

University of Houston  
C.T. Bauer College of Business  
**Advanced Real Estate Finance and Investment**  
Class # 24761 Section 06  
**FINA 7397**

*Instructors:*

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Thursday 6:00 – 9:00 pm  
Melcher Hall 138  
Office Hours: By Appointment

*General Info:* This course provides an in-depth examination of the investment decision making process of commercial real estate. The course provides an overview of the real estate capital markets. It discusses the financing of real estate investments from several viewpoints – owners, investors and lenders. Students are instructed in the mechanics of underwriting commercial real estate of both the borrower and lender. Students will examine the components of cash flows from real estate assets, determine the borrowing capacity of the asset, and calculate the resulting investment returns on both a pre-tax and after-tax basis. The course provides an overview of ownership structures, sources of debt and equity, and the financing of real estate assets.

*Course*

*Objectives:*

Students will be able to:

- ♦ Understand sources available to finance real estate assets, both equity and debt
- ♦ Determine appropriate financial solutions to monetize value of real estate considering the benefits and risks of financial leverage
- ♦ Calculate the profit / loss of a real estate investment and its return on investment, including the tax implications both with and without financing
- ♦ Calculate borrowing capacity through examination of historical and current cash flows, identification and impact of risk factors and application of stated borrower ratios
- ♦ Create a real estate investment package to present to an investment committee and to a lender
- ♦ Determine whether it is time to sell a real estate asset
- ♦ Coherently and professionally communicate ideas
- ♦ Work effectively as a team member

*Text:* ***Real Estate Finance and Investments, 14<sup>th</sup> Edition***, by William Brueggman & Jeffrey Fisher is the text for the course. This text is available in the bookstore. ISBN: 978-07-337733-9. Also see [www.mhhe.com/bf14e](http://www.mhhe.com/bf14e) and [www.CourseSmart.com](http://www.CourseSmart.com).

CCIM 104 Investment Analysis for Commercial Investment Real Estate. .  
This text is available in the bookstore.

These textbook materials are intended to serve as a supplement to the course. Questions about the textbook material should be addressed with the instructor. Quizzes, projects and exams will draw on the concepts and information from the textbooks even if it is not directly discussed in class.

*Course*

*Prerequisites* FINA 7380 Real Estate Finance and Investment

*Blackboard*

*Learn:* The University of Houston's Blackboard Learn system will be an important communication link for this class. This system will be used to post reading assignments, distribute materials, assign homework and to send class-wide and individual e-mails. Please be sure your e-mail address is updated.

*Software*

*Knowledge* Financial analysis will be performed using Excel Worksheet. Students must be able to create worksheets and be familiar with basic and financial formulas. Each assignment will specify which formulas are required. It is each Student's responsibility to gain the technical knowledge to use these formulas outside this course.

Students must be able to prepare writing assignments using Word processing software.

*Electronic*

*Devices* Students must bring a laptop to each class. Use of laptops is strictly limited to class related work and note taking. Use of mobile phones and tablets is strictly prohibited during class, including texting or any other uses. If you need to make a call during class, please excuse yourself from class.

*Attendance and*

*Participation:* All students should make arrangements to be at class 10 minutes prior to the scheduled start of class. Please make prior arrangements with an instructor if you will be late or cannot attend. Attendance and in-person class participation are mandatory. Active class participation will increase your learning experience and will benefit others. This portion of the class makes up 10% of your grade and will be reduced if you miss more than two in-person classes or do not actively participate.

You are expected to come to class prepared to participate. This means that you have completed the assigned readings, homework and case studies before class, plan to contribute, and share your ideas when appropriate.

*Case Studies /  
Homework*

*Assignments:* Case studies and homework assignments are heavily relied on to teach the course material, train students and to reinforce the principles learned. Up to 10 case studies / homework assignments are planned for this semester. The cases will vary in their degree of complexity. In order to receive full credit for the case assignments, please follow the directions for each case.

All work must be originally produced unless specifically specified as a group project.

*Course  
Project:*

This class may include a Course Project that will provide experience in underwriting the financing of a real estate project. The Case Project will allow you to demonstrate your understanding of the learning objectives of the course.

*Academic  
Honesty:*

The University of Houston Academic Honesty Policy is strictly enforced by the C. T. Bauer College of Business. No violations of this policy, such as plagiarism or cheating, will be tolerated in this course. A discussion of the policy is included in the University of Houston Student Handbook, <http://www.uh.edu/dos/hdbk/acad/achonpol.html>. Students are expected to be familiar with this policy.

Students are expected to produce original work in the course. Previous course-work from other classes cannot be submitted for credit in this course for any class assignment or project. At the instructor's discretion, work will be submitted to Turn It In.

Collaboration between students is strongly encouraged in the overall understanding of the course learning objectives and the development of

financial analysis skills. However, as noted above, all work must be originally produced unless specifically specified as a group project.

*Style Guide:* Please prepare all writing assignments using a word processing program. Format of assignments should be double spaced, 12 point font with one inch margins. All documents should have a professional presentation.

Financial analysis must be performed using Microsoft Excel. Spreadsheets can be inserted into word processing documents for submission.

All submissions should be free of spelling and grammar errors, well organized, and easy to follow.

*Grading:* The course assignments and participation points are currently planned to be as scheduled below. Adjustments to the weekly schedule and grading schedule may occur. These changes will be clearly communicated.

In-class attendance and participation	10 points (credit/graded)
Homework / Quizzes / Case studies	40 points (credit/graded)
Course Project	20 points (credit/graded)
Mid-term Exam	15 points (credit/graded)
Final Exam	15 points (credit/graded)
Total points	100 points

*Grading Scale:*

93 - 100	A
90 - 92	A-
87 - 89	B+
83 - 86	B
80 - 82	B-
77 - 79	C+
73 - 76	C
70 - 72	C-
60 - 69	D

*Accommodations for  
Students with  
Disabilities:*

The C. T. Bauer College of Business would like to help students who have disabilities achieve their highest potential. To this end, in order to receive academic accommodations, students must register with the Center for Students with Disabilities (CSD) (telephone 713-743-5400), and present approved accommodation documentation to their instructors in a timely manner.

Schedule

Wk	Date	Topic	Reading and Homework Assignment
1	1/21	<ul style="list-style-type: none"> <li>• Review course syllabus</li> <li>• Overview of course</li> <li>• Review of CCIM Module #1 - Investment Decision Making</li> <li>• Investment alternatives / Four Quadrants of Real Estate Investment</li> <li>• Defining the Capital Stack</li> <li>• Capital Markets presentation</li> <li>• Relationship of vacancy / demand / rents / cap rates / value</li> <li>• Review CCIM Module #6 - Investment Valuation</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Read CCIM Module #1</li> <li>• Read CCIM Module #6</li> <li>• Review Chapter #9</li> <li>• Complete Module #1: Self-Assessment</li> <li>• Complete Module #6: Self-Assessment</li> </ul>
2	1/28	<ul style="list-style-type: none"> <li>• Review Module #1: Self-Assessment</li> <li>• Review of CCIM Module #6 - Investment Valuation</li> <li>• Review of Investment Performance (Cap Rate, NPV and IRR)</li> <li>• Review Sample Problems</li> <li>• Review Module #6: Self-Assessment</li> <li>• Discuss concepts in Case Study #1 - Cash Flow model / calculating cash flow, mortgage, sales proceeds and IRR before and after Tax</li> </ul>	<ul style="list-style-type: none"> <li>• Complete Case Study #1</li> <li>• Read CCIM Module #2</li> </ul>
3	2/4	<ul style="list-style-type: none"> <li>• Review of Case Study #1</li> <li>• Review of Ownership Entities</li> <li>• Guest Speaker – Pros and Cons of entities</li> <li>• Perform Activity 2-1: Syndication (Group Investing)</li> <li>• Quiz – Modules #1 &amp; #6 / Office Case Study</li> </ul>	<ul style="list-style-type: none"> <li>• Read CCIM Module #5</li> <li>• Review Chapter #13</li> <li>• Read Appendix: Building the Foundations for Persuasive Presentations</li> </ul>
4	2/11	<ul style="list-style-type: none"> <li>• Review of CCIM Module #5 – Real Estate Risk Analysis</li> <li>• Risk / Return relationship</li> <li>• Mitigating Risk</li> <li>• Perform Activity 5-1: Expected Values</li> <li>• Review Appendix: Building the Foundations for Persuasive Presentations</li> </ul>	<ul style="list-style-type: none"> <li>• Complete Module #5: Self-Assessment</li> <li>• Read CCIM Module #3</li> </ul>
5	2/18	<ul style="list-style-type: none"> <li>• Review Module #5: Self-Assessment</li> <li>• Discussion of Mortgage Risk – Viewpoint from Lender - Guest Speaker <ul style="list-style-type: none"> <li>○ Sponsor Underwriting</li> <li>○ Asset Underwriting</li> </ul> </li> <li>• Discuss concepts in Case Study #2</li> <li>• Begin review of CCIM Module #3 - Federal Taxation or topic TBD</li> </ul>	<ul style="list-style-type: none"> <li>• Complete Case Study #2</li> <li>• Prepare bullet points for group presentation</li> </ul>
6	2/25	<ul style="list-style-type: none"> <li>• Case Study #2 - Group Pension Fund Recommendation presentations</li> <li>• Review of CCIM Module #3 - Federal Taxation <ul style="list-style-type: none"> <li>○ Tax Considerations at Acquisition</li> <li>○ Tax Considerations during Operations <ul style="list-style-type: none"> <li>▪ Sample Problem 3-1</li> </ul> </li> <li>○ Passive Income and Losses</li> <li>○ Tax Considerations at Disposition</li> </ul> </li> <li>• Current Federal Taxation issues – Guest Speaker</li> </ul>	<ul style="list-style-type: none"> <li>• Complete Module #3: Self-Assessment</li> </ul>

7	3/3	<ul style="list-style-type: none"> <li>• Review Module #3: Self-Assessment</li> <li>• Quiz - Modules #2 ,#3 &amp; #5</li> <li>• Review key concepts presented in Case Study #3</li> <li>• Groups begin work on Case Study #3</li> </ul>	<ul style="list-style-type: none"> <li>• Complete Case Study #3</li> </ul>
8	3/10	<ul style="list-style-type: none"> <li>• Case Study #3 - Group Hidden Lakes Plaza Recommendation presentations</li> <li>• Case Study #3 – Group Pinnacle Towers Recommendation presentations</li> <li>• Case Study #3 – Group Recommendations to Mr. Nichols</li> <li>• Additional topic TBD</li> <li>• Review for Mid-Term test</li> </ul>	<ul style="list-style-type: none"> <li>• Review for Mid-Term test</li> </ul>
9	3/17	<ul style="list-style-type: none"> <li>• SPRING HOLIDAY</li> </ul>	<ul style="list-style-type: none"> <li>• Review for Mid-Term test</li> <li>• Read CCIM Module #4</li> <li>• Review Chapters 2 – 6</li> <li>• Read Chapters 19 &amp; 20</li> </ul>
10	3/24	<ul style="list-style-type: none"> <li>• Mid-Term test</li> </ul>	<ul style="list-style-type: none"> <li>• Read CCIM Module #4</li> <li>• Review Chapters 2 – 6</li> <li>• Read Chapters 19 &amp; 20</li> </ul>
11	3/31	<ul style="list-style-type: none"> <li>• Review of CCIM Module #4 – Financing Real Estate Investments</li> <li>• Loan Underwriting</li> <li>• Loan Structure / Loan Components</li> <li>• Complete Activity 4-1 and Activity 4-2</li> <li>• Matrix of Lenders</li> <li>• Secondary Mortgage Market - Figure <ul style="list-style-type: none"> <li>◦ CMBS / CMO's / Traunche / Swaps</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Complete Module #4: Self-Assessment</li> </ul>
12	4/7	<ul style="list-style-type: none"> <li>• Review Module #4: Self-Assessment</li> <li>• Additional financing topics</li> <li>• Loan Sizing exercises</li> </ul>	<ul style="list-style-type: none"> <li>• Review of Financial Leverage reading assignments and exercises</li> <li>• Read CCIM Module #7</li> </ul>
13	4/14	<ul style="list-style-type: none"> <li>• Quiz – Module #4 - Financial Leverage, Secondary Markets and Loan Sizing</li> <li>• Review of CCIM Module #7 - Asset Management</li> <li>• Analyzing Alternatives <ul style="list-style-type: none"> <li>◦ Refinance</li> <li>◦ Renovate</li> <li>◦ Sell</li> </ul> </li> <li>• Review of Sample Problems</li> <li>• Complete Activity 7-1 and Activity 7-2</li> <li>• Review Case Study #4</li> </ul>	<ul style="list-style-type: none"> <li>• Complete Module #7: Self-Assessment</li> <li>• Complete Case Study #4</li> <li>• Read CCIM Module #8</li> </ul>
14	4/21	<ul style="list-style-type: none"> <li>• Review Module #7: Self-Assessment</li> <li>• Review Case Study #4</li> <li>• Disposition Alternatives</li> </ul>	<ul style="list-style-type: none"> <li>• Complete Module #8: Self-Assessment</li> <li>• Complete Case Study #5</li> </ul>

		<ul style="list-style-type: none"><li>• Review Case Study #5</li></ul>	
15	4/28	<ul style="list-style-type: none"><li>• Review Module #8: Self-Assessment</li><li>• Review Case Study #5</li><li>• Review for Final Exam</li></ul>	<ul style="list-style-type: none"><li>• Course Material</li></ul>
15	5/5	<ul style="list-style-type: none"><li>• Make up Day</li></ul>	<ul style="list-style-type: none"><li>• None</li></ul>
16		<ul style="list-style-type: none"><li>• Final Exam</li></ul>	<ul style="list-style-type: none"><li>• None</li></ul>

*Note: The schedule is subject to change.*