

RE INVESTMENT ANALYSIS

Summer 2017

Course Description and Objectives

This course is intended to benefit all students, and particularly those who have a somewhat limited background in finance by offering an "applied finance" approach to mastering key real estate investment concepts.

Using several different property types as examples, we will evaluate various scenarios of potential acquisition, cash flow, financing, resale, and partnership. In our analyses we will look at specific metrics to identify what appears to be favorable about each investment, what is problematic, and what might be absent from the scenario as presented. We will look for factors that might optimize each real estate investment transaction and for those that might cause it to fail. As necessary we will reconstruct each transaction, seeking alternatives that could yield more favorable or more realistic results.

Our objective is for students to learn to recognize and understand key concepts and metrics through an inductive approach. An additional objective is for students to develop a sense of how one can "read" the financial work-up of a property like a story: to look behind the property data and the numbers to apprehend not only what they reveal but also what they might be warning us to dig deeper to uncover. By examining the specifics of each property and the market it is in, students will develop an understanding of essential financial concepts using this inferential method. At the same time, they will look at a transaction from the points of view of the various participants, and begin to discern what is important to those different parties. As a final objective, students will develop an awareness of the importance of clarity in conveying their analysis of a property to a third party.

Real Estate Investment Analysis -- Overview

Instructor: Frank Gallinelli, adjunct assistant professor

Contact: fjg.columbia@gmail.com (please use this address to deliver homework assignments and as a contact address)

Text and materials:

There is no required text for this course. However, I recommend that you review your notes and the material provided for my orientation class in May. In addition, I may from time to time direct you to relevant chapters in the text used in your core finance classes.

You must have and be comfortable using Microsoft Excel.

I will provide descriptions of several investment scenarios, which will be the basis of your assignments and of our class discussions.

You should be prepared to share and discuss your analyses. Your participation in class is essential. You should bring your completed assignment each week on a thumb drive so that you

can explain your analysis of a particular case if I call on you to do so.

Grading:

Approximately 85-90% of your grade will be based on your performance on weekly case study assignments and on your classroom participation and discussion, with the remainder based on your quiz.

General requirements:

Your attendance and timely arrival at class is mandatory.

Assignments should be delivered via email prior to the beginning of the class when it is due at this address:

fjg.columbia@gmail.com

Material for weekly assignments will be given as needed.

Case-study assignment for final class: Using either a real or an invented property, write your own detailed investment case study. Build a financial analysis and a presentation, either from the point of view of an investor seeking to acquire or finance the property, or from the point of view of the owner seeking to sell the property. Be prepared to share, discuss and defend your analysis in class.

Syllabus:

Week 1 (June 2, 11 A.M.): Overview of course objectives; review of key terminology and real estate investment metrics

Assignment for following class: Apartment property case

Week 2 (June 6, 1 P.M.): Review and discussion of assigned apartment property case

Assignment: Retail strip center investment case

Week 3 (June 13, 1 P.M.): Review and discussion of assigned retail strip center case

Assignment: Comparative investment case: mixed-use vs. free-standing retail

Week 4 (June 20, 1 P.M.): Review and discussion of assigned comparative investment case

Assignment: Original case study, as described above

Week 5 (June 27, 1 P.M.): Quiz

Weeks 5 (June 27, 1 P.M.) - 6 (July 11, 1 P.M.): First, to catch up if we have material still to cover from previous week(s). Then, students will present and defend the original cases they have prepared.

If we have the opportunity to extend one of our class sessions, I will introduce a property development case. Attendance for this will be optional.