



Course: Principles of Real Estate Finance (B40.2329.10 {Sept. 2007})
Professor: Ary H. Freilich (Adjunct)
Email: afreilic@stern.nyu.edu
Classroom: **KMEC 5-140**
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 a grounding in the fundamental practical concepts and techniques required to evaluate, finance, acquire and operate 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 interrelationships between owners, their tenants, lenders and investors, and the issues that arise in those relationships.
- 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.

Recommended 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.

Recommended text tool: 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 to calculate loan payments, use the manual to learn how before class commences. You should also learn how to calculate loan payments using Excel.

Course Methodology: Be forewarned: The subject matter of this course is not linear in nature. 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. A significant portion of your class

time will involve working with your 'deal group' to understand problems that are presented in class. Students are cautioned that, unlike many other courses, focused classroom attendance and regular review and assimilation of materials are important elements of this course. Do not assume that because there is no textbook the time involved in reviewing and mastering the subject matter will be easy or minor.

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

- Midterm examination: 30%
- Final examination: 30%
- Deal presentations: 30%
- Classroom contribution: 10%

Project Policies: Note that you will be required to work with others on deal presentations. Your grading on these projects will thus be affected by the performance of your group.

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

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.

Disabilities: If you have a qualified disability and will require academic accommodation during this course, please contact the Moses Center for Students with Disabilities (CSD, 998-4980) and provide me with a letter from them verifying your registration and outlining the accommodations they recommend. If you will need to take an exam at the CSD, you must submit a completed Exam Accommodations Form to them at least one week prior to the scheduled exam time to be guaranteed accommodation.

Course Outline and Schedule (subject to revision):

<i>Class</i>	<i>Date</i>	<i>Topics</i>
#1	9/24	<ul style="list-style-type: none">▪ Course introduction and overview▪ The commercial real estate loan: nature, elements, terms, considerations, and calculations (part 1)
#2	10/1	<ul style="list-style-type: none">▪ The commercial real estate loan (part 2)
#3	10/8	<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	10/15	<ul style="list-style-type: none">▪ The commercial real estate lease (part 2)
#5	10/22	<ul style="list-style-type: none">▪ Connecting the loan and lease dots▪ Pre-midterm Q & A
#6	10/29	<ul style="list-style-type: none">▪ Midterm Examination
#7	11/5	<ul style="list-style-type: none">▪ Midterm review▪ Deal analysis
#8	11/12	<ul style="list-style-type: none">▪ Deal #1▪ The purchasing process
#9	11/26	<ul style="list-style-type: none">▪ Deal #2▪ Borrowing, due diligence and preparation for closing
#10	12/3	<ul style="list-style-type: none">▪ Deal #3▪ The closing
#11	12/10	<ul style="list-style-type: none">▪ Deal #4▪ End of term Q & A
#12	12/17	<ul style="list-style-type: none">▪ Final examination