Fall 2011
Finance 351: Principles of Real Estate

Instructor and contact information:

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227 Enterprise Hall
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tmorri13@gmu.edu
Office hours - By appointment
Blackboard site: http://courses.gmu.edu
Class: Wed 7:20pm – 10:00pm, Robinson A-123

Prerequisite: FNAN 301

Materials:

financial calculator and proficiency in its use
occasional articles

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 class assignments. Depending on the situation, the class assignments may be completed either during class or outside of class. In either case, the assignments are to be done on an individual basis.
For determining course grades, the requirements will be weighted as follows:

<table>
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<tr>
<th>Requirement</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Each test</td>
<td>27%</td>
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<tr>
<td>Final exam</td>
<td>36%</td>
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<tr>
<td>Class assignments</td>
<td>10%</td>
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In determining the course grade, a numerical average of all work will be computed. To convert the averages to letter grades, the starting point will be categories bracketed by 90, 80, etc. In assigning course grades, 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 see me and 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>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>October 7</td>
<td>first mid-term test</td>
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<tr>
<td>November 18</td>
<td>second mid-term test</td>
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<tr>
<td>December 14</td>
<td>final exam: 7:20pm – 10:00pm</td>
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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
   C. Commercial real estate debt and equity – Ling and Archer, Chapter 17
   D. Sources of funds for residential – Ling and Archer, Chapter 11

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. Value Creation
   Ling and Archer, Chapters 21, 22, 23
**Recommended problems from end-of-chapter “Study Questions”:**

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Problems</th>
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<tbody>
<tr>
<td>14</td>
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<td>15</td>
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<td>8</td>
<td>1-7</td>
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<td>18</td>
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