Finance 70700
Real Estate Fundamentals
Fall 2014, Mod 1
L003 Mendoza
MW 3:00-4:50

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Email: dhutchis@nd.edu
Office Hours: 9:30 – 10:30, 2:00 – 2:45 MW or by appointment

General Course Objectives:

In contrast to academic disciplines such as physics, history, or psychology, real estate as a course of study is about the application of many disciplines (law, architecture, engineering, finance, urban economics, ecology) to the processes of private decision-making and public policy involving land use. Real estate can be taught from many perspectives and real estate decision-makers, regardless of their area of expertise, must understand the institutional background in which real estate decisions are made. Real Estate Fundamentals is a first course in real estate studied in the context of economic decision-making. The course objectives are two-fold: i) to provide institutional background (legal, regulatory, markets, etc.) and economic foundations for those whose careers may be in real estate-related areas; ii) to prepare students for more advanced study in real estate economics. As part of the process, I encourage you to explore public policy issues in real estate and land use, some of which we will address in class. The course coverage will include legal elements of property ownership, the real estate regulatory process, methods of real estate valuation, real estate sales processes, mortgage markets and financial contracts, leases and income generation, taxation, and elements of real estate development.

Note that issues in business ethics will be developed and discussed “organically” as they arise in other contexts, and we will discuss some issues in international real estate investment.

Specific Learning Objectives:

1) Define fundamental principles of property and contract law and analyze their impact on real estate markets
2) Apply the principles of financial economics to real estate valuation and financial contracts
3) Analyze the role of the public sector in real estate markets
4) Understand the roles of multiple disciplines in real estate processes
5) Understand social issues involved in real estate planning and regulation

Pedagogy: This course will be taught in a lecture/discussion format. You can expect that virtually every class period will begin with an open discussion about a current event/topic, or an application of a text topic, taken from the popular media (internet, newspapers, magazines). I would strongly recommend that students come to class with current topics of their own to serve as the basis for class discussion.
Typically, lecture outlines/notes prepared in Powerpoint files will be available on-line in Concourse in advance of class meetings. The lecture notes will serve as the foundation for what we do in class and in addition to assigned reading I will ask you to review them before each class. My intention is to use class time to discuss, reinforce, and expand upon the most important elements of the text and notes.

**Required Materials:**

There is no required text for this course, although the material coverage will follow *Real Estate Principles*, by David Ling and Wayne Archer and this text makes an excellent reference book. We follow the third edition, which can be purchased on-line relatively inexpensively. I will place two copies of it in the BIC. Other readings will be made available electronically during the semester. We will use internet sites regularly.

A financial calculator will be advantageous, but is not required. I would recommend either the Texas Instruments BA II Plus, or the Hewlitt Packard 10B. There is a calculator application for most smart phones, and it is inexpensive as I understand it. I have a short “tutorial” for the TI (the HP is similar) and I will make that available on line.

**Prerequisites:**

The prerequisite for this course is Fin 60400 or equivalent. There is an expectation that you understand the basics of the time value of money.

**Course Requirements:**

Your grade will be based on a midterm quiz, a final exam, and 2 or 3 case study/problem set assignments.

**Grading**

<table>
<thead>
<tr>
<th>Component</th>
<th>Points</th>
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<tbody>
<tr>
<td>Midterm “quiz”</td>
<td>35</td>
</tr>
<tr>
<td>Final Exam</td>
<td>65</td>
</tr>
<tr>
<td>Projects/assignments</td>
<td>30</td>
</tr>
<tr>
<td>Total</td>
<td>130</td>
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Grades will be “curved” and will approximate grades in comparable courses in the MBA program. The Department of Finance places a range of 3.3 – 3.6 around the mean grade in this course. You can expect the mean to be approximately 3.5 on a 4.0 scale.

**Academic Integrity:**

Acts of academic dishonesty will be treated in accordance with the University’s Academic Code of Honor. In general, acts of academic dishonesty involve claiming others’ work to be one’s own or receiving “inside information” that results in an unfair advantage (e.g., prior knowledge of exam questions). Copying homework or exam answers of other students constitutes academic dishonesty. Study groups and other forms of student collaboration are welcome where appropriate, however all submitted work must be the individual’s. If you have questions regarding what is appropriate, please see me. Failure to abide by these standards will result in penalties consistent with the Honor Code.
Classroom Policies

There is only one general classroom policy – please be mindful of others. You are welcome to ask questions or volunteer an opinion at any time in class, but please allow others the same courtesy. Laptops are welcome for note-taking, but please do not use class time for email, instant messaging, etc. Thanks!

Tentative Material Coverage:

<table>
<thead>
<tr>
<th>Dates</th>
<th>Text Chapters</th>
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<tbody>
<tr>
<td>8/25, 8/27</td>
<td>Introduction to real markets; property interests</td>
</tr>
<tr>
<td>9/1, 9/3</td>
<td>Property rights law, transfers; regulation, intro to urban econ</td>
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<tr>
<td>9/8, 9/10</td>
<td>Intro to market research; intro to valuation</td>
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<tr>
<td>9/15</td>
<td>Quiz (1st half of class); valuation continued</td>
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<td>9/17, 9/22</td>
<td>Real estate financial contracts; mortgages</td>
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<tr>
<td>9/24, 9/29</td>
<td>Commercial mort., RE transactions, brokerage</td>
</tr>
<tr>
<td>10/1, 10/6</td>
<td>Development, Taxes, and leases</td>
</tr>
</tbody>
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Thursday, 10/9 Final Exam (3:00 L003 Mendoza)