

University of Pennsylvania
The Wharton School

**REAL ESTATE INVESTMENT
[VERSION: AUGUST 2009]**

Office address:
1463 SH-DH

Office hours: Wed 2.30-4.00pm
or by appointment

Course Description

Classes: Lectures provide a venue for questions, thoughts and discussion. You are required to attend the lectures.

Participation in lectures and the class discussion account for 10% of your overall course grade.

You are responsible for all materials covered in the lectures, including the guest lectures. Guest lectures are **required** material and will be videotaped in case you have a class conflict. *Time and location of guest lectures to be announced.

TAs: Regular office hours are held each week. Three extra, hour-long office hours are held before EACH assignment, including both cases and tests. Time and location are available on webCafé.

Grading: First test (100 pts)
Second test (100 pts)
Cases 1 & 2 (35 pts *each*)
Participation (30 pts)

Both tests are in class; they are NOT cumulative. In the second test you are expected to demonstrate a basic understanding of the first half of the course but will not be tested directly on it. A physical copy of the case is due in class on the case due date. Late cases will be not read or graded.

The date/ time for all assignments are final. There are no “make-up” opportunities.

Incompletes and make-ups are not given without a Wharton Dean’s Office-approved reason.

Note: If you take this class on a pass/fail basis it cannot count toward the 4 course units you need for a Real Estate Concentration.

Re-grade Policy:

All re-grade requests must be made within 7 days after the assignment is returned. No exceptions will be made.

A one-page, brief explanation for the re-grade request must be uploaded to the appropriate webCafé folder. Each student has a private folder for each assignment; no

one besides the student, the TAs and I will have access to it. When a request is uploaded, it will be time-stamped by the system.

The entire assignment will be graded again; the grade can go up or down. Only one re-grade request can be requested for each assignment.

Extenuating Circumstances:

Extenuating circumstances are defined as those which are unexpected, significantly disruptive and beyond a student's control. Proof of the unexpected and disruptive nature of the circumstance is required. Long-term conditions must be reported to the Student Disabilities Service at the beginning of the semester. In the case of acute medical conditions, a doctor's note demonstrating the student has been incapacitated is needed. Confirmation of contact with health services is NOT sufficient.

Cases:

All cases will be done in groups of 3-5 students. You are encouraged to form your own groups – start thinking about it now. You must form a group within your own session.

A "marketplace" is set up to facilitate group forming. If you do not have a group, you MUST sign up by revising the excel file under specific case folders and the appropriate class time folder. <<"I need a group".xls>> Be proactive and contact others on the list to form a group. Once you are committed to a case group, it is your responsibility to work with other members.

If you do not think a group member has worked with other group members with good faith, submit a written complaint citing your name, the group member list, the name of the offending group member and the nature and evidence of the offense. If two (2) or more serious complaints are registered against you, a deduction of up to a 50% of your grade will be made.

The cases will be posted on webCafé at least two weeks before the due date. Each case has a strict page limit. Any pages that exceed the page limit will be removed and returned, unread. **Collaboration between groups is not allowed. Late cases will not be accepted nor will extensions be given without proof of extenuating circumstances.** A physical copy of the case is due in class on the case due date. Late cases will be not read or graded.

WebCafé Question Board

ALL questions related to the course should be posted on the Question Board on webCafé and they will be answered promptly through the Board. Questions should be submitted by the lecture topic. You are strongly encouraged to check the Question Board frequently. **Non-Wharton students** will need to apply for a Wharton account in order to get access to the WebCafé. Applications will be accepted starting on the first day of class at Wharton Computing.

Text:

The required textbook is "Real Estate Finance and Investments" by Linneman. Please refer to the reading list for assigned chapters for each topic. For supplementary reading, you might refer to "Commercial Real Estate Analysis and Investments" by Geltner & Miller.

Readings:

Articles are available on webCafé. Material not covered in class or in the class notes is recommended but not required.

Course Outline [August 2009]

#	Date	Topic #	Topic	Notes
1	Sep 10	01.	Introduction & Basic financial concepts	
2	Sep 15	02.	Types of Real Estate	
3	Sep 17	03.	Leases	
4	Sep 22	04.	Pro Forma Creation	
5	Sep 24	05.	Property Evaluation & Cap Rates	
6	Sep 29	06.	Debt and Simple Mortgages	
7	Oct 01	07.	Taxes and Real Estate Values	
8	Oct 06	08.	Real Estate Companies	
9	Oct 08		Review Session	
10	Oct 13		1st Test (in class)	
11	Oct 15	09.	Land Leases	Drop period ends: Oct 16
12	Oct 20		Guest Lecture	Peter Linneman/ Sam Zell
13	Oct 22	10.	Due diligence	
14	Oct 27		Case 1 discussion	Case 1 due in class
15	Oct 29	11.	Development Pro Forma	
16	Nov 03	11.	Development Feasibility Analysis	
17	Nov 05	12.	Private Equity	
18	Nov 10	13.	CMBS	
19	Nov 12		Guest Lecture	Andrew Bauman – Executive Director, Morgan Stanley
20	Nov 17	14.	REITs & Exit Strategies	
21	Nov 19	15.	Real Estate Cycles and Bubbles	
22	Nov 24		Case 2 discussion	Case 2 due in class
23	Dec 01	16.	Own vs. Rent	
24	Dec 03		Guest Lecture	Leanne Tobias - Founder and Managing Principal of Malachite LLC
25	Dec 08		Review Session	
26	Dec 10		2nd Test (in class)	

Reading List

Linneman Book Reading List - Additional articles on WebCafé

Topic #	Topic	Reading
01	Introduction	Ch. 1 Pre-Requisite I & II (if needed)
02	Types of Real Estate	Ch. 2
03	Leases	Ch. 3
04	Pro Forma Creation	Ch. 4-5
05	Property Valuation & Cap Rates	Ch. 7
06	Debt & Simple Mortgages	Ch. 11-13 Pre-Requisite III (if needed)
07	Taxes and Real Estate Values	P. 47-50, 53
08	Real Estate Companies	Ch. 10
09	Land Leases	Ch. 15
10	Due Diligence	Ch. 6
11	Development Pro Forma / Feasibility Analysis	Ch. 8-9
12	Private Equity	Ch. 17
13	CMBS	Ch. 14 Supplemental II
14	REIT's & Exit Strategies	Ch. 16, Ch. 18
15	Cycles and Bubbles	Ch. 20
16	Own vs. Rent	Ch. 19, Ch. 21