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

MBA 744-71, Real Estate Investment
Summer 2019, Session II

Instructor:	**G. Jason Goddard**
Place:	Distance Learning Format
Time:	Slides posted on Canvas each Monday at 9 AM
Phone:	(336) 926-2463
Email	GJGoddar@uncg.edu
Office Hours:	By Appointment Only
Course Textbook:	Real Estate Investment: A Value Based Approach, by G.J. Goddard & B. Marcum, Springer Publishers, 2012. ISBN-10: 3642235263, ISBN-13: 978-3642235269
Calculator:	Hewlett Packard 10B or 10B II
Prerequisites:	Admission into the Bryan MBA Program

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. Real Estate Investments is an elective course for students interested in learning how to determine the relative risk levels of different commercial and residential investment properties. The course first focuses 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.
8. Discuss the taxation of real estate income.
9. Analyze the cash flows from a real estate investment project, both before- and after-tax.
10. Compute the impact of financial leverage on real estate returns and risks.
11. Utilize concepts such as internal rate of return, net present value, and capitalization rates to analyze income-producing property.
12. Discuss the role of REITs and CMBS in a well-diversified portfolio.

Class Procedures

The content of this course will be conveyed in an online format via lecture slides, case studies, and review of the required text book. Each approach in the mix is designed to develop and elaborate on the content of the course. Each week by Monday at 9 AM, the slides for the week will be posted on Canvas. Students are responsible for reading the chapters in the text as well as reviewing the slides on Canvas for each week. Students should discuss the cases and other issues which arise from the weekly readings on Canvas' discussion forum. Each week specific questions will be posted on Canvas for discussion. Students have until Sunday at 3 PM to answer the questions for a given week.

Academic Integrity and Faculty Student Guidelines

For any questions about these issues, please refer to the following links:
http://sa.uncg.edu/handbook/academic-integrity-policy/
http://www.uncg.edu/bae/faculty_student_guidelines.pdf

Grading

Given the amount of material covered in so short a period of time, there will be five weekly quizzes in the course. Each quiz will consist of twenty multiple choice questions and relate to the readings for that particular week. The weekly quiz questions will be posted on Canvas by the end of the day on Monday of the week of the exam. Students will have until Sunday at 3 PM to complete the quiz. The quiz time will be limited to 1 hour.

Weekly Quizzes	30%	20 MC questions weekly
Investment Analysis Paper	40%	Due by August 1 at 5 PM
UNC-G Off-Campus Student Housing Study	10%	Due by July 18 at 5 PM
Individual Contribution (weekly)	20%	Canvas Discussion Board
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. Students should find a property suitable for (hypothetical) purchase. 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 and can be done either individually or in groups of up to four students. 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. It should be noted that students should find their properties on Loopnet (or similar sites for commercial real estate) as soon as possible, as you may need to *communicate with the brokers directly* for obtaining adequate financial information to evaluate the property. Waiting until the last minute is not the best approach for this assignment. **The investment analysis paper is due by Thursday August 1, 2019 at 5 PM**. For interested students, we will hold a non-mandatory class session on Monday June 24 at 6 PM in Bryan 204 to discuss the paper project and to allow students to view the contents of sample broker packages and commercial appraisals.

UNC-G Off-Campus Student Housing Survey

The completion of the Off-Campus Student Housing Worksheet will be integral to the determination of market vacancy and rental rates for our class session on underwriting apartment buildings. Each student will individually be responsible for completing the worksheet. A list of all students and their chosen off-campus student housing complex will be updated on Canvas to ensure that no duplication exists. Students should contact a local property manager for completion of the worksheet. Students should plan on visiting the site and should submit additional comments (three pages maximum) with their thoughts on the complex, the surrounding area, the experience of the property manager, and other things noted during the property inspection. **The completed worksheet and summary analysis papers are due on Thursday July 18, 2019 at 5 PM.**

Individual Contribution

Individual contribution points will be awarded based on the **quality of the content added** to the class discussions as opposed to the quantity of the content added. Questions and discussions posed by students on Canvas's discussion forum should be relevant to the material being covered in the class. A student will receive class contribution points for adding to the discussion forum via meaningful, insightful comments. What I am looking for is evidence that students are integrating the textbook material with the supplemental material covered each week. Additional contribution points will be assessed via completion of various case studies due throughout the term.

Biographical sketch of the Instructor

G. Jason Goddard is currently Vice President at Wells Fargo, where he has been a commercial lender for over 20 years. Mr. Goddard is currently credit analysis manager for Greater Triad Business Banking and works in Winston-Salem, NC. He obtained his MBA from the Bryan School at the University of North Carolina at Greensboro. Mr. Goddard is currently adjunct professor of practice at Wake Forest University and part-time lecturer at UNC-G. He is the Associate Editor of the *Journal of Asia-Pacific Business,* where he has authored numerous articles. Mr. Goddard teaches the investment real estate course at the School of Business at Wake Forest University each spring and fall semester. Mr. Goddard also teaches the subject annually at the RMA-ECU Commercial Real Estate Lending School at East Carolina University in Greenville, NC. He has also taught undergraduate and MBA courses in international business and international finance at UNC-G, and has coordinated the America in the Global Economy lecture series at UNC-G. Mr. Goddard has led a group of UNCG MBA students on the study abroad program in Paris, France, and has taught annually in Ludwigshafen Germany at the University of Applied Sciences. Mr. Goddard has also taught Customer Relationship Management, an elective in the UNC-G MBA program, and Market Psychology, an elective in the Wake Forest MALS program. Mr. Goddard is co-

author of six text books: *International Business: Theory and Practice, Second Edition (*M.E. Sharpe Publishers, September 2006), *Customer Relationship Management: a Global Perspective* (Gower Publishing, May 2008), *The Psychology of Marketing: Cross-Cultural Perspectives*, (Gower Publishing, October 2010), *Real Estate Investment: A Value Based Approach*, (Springer, July 2012), *International Business: A Course on the Essentials*, (M.E. Sharpe, October 2013), and *Global Business: Competitiveness and Sustainability,* (Routledge, November 2017). *You can follow me on Twitter @GJasonGoddard.*

MBA 744 Course Schedule (Summer 2019)

Week	Date	Topic	Assigned Reading
1	June 24-28	Course Introduction	Ch. 1, 2 & Cases

- What are property rights?
- Compare and contrast the forms of leasehold estates
- Discuss the importance of title assurance
- Differentiate between the various methods of title assurance
- Elaborate on the different classifications of investment real estate
- What are the "four food groups" of investment real estate?
- Elaborate on the "QQD" cash flow framework
- **Mini-Case: Market Research**

- Define a mortgage note
- Define and explain the mortgage and deed of trust
- Identify different mortgage clauses
- Explain and identify what constitutes mortgage default & foreclosure
- Define and explain the different forms of bankruptcy
- Compare and contrast CPM, CAM, and GPM
- Differentiate between the effective cost of borrowing & the lender's effective yield
- Calculate discount points, loan origination fees, and the loan constant
- Discuss the various provisions associated with debt financing
- Compare and contrast participation loans, accrual loans, and convertible mortgages
- Calculate prepayment penalties and define the lock out period
- **Mini-Case: Workout Loan Scenario**
- **RMA Article: Riddle of the Debt Yield**

Week	Date	Topic	Assigned Reading
2	July 1-5	A Return to Fundamentals	Ch. 3,4 & Cases

- Define internal rate of return (IRR)
- Compare and contrast gross potential income (GPI), effective gross income (EGI), and net operating income (NOI)
- Elaborate on the components of the direct capitalization income approach valuation
- Calculate the effective annual yield for a series of cash flows
- The Investor Perspective: IRR vs. NPV
- Discuss the various forms of Investor strategies

- Calculate a before tax internal rate of return (BTIRR)
- Compare and contrast internal rate of return (IRR) and net present value (NPV)
- Calculate net operating income for multiple years
- **Mini-Case: The Rent Roll**
- **Mini-Case: Operating Expenses**

- What are the three forms of property valuation?
- Outline the steps in the appraisal process
- Discuss how an appraised value is determined using the 3 forms of value
- What is a capitalization rate and how is it determined?
- Compare and contrast the discounted cash flow model & the direct cap model
- Define and discuss how a discount rate is calculated
- Elaborate on the highest & best use analysis
- Elaborate on the real options approach to investing
- **Mini-Case: Replacement Reserves**

Week	Date	Topic	Assigned Reading
3	July 8-12	Market Research	Ch. 5, 6 & Cases

- Discuss the importance of market research
- Discuss the various market assessment tools
- Discuss the stages of the real estate cycle
- Elaborate on the importance of leases in investment real estate analysis
- Discuss the financial components of leases
- Calculate the effective rent of a lease
- Differentiate between the various types of leases
- **Mini-Case: The Anatomy of a Lease**

- Elaborate on the determinants of the supply and demand for investment real estate
- Discuss the determinants of interest rates
- Discuss the various forms of risk for a lender
- Elaborate on the positive and negative effects of financial leverage
- Discuss the various forms of risk
- Discuss how risk and leverage are related
- Discuss the different strategies of portfolio management
- Understand how to partition the IRR and why this is important for an investor
- Calculate the expected return, variance, and standard deviation for competing investments
- **Mini-Case: Sensitivity Analysis**

Week	Date	Topic	Assigned Reading
4	July 15-19	Taxation and Securitization	Ch. 7, 11 & 12

- What are the three forms of taxable income?
- Calculate the after tax internal rate of return (ATIRR)
- What are bank requirements for underwriting investment real estate?
- Discuss the Good the Bad and the 1031 Exchange
- Describe the due diligence process for a lender and an investor
- Elaborate on the components & importance of sensitivity analysis
- **Mini-Case: The Global Housing Boom**

- Describe the origins of the securitization market
- Elaborate on the differences between agency guarantees and private label MBS
- Discuss the various forms of CMOs
- Elaborate on the benefits of the REMIC
- Discuss CMBS in light of the QQD Framework
- **RMA Articles: A World of Herf & Hotels the Fifth Food Group**

- Elaborate on REITs as an investment alternative
- Discuss the QQD framework for REITs
- Discuss the various REIT valuation techniques
- **UNC-G Off-Campus Student Housing Worksheet is Due by 5 PM July 18**

Week	Date	Topic	Assigned Reading
5	July 22-26	Investment Property Valuation Week	Ch. 8-10 & Cases

- Elaborate on the investment characteristics of apartment projects
- Utilize the UNC-G Off-Campus Occupancy Study to analyze apartment projects
- Use the direct cap income approach for apartment property valuation
- **Two Underwriting Cases on Apartments**
- **Mini-Case: DCF Exercise (Heidelberg, Germany Mixed Use Property Valuation)**

- Elaborate on the investment characteristics of retail and office projects
- Use the direct cap and DCF income approach for retail and office property valuation
- **Two Underwriting Cases on Office and Retail**

- Elaborate on the investment characteristics of warehouse and flex projects
- Itemize the typical users of self-storage space
- Use the direct cap and DCF income approach for industrial property valuation
- **Two Underwriting Cases on Warehouse and Self-Storage**

Week	Date	Topic	
6	July 29-Aug 2	**Investment Analysis Paper Due**	

- **Investment Analysis Paper is due by Thursday August 1, 2019 at 5 PM**