

SAN JOSÉ STATE UNIVERSITY

URBAN AND REGIONAL PLANNING DEPARTMENT

URBP 206 – MARKET ANALYSIS, APPRAISAL, AND FINANCE OF REAL ESTATE DEVELOPMENT

Fall 2019

Instructor:	Orlando Reyes
Office location:	Washington Square Hall (WSQ), TBD
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Office hours:	Wednesdays, 6:30-7pm (by appointment)
Class days/time:	Wednesdays from 7:30 – 10:15pm
Classroom:	TBD
Class website:	TBD
Prerequisites:	None. Recommended prior knowledge of spreadsheets.
Units:	3

Course Catalog Description

Students will learn about real estate capital markets and the mix of the necessary financing sources required of developments. Students will evaluate criteria used by developers, real estate lenders and capital providers looking to minimize risk and maximize returns on real estate investments.

Course Description and Course Learning Objectives

This course focuses on the financial dimensions of the real estate development process from conception, feasibility analysis, due diligence, entitlements, planning, financing, market analysis, contract negotiation, construction, marketing, asset management and disposition. We will study market dynamics, capital finance, joint venture formation, project management and the entitlement process. The course will include a real estate group project, readings and guest lecturers.

Upon successful completion of the course, students will be able to meet these learning objectives (CLOs):

1. Ability to address the major components of the Real Estate development process including:
 - a) Determine project viability based on market conditions, development costs, and entitlement feasibility
 - b) Conceptualize a site layout for a project
 - c) Formulate a program of pre-development tasks and budgets
 - d) Determine price and terms for land acquisition.
 - e) Conduct due diligence on site acquisition
 - f) Understand how the entitlement process works
 - g) Understanding the Roles of the Development Team
 - h) Understanding of Risks and Challenges in Real Estate Development

2. Ability to interpret real estate appraisal reports using the following three methods:
 - a) Income capitalization approach
 - b) Market or sales comparison approach
 - c) Cost or replacement approach

3. Ability to structure the capital financing for a real estate development project, including the terms for debt and equity participation, addressing these financing parameters:
 - a) Current capital market conditions and underwriting criteria for debt and equity
 - b) Basics of evaluating and presenting project viability to attract capital to a project
 - c) Identify financing sources for each components of the development process
 - d) Crafting a joint venture with alternative investment scenarios
 - e) Structuring the waterfall distribution of return on equity among investors and the operating partner

Course Format

The course will be primarily conducted in person on campus each week. Your attendance is important to facilitate our understanding of the course material and required projects. Discussion of current trends will also benefit from attendance in person for the entire class. There will be at least one outside guest speaker on a topic connected to the curriculum. For some sessions and class exercises it will be required that the students bring their laptops to the class. If you do not have a laptop, please note the University provides laptops for checkout.

Required Course Texts

Real Estate Finance and Investments by William B. Brueggeman and Jeffrey D. Fisher. 16th Edition. 2015. McGraw-Hill ISBN-13: 978-0073377353 – (price \$153, rent \$50).

(Optional) The Real Estate Game by William J. Poorvu and Jeffrey L. Cruikshank. 1999. The Free Press. ISBN 0-684-85550-X (price \$19)

Course Requirements and Assignments

Your grade for the course will be based on the following assignments and graded activities:

Assignments and Graded Activities	Due Date(s)	Percent of Course Grade	Course Learning Objectives Covered
Class Participation		20%	1-3
Assignment #1 Homework and Problem Sets. (from the textbook Real Estate Finance and Investments) In Groups.		10%	1
Assignment #2 Case Studies (case studies will be given by the instructor). Individual.	Per class schedule below	20%	2
Assignment #3 Case Studies (case studies will be given by the instructor). Individual.	Per class schedule below	20%	3
Assignment #4: Group Project (feasibility analysis of a property or piece of land currently for sale in the Bay Area) In Groups of 3-4 students	Per class schedule below	30%	1 - 3

Class Participation and in-class exercises:

Your participation grade for this course will be based on attendance of in-person sessions, participation in synchronous online sessions, and completion of 4 “mini assignments”. These mini-assignments will be graded.

Homework and Problem Sets:

There will be required readings, homework and problem sets due every Wednesday.

Homework will be to emphasize the concepts learned during the week and practice the financial analysis tools in real estate. Problems will be from the required textbook Real Estate Finance and Investments or as prescribed by the Instructor.

There will be 4 assignments that the students will need to prepare a written paper and a presentation. 3 assignments will be individual, 2 will be in groups. The deadline for each case study is shown below at the class schedule.

Group Project:

One of the main deliverables of the class will be a Group Project that will be given on October 16th. (3-4 students per group - assigned by the instructor)

The Group Project will be an opportunity to apply all the concepts learned in the class to the development of a real piece of land or existing structure that is currently for sale on the market in the Bay Area. Students will need to meet with City Officials, Real Estate Broker and make a proposal for the development based on the current zoning. Students will need to prepare preliminary design sketches, a market analysis, and a financial pro-forma of the project detailing all development costs, future revenue and expected profit. Each group will submit an Excel Model with the Project Pro-Forma; a three to five page investment memorandum detailing their investment proposal (including the constraints and risks of the investment) and a 20-25 minute presentation to the entire class. The Instructor will also meet with each group during the Semester. The deadlines and deliverables for the Group Project are shown at the class schedule below.

Grading Information

The course letter grade will be determined by the total accumulated points a student is awarded from the elements shown in the table above. Final letter grades will result from total points received by each student based on the following grading scheme: A+ (96 and above); A (93 to 95); A- (90 to 92); B+ (87 to 89); B (84 to 86); B- (81 to 83); C+ (78 to 80); C (75 to 77); C- (72 to 74); D+ (69 to 71); D (66 to 68); D- (63 to 65); F (below 63).

Other Grading and Assignment Issues

Late assignments will only be accepted with prior consent of the instructor and will be down-graded 10% for each day they are late.

Course Workload

Success in this course is based on the expectation that students will spend, for each unit of credit, a minimum of forty-five hours over the length of the course (normally 3 hours per unit per week with 1 of the hours used for lecture) for instruction or preparation/studying or

course related activities including but not limited to internships, labs, clinical practice. Other course structures will have equivalent workload expectations as described in the syllabus.

Careful time management will help you keep up with readings and assignments and enable you to be successful in all of your courses. For this class, you will have to undertake additional activities outside the class hours such as visiting your group project site, and engaging with local municipality planning departments, real estate brokers and lenders. Details on how to complete these activities will be provided during the class lecture on October 16th.

Classroom Protocol

It is expected that students will arrive to class on time. No use of cellphones is allowed during class. It is recommended that the students bring a notebook or note pad to take class notes.

Laptops can only be used during class to solve specific in-class exercises given by the instructor. The instructor will specifically announce during class when laptops can be used.

University Policies

Per University Policy S16-9, university-wide policy information relevant to all courses, such as academic integrity, accommodations, etc. will be available on Office of Graduate and Undergraduate Programs' [Syllabus Information web page](http://www.sjsu.edu/gup/syllabusinfo/) at <http://www.sjsu.edu/gup/syllabusinfo/>

Plagiarism and Citing Sources Properly

Plagiarism is the use of someone else's language, images, data, or ideas without proper attribution. It is a very serious offense both in the university and in your professional work. In essence, plagiarism is both theft and lying: you have stolen someone else's ideas, and then lied by implying that they are your own.

Plagiarism will lead to grade penalties and a record filed with the Office of Student Conduct and Ethical Development. In severe cases, students may also fail the course or even be expelled from the university.

If you are unsure what constitutes plagiarism, it is your responsibility to make sure you clarify the issues before you hand in draft or final work.

Learning when to cite a source and when not to is an art, not a science. However, here are some common examples of plagiarism that you should be careful to avoid:

- Using a sentence (or even a part of a sentence) that someone else wrote without identifying the language as a quote by putting the text in quote marks and referencing the source.
- Paraphrasing somebody else's theory or idea without referencing the source.
- Using a picture or table from a webpage or book without reference the source.
- Using data some other person or organization has collected without referencing the source.

The University of Indiana has developed a very helpful website with concrete examples about proper paraphrasing and quotation. See the following pages: • Overview of plagiarism at www.indiana.edu/~istd/overview.html

- Examples of plagiarism at www.indiana.edu/~istd/examples.html
- Plagiarism quiz at www.indiana.edu/~istd/test.html

If you still have questions, feel free to talk to me personally. There is nothing wrong with asking for help, whereas even unintentional plagiarism is a serious offense.

Library Liaison

The SJSU Library Liaison for the Urban and Regional Planning Department is Ms. Toby Matoush. If you have questions, you can contact her at toby.matoush@sjsu.edu or 408-808-2096.

URBP 206: MARKET ANALYSIS, APPRAISAL, AND FINANCE OF REAL ESTATE DEVELOPMENT				
Days: Wednesdays		Time: 7:30-10:15 pm		Location: DMH 163
COURSE SCHEDULE		Schedule: Fall 2019		
<i>Subject to Change with Notice</i>				
WEEK	DATE	TOPIC	Reading	ASSIGNMENT DUE
1	8/21/2019	Introduction	Introduction - Review of Course Syllabus and Expectations.	
2	8/28/2019	Development Process & Legal Concepts	PART 1 (Ch. 1 - Ch. 2) Introduction - Overview Real Estate Development Process and Principles - Legal	In class Excercises
3	9/4/2019	Time Value of Money, Financing Sources	PART 2 (Ch. 3 - 4) Time Value of Money Concepts	Assignment 1
4	9/11/2019	Cashflow Model & Appraisals	PART 4 (Ch. 9 - 11) Analyzing Income Property Investments	In class Excercises
5	9/18/2019	Guest Speaker #1	Will be provided in advance	In class Excercises
6	9/25/2019	Entitlements & Financing	PART 5 (Ch.16) Entitlements, Financing Periods	Assignment 2
7	10/2/2019	Guest Speaker #2	Will be provided in advance	In class Excercises
8	10/9/2019	Real Estate Investment Organizational Forms, Capital Contributions, Syndications	PART 6 (Ch.18) Alternative Real Estate Financing	Assignment 3
9	10/16/2019	Guest Speaker #3	Will be provided in advance	In class Excercises
10	10/23/2019	Types of Financing	Sample Handouts	Assignment 4
11	10/30/2019	Guest Speaker #4	Will be provided in advance	In class Excercises
12	11/6/2019	Topic Review - In Class Prep for Presentations	In person - group development project	None
13	11/13/2019	Final Group Presentations	In-person Presentations	Final Group Presentations
14	11/20/2019	Final Group Presentations	In-person Presentations	Final Group Presentations
15	11/27/2019	Non-Instructional Day	Non-Instructional Day	
16	12/4/2019	12/9 - Last Class	12/9 - Last Class	
17	12/11/2019	Final Examinations	-	