Instructor and contact information:

John H. Crockett, Jr.
Enterprise Hall 225
703-993-1851
jcrocket@gmu.edu
Office hours—Tuesday, 6:00-7:00 pm; Thursday, 2:00-4:00 pm, and by appointment
Blackboard site: http://courses.gmu.edu
Class: Section 001: T/Th 10:30-11:45, Exploratory Hall L111
Section 003: T 7:20-10:00, Robinson B 222

Prerequisite: FNAN 301

Materials:

financial calculator and proficiency in its use
“Guidelines for Effective Learning in Finance Courses”
Ling and Archer Solutions
Ling and Archer PowerPoints
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:

- Each test: 27%
- Final exam: 36%
- Class assignments: 10%

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 School of Business Office of Academic and Career Services.

**Key Dates:**

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<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tr>
<td>February 23 (tentative)</td>
<td>first mid-term test</td>
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<tr>
<td>April 5 (tentative)</td>
<td>second mid-term test</td>
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<td>May 3</td>
<td>reading day</td>
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<tr>
<td>May 10</td>
<td>final exam: 001, 10:30 am—1:15 pm 003, 7:30 pm—10:15 pm</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

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, Chapter 22
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>1-5</td>
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<td>19</td>
<td>7-9</td>
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Appendix

Guidelines for Effective Learning in Finance Courses—Short Version

To create and maintain a classroom environment that will contribute to effective, efficient learning, students and faculty have the following joint responsibilities:

1. to attend class regularly, with arrival before the starting time for the class and departure after the class has ended.

2. during class, to focus exclusively on the learning activities underway. All other activities, including using cell phones, internet surfing, text-messaging, e-mailing, reading material not related to the class in progress, preparing homework for another class, conversing with other students, eating, and sleeping are to be avoided.

3. to monitor compliance with these guidelines and to indicate the need for corrective actions when necessary.

Guidelines for Effective Learning in Finance Courses—Long Version

Although we don’t typically think of learning from the perspective we use in analyzing the production activities of firms, issues involving the organization and management of the learning process provide interesting opportunities for applying some of the ideas about managing other activities that we study. As faculty and students, we all share an interest in achieving high performance, high productivity, and efficiency in our teaching and learning activities. With this in mind, here are some guidelines for conducting our activities in ways that will contribute to enhanced productivity and performance.

Our time is a scarce and valuable resource; as a result, we must carefully allocate and manage our available time. We all have 168 hours available each week. Attempting to pursue more activities and to spend more time on these activities than is feasible within the 168-hour constraint will lead not only to excessive levels of stress and frustration but also to unsatisfactory performance.

Students need to be realistic in considering what they can reasonably accomplish in each semester. They should choose a course load in light of other commitments to time-consuming activities, including employment, commuting, handling family responsibilities, participating in recreational and social activities, and sleeping. As is the case in all other production activities, inadequate availability of a critical input (time) will lead to shortfalls in delivering desired levels of output and performance.
The typical course will involve only 2.5 hours (150 minutes) of class time each week. The allotment for each course represents about 1.5% of the total time available weekly. Given the limited availability of this input, it is likely that efforts to utilize this time effectively will have significant, favorable impacts on productivity in learning. The implication is that students should plan for regular class attendance. Additionally, they should plan to arrive on time, taking into account possible delays because of traffic or parking problems.

Given what we know about the benefits in production gained from concentration and focus, the limited availability of class time suggests that the best use of this time will involve full engagement in the learning activities underway. On the other hand, activities not contributing directly to the learning process should be avoided, as they are likely to reduce productivity in learning. Among the productivity-reducing activities are internet surfing, text-messaging, e-mailing, reading material not related to the class in progress, preparing homework for another class, conversing with fellow students, eating, and sleeping.

In thinking about activities that result in learning and high academic performance, it’s likely that a combination of both individual and team aspects of production are involved. The presence of a team-based component in the learning process stems from the benefits gained from the stimulation of an interactive environment, characterized by an exchange of ideas, questions, and insights among faculty and students.

This observation reinforces the idea that regular class attendance is extremely important. In areas like finance, where model development, computations, and analytical material represent significant components of the material, the payoff from the shared learning experience provided in the classroom is likely to be particularly high.

In a setting where team production takes place, we know that poor work habits of one team member will have adverse impacts on the productivity and performance of others. In the classroom environment, individuals who act in ways that create distractions or disturbances for others are adversely affecting the quality of the learning environment and burdening students and faculty. Faced with this potential situation, we have a responsibility to avoid these kinds of actions.

Specific actions that are likely to create problems include the productivity-reducing activities previously identified. In addition, because moving around during class is disruptive, students should plan to arrive before class begins and remain until class ends. If these actions occur, faculty members have a responsibility to exercise appropriate corrective and control measures for the benefit of all members of the class.