

# The University of North Carolina at Greensboro

Joseph M. Bryan School of Business and Economics  
Department of Accounting and Finance

Fin 430-01 Real Estate Investment

Fall 2013

Tuesday 11:00 to 12:15, Bryan 132

**I. Instructor:** James A. Milanese  
Bryan School Room 385  
334-4864  
E-mail: [JAMILANE@UNCG.edu](mailto:JAMILANE@UNCG.edu)

Office Hours: Tuesdays and Thursdays 12:30 to 1:30

## II. Text:

W. B. Brueggeman & J. D. Fisher, *Real Estate Finance and Investments* (Chicago, IL: Irwin, 2010, 14<sup>th</sup> edition) ISBN: 9780073377339

In addition to the textbook listed above, a financial calculator is required for this course. Any calculator that is capable of performing time value of money, amortization, net present value and internal rate of return calculations will be sufficient. The recommended calculator for this course is the HP 10B or HP 10B II.

*The Wall Street Journal*

## III. Prerequisites:

FIN 315 with a grade of C or better.

## IV. Purpose:

The course is designed to provide students with insights into problems and practices in real estate and real estate finance. The approach is managerial, rather than theoretical.

## V. The learning Outcomes:

1. Understand the major legal rights and interests in real estate that may be conveyed or used as security for mortgage loans.
2. Understand the use of fixed-rate, constant-payment mortgages, how payments are calculated, and how loan amortization works. Understand other kinds of fixed-rate instruments like graduated payment and reverse annuity mortgages.
3. Understand the use of adjustable -rate mortgages, how payments are calculated, and the how negative amortization works.

4. Explain the loan underwriting process, mortgage insurance, and the role of major federal institutions in the mortgage insurance business.
5. Understand the real estate appraisal process and the 3 major approaches to value.
6. Understand the mathematics of residential financial analysis and the incremental cost of borrowed funds.
7. Explain the valuation fundamentals of income producing property.
8. Describe the use of commercial leases.
9. Project the cash flows from a commercial real estate project.
10. Understand the taxation of real estate income.
11. Analyze the cash flows from a real estate investment project, both before- and after-tax.
12. Compute the impact of financial leverage on real estate returns and risks.
13. Understand the role of real estate investment trusts and their role in a well-diversified portfolio

## **VI. Topics to be Covered:**

Chapter 1 Real Estate Investment: Basic Legal Concepts  
Chapter 2 Real Estate Financing: Notes and Mortgages  
Chapter 3 Mortgage Loan Foundations: The Time Value of Money  
Chapter 4 Fixed Interest Rate Mortgage Loans  
Chapter 5 Adjustable and Floating Rate Mortgage Loans  
Chapter 6 Mortgages: Additional Concepts, Analysis and Applications  
Chapter 7 Single Family Housing: Pricing, Investing and Tax Considerations  
Chapter 8 Underwriting and Financing Residential Properties  
Chapter 9 Income Producing Properties: Leases, Rents and the Market for Space  
Chapter 10 Valuation of Income Properties: Appraisal and the Market for Capital  
Chapter 11 Investment Analysis and Taxation of Income Properties  
Chapter 12 Financial Leverage and Financing Alternatives  
Chapter 13 Risk Analysis  
Chapter 21 Real Estate Investment Trusts (REITs)  
Chapter 22 Real Estate Investment Performance and Portfolio Considerations

Note: All subject matter in the chapters assigned is “fair game” for test questions, even if not covered in class lectures.

## VII. Final Grade Determination:

Exam 1	September 17	20%
Exam 2	October 8	20%
Exam 3	November 19	20%
Group Research Project	November 14	20%
Cumulative Final Exam	December 10 (noon to 3:00)	20%

Note: **NO** make-up exams will be given. If you miss one or more of the mid-term exams, and can provide documentation of a valid excuse, the weight of those exams will be added to the final exam. If documentation cannot be provided, or the reason the exam is missed is not valid, a grade of zero will be assigned. For the most part, a valid excuse will be defined as illness, a death in the family or legal obligation (such as jury duty).

Your final grade will be based on the following scale:

92 – 100	A	80 – 81.9	B-	68 – 69.9	D+
90 – 91.9	A-	78 – 79.9	C+	62 – 67.9	D
88 – 89.9	B+	72 – 77.9	C	60 – 61.9	D-
82 – 87.9	B	70 – 71.9	C-	Below 60	F

The instructor reserves the right to adjust the student's final grade by a maximum of one-half point. This adjustment will only be made for students with regular class attendance and participation.

## VIII. Guest Speakers

Throughout the semester, guest speakers may be scheduled for regular class sessions. When a guest speaker is scheduled, class attendance is mandatory, roll will be taken, and an undocumented absence will result in your final grade being reduced by one full letter grade for each session missed

The following excuses will be considered valid:

- Illness or other medical situation
- Death in the family
- Mandatory court appearance

## IX. Student Disabilities:

All students with a disability requesting special services must go through the Office of Disabilities Services. If you are requesting special accommodations, please bring your paper work from Disability Services directly to me the first week of class. All such information will be help in confidence. The web link to this office is <http://ods.dept.uncg.edu/services/>.

## **X. Student Conduct**

Students are expected to conduct themselves in a professional manner at all times. This means, but is not limited to:

- Arriving for class on time
- Doing absolutely nothing during class that is disruptive or detracts from the learning experience of others
- Remaining in class for its duration

Any student disrupting this class will be asked to leave. If the conduct continues, the instructors reserve the right to drop the student from the class.

For an overview of specific University and Bryan School policies, please see the following links:

<http://studentconduct.uncg.edu/policy/code/>

[www.uncg.edu/bae/faculty\\_student\\_guidelines.pdf](http://www.uncg.edu/bae/faculty_student_guidelines.pdf)

## **XI. Honor Policy**

All graded material for this class is subject to the UNCG Academic Honor Policy. If you are not familiar with this policy, please use the following link:

<http://www.uncg.edu/reg/Policy/HonorPolicy.html>

**Final Note:** The last day to drop courses without academic penalty is October 11. The instructor will *not* support this course being dropped after this date unless the student provides written documentation of a valid medical condition that requires withdrawal from *all* classes.