodation of student absences or significant hardship due to reasons of faith or conscience, or for organized religious activities. The UW's policy, including more information about how to request an accommodation, is available at Faculty Syllabus Guidelines and Resources. Accommodations must be requested within the first two weeks of this course using the Religious Accommodations Request form available at <https://registrar.washington.edu/students/religious-accommodations-request/>.

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.

Course Outline, Readings, and Assignments Due:

Class #	Date	Topic	Chapter	Due
1	9/30	Introduction to the course; begin valuation conventions and techniques; Intro to Huntington Flats	3, 10	HF 1 (at end of class)
2	10/7	Valuation conventions and techniques (cont'd); Real estate pro-forma analysis		
3	10/14	Introduction to Mortgages -- Fixed and Adjustable Rate	4,5	Problem Set #1 (Chapter 3, Chapter 10 + Huntington Flats Part 2)
4	10/21	Introduction to Leasing; Assessing Risk in Real Estate; Introduction to the Final Project	9,13	Problem Set #2 (Chapter 4)
5	10/28	Financing Alternatives (Debt vs. Equity); Advanced Debt Structuring	12	Problem set #3 (Chapter 5 and 9)
6	11/4	Guest Speaker #1 -- Liz Dunn, Principal of Dunn and Hobbes ; Equity Partnerships	18	Problem set #4 (Chapter 13 + Huntington Flats Part 3); Final Project Proposal
	11/11	No Class -- Veteran's Day		
7	11/18	Exam		
8	11/25	Guest Speaker #2 -- Matthew Gardner, Chief Economist, Windermere Real Estate ; Pinckney Street Case Discussion		Case writeup #1
9	12/2	Wildcat Equity Partners case discussion; Huntington Flats Part 4; Course wrap-up and evaluations		Case writeup #2; Participation Self-Assessment; HF 4 (due at end of class)
	12/11	Final Project Due (Electronic Copy via Canvas) at 11:59pm.		
		Peer Review due 11:59pm		

Please bring your laptop to class on 9/30, 10/28, 11/18, and 12/2 (for evaluations)