



v.6 October 13, 2016

**Residential Real Estate**  
**Section: TBD, FINA 7397 Residential Real Estate**  
**Course Day: Tuesday, Times: 6:00-9:00 PM**  
**Location: TBD**

**Instructors:** Single Family Residential: Will Holder, John Hammond, Multifamily Residential: David Hargrove, Jerry Winograd

**Office Hours:** (office hours: by appointment)

**Telephone:** 713-822-1283 for Will and 281-874-8464 for John

Phone: 713-410-2391 (David Hargrove, Text messages welcome)

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**General Info:**

- 3 credits
- Elective course
- Prerequisites:
  - Graduate Standing and completion of FINA 7A97 Advanced Valuation-Principles and Practices, or consent of instructor
  - Undergraduate standing and completion of FINA 4330 Corporate Finance, or consent of instructor

**Class Decorum:**

- Recommended dress code – business casual
- Class engagement – Students are expected to be fully engaged in the class presentations. Excessive or habitual use of cell phones or other electronic devices is NOT acceptable.
- Lively and passionate participation is encouraged.
- Prompt return to class after breaks is expected.
- Beverages or small snacks may be permitted in class to the extent that it is not a distraction to the class, subject to building rules. But, eating dinner in class is NOT permitted.]

### **Course Description**

Overview of the major divisions of residential real estate, multi-family, single family, community development and homebuilding in which students gain knowledge and skills in all professional aspects of the residential business, financial analysis, market analysis, financing, development, sale or leasing and operations. This is an “enterprise based course”, meaning-how a multifaceted residential real estate company is organized and operates at corporate level.

The Course is taught in two segments, Single Family Residential in first half of semester followed by Multifamily Residential in final half of semester.

**Multifamily Residential Real Estate:** This introductory course provides a comprehensive overview of the fundamental aspects of the operation, acquisition and management of residential multifamily property. The course will explore multifamily market and economic feasibility, acquisition of new sites for development and existing properties for renovation, new development, investment analysis, and management of operations, landlord/tenant law, leasing, facilities management, disposition and asset portfolio management.

**Single Family Residential Development, Homebuilding and Community Development:**

This class is recommended for students seeking practical enterprise and operational knowledge of the residential development and homebuilding industry. The course will explore exactly how to organize and run a residential construction development company. Students will see how homebuilders manage the fusion of creative processes and manufacturing disciplines that shape one of America’s largest and oldest industries. The course will explore the larger picture of the residential industry itself, profiling the current public and private companies comprising the industry, the people actively shaping the industry today, the departments and leadership positions within residential companies and the earning potential along these career paths. The course will explain the behind the scene business models that drive and sustain these dynamic and challenging residential enterprises.

**Course Learning Objectives:** Students will be able to:

### **Learning Objectives: Single Family Residential Development, Homebuilding and Community Development:**

The course will expose students to the practical side of managing a complex residential business organization.

Learning objectives include the following:

- ***The macro industry model which drives as much as 5% of the USA’s GDP*** - An industry overview, including the evolution of today’s mega industry from what use to only be a local entrepreneurial business to its present day mixture of sophisticated large and small private companies and the national public giants. The student will be able to identify and contrast today’s principal corporate players and be able to explain the specific and important roles played by each contributing segment of the industry, including: material vendors, licensed skilled contractors, construction craftsmen, professional engineers and other professional service providers which comprise the current residential business model. The student shall

analyze the economic scope and impact of this large and complex industry, both nationally and locally, and its impact on shaping the evolution of towns and cities, employment patterns and the daily lives of Americans.

- ***The enterprise business model of residential development and homebuilding companies*** – The student shall analyze and contrast the inter-workings of residential companies, how builders and developers are operationally organized, what specific roles different departments play and how these different disciplines function together to operate effectively in a very competitive and complex environment. The course will explore building company organizational charts and the industry specific skills that lead to different career paths. The course will explore the corporate cultures of various industry leading companies and the corporate executives and entrepreneurs currently excelling in the industry, typical compensation levels of various industry positions along these career paths.
- ***Explore the distinctions and the harmony between homebuilding and land development*** – Students shall learn and be able to explain and analyze the business relationships and principles employed between the land development process and the home building side of the business. Course work shall cover risk and reward measurement; advantages and disadvantages of types of ownership structures, general job cost and project based accounting principles, and functional business metrics that measure key economic drivers of each business. Students will be able to explain the interdependent relationship and the critical collaboration required between the land and the homes, including: land planning and home product types, marketing and branding the complete residential project, as well as the individual builder programs within the development, and ultimately the successful completion of the community's vision. Students will be engaged to understand the true scope of the industry which requires creating originally conceived products, building those products, and then selling and delivering them directly to the end users.

**Learning Objectives: Multifamily Residential**

- Describe and list major aspects of ownership of a residential multifamily property;
- Construct a market and economic feasibility report;
- List the major steps in the acquisition and development of a multifamily property;
- Evaluate and identify the strengths and weaknesses of a development plan;
- Identify the business risks of a multi-family project;
- Compare and contrast new versus existing residential multifamily property;
- Construct and analyze a development proforma and an operational proforma;
- Construct a discounted cash-flow-analysis and calculate yields and financial risks;
- Evaluate an operating statement
- Explain the role and list the duties of the property management firm;
- Explain the role and list the duties of a property manager;
- Differentiate the roles of a property manager versus a regional manager or asset manager;
- Differentiate specialized types of multi-family property for example seniors and student housing.
- Understand the business implications of landlord and tenant laws.

**Texts:**

**Single Family Residential Development, Homebuilding and Community Development:**

The course will utilize as a textbook: compilation of readings from recent and relevant residential development and homebuilding industry publications, along with current business professional publications. Each reading and research assignment from business publications shall be targeted to the upcoming lecture topics.

**Multifamily Residential Real Estate:**

- Practical Apartment Management, 6<sup>th</sup> Edition, Edward N. Kelley, CPM.
- Students **must obtain** a “student” membership with the Institute of Real Estate Management. This membership will allow access to resource materials and forms needed to complete the course as well as other industry information. This can be done at the IREM WEB site, <http://www.irem.org>.
- Investing in Apartment Buildings (2009), McGraw Hill - ISBN-13: 978-0071498869
- Students should have a financial calculator, preferably an HP, and they must understand how to use it. An HP Financial Calculator Application is available for most smart phones.

**Attendance and Participation:**

Attendance and class participation are mandatory. Active class participation will increase your learning experience and will benefit others, including your professors. This portion of the class makes up 10% of your grade. If you miss more than two classes, no credit will be awarded for in-class attendance and participation.

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

**Blackboard:**

The University of Houston’s Blackboard system will be an important communication link for students in this class. Announcements are posted and reflect schedule changes, articles and other resources needed to fully understand the topics discussed.

Students should use the “Discussions” to post any class material questions.

This process allows the entire class community to benefit from these information exchanges, and will limit repetitive questioning from individual sources. I will also post articles on occasion and start discussions about them. Participation in these discussions is a part of your participation grade discussed above.

***Discussion Posts:***

Students should use the Discussion Board to post any class material questions. This process allows the entire class community to benefit from these information exchanges, and will limit repetitive questioning from individual sources. We will also post articles on occasion and start discussions about them. Participation in these discussions is a part of your participation grade discussed above.

Blackboard Learn will be used in this class as a course management tool to post announcements, the course syllabus and journal entries. All assignments for the course will be submitted through Assignments.

To access Blackboard for this class, you will need your Cougar Net ID to login. Make sure your Cougar Net account is active and that you are able to log in with it. To test, you can log in at <https://accessuh.uh.edu/login.php>. If you need to reset your password you can do so online at [http://www.uh.edu/infotech/php/template.php?account\\_id=57](http://www.uh.edu/infotech/php/template.php?account_id=57).

If your account has become inactive due to non-use, you can activate it by calling 713-743-1411. If you have questions about Blackboard Learn or need technical assistance, you can click on the “get help” link on the Blackboard website, or call the help-line at 713-743-1411 (M-F 8am-8pm).

Critical thinking and writing are an important part of any graduate program. Businesses want individuals who can think and write well. To enhance your skills, you are required to post one to two pages (double spaced with one inch margins and no less than a 12 point font) as assigned below. The forum posts are required and due no later than the date listed in the schedule. The forum post must be completed and posted no later than 11:59 PM on the due date. All posts must be originally written for credit as listed below toward the final grade. Credit is only provided if a post is:

- Clearly written (spelling, grammar, and organization count);
- Links the class topic, guest lecture topic, case study, readings from the text or other sources, and/or the class discussion;
- The post should be reflective. Please explain what you learned or found most beneficial from the class – be constructive.
- All students are required to respond to **at least two response posts** from other classmates for each assignment to earn full credit. (Remember, it is a discussion.)

Please adhere to the guidelines. Late postings receive no credit – no exceptions.

***Guest Speakers:***

The class teaching experience will extensively utilize in-class presentations from actively practicing, industry professionals from different disciplines. Points made by guest speakers will become test questions for the midterm and final. These presentations are very important and success in the class is dependent on the insights brought to the class from the guest speakers.

**Case Studies:**

**Single Family Residential:**

The projects are a major component of the course. They will give you experience with current projects in the market. Further they will offer you the opportunity to demonstrate your understanding of residential real estate and the business.

One class will utilize a case study, and will utilize a series of articles for the purpose of expanded in-class discussion. Students are expected to prepare for this week's case study by widely reading about the subject company and topic. While no written assignment will be required for the Case Study, the students' knowledge and understanding of the reading assignments and the case study topic are expected to be shared brilliantly in class.

**Multifamily Residential**

Case Studies will be included in class projects and cases will be announced in class.

**Pop-quizzes:**

Occasional Pop quizzes will be given

**Exams:**

One Final exam/Case Study will be given in each segment of the course, Single Family Residential in first half of semester and Multifamily Residential in second half of semester.

**Projects:**

**Single Family Residential Real Estate**

**Research and Presentation Projects**

findings about the quality and functionality of the visited websites. All projects presentations are made to the class on the assigned evenings. Grading will be measured by the student's ability to "teach others" through their presentation.

**LOCAL BUILDER/DEVELOPER INTERVIEW PROJECT:** Students will select a locally headquartered builder or local developer and shall, after researching that company's history and current Houston market position, interview the local builder/developer and prepare a class presentation of findings on topics like: the interviewed person's career path and what market challenges currently face the company and strategies currently deployed to meet the market.

**INTERNET COMMUNITY/HOME SEARCH PROJECT:** Student shall choose a home shopping family from the fictional families provided and shall conduct a thorough web search to identify candidate homes in Houston that match the buyer family's specific needs. Student shall prepare a written summary and present in class of the findings and logic and mechanics of the search. The subject of the project is not the home/community selected by the student, but rather the student's

**Projects, continued:**

**Multifamily Residential Real Estate**

Projects will be announced in class.

**Style Guide:**

Please prepare all writing assignment in a word processing program. Before posting to forums or other electronic mediums, prepare the draft with a word processing program (double spaced, 12 point font with one inch margins). All documents must comply with formatting in accordance with MLA or APA guidelines presented in the respective style guide. Feel free to use either style guide. It is good practice to stick to one guide through the semester.

When preparing financials, please use Microsoft Excel or another spreadsheet program. Spreadsheets can be inserted into word processing documents for submission. Also see <http://office.microsoft.com/en-us/word-help/link-or-embed-an-excel-worksheet-HA010120810.aspx> for additional assistance.

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

**Course Calendar**

*Schedule—case studies and quizzes will be announced during the course.*

**Note: Course Schedule structured in two segments, Single Family Residential first, followed by Multifamily Residential.**

Week	Date	Reading Assignment by Chapter	Topic/Notes	Assignment	Guest Lecturer	Forum Post Required
	<b>Jan 17</b>		<ul style="list-style-type: none"> <li><b>First Day of Classes, Spring Semester</b></li> </ul>			
1	<b>Jan 17</b>		<ul style="list-style-type: none"> <li><b>Course Overview/Introduction:</b> learning objectives, schedule, projects, tests, grading and expectations</li> <li><b>Industry Overview</b> Market Dynamics, business economics, financial analysis, industry structure, players roles and responsibilities, projects, development, marketing and operation</li> </ul>			
2	<b>Jan 24</b>		<p><b><u>Single Family Residential Segment</u></b>  <b><u>Residential Land Development Industry Overview</u></b></p> <p>What is the role of the city, county, state and the developer in land planning, land use, transportation, water, sewer, drainage and smart growth? What types of companies are</p>			

		<p>driving residential land development today? How are home building company's land divisions different or similar to "pure" land development companies? What is the impact of master planned communities on the industry? How does the nature of land development as a self-liquidating asset impact the business model? Land development is a business to business model.</p> <p><b><u>Homebuilding Industry Overview</u></b></p> <p>What companies are driving the industry today? Who are the people shaping the industry today? What changes and movements are occurring in the industry through acquisitions and mergers? Private companies versus public companies, market share and what motivates these companies to organize and strategize as they do? What forces drive growth and innovation and what defines success for the different organizations?</p>			
3	Jan 31	<p><b><u>Residential Land Development</u></b></p> <p><b><u>Land Development Company Organization</u></b></p> <p>Organizing and operating a land company, organizational structure, and work flow between departments. What are the career paths within a company and educational requirements and compensation? Examining company organization versus project organization, organizing for a unique project versus a production organization. Who is the orchestra? What is the consulting network that supports the development industry and what are these functions and responsibilities. What are alternate career paths in residential land development?</p> <p><b><u>Land Development Vision</u></b></p> <p>More than just Location, Location and Location. How do you transform land into a community? How do you brand a community and who creates the vision? What elements</p>			



			<p>are necessary to bring the vision to life? What types of communities are the most prevalent in the industry? What are the needs and wants of the home buyers? What are the key considerations in programming a community? How are communities themed, amenitized and designed? What is the role of the developer in establishing a social network in the community? Who are the key consultants in this phase</p>			
4	Feb 7		<p><b><u>Homebuilding Operations and Career Paths</u></b>  <b><u>Homebuilding Company Organization and Career Paths</u></b>                  Organizing and executing the homebuilding business model, work flow between company departments and the roles of key players (vendors, craftsmen, and professional service providers), career and the different career paths within the industry, compensation within the industry, organizing for unique project type vs. production type companies. How companies are organized, what do the organizational charts look like and how does that affect how different companies operate nationally, regionally and locally.  <b><u>Homebuilding Operations</u></b>                  The process starts with the creation of the product, next plan inception, then construction drawings. Proper execution depends on the accuracy of the estimating, purchasing and pricing process, which feeds into the home start process, producing a quality field construction package. Field management is more than construction management, it is equally driven by sales force management. Traditional construction management continues to focus on the construction schedule, vendor and trade communication, construction budget control, material management, site management, safety and quality control. Builders have to master the art of buyer control and</p>			

			collaboration with Realtors. Today's field is completely dependent on automated processes, the role of IT and the pace of change in automated systems.			
5	<b>Feb 14</b>		<p><b><u>Residential Land Development Economics Acquisitions and Economics of Residential Land Development</u></b></p> <p>What is the role of the cash flow model in land acquisition and the annual business plan? What are the key assumptions? The precision of the cash flow depends on the accuracy of the estimating, most importantly, lot yield, commercial acreage yield, development cost amount and timing, sales price and timing, appreciation, capital cost, and recovery amount and timing. How is the cash flow model stewarded and updated? What is the role of the cash flow model in the annual business plan? How are the cash flow and the income statement different? Understanding of the critical financial metrics including internal rate of return, unleveraged rate of return, return on net assets, gross profit contribution, and inventory turns. What financing tools are prevalent in the industry today and how have they changed?</p> <p><b><u>Public/Private Finance Vehicles</u></b></p> <p>What types of public/private finance vehicles are used in the industry? What is a MUD, a TIRZ, a PUD, a LID, a 380 Agreement, a DPC, a management district? How are municipal districts created? How are bonds sold? Who buys them? What are current yields? How important are the finance vehicles in maintaining affordable housing? Who are the consultants in this part of the industry? What are the career opportunities in these fields?</p>			
6	<b>Feb 21</b>		<p><b><u>Homebuilding Accounting and Legal Issues Residential Accounting and Financial Fundamentals</u></b></p> <p>Students shall be engaged to understand critical financial measurements, or pivotal metrics, including return on invested capital employed, return on internal investment, gross profit contribution, asset turnover and the role of net present value. Students shall gain knowledge and</p>			

			<p>understanding of different nomenclature used in residential development and homebuilding. Other topics include measuring risk and reward, the role of leverage and equity, options and the meaning of specific performance. How important is cash management and how is it different than profit? How does that tie to the role of treasury, bank lines versus address specific loans, the current A &amp; D loan environment?</p>			
7	<b>Feb 28</b>		<p><b>Residential Marketing and Sales</b>  <u><b>Marketing and Selling Communities and Homes</b></u>                      Branding builders and communities, and understanding one's own value proposition. The community value proposition defines competitiveness and must be apparent to shoppers. The role of multiple brands and market segmentation is essential in building market share. Understanding and implementing mass and micro marketing tactics, and the role of the basic 5 Ps of marketing (Product, Price, Promotion, Place, People) is critical in light of the evolving roll of social marketing and the changing buyer shopping patterns.</p> <p><u><b>Internet Search Project Presentations and Discussion</b></u>                      Student presentations and discussions of their internet search project findings.</p>			
8	<b>March 7</b>		<p><b>Residential Marketing and Sales</b>  <u><b>Marketing and Selling Communities and Homes</b></u>                      Branding builders and communities, and understanding one's own value proposition. The community value proposition defines competitiveness and must be apparent to shoppers. The role of multiple brands and market segmentation is essential in building market share. Understanding and implementing mass and micro marketing tactics, and the role of the basic 5 Ps of marketing (Product, Price, Promotion, Place, People) is critical in light of the evolving roll of social marketing and the changing buyer shopping patterns.</p> <p><u><b>Internet Search Project Presentations and</b></u></p>			

Professors: Will Holder, John Hammond, David Hargrove, Jerry Winograd  
 Course: FINA 7397 Residential Real Estate, Section, TBD  
 Semester: Spring 2017

			<b>Discussion</b> Student presentations and discussions of their internet search project findings.			
	March 13-18		Spring Holiday			
9	March 21	Practical Apartment Management	<b>Multifamily Residential Segment</b> Introduction to Multifamily Residential Real Estate David Hargrove & Jerry Winograd	TBD		
10	March 28	Practical Apartment Management	Operations and Management; Corporate Structure, Legal Considerations	Howard Bookstaff		
11	April 4	Practical Apartment Management	Financial Considerations and Valuation of Multifamily Property David Hargrove	Commercial Broker to be named	Offsite Property Inspection	
12	April 11		Evaluation and Acquisition of Multi-Family Property David Hargrove/Jerry Winograd	David Hargrove Jerry Winograd		
13	April 18		Analysis of Property David Hargrove/Jerry Winograd	Eric Barvin		
14	April 25		Sources of Debt and Equity	Mortgage Banker		
15	May 2		Final Exam- Undergraduate and Graduate Level Students Project Presentation for Graduate Level Students David Hargrove/Jerry Winograd			
16	May 9	Note: Final Examination Period: May 2-10	Continue If Needed			

Note: The schedule is subject to change.

**Grading**

**Single family/ Land Development Grading:**

General Class attendance and participation	5 points (graded/credit)
Local Builder/Developer Interview-Presentation	17.5 points (graded/credit)
Internet Home Search Project-Presentation	10 points (graded/credit)
FINAL EXAM	<u>17.5 points (graded/credit)</u>
<u>Total points</u>	50 points

**Multi-family Grading:** The course assignments and participation points are as follows:

In-class attendance and participation	5 (graded)
In Class Quiz(s)	25 (graded - Undergraduate)
In Class Quiz(s)	20 (graded - Graduate)
Course project 1: Acquisition/Reposition	15 (graded - Graduate)
Final Exam	20 (graded - Undergraduate)
<u>Final Exam – Graduate</u>	<u>10 (graded - Graduate))</u>
Total points	50

**GRADE SCALE:**

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

**PeopleSoft:**

The University of Houston’s PeopleSoft system will be an important communication link for this class. I endeavor to use this system to send class-wide and individual e-mails. Please be sure your e-mail address is updated.

**Code of Conduct:**

A student admitted to the University of Houston accepts the responsibility to conform to all University of Houston rules and regulations. Proven failure to meet this obligation will justify appropriate disciplinary action including, but not limited to, expulsion, suspension, disciplinary probation, reprimand or warning. Although the University will make every reasonable effort to make the rules and regulations available, students are responsible for becoming familiar with them.

**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.

**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.