Fall 2016
Finance 351: Principles of Real Estate

Version 5.0—August 2016

Instructor and contact information:

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Office hours—Monday and Wednesday, 1:00-3:30 pm, after class or by appointment
Blackboard site: http://courses.gmu.edu

Prerequisite: Successful Completion of FNAN 301

Materials:

- Financial calculator and proficiency in its use
- “Guidelines for Effective Learning in Finance Courses”
- Learning Outcomes for each topic
- Ling and Archer Solutions
- Ling and Archer PowerPoints
- Occasional articles posted on Blackboard

Learning goals for the finance program:

Upon completing our undergraduate finance program, our majors will be competent in each of the following areas:

1. Finance majors will be able to value complex projects, assets, and securities.

2. Finance majors will be able to demonstrate, evaluate, and explain the risk return trade-offs in finance.
3. Finance majors will be able to conduct a financial analysis of a firm using financial statements.

4. Finance majors will be able price and use derivatives.

5. Finance majors will recognize and understand how to address ethical issues in finance including agency problems.

6. Finance majors will be able to conduct research to support the analysis of a firm or financial project and effectively present their analysis.

7. Finance majors will understand the relationships among investors, firms, financial institutions, and regulatory entities in financial markets and systems.

8. Finance majors will understand how global financial markets and institutions affect firms and investors.

Course description and objectives:

This course provides a survey of the real estate sector of the US economy from the perspective of financial economics. The course will focus on the development of an understanding of factors that influence values of real estate assets. This understanding can be applied to make decisions about developing, acquiring, financing, owning, leasing, managing, and disposing of real estate assets. Given the significance of real estate assets to owners, lenders, and users, these decisions have important consequences for individuals, firms, and the economy. The course will also examine the roles and effects of institutional features of real estate markets, including those related to property rights and other legal aspects, financing, and government policies. At the end of the course, students should:

- appreciate the significance of real estate resources in the economy;
- be familiar with the principal features of real estate assets and markets;
- understand the factors that influence property values;
- explain important features of real estate contracts;
- understand government policies that influence real estate markets;
- be able to use appropriate techniques for estimating the values of real estate assets and mortgages;
- be able to analyze real estate investment and financing decisions;
- be familiar with real estate management activities.

Course Requirements:
Graded assignments will consist of two tests (75 minutes each), a final exam, and a research paper. The paper will be completed outside of class. The paper is to be done on an individual basis.

For determining course grades, the requirements will be weighted as follows:

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<tr>
<th>Requirement</th>
<th>Weight</th>
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<tr>
<td>Midterm exam</td>
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<tr>
<td>Final exam</td>
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<tr>
<td>Research paper</td>
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In determining the course grade, a numerical average of all work will be computed. To convert the numerical averages to letter grades, the starting point will be categories bracketed by 94, 85, etc. In assigning course grades, curve adjustments may occur based on actual class performance, and +/- grades may be awarded.

**Honor Code:**

Students are expected to observe fully the GMU Honor Code. Information is available at: http://academicintegrity.gmu.edu/honorcode/.

**DRC Statement:**

If you are a student with a disability and you need academic accommodations, please contact the Office of Disability Services (ODS) at 703-993-2474. All academic accommodations must be arranged through the ODS.

**Excused Absences from Exams:**

Excused absences from exams will be permitted only in rare cases of genuine emergencies. In other cases, the final average of all work will be computed on the basis of exams taken, with appropriate reweighting.

Requests for permission to reschedule a final exam will be handled according to the guidelines and procedures of the SOM Office of Academic and Career Services.

**Key Dates:**

<table>
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<tr>
<th>Date</th>
<th>Event</th>
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<tr>
<td>October 12 (Wednesday)</td>
<td>Mid-term exam</td>
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<tr>
<td>December 19 (Monday)</td>
<td>Final exam: 1:30pm-4:15pm</td>
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**Paper Due: December 12 (Monday)**
Topics and reading assignments:
(Note that topic numbers and chapter numbers are not the same.)

1. Introduction
   Ling and Archer, Chapter 1

2. Fundamentals of valuation (review)
   Ling and Archer, Chapter 14

3. Property rights and valuation
   Ling and Archer, Chapters 2 and 3

4. Basics of urban land economics
   Ling and Archer, Chapters 5 and 6

5. Government policy and land use
   Ling and Archer, Chapter 4

6. Financing real estate
   A. Contractual features—Ling and Archer, Chapter 9
   B. Valuation and analysis of mortgages—Ling and Archer, Chapter 15

7. Valuation of real estate assets
   A. Market valuation and appraisal
      Ling and Archer, Chapters 7 and 8
   B. Investment valuation
      Ling and Archer, Chapters 18 and 19

8. Financing residential real estate
   Ling and Archer, Chapters 10 and 11
   Appendix to Chapter 10, “Refinancing as a Problem of Net Present Value,”
   posted on Blackboard site

9. Introduction to income-producing real estate
   Ling and Archer, Chapters 16 and 22
Recommended problems from end-of-chapter “Study Questions”:

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<thead>
<tr>
<th>Chapter</th>
<th>Problems</th>
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<td>18</td>
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