

College of Business

Tennessee State University

REUD 4400-80 FALL 2011

Credit Hrs: 3 Contact hrs: 3

Instructor: Dr. J. Byron Pennington, PhD

Office: I-406 AWC

Office Phone: 963-7130 Home Phone: 361-1543

Office Hours: 3:30-5:30 AWC

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REQUIRED TEXTBOOK:

“ Investment Analysis for Real Estate Decisions”, Kolbe & Greer, Seventh Edition

COURSE DESCRIPTION: Analysis of real estate equity & ownership, including sole proprietorship, partnership, limited partnership, real estate investment trusts, sub-chapter S corporations, & public real estate securities. Computer-assisted analysis of federal income taxation on investment, development, equity yields, & risks.

COURSE OBJECTIVES:

- 1) Understand & apply valuation principles to income producing property.
- 2) Be familiar with common sources of real estate data.
- 3) Understand impact of global influences on real estate.
- 4) Be able to apply the Income Approach valuation methodology to obtain a reasonable estimate of value.
- 5) Be able to apply the Gross Income Multiplier methodology to obtain a reasonable estimate of value.
- 6) Calculate future & present values of ordinary annuities and residual values.
- 7) Understand capitalization & discounting processes.

ACADEMIC INTEGRITY:

Academic honesty and integrity lie at the heart of any educational enterprise. Students are expected to do their own work and neither to give nor to receive assistance during quizzes and examinations. Deliberate violations of academic integrity (plagiarism, cheating, misrepresentation, of information) and fabrication are not tolerated. Actions outlined in the Tennessee State University Student Handbook under Code of Student Conduct will be followed for incidents of academic misconduct.

REASONABLE ACCOMODATIONS:

Any students requiring accommodations should contact Patricia Scudder, Director of Students

with Disabilities-Disabled Student Services Office, at 963-7400, preferably before the fourth class meeting. The College of Business, in conjunction with the Office of Disabled Student Services, makes reasonable accommodations for qualified students with medically documented disabilities. I need to be aware of your status if it will affect your class activities and assignments---before assignments are due.

CODE OF STUDENT CONDUCT:

There will be no eating, drinking, sleeping or disruptive behavior in the classroom. Each student is encouraged participating in classroom activities, asking questions, and working along with the class as recommendations/problem solutions to illustrations, examples, and cases are examined. Additionally, cell phones must be turned off upon entering the classroom and should remain so until class has ended. Action will be taken against those students who do not adhere to appropriate classroom behavior.

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ATTENDANCE & LATE WORK:

Class attendance is mandatory! One unexcused absence will not affect your grade. A second absence will reduce the average course score by two points....a third absence will reduce the average one letter grade....& a fourth absence will result in a FAILING GRADE = "F"!!!

Students may submit a typewritten appeal for each excused absence (supporting documentation required).

PERFECT (100%) attendance will be rewarded with FIVE POINTS !!

Students will not be excused from class except for emergencies (see Student Handbook for excused absence appeals). If you walk out of the classroom while class is being conducted....you will be counted as absent!

Late work will be penalized ten points or one letter grade if completed within one week of due date.

TEACHING STRATEGIES:

This course will include lectures, class discussions, group assignments, presentations, and online

learning exercises.

ASSIGNMENTS & EVALUATION CRITERIA:

Assignments are listed on the syllabus on the MYTSU reud 4400-80 “class file”.

GRADING SCALE:

90%-100%	A
80%-89%	B
70%-79%	C
60%-69%	D
0% -59%	F

CHAPTER	TOPIC	DATE
	Introduction & Review of Syllabus Class Assignments Student Data Sheet/Excused Absence Forms Population, Employment, & Income – The Demand Factors Population Growth & Limited Resources	Aug 28
1	The Real Estate Investment Decision Real Estate as an Investment - A Stream of Future Cash Flows Concepts & Definitions Estimating Investment Value....an Overview The Investment Decision Model Maegan’s Magic Manor Apartments (Table 1.1, p 16) Estimating Investment Value....an Overview Review & Discussion Questions (p 24)	Sept 4
3	Land Utilization & Rental Value Business Location Decisions Linkages & Transfer Costs Questions (p 61) Part One – Class “A” Office Space Case Problem (page 62)	Sept 11
4	Market Research Tools & Techniques A Design for Market Research A Four Quadrant Forecasting Matrix	Sept 18

	Primary & Secondary Data Geographic Information Systems Questions (p 86) Data Sources (pp 88)	
5	Reconstructing the Operating History Overview of the Operating Statement Estimating Ability to Command Rent Estimating Operating Expenses An Apartment Building Example Questions & Problems (p 108)	Sept 25
EXAMINATION #1.....Chapters 1, 3, 4, 5		Oct 2
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6	Forecasting Income & Property Value Forecasting Gross Income Influence of Physical Characteristics Functional Obsolescence Forecasting Operating Expenses The Net Operating Income Forecast Six Year Forecast for Meagan’s Magic manor Apartments Questions & Problems (pp 125-6) Part Two - Case Problem (pp 127-8)	Oct 9
OCTOBER 16 - FALL BREAK		
7	Financial Leverage & Investment Analysis Why Leverage is So Popular “The Spread” Measuring Financial Leverage How Much is Enough? Questions & Problems (pp 145-7)	Oct 23
8	Credit Instruments Notes, Mortgages, & Deeds of Trust Junior Mortgages Installment Sales Contract Government Sponsored Credit Arrangements Questions & Problems (pp 159-161)	Oct 30
9	The Cost of Borrowed Money Nominal (Contract) & Effective (Actual) Rates Debt Coverage & Loan to Value Constraints Amortization Schedule for Maegan’s Magic Manor	Nov 6

Questions & Problems (pp 181-183)
Part Three - Case Problem (p 184)

10	Basic Income Tax Issues Significance of the Tax Basis Allocating the Tax Basis Adjusting the Basis for Cost Recovery Other Adjustments to the Tax Basis Forecasting After Tax Cash Flows Tax Consequences of Ownership Form Tax Consequences of Financial Leverage Income Tax Credits for Property Rehabilitation Limitations on the Deductibility of Losses Tax Consequences of Property Sales Questions & Problems (pp 207-208)	Nov 13
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EXAMINATION #2..... Chapters 6-9

11	Tax Consequences of Property Disposal Computing the Realized Gain or Loss Tax Treatment of Gains or Losses Estimating Cash Flows From Selling Maegen's Magic Manor Realized & Recognized Gains & Losses Using the Installment Sales Method Like-Kind Exchanges Giving Property Away Questions & Problems (p 227-228) Part Four - Case Problem (pp 229)	Nov 20
12	Traditional Measures of Investment Worth Income Multipliers & Financial Ratios Overall Capitalization Rate Equity Dividend Rate Broker's Rate of Return Questions & Problems (pp 242-243)	Nov 27
13	Discounted Cash Flow Analysis Present Value Net Present Value Problems with the Internal Rate of Return Questions & Problems (p 261) Review for Final Exam	Dec 4

FINAL EXAM..... December 11, 2011.....5:30 PM

“FACTORS OF PRODUCTION”

INFLUENCES ON THE FACTORS	<i>LAND</i> <i>(1)</i>	<i>LABOR</i> <i>(2)</i>	<i>CAPITAL</i> <i>(3)</i>	<i>ENTREPRENEURSHIP</i> <i>(4)</i>
<i>SOCIAL (HUMAN RESOURCES)</i>				
<i>CULTURAL (ATTITUDES & PREFERENCES)</i>				
<i>POLITICAL (LEGAL)</i>				
<i>PHYSICAL (ENVIRONMENTAL)</i>				
<i>ECONOMIC (FINANCIAL)</i>				

Land = Natural Resources

Labor = Human Resources

Capital includes Buildings & Equipment

Entrepreneurship = Risk Management