Introduction to Real Estate
FINA 366
Spring 2017

Instructor: William H. Harrison, Jr.

Office: Moore School; 4th floor West (river) side; office # 456 H (Finance Dept.)
Office Hours: Tuesday & Thursday 10:00 – 11:30 AM; 1:10 – 2:40 PM (by appointment only); and 6:00 PM until whenever … but call or email first for an appointment as I may be elsewhere in building … or I may be committed to another student.

I will occasionally be here on Wednesdays … but call first to confirm

Phone: Cell … (Emergencies only !) … 843-276-6116 … leave text message

Email: harrison7311@gmail.com Note … Type “Student 366” in the “Subject” line so that it won’t be spammed out of my server.

PLEASE … DO NOT USE THE BLACKBOARD MESSAGING SYSTEM TO TRY TO REACH ME… YOU WON’T !

Course Description:

Real estate, as a topic of intellectual inquiry, can be approached from a variety of academic perspectives … sociology, law, economics, political science, finance and investment, and even behavioral psychology. This course, officially entitled “An Introduction to Real Estate and Urban Development”, is housed within the Finance Department of USC’s School of Business. As such, the course’s initial goal is to provide a basic grounding in these markedly broader “fields of vision” as mentioned above. Then, once so grounded, the student is introduced to the theories and financial mechanics of real estate valuation. This course is a prerequisite for most subsequent real estate courses within the Business School, which generally trend toward more intense concentration in real estate valuation, investment and finance.

Learning Outcomes:

The (successful) student will become proficient in understanding such varied concepts as;

- the nature and importance of real estate in the national and world economies
- the concepts of risk and time value of money (TVM) in real estate decisions
- the legal foundations of real estate, and conveyances of real estate interests
- the valuation / appraisal of real estate
- real estate finance: concepts, laws, terminology, and calculations
- urban economics
A General Course Outline:

A. The nature of real estate and real estate markets
B. Value and real estate decisions
C. Market determinants of value
D. Government controls and real estate markets
E. Legal foundations to value
F. The effects of time and risk on value
G. Valuation using the sales-comparison and cost approaches
H. Valuation using the income approach
I. Real estate finance laws and contracts
J. Mortgage calculations and decisions
K. Investment decisions: ratios
L. Investment decisions: NPVs and IRRs

Prerequisite:

FINA 363 … If you haven’t taken it, or aren’t taking it concurrently with 366, it won’t necessarily be fatal but you “are” going to have to work harder or you’ll fall seriously behind in the 2nd half of the course.

You are expected to be already knowledgeable in the use of a handheld calculator to solve Time Value of Money (TVM) problems. You are permitted, but not encouraged, to use any other technology you wish to work assigned financial problems. HOWEVER, for exams you will NOT be permitted to use smartphones or personal computers … only traditional handheld calculators (suggested … Hewlett Packard HP series or Texas Instruments TI series). If in doubt … ask. As such you are strongly advised to practice your calculator’s entry logic in class as we progress. Ignoring this WILL likely be fatal!

(See the Section on “Calculators …” below)

Textbook, Blackboard, & Required Reading:


- Class web page: Blackboard.sc.edu. PLEASE VERIFY YOUR ABILITY TO LOGON TO (AND CONFIRM YOUR EMAIL ADDRESS WITH) BLACKBOARD or you will not receive certain course documents, outside reading, and important communications from me. Course info will be found under the “Course Documents” tab.

Course Structure:

Classes will consist of lectures, problem solving, and discussion of assigned readings and cases. Students are expected to read assigned materials prior to class so they may actively participate.
Written homework will occasionally be assigned. Generally, the lectures will emphasize those areas of the text that the Instructor considers most relevant to a successful completion of the course. In addition, the Instructor’s lectures may bring in new material not necessarily covered by the text. Likewise, there may be material of relevance in the text reading that the Instructor may not cover in class. Because of the nature and speed of the material covered, it will not be possible to keep up with the class (or pass quizzes) without reading in advance; this will involve your consistent preparation.

**Attendance and Testing:**

Class attendance is expected and roll will often be taken. **THERE WILL BE NO OPPORTUNITY TO SIGN THE ROLL AFTER THE CLASS HAS ADJOURNED … SO PLEASE DON’T ASK FOR A PERSONAL EXCEPTION, REGARDLESS OF THE CIRCUMSTANCES.** I tend to award extra subjective “bonus points” to students who can successfully avoid the myriad of “excuses” (see below) for non-attendance. If a student can somehow manage to miss no more than two classes, there is an opportunity for subjective points awarded at the end of the semester. The following is an excerpt from the University’s Class Attendance Policy:

Absence from more than 10% of the class’s sessions, whether excused or unexcused, is excessive and the instructor may choose to exact a grade penalty for such absences … It must be emphasized that the “10 percent rule” state above applies to both excused an unexcused absences.

AS THERE IS NO DIFFERENCE BETWEEN AN “EXCUSED” AND AN “UNEXCUSED” ABSENCE, there is no reason for you to feel compelled to advise the Instructor or forward any medical records or absence explanations.

There will “generally” be a short quiz each week or two. **Quizzes will come from the text reading assigned or lecture material covered in that day’s class and / or the class before.** Missed quizzes will result in a grade of zero. **THERE WILL BE NO MAKE-UPS FOR QUIZZES.** (The only exception for quizzes will be for varsity sports tournaments with a signed note from a coach.)

However, all students will be allowed to **DROP THEIR TWO (2) LOWEST QUIZ SCORES.** This option is meant to allow the student some personal latitude is dealing with a variety of unexpected personal situations or competing school requirements that may come up. In order for a student to earn any grade points on any given quiz, that student’s raw score must equal 50% or higher.

The **QUIZ DROPS and the ABSENCE POLICY are both** meant to address and include:

- illness
- family emergencies and funerals
- varsity sports
- job interviews, conferences, and job fairs
- early vacation departure
- football “festivities”
- priorities of studies for other courses, tests etc.
• hangovers, “mental health days”, or “just don’t want to get out of bed” days
• everything else imaginable, including Armageddon and “the End of the World”

PLEASE DO NOT ASK FOR EXCEPTIONS to this quite liberal absence / grading policy.

There will be two (2) mid-term exams, and 95 + % of the questions for such will be come from the lecture notes and class / homework problems … not the textbook. Make-up Midterm and Final Exams will be considered ONLY with a valid (e.g. medical emergency) documented (e.g. health provider) excuse.

Students are expected to bring their textbook to each class … and their calculators as well.

This course’s exams and quizzes are generally multiple-choice and graded on a curve.
Scantron allows the instructor to see a full distribution curve for each test. I typically want to see the median score fall in the 75 - 80% range after the curve is applied, and I will apply the same “curve” to each student’s score to accomplish this. This allows me to give a somewhat more “challenging” test and then raise everyone’s point scores accordingly. While the curve may vary broadly, I am typically seeing 7 to 15 point positive adjustments. This curve concept tends to “spread-out” the grades and accomplishes two things; … first, it shows me (and the student) early-on just who is struggling so that I can offer help and advice (if requested) … second, it does an excellent job of distinguishing those who are striving to excel from the rest of the pack … as well as those who are merely coasting. With respect to quizzes (not exams), in order to receive any points, the student must have achieved a raw score (before curve) of 50% … otherwise the quiz grade will be recorded as a zero. There are typically several students in each class who, as a result, will end the semester with average course grades well in excess of 100 (the record to date is 117) on the traditional grade system.

Make-up Exams:
As mentioned above, there are no make-ups for quizzes (unless varsity athletics). Make-ups for midterms and final exam (with medical excuse etc.) will be given in my office after the scheduled test date ( only ) … no exceptions ). IT IS THE RESPONSIBILITY OF THE STUDENT TO MAKE THE ARRANGEMENTS FOR ANY EXAM MAKE-UPS … “NOT” THE INSTRUCTOR. The make-up testing may NOT be of the same format as the regular in-class exams. (It takes 5 to 6 hours for an instructor to create a class midterm exam, so it is not feasible to generate a 2nd exam for an individual student(s). A make-up may consist of oral presentation, essay, written calculations and the like. Further, there may not be a “curve” available for make-ups since there is no basis for comparison with other students.

In other words, MAKE-UP EXAMS SHOULD BE YOUR OPTION OF LAST RESORT! THE DEADLINE FOR ALL MAKE-UPS IS 6:00 PM IN THE LAST DAY OF REGULARLY SCHEDULED CLASS … otherwise the grade will be registered as a zero.

Calculators and “Time Value of Money” (TVM) :
It will be very-very important that you be able to follow the calculator keystrokes that I give you in class and/or in the text. Those keystrokes are given to you in the text and in my lectures in Hewlett Packard 10-B/12C etc. entry logic. Certain calculators (notably the TI-BA series) do not use this logic! If you are already comfortable with TVM, IRR, DCF, NPV etc. with another calculator/logic (TI logic etc) then no problem. However, I will NOT be able to devote class time to explaining alternative entry logic for other calculators … very disruptive and confusing!

If you ignore this advice, you will be extremely challenged to have to learn a new concept, a new calculator, and instant conversion from HP logic to TI logic all at the same time. One of the above is challenging enough. I won't say that you can't do it, but it is guaranteed you will not have a pleasant experience trying … and making a good grade will be problematic at best (better get a tutor!).

If you have doubts, I would encourage you to invest $35 (guess) in an HP-10B, HP-12C, or a recent HP model upgrade. Alternatively, borrow one from other students if necessary.

Once TVM instruction begins you will be expected to bring your calculator to EVERY CLASS.

**Instructor Presentations:**

The Instructor will utilize PowerPoint presentations for most of this course. These presentations will “generally” be posted to Blackboard prior to class.

**Homework/Reading the Text Assignments:**

We will be covering only about 60% of the text over this course … approximately 12-13 chapters … and the reading requirements will not be onerous. The INSTRUCTOR EXPECTS THAT YOU WILL HAVE READ THE ASSIGNED TEXT PRIOR TO CLASS. THE QUIZZES WILL TEST YOUR ADHERENCE TO THIS POLICY. The “more detailed” financial examples presented in the text (that the instructor feels are relevant) will be covered in class, but will NOT be tested on the quizzes.

I will occasionally require written homework/assignments to be prepared for class and submitted for grading/scoring. Homework is an INDIVIDUAL assignment, and while I have no problems with students “collaborating” on homework methodology, the “copying” of another’s work (digital or otherwise) is NOT within the bounds of “Academic Honesty”.

There is an intended “bright line” between "collaboration" (general discussion of concepts and methodology) among students and copying/plagiarism … which is cheating (see below). If that "collaboration" line appears fuzzy to you, then DON’T EVEN APPROACH IT. The consequences of mistakenly pushing this boundary could be fatal. If in doubt, see me. The excuse "I misunderstood" after-the-fact won’t even be considered.

Your homework assignments may be a combination of Blackboard submitted work (on-line) or in-class submitted (written). Homework submitted after the class due date (note … “beginning” of class) will be given only “partial” credit, if any, at the discretion of the instructor. For in-class
submitted written assignments (versus on-line assignments) no credit will be awarded once solutions are posted to Blackboard (usually by 7 PM that same evening).

With respect to in-class submitted assignments, if situations arise which might cause you to miss class then it is incumbent upon you to either have a classmate / friend / paid stranger submit your homework in class on your behalf or, alternatively, to slide the “time dated” homework under my office door (#456 H) before class time. **Under no circumstances will I accept emailed assignments.** Unless specified otherwise, all homework must be submitted to Blackboard (or due for hand-in if applicable) at the beginning of the class as shown on the Class Schedule posted to Blackboard. This Schedule is subject to change weekly … and it probably will … so **CONSISTENTLY MONITOR THE CLASS SCHEDULE FOR UPDATES.**

**Final Course Grades via Point System:**

Rather than including the Grade Point Computation Chart within the syllabus, I have posted it to Blackboard as a separate file. I strongly encourage all students to use the self-assessment feature to track their individual earned points toward their course grade goal.

Note that I will retain UP TO twenty (20) points latitude in assigning individual final course grades based on homework, attendance, and class participation / attitude. **THERE IS NO FORMULA FOR SUCH LATITUDE … IT IS BY INTENT, SUBJECTIVE … AND BASED UPON MY PREROGATIVE ONLY.** Generally, I expect the student to have been quite diligent with respect to attendance and to have submitted all homework assignments to even be eligible for any of these subjective points. Any expressed or implied expectation by a student that he / she “deserves” to receive such points is a near-guarantee that they won’t.

**Final course grades will be assigned per the point system at the top of the Grade Point Computation Chart.**

Previously, classes of this course have typically generated a grade of an “A” for about **20-30 % of** the students with roughly the same percentage of “B’s”. The failure rate for this course has rarely exceeded **20 %**.

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This Point system chart may be amended from time to time as needs dictate. Always check the Chart posted to Blackboard for any changes / most recent version.
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**Academic Honesty:**

**NO FORM OF ACADEMIC DISHONESTY WILL BE TOLERATED ... WHATSOEVER.**

The consequences to anyone found plagiarizing, copying, or taking false credit for attendance or someone else’s work (this includes homework and case studies) will be severe. There will be no “warnings”, “probations” or “second chances”. This policy extends also to anyone who allows their work to be copied or plagiarized or participates in any way with the fraudulent acts of others. To protect yourself from any appearances of complicity you should immediately advise me of any suspicions of impropriety around you. Some thoughts to keep in mind:
• SINCE ALL TESTING IN THIS COURSE IS BASED ON A “CURVE”, ANYONE WHO CHEATS RAISES HIS / HER OWN GRADE AT THE EXPENSE OF EVERY OTHER STUDENT IN THE CLASS.

• Since most graded work in this course is based on a multiple-choice Scantron format, it is relatively easy to copy others’ work. But, because of this same computer assisted grading system, IT IS ALSO VERY EASY TO SPOT THE PATTERNS OF COPYING AND CHEATING.

• Copying or reliance on work from online sites is also easy to spot … and is cheating. Many of the solutions are worked “uniquely” or incorrectly and the graders are instructed to look for these anomalies. Ignore at your peril.

• The consequences for any participation with cheating will be two-fold. From an academic perspective it will result in failure (a grade of “zero”) … at a minimum on the test or work involved, but more likely for the entire course. Second, the incident(s) may be reported to the administration for disciplinary action. One of the disciplinary options from such an investigation is expulsion from USC. The University can ill-afford to have its reputation tarnished by graduating potential business managers and leaders who resort to dishonesty to advance their personal ambitions. And you can ill-afford the lifetime stigma.

• Collaboration on assignments (discussing “concepts”) is quite distinct from replication of someone else’s work / answers (cheating) but it can create a slippery slope. If you choose to collaborate, make sure that you are 100% certain of the distinction before proceeding.

• The consequence to you of someone found copying your work will be the appearance of complicity. The burden will then be on you to show otherwise. Shield your work and advise if you think that you are being compromised.

Summary:

The above pages are merely the ground rules to play and compete for academic achievement.

Your real goal is to learn about one of the most fascinating, profitable, risky, creative, and entrepreneurial careers and fields of study in America …

AND TO HAVE SOME FUN DOING SO!

And that is my challenge to you!