Course Catalog Description

Students will be taught the real estate capital markets and the mix of the necessary financing sources required of developments. Students will evaluate criteria used by developers, real estate lenders and capital providers looking to minimize risk and maximize returns on real estate investments.

Course Description and Learning Outcomes

This course focuses on three key criteria utilized by real estate capital markets to evaluate projects: market feasibility, valuation, and financial feasibility both for new development and existing real estate assets. Students will study market analysis for a variety of land uses, basic appraisal theory, and key financial metrics as measured by static pro formas and cash flow analysis. This course will have students complete a weekly assignment, with many focused on training and improving student skills using Microsoft Excel. The course will include readings, guest lectures, and a real estate group project.

Upon successful completion of the course, students will be able to meet the following class learning objectives (CLOs):

1. Ability to evaluate residential and commercial real estate markets and to critically assess market studies and reports by understanding the following:
   a. Key demographic demand drivers
   b. Key economic demand drivers
   c. Site analysis for contemplated use
2. Ability to interpret real estate appraisal reports which use the following three approaches to valuation:
   a. Market or sales comparables approach
   b. Cost or replacement approach
   c. Income capitalization approach

3. Ability to address the major components of the real estate development process, including:
   a. Site due diligence
   b. Understand the permitted use and entitlement process
   c. Yield analysis; conceptual site plan
   d. Identify a competitive set of market comparables
   e. Formulate a budget for pre-development and construction
   f. Determining project community benefits and contribution to social equity
   g. Determining price and terms for site acquisition
   h. Forming a development team and roles of each team member
   i. Understanding the risks and challenges of real estate development

4. Ability to prepare a static and multi-year cash flow financial analysis
   a. Understanding of key financial performance metrics used in capital markets, including yield/cash on cash return, discount rates, IRRs, equity multiplier, debt coverage ratio, and loan-to-value ratios.
   b. How to link the development program, development budgets, operating budget to the cash flow analysis.

5. Understanding the basic capital financing structures, including terms for debt and equity participation, addressing the following:
   a. Current capital market conditions and underwriting criteria for debt and equity
   b. Basics of evaluating and presenting project viability to attract capital to a project
   c. Key principles for joint venture agreements and structuring distributions to equity partners (including waterfall distributions)

Course Format
This course will be presented in an online format. All materials will be available to you through Canvas and lectures will be provided using Zoom. A computer which has a web camera and microphone, and which can run software such as MS-Office, Zoom, Adobe Reader, etc. is required. SJSU has a free equipment loan program available for students. Additionally, an internet connection capable of handling live video conferencing such as Zoom will be required to effectively participate in the course. Use of Web Camera in Class: Zoom video must be on except for scheduled breaks.

Your attendance is important to facilitate our understanding of the course material and required projects. Discussion of current trends will also benefit from attendance in person for the entire class. There will be at least one outside guest speaker on a topic connected to the curriculum.

Textbook and Readings


Other Readings
Several assignments require internet research using search engines and websites such as Google, government data websites, and industry trade associations. Supplementary readings and other class materials will be provided in advance of each class.

Course Requirements and Assignments
Your grade for the course will be based on the following assignments and graded activities:

<table>
<thead>
<tr>
<th>Activities/Course Elements</th>
<th>Percent of Course Grade</th>
<th>CLOs Covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class Participation - Individual</td>
<td>15%</td>
<td>1,2,3,4, &amp; 5</td>
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<tr>
<td>Assignments - Individual</td>
<td>40%</td>
<td>1,2,3,4, &amp; 5</td>
</tr>
<tr>
<td>Final – Group Project</td>
<td>45%</td>
<td>3, 4, &amp; 5</td>
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</tbody>
</table>

Class Participation
Students are expected to contribute to class conversation in an intelligent manner and to ask questions regarding the material. Good questions can enhance the learning experience of the entire class.

Assignments
The instructor will distribute eight assignments over the semester per the schedule which will be completed by each student and submitted for grading.

Group Project
One of the main deliverables of the class will be a Group Project with three to four students per group as assigned by the instructor. The Group Project will be an opportunity to apply all the concepts learned in the class to the development of a real site or existing structure that is currently available for sale on the market in the Bay Area. Students will need to meet with city officials and real estate brokers and make a proposal for the development based on the current or anticipated zoning. Students will need to prepare preliminary design sketches, a market analysis, and a financial pro-forma of the project detailing all development costs, future revenue and expected profit. Each group will submit an Excel spreadsheet with the project pro-forma; a 10 to 15 page investment memorandum detailing their investment proposal (including the constraints and risks of the investment) and a 20 to 25 minute presentation to the entire class. The Instructor will also meet with each group during the Semester. The deadlines and deliverables for the Group Project are shown at the class schedule below.

Grading Information
The course letter grade will be determined by the total accumulated points a student is awarded from the elements shown in the table above. Final letter grades will result from the percent of total points received by each student based on the following grading scheme: A+ (96 and above); A (93 to 95); A- (90 to 92); B+ (87 to
89); B (84 to 86); B- (81 to 83); C+ (78 to 80); C (75 to 77); C- (72 to 74); D+ (69 to 71); D (66 to 68); D- (63 to 65); F (below 63).

**Other Grading and Assignment Issues**

Late assignments will only be accepted with prior consent of the instructor and will be down-graded 10% for each day they are late.

**Classroom Protocol**

It is expected that students will arrive to class on time and to mute their computer if there is background noise that disturbs the class. Zoom video must be on except for scheduled breaks. Virtual backgrounds must be appropriate and in good taste.

**University Policies**

Per [University Policy S16-9](http://www.sjsu.edu/senate/docs/S16-9.pdf), relevant university policy concerning all courses, such as student responsibilities, academic integrity, accommodations, dropping and adding, consent for recording of class, etc. and available student services (e.g. learning assistance, counseling, and other resources) are listed on [Syllabus Information web page](https://www.sjsu.edu/curriculum/courses/syllabus-info.php). Make sure to visit this page to review and be aware of these university policies and resources.

**Additional Information (Delete if not applicable)**

All writing is expected to follow The Chicago Manual of Style: The Essential Guide for Writers, Editors, and Publishers.
<table>
<thead>
<tr>
<th>Week/Lesson /Module (Delete if not applicable)</th>
<th>Date</th>
<th>Topic Covered</th>
<th>Reading</th>
<th>Assignments Due Dates</th>
</tr>
</thead>
</table>
| 1                                           | 1/27 | Introductions  
Syllabus  
Student Survey  
Real estate development process & legal concepts                                                                                                                                                                    | RED, Chaps. 1 & 3  
REFI, Chap 1                                                                 | None                  |
| 2                                           | 2/1  | Optional Excel workshop during office hours 4:00 to 5:00 p.m.                                                                                                                                               | None                                                                  | None                  |
| 2                                           | 2/3  | Market Analysis  
a. Key demographic demand drivers  
b. Key economic demand drivers  
c. Real estate cycles  
d. Residential trends (for-sale & rental)  
Assignment #1 (distribution)                                                                                                           | RED Chap. 2  
REFI Chap 7, pages 185-208; Chap., 11 pages 354-361               | None                  |
| 3                                           | 2/10 | Market Analysis  
a. Office trends  
b. Industrial trends  
c. Retail trends  
d. Location analysis  
Guest Speaker #1  
Assignment #2 (distribution)                                                                                                              | Supplemental Readings                                                                                                   | Assignment #1 |
| 4                                           | 2/17 | Financial Analysis  
a. Time value of money  
b. Capitalization rates  
c. Investment Metrics  
Assignment #3 (distribution)                                                                                                                                                                               | REFI Chap. 3  
Supplemental Readings                                                                                                      | Assignment #2 |
| 5                                           | 2/24 | Financial Analysis (continued)  
a. Fixed rate loans  
b. Variable rate loans  
Assignment #4 (distribution)                                                                                                                                                                                | RED Chap. 10  
REFI Chaps. 2, 4, & 5                                                                                                      | Assignment #3 |
| 6                                           | 3/3  | Financial Analysis – Static Pro Forma  
Assignment #5 (distribution)                                                                                                                                                                                      | RED Chap. 11  
REFI Chaps. 9 & 16                                                                                                         | Assignment #4 |
| 7                                           | 3/10 | Financial Analysis – Cash Flow Pro Forma  
Assignment #6 (distribution)                                                                                                                                                                                     |                                                                                                                                  | Assignment #5 |
| 8                                           | 3/17 | Entitlement Process and issues  
a. Zoning and General Plan  
b. CEQA  
c. Impact Fees                                                                                                                                                                                        | RED Chap. 7 & 8  
Supplemental Readings                                                                                                      |                       |
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<th>Reading</th>
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<tr>
<td>d. Community Benefits</td>
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<tr>
<td>9</td>
<td>3/24</td>
<td>Project &amp; Construction Cost Budgeting</td>
<td>REFI Chap. 16 pages 535-546</td>
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<td>Supplemental Readings</td>
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<td>11</td>
<td>3/31</td>
<td>SPRING BREAK - NO CLASS</td>
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<td>10</td>
<td>4/7</td>
<td>Appraisal</td>
<td>REFI Chap. 10 Supplemental</td>
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<tr>
<td></td>
<td></td>
<td>a. Role of appraisers</td>
<td>Readings</td>
<td>Assignment #6</td>
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<td>b. Appraisal Instructions</td>
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<td>c. Three approaches to value</td>
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<td>d. Highest and best use</td>
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<td>e. Land residual value</td>
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<td>Assignment #7</td>
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<td>Project Team Formation</td>
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<td>Group Project Assignment</td>
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<td>12</td>
<td>4/14</td>
<td>Appraisal (continued)</td>
<td>REFI Chap. 18 Assignment</td>
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<td>Structuring Real Estate Investments</td>
<td>#7</td>
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<td>Assignment #8</td>
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<tr>
<td>13</td>
<td>4/21</td>
<td>Project Financing and Capital Markets</td>
<td>REFI Chap. 12 Assignment</td>
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<td>Guest Speaker #2</td>
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<tr>
<td>14</td>
<td>4/28</td>
<td>Debt Securitization</td>
<td>REFI Chaps. 19, 20, &amp;21</td>
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<tr>
<td></td>
<td></td>
<td>a. CMBS Markets</td>
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<td>b. Risk Assessment</td>
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<td>REITs</td>
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<td>15</td>
<td>5/5</td>
<td>Special topics TBD (based on student interests)</td>
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<td>Guest Speaker #3</td>
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<td>Group Project Q&amp;A</td>
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<td>16</td>
<td>5/12</td>
<td>Group Presentations</td>
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<td>17</td>
<td>TBD</td>
<td>EXAM Period: Group Presentations, if needed</td>
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<tr>
<td>Final Exam</td>
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<td>No exam</td>
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