

**University of North Carolina at Greensboro**  
Bryan School of Business and Economics  
M.B.A. Evening Program

**MBA 695-F.11, Real Estate Investment**  
Fall 2008

Instructor: **G. Jason Goddard**  
Place: Room 205, Joseph M. Bryan School of Business & Economics  
Time: **Distance Learning** (Wednesday evening on official schedule)  
Office: Room 344E, Bryan Building (336) 334-4318, (GJGoddard@uncg.edu)  
Office Phone: (336) 747-8594 (**best way to reach me during business hours**)  
Home Phone: (336) 765-1613 (after 5 PM weekdays, and weekends)  
Email (Work): [Jason.Goddard@Wachovia.com](mailto:Jason.Goddard@Wachovia.com) (during business hours)  
Email (Home): GJGoddard@netzero.com (after 5 PM weekdays & weekends)  
Office Hours: By Appointment Only  
Course Textbook: Real Estate Finance and Investments, Brueggeman/Fisher, 13th Ed.  
Calculator: Hewlett Packard 10B or 10B II  
Prerequisites: MBA 602, 603, 605, & 613

*NOTE: Due to the impromptu nature of this course, the book and calculator are provided as reference and are not necessarily required. While the power point slides reference problems from the book and utilize the calculator shown above, the slides are of sufficient quality to be presented on a standalone basis, in lieu of the book and calculator.*

### **Course Description**

Real Estate Investment is an introduction to the foundations and practices in real estate investment. The principal emphasis is on real estate investment principles and concepts, the investment environment, financial analysis, and practical applications. The Real Estate Investments course is an elective in the MBA Department for students interested in learning how to effectively determine the relative risk levels of different commercial and residential investment properties. The course will first focus on discussing essential elements of finance, and will then move into the analysis of investment real estate properties from the perspective of an individual investor, as well as that of a commercial bank lender.

### **Course Learning Objectives**

1. Describe the major legal rights and interests in real estate that may be conveyed or used as security for mortgage loans.
2. Discuss the use of fixed-rate, constant payment mortgages (CPM), constant amortization mortgages (CAM), and graduated payment mortgages (GPM), and demonstrate how payments are calculated.
3. Elaborate on the real estate appraisal process and the three major approaches to value.
4. Explain the valuation fundamentals of income producing property.
5. Explain the difference between the discounted cash flow and direct capitalization techniques of income producing property valuation.
6. Describe the importance and use of commercial leases.
7. Project the cash flows from a commercial real estate project.

## Grading

Investment Analysis Paper	50%	Due Dec. 10 at 7PM via email
Weekly Mini-Case Write-ups (12 total)	<u>50%</u>	Due Weekly via email Fridays at 5 PM
Total	100%	

## Grading Scale

94-100	A	80-82	B-
90-93	A-	77-79	C+
87-89	B+	70-76	C
83-86	B	< 70	F

## Investment Analysis Paper

Students will be responsible for preparing an investment analysis for an investment property currently for sale. Students should obtain access to Loop Net, an interactive website, that lists commercial investment real estate properties currently available for sale at [www.loopnet.com](http://www.loopnet.com). Students should find a property suitable for (hypothetical) purchase by yourself (analysis must be done individually). Students should review all supporting materials such as pictures of the property, location of the property, comparable sales information, and relevant financial data to show that the property would be a good investment (either at the list price or at a counter-offer). Suitable properties should be for sales prices of no more than \$5 million, and should be located on the East Coast of the United States. Papers should be **no more than ten pages** in length exclusive of any exhibits or attachments. The best papers will integrate the topics covered in the course (market analysis, investment analysis, etc.) and present a sound framework for making investment real estate decisions in today's fast moving business environment.

## Weekly Case Studies

Since this is a distance learning format course, we will want to have weekly check-ins in the form of case study analyses. There will be short case studies that essentially walk the student through a profit and loss statement of an income-producing property. Responses to cases are due by 5 PM Friday for each week. Responses to the questions should be no more than one paragraph (or in as concise a manner to get your point across!), and can be done in about a half hour. The reading and case analyses is front loaded in this course as the quicker you are able to understand the course material, the quicker you will be able to get started on the investment analysis paper.

## Course Material Posting Policy

I will post materials for the week on Blackboard typically early Monday morning. This will give students the flexibility of having the material for the week available for the duration of the week, with the goal of completing the cases on a weekly basis by Friday at 5 PM.

If students prefer, I can post **all** of the material required for the course in advance, so that students who would like to "get ahead" may do so. Given that this is a small class, I am sure that we can come to an agreement on this **ASAP**.

**Biographical sketch of the Instructor**

G. Jason Goddard obtained his undergraduate degree in Finance from UNC-G, and obtained his MBA also from the Bryan school. His MBA studies focused on international business and service operations management. The instructor is a current editorial board member of the Journal of Asia-Pacific Business. The instructor is currently employed full-time at Wachovia Bank, where he has been a commercial lender for the past 13 years. He is currently employed as Vice President in the Real Estate Risk Advisor group in Winston-Salem. He has been a senior lender for commercial real estate at Wachovia for the past five years. Mr. Goddard teaches real estate finance at the Calloway School of Business and Accountancy at Wake Forest University. He also teaches the introductory course at the RMA-ECU Real Estate Lending School held annually in Greenville, NC at East Carolina University, as well as on-going investment real estate training at Wachovia Corporation. In addition to his investment real estate expertise, Mr. Goddard is the Assistant Editor of the *Journal of Asia-Pacific Business*, where he has authored numerous articles on international business issues. He has taught the introductory undergraduate course in international business at UNC-Greensboro, and has co-taught the subject in the UNC-G MBA program. Mr. Goddard currently teaches the subject annually in Ludwigshafen Germany at the University of Applied Sciences. Mr. Goddard’s other teaching experience includes leading the *America in the Global Economy* lecture series in UNCG’s MBA program, leading a group of MBA students on the study abroad program in Paris, France, and teaching Customer Relationship Management, an elective in the UNCG MBA program. Mr. Goddard is co-author of *International Business: Theory and Practice, Second Edition*, which was issued by M.E. Sharpe Publishers in September 2006. His second co-authored book, *Customer Relationship Management: A Global Perspective*, was published by Gower Publishing in May 2008. His third co-authored book, *The Psychology of Marketing: Cross Cultural Perspectives*, is set for publication by Gower in late 2009.

**MBA \_\_\_\_\_ Course Schedule (Fall 2008)**

<b>Class</b>	<b>Date</b>	<b>Topic</b>	<b>Assigned Reading</b>
1	Oct. 22	Course Introduction	Ch. 1
		<ul style="list-style-type: none"> <li>• What are property rights?</li> <li>• Compare and contrast the forms of leasehold estates</li> <li>• Discuss the importance of title assurance</li> <li>• Differentiate between the various methods of title assurance</li> </ul>	
<b>Class</b>	<b>Date</b>	<b>Topic</b>	<b>Assigned Reading</b>
2	Oct. 29	Getting our Bearings	Ch. 2, 3 & Case
		<ul style="list-style-type: none"> <li>• Define a mortgage note</li> <li>• Define and explain the mortgage and deed of trust</li> <li>• Identify different mortgage clauses</li> <li>• Explain and identify what constitutes mortgage default &amp; foreclosure</li> <li>• Define and explain the different forms of bankruptcy</li> <li>• <b>Case Analysis: The Global Housing Boom (due Friday Oct 31 at 5 PM)</b></li> </ul>	

<ul style="list-style-type: none"> <li>• Define the time value of money</li> <li>• Calculate the present value and future value of a single sum</li> <li>• Calculate the present value and future value of an annuity</li> <li>• Calculate the effective annual yield for a series of cash flows</li> <li>• Define internal rate of return (IRR)</li> <li>• <b>Case Analysis: The Rent Roll (due Friday Oct 31 at 5 PM)</b></li> </ul>			
<b>Class</b>	<b>Date</b>	<b>Topic</b>	<b>Assigned Reading</b>
3	Nov. 5	The Role of the Lender	Ch. 4 & 7, Case
<ul style="list-style-type: none"> <li>• Discuss the determinants of interest rates</li> <li>• Discuss the various forms of risk for a lender</li> <li>• Compare and contrast CPM, CAM, and GPM</li> <li>• Differentiate between the effective cost of borrowing &amp; the lender's effective yield</li> <li>• Calculate discount points, loan origination fees, and the loan constant</li> <li>• <b>Case Analysis: Operating Expenses (due Friday Nov. 7 at 5 PM)</b></li> </ul> <ul style="list-style-type: none"> <li>• Discuss the importance of market research</li> <li>• Elaborate on the determinants of the supply and demand for investment real estate</li> <li>• What are the three forms of property valuation?</li> <li>• Compare and contrast gross potential income (GPI), effective gross income (EGI), and net operating income (NOI)</li> <li>• Elaborate on the components of the direct capitalization income approach valuation</li> <li>• <b>Case Analysis: Market Research (due Friday Nov. 7 at 5 PM)</b></li> </ul>			
<b>Class</b>	<b>Date</b>	<b>Topic</b>	<b>Assigned Reading</b>
4	Nov. 12	The Role of the Appraisal	Ch. 9 & 10, Case
<ul style="list-style-type: none"> <li>• What can J.K. Galbraith teach us about financial forecasting?</li> <li>• Elaborate on the different classifications of investment real estate</li> <li>• What are the "four food groups" of investment real estate?</li> <li>• Elaborate on the "QQD" cash flow framework developed in class</li> <li>• Discuss the various market assessment tools</li> <li>• Elaborate on the importance of leases in investment real estate analysis</li> <li>• Discuss the financial components of leases</li> <li>• Calculate the effective rent of a lease</li> <li>• <b>Case Analysis: The Anatomy of a Lease (due Friday Nov. 14 at 5 PM)</b></li> </ul> <ul style="list-style-type: none"> <li>• Outline the steps in the appraisal process</li> <li>• Discuss how an appraised value is determined using the 3 forms of value</li> <li>• What is a capitalization rate and how is it determined?</li> <li>• Compare and contrast the discounted cash flow model &amp; the direct capitalization model</li> <li>• Define and discuss how a discount rate is calculated</li> <li>• Elaborate on the highest &amp; best use analysis</li> <li>• <b>Case Analysis: Ellwood and the Cap Rate (due Friday Nov. 14 at 5 PM)</b></li> </ul>			

<b>Class</b>	<b>Date</b>	<b>Topic</b>	<b>Assigned Reading</b>
5	Nov. 19	The Four Food Groups	Slides & Cases
<ul style="list-style-type: none"> <li>• Elaborate on the investment characteristics of apartment projects</li> <li>• Utilize the UNCG Off-Campus Occupancy Study to analyze apartment projects</li> <li>• Use the direct capitalization income approach valuation for apartment projects</li> <li>• <b>Two Underwriting Cases on Apartments (due Friday Nov. 21 at 5 PM)</b></li> </ul>			
<i>NOTE: No Class on Nov. 26 due to Thanksgiving Holiday</i>			
<b>Class</b>	<b>Date</b>	<b>Topic</b>	<b>Assigned Reading</b>
6	Dec. 3	The Four Food Groups Continued	Slides & Cases
<ul style="list-style-type: none"> <li>• Elaborate on the investment characteristics of retail and office projects</li> <li>• Use the direct capitalization income approach valuation for retail and office projects</li> <li>• <b>Two Underwriting Cases on Office and Retail (due Friday Dec 5 at 5 PM)</b></li>   <li>• Elaborate on the investment characteristics of warehouse and flex projects</li> <li>• Use the direct capitalization income approach valuation for warehouse and flex projects</li> <li>• <b>Two Underwriting Cases on Warehouse and Self-Storage (due Friday Dec 5 at 5 PM)</b></li> </ul>			
<b>Class</b>	<b>Date</b>	<b>Topic</b>	<b>Assigned Reading</b>
7	Dec. 10		Final Paper Due
<b>INVESTMENT ANALYSIS PAPER DUE by 7 PM</b>			