

University of Pennsylvania
The Wharton School

REAL ESTATE INVESTMENT

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Office hours: Wed 2.30-4.00pm
or by appointment

Course Description

Classes: Lectures provide a venue for questions, thoughts and discussion. You are required to attend the lectures.

Participation in lectures and the class discussion account for 10% of your overall course grade.

You are responsible for all materials covered in the lectures, including the guest lectures. *Time and location of guest lectures to be announced.

Grading:

First test (100 pts)
Second test (100 pts)
Cases 1 & 2 (35 pts *each*)
Participation (30 pts)

Both tests are in class; they are not cumulative. In the second test you are expected to demonstrate a basic understanding of the first half of the course but will not be tested directly on it. A physical copy of the case is due in class on the case due date. Late cases will be not read or graded.

The dates and times for all assignments are final. There are no “make-up” opportunities.

Incompletes are not given without written permission of the Wharton Dean’s Office.

Note: If you take this class on a pass/fail basis it cannot count toward the 5 course units you need for a Real Estate Concentration.

- Text:** The main textbook is “Real Estate Finance and Investments: Risks and Opportunities” by Linneman. The book is highly readable, and a good introduction to the Real Estate topics. Please refer to the reading list for assigned chapters for each lecture. For supplementary reading, you might refer to “Commercial Real Estate Analysis and Investments” by Geltner & Miller.
- Readings:** Articles will be available on webCafé. The readings are provided to help you better understand concepts covered in class. Material not covered in class or in the class notes is recommended but not required.
- WebCafé:** I strongly encourage you to become familiar with the course web page on Wharton’s WebCafé. All class materials are posted on the page, as are class announcements. ***Non-Wharton students** will need to apply for a Wharton account in order to get access to the WebCafé. Applications will be accepted starting on the first day of class at Wharton Computing.*
- Calculator:** Although it is not required, you might find a financial or programmable calculator useful for computing annuities/present values. You are responsible for knowing how to use these functions. You are allowed to use a calculator in both tests.
- Cases:** **All cases will be done in groups of 3-5 students. You are encouraged to form your own groups – start thinking about it now.**
A “marketplace” is set up to facilitate group forming. If you do not have a group, you **MUST** sign up by revising the excel file under specific Case folders and the appropriate class time folder. <<“I need a group”.xls>> Be proactive and contact others on the list to form a group. Once you are committed to a case group, it is your responsibility to work with other members.
If you do not think a group member has worked with other group members with good faith, submit a written complaint citing your name, the group member list, the name of the offending group member and the nature and evidence of the offense. If two (2) or more serious complaints are registered against you, there will be an investigation and a deduction from your case performance up to 50% of the case grade.

The Cases will be posted on webCafé at least two weeks before the due date. Each case has a strict page limit. Any pages that exceed the page limit will be removed and returned, unread. **Collaboration between groups is not allowed. Late cases will not be accepted nor will extensions be given without approval from the Wharton Dean’s Office.** Again, a physical copy of the case is due in class on the case due date. Late cases will be not read or graded.
- TAs:** TAs hold weekly office hours and offer assistance on assignments and general course material. A schedule of office hours will be announced during the second week of the semester.

WebCafé Question Board

ALL questions related to the course should be posted on the Question Board on webCafé and they will be answered promptly through the Board. Questions should be submitted by the lecture topic. You are strongly encouraged to check the Question Board frequently.

Course Outline

#	Date	Topic #	Topic	Notes
1	Sep 04	01.	Introduction & Basic financial concepts	
2	Sep 09	02.	Types of Real Estate	
3	Sep 11	03.	Leases	
4	Sep 16	04.	Pro Forma Creation	
5	Sep 16		Guest Lecture	Jim Groch - CFO, Trammell Crow
	Sep 18		<i>No classes</i>	See Lecture 5
6	Sep 23	05.	Property Evaluation & Cap Rates	
7	Sep 25	06.	Debt and Simple Mortgages	
8	Sep 30	07.	Taxes and Real Estate Values	
9	Oct 02	08. & 09.	Real Estate Companies & Land Leases	
10	Oct 07		Review Session	
11	Oct 09		1st Test	Drop period ends: Oct 10
	Oct 14		<i>No classes</i>	Fall break
	Oct 16		<i>No classes</i>	See Lecture 12
12	Oct 20		Guest Lecture	Peter Linneman/ Sam Zell
13	Oct 21	10.	Due diligence	
14	Oct 23		Case 1 discussion	Case 1 due in class
15	Oct 28	11.	Development Pro Forma	
16	Oct 30	11.	Development Feasibility Analysis	
17	Nov 04	12.	Private Equity	
18	Nov 06	13.	CMBS	
19	Nov 10		Guest Lecture	PJ Yeatman - Senior Managing Principal, Lubert-Adler
20	Nov 11	14.	REITs & Exit Strategies	
21	Nov 13	15.	Real estate cycles and bubbles	
22	Nov 18		Case 2 discussion	Case 2 due in class
23	Nov 20	16.	Own vs. Rent	
	Nov 25		<i>No classes</i>	See Lecture 17
	Nov 27		<i>No classes</i>	Thanksgiving break
24	Dec 02		Review Session	
25	Dec 04		2nd Test	

Reading List

Linneman Book Reading List - Additional articles on WebCafé

Topic #	Topic	Reading
01	Introduction	Ch. 1 Pre-Requisite I & II (if needed)
02	Types of Real Estate	Ch. 2
03	Leases	Ch. 3
04	Pro Forma Creation	Ch. 4-5
05	Property Valuation & Cap Rates	Ch. 7
06	Debt & Simple Mortgages	Ch. 11-13 Pre-Requisite III (if needed)
07	Taxes and Real Estate Values	P. 47-50, 53
08	Real Estate Companies	Ch. 10
09	Land Leases	Ch. 15
10	Due Diligence	Ch. 6
11	Development Pro Forma / Feasibility Analysis	Ch. 8-9
12	Private Equity	Ch. 17
13	CMBS	Ch. 14 Supplemental II
14	REIT's & Exit Strategies	Ch. 16, Ch. 18
15	Cycles and Bubbles	Ch. 20
16	Own vs. Rent	Ch. 19, Ch. 21