



Course: Principles of Real Estate Finance (B40.2329.10 {Fall 2006})
Professor: Ary H. Freilich (Adjunct)
Email: afreilic@stern.nyu.edu
Classroom: KMEC 2-80
Class Time: Mondays, 6:00 – 9:00 PM
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 practical concepts and techniques required to evaluate, acquire and finance income-producing property. The course will focus on:

- The nature of commercial real estate.
- The language, concepts and, agreements and instruments that are critical to real estate transactions.
- The means and processes employed in negotiating, contracting for, financing and closing a purchase transaction.
- The interrelationships between owners, their tenants, lenders and investors.
- Methods used to analyze cash flows and determine valuations, capital requirements, returns on capital, deal feasibility and the differing results produced by alternative deal and financing structures.

Required reading: William J. Poorvu & Jeffrey L. Cruikshank, *The Real Estate Game –The Intelligent Guide to Decision-Making and Investment* (The Free Press {Simon & Schuster}), 1999. Students are expected to complete reading chapters 1 – 4 by the midterm examination and the balance by the final examination.

Recommended: Lisa Holton, *The Essential Dictionary of Real Estate* (Barnes & Noble Books).

Additional reading: A number of documents and readings required for class will be posted on Blackboard. These should be read at the time we cover the related topic in class. In addition, 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.

Financial Calculator: You will need a financial calculator (HP 12C or equivalent). If you don't already know how, use the manual to learn, before the class commences, how to calculate loan payments.

Course Methodology: Be forewarned: The subject matter of this course is not linear in nature, and there is no textbook or equivalent that lays out what you need to learn in order to master the topics covered by this course. As a result, you will need to absorb and integrate a diverse array of concepts and information from a variety of sources.

Much of the material will be covered only in the classroom and some of the material will be taught by students in their classroom presentations. Students are cautioned that focused classroom attendance and regular review and assimilation of materials are important aspects of this course.

Grading: Grading will be calculated in accordance with the following formula (I reserve the right to make modifications in exceptional circumstances):

- Deal presentations: 25%
- Midterm examination: 25%
- Final examination: 25%
- Classroom contribution: 25%

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 frequently communicate information and post important materials.

Classroom Civility: You are expected to arrive on time and conduct yourself appropriately.

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

Course Outline and Schedule (subject to revision):

<i>Class</i>	<i>Topics</i>	<i>Assignments</i>
#1 (9/18)	<ul style="list-style-type: none"> ▪ Course introduction and overview ▪ Real estate valuation ▪ The commercial real estate loan: nature, elements, terms, considerations, and calculations (part 1) 	
#2 (9/25)	<ul style="list-style-type: none"> ▪ The commercial real estate loan (part 2) 	<ul style="list-style-type: none"> ▪ Blackboard: Financing-related materials
#3 (10/9)	<ul style="list-style-type: none"> ▪ The commercial real estate loan (part 3) ▪ The commercial real estate lease: function, elements and concepts (part 1) 	
#4 (10/16)	<ul style="list-style-type: none"> ▪ The commercial real estate lease (part 2) 	<ul style="list-style-type: none"> ▪ Blackboard: Lease-related materials
#5 (10/23)	<ul style="list-style-type: none"> ▪ Connecting the loan and lease dots ▪ Pre-midterm Q & A 	
#6 (10/30)	<ul style="list-style-type: none"> ▪ Midterm Examination 	
#7 (11/6)	<ul style="list-style-type: none"> ▪ Midterm review ▪ Deal analysis 	
#8 (11/13)	<ul style="list-style-type: none"> ▪ Deal #1 ▪ Deal #2 ▪ The purchasing process 	<ul style="list-style-type: none"> ▪ Blackboard: Purchase and sale documents
#9 (11/20)	<ul style="list-style-type: none"> ▪ Deal #3 ▪ Deal #4 ▪ Borrowing, due diligence and preparation for closing 	<ul style="list-style-type: none"> ▪ Blackboard: The Borrowing Process ▪ Blackboard: Due diligence; preparation for closing
#10 (11/27)	<ul style="list-style-type: none"> ▪ Deal #5 ▪ Deal #6 ▪ The closing 	<ul style="list-style-type: none"> ▪ Blackboard: Closing-related materials
#11 (12/4)	<ul style="list-style-type: none"> ▪ Deal #7 ▪ Deal #8 ▪ End of term Q & A 	
#12 (12/11)	<ul style="list-style-type: none"> ▪ Final examination 	