



Course: Real Estate Finance
Term: Spring Semester 2006
Course Number: B40.2339
Section: 31
Professor: Ary H. Freilich (Adjunct)
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Classroom: TBD
Class Time: Wednesdays, 6:00 – 9:00 PM
Office: KMEC 9-197
Office Hours: By appointment

Course Description and Objectives: This is an introductory course covering the fundamentals of real estate, real estate finance and real estate investment, taught from a distinctly entrepreneurial perspective and directed toward providing students with the fundamental concepts and techniques required to evaluate, acquire and finance income-producing property. A significant portion of the course will be devoted to applying what has been learned in class to real-world transactions. Overall, the course will focus on:

- Understanding the nature of commercial real estate.
- Gaining familiarity with the language, concepts and, agreements and instruments that are critical to real estate transactions, as well as the means and processes employed in negotiating, contracting for, financing and closing a purchase transaction.
- Analyzing cash flows to determine valuations, capital requirements, returns on capital, deal feasibility and the differing results produced by different deal and financing structures.

Required textbook: William J. Poorvu & Jeffrey L. Cruikshank, *The Real Estate Game –The Intelligent Guide to Decision-Making and Investment* (The Free Press {Simon & Schuster}), 1999.

There will be handouts and other assignments from time to time to supplement textbook readings and classroom topics. Students should stay abreast of real estate news in the financial press (e.g., Wednesday's *Wall Street Journal* and Sunday's *New York Times*) as part of their acculturation to the real estate industry.

The class will involve graded presentations by students. Much of the material will be covered only in the classroom, so students are cautioned that classroom attendance is an important aspect of this course.

Before we start: If you are not already familiar with this, make sure you learn how to calculate loan payment amounts using a financial calculator (HP 12C or equivalent).

Course Methodology: The subject matter of this course is not linear in nature. You will need to absorb a diverse array of information, including terminology, legal concepts, financial analysis concepts and risk/reward concepts and methodology. As we begin to make progress with the material, you will form into groups to examine and research potential real estate transactions and will thereafter make purchase, financing and/or deal structure recommendations to your firm's acquisition committee (the class). Periodically, we will have guest speakers with relevant experience.

Grading: Grading will be calculated in accordance with the following formula:

- Deal presentations: 25%
- Midterm examination: 30%
- Final examination: 45%

Examination Policies: The midterm examination will be closed book. The final examination will be cumulative. You must take both the midterm and final examinations.

Project Policies: Note that you will be required to work with others on certain assignments. Groups will be called upon to present data and recommendations, and each group member will be required to participate in that presentation. The group's performance will, as a result, be affected by the performance of its individual members.

Honor Code: You are expected to comply with Stern's Honor Code.

Email/Blackboard: Please check your email and Blackboard regularly as I may be sending reading materials, questions and other items that we will discuss in class.

Classroom Civility: You are expected to arrive on time and conduct yourself appropriately. Please use your laptop only for classroom purposes.

Names: Please help me by displaying your name card at your seat.

Course Outline and Schedule* :

<i>Date</i>	<i>Topics</i>	<i>Assignments</i>
2/8	<ul style="list-style-type: none"> ▪ Course introduction and overview ▪ Characteristics of real estate ▪ Thinking like a real estate person ▪ The real estate investment analysis spreadsheet ▪ The commercial real estate loan: nature, elements, terms, considerations, and calculations (part 1) 	<ul style="list-style-type: none"> ▪ <i>The Real Estate Game</i>. Students are expected to complete reading this book by the midterm examination. It is suggested, however, that you commence reading it after we have held the first class or two. ▪ Investment Analysis Template
2/15	<ul style="list-style-type: none"> ▪ The commercial real estate loan: nature, elements, terms, considerations, and calculations (part 2) ▪ Mortgage calculations (financial calculator, Excel and mortgage calculator) 	<ul style="list-style-type: none"> ▪ Promissory note and mortgage ▪ Subordination and Non-disturbance Agreement ▪ Loan application ▪ Certificate of Financial Condition ▪ Loan commitment ▪ Hand out mortgage calculation worksheet (at 2nd class) ▪ Guest speaker
2/22	<ul style="list-style-type: none"> ▪ The commercial real estate lease: function, elements and concepts (part 1) 	<ul style="list-style-type: none"> ▪ Mortgage calculation worksheet due ▪ Commercial lease ▪ Tenant Estoppel ▪ Guest speaker
3/1	<ul style="list-style-type: none"> ▪ The commercial real estate lease: function, elements and concepts (part 2) 	<ul style="list-style-type: none"> ▪ Office Investment Analysis Template ▪ Guest speaker
3/9	<ul style="list-style-type: none"> ▪ Property tour [location to be disclosed] ▪ Pre-midterm review 	
3/23	<ul style="list-style-type: none"> ▪ Midterm Examination 	<ul style="list-style-type: none"> ▪ Guest speaker
3/30	<ul style="list-style-type: none"> ▪ Deal #1 ▪ Deal #2 	<ul style="list-style-type: none"> ▪ Guest speaker

* Subject to revision.

4/5	<ul style="list-style-type: none"> ▪ Deal #3 ▪ Deal #4 	<ul style="list-style-type: none"> ▪ Offer to Purchase ▪ Purchase and sale agreement
4/12	<ul style="list-style-type: none"> ▪ TBD 	
4/19	<ul style="list-style-type: none"> ▪ Deal #5 ▪ Deal #6 	<ul style="list-style-type: none"> ▪ Title report ▪ Survey ▪ Due diligence checklist ▪ Phase 1 report ▪ Management agreement
4/26	<ul style="list-style-type: none"> ▪ Deal #7 ▪ Deal #8 ▪ Full course review 	
5/3	<ul style="list-style-type: none"> ▪ Final examination 	