

**UNIVERSITY OF GUELPH**  
**DEPARTMENT OF MARKETING AND CONSUMER STUDIES**  
**MCS\*4820 REAL ESTATE APPRAISAL**  
**Fall 2010 Course Outline**

**INSTRUCTOR:** Professor Jane Londerville  
**OFFICE:** MINS 205 (check with staff whether I am available)  
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**E-MAIL:** jlonderv@uoguelph.ca  
**OFFICE HOURS:** Monday 11:30-12:30 or by appointment  
**LECTURES:** Mon./Wed. 10:00 -11:20 MACS 121  
**FINAL:**

**REQUIRED READING AND MATERIALS:**

UBC Real Estate Division, Real Estate Investment Analysis and Appraisal, 2001/02 or later edition. Available in bookstore, may be available used. Referred to as REIAA on reading list.

Case package for sale at bookstore.

A financial calculator (e.g. Texas Instruments BA-35 will be useful for assignments; as well we will make extensive use of spreadsheet computer programs (e.g. Excel) during the term.

**APPEALS PROCEDURE:** Refer to Undergraduate Calendar

**DROP AND ADD PROCEDURE:** Refer to Undergraduate Calendar.

**CALENDAR DESCRIPTION:**

This course deals with the basic principles involved in valuing real estate. The market comparison, cost and income approaches of appraisal are covered. The major emphasis in the course is on using discounted cash flow projections to value income-producing real estate. The term project involves the use of a spreadsheet program to estimate property value for a property chosen by the student. While valuation of single family homes is covered, the main emphasis is on investment real estate.

Prerequisites: (CIS\*1000 or MCS\*2020) and (1 of BUS\*2230, MCS\*2820, ECON\*3560 or HTM 3070) or a knowledge of spreadsheets and permission of the instructor

**OBJECTIVES OF THE COURSE:**

- a) To understand the judgmental aspects to placing value on a real estate asset and why real estate is more difficult to value than other types of assets
- b) To learn and apply the methods used by the appraisal profession to assess value of different types of real estate.
- c) To learn and apply the Discounted Cash Flow approach to assessing cash flow and value of real estate assets
- d) To be able to calculate the tax implications of investment in real estate

**FORMAT:**

The course will use a combination of lectures related to the appraisal process and techniques as well as case analysis, discussion and appraisal exercises.

**METHOD OF EVALUATION:**

**NOTE: ASSIGNMENTS ARE DUE AT THE BEGINNING OF CLASS; ASSIGNMENTS ARE NOT ACCEPTED AFTER THEY HAVE BEEN DISCUSSED IN CLASS. THE WORKLOAD FOR THE COURSE IS CONCENTRATED IN THE SECOND HALF OF THE TERM, ONCE WE HAVE LEARNED THE TECHNIQUES NECESSARY TO DO THE ANALYSIS INVOLVED. YOU WILL WANT TO START ORGANIZING THE ACTIVITIES EARLIER IN THE TERM, HOWEVER, AND THE TERM PROJECT SHOULD BE STARTED IMMEDIATELY.**

	<u>Weight</u>	<u>Due Date</u>
Class participation and Preparation	10%	throughout
Case write-up: (only final memo portion)	5%	See calendar in Courselink
Midterm Exam	20%	See calendar in Courselink
Term Project	25%	See calendar in Courselink
Final Exam	40%	

Participation:

There are several mini-assignments throughout the course that are not marked but your effort expended is graded as part of your participation grade, along with class participation. These are marked with a P in the outline.

Midterm Exam

The midterm will involve using and adapting a spreadsheet program to answer analytical questions about an income-producing property from an individual investor perspective. The spreadsheet will include schedules for income projection, mortgage calculations, tax implications, residual value and summary cash flows. **YOU MAY START ADAPTING THIS SPREADSHEET AT ANY TIME; IT WILL BE AVAILABLE ON COURSELINK EARLY IN THE SEMESTER. MIDTERM SHOULD BE SUBMITTED THROUGH COURSELINK.**

Case Write-up

The first portion of the case analysis of Real Property Associates is done individually; each person will complete an individual analysis for one of the properties in the case. The final memo will be done in groups of three. Case charts/write-ups are due at the beginning of class on the date indicated in the course outline and will be discussed that day. Please keep a copy for discussion purposes. The first two individual submissions will count toward the class participation section. The final group write-up will be worth 5% of your final grade.

Term Project

Guidelines for the term project are attached to this outline. Please re-read these before writing your report.

Final Exam

This exam will cover the entire course, including material from the assignments, term projects, cases, all reading material and issues discussed during the lectures. It may include any of: multiple choice, true/false, calculation and essay questions.

Academic Integrity – be sure you read and follow the University’s policies on academic misconduct; the penalties for not doing so can be severe. <http://www.academicintegrity.uoguelph.ca/>

**READING LIST**

<u>Date:</u>	<u>Topic and readings</u>
Week 1 Monday Wednesday	Instructor at a conference – prepare readings for week 2; <b>find team members and a property for the term project (read instructions on Courselink and e-mail sent with this outline carefully)</b>
Week 2 Monday Wednesday	Introduction to Real Estate REIAA pp 1.1 to 1.25; P -Cruikshank, Garth and Romano case in case packet – <b>submit one page answering the questions on COURSELINK and come to class prepared to discuss</b>
Week 3 Monday Wednesday	Income Approach REIAA Chap. 2.1 - 2.30; 7.1 -7.27 Income Approach continued
Week 4 Monday	P - Case: Burnaby Warehouse (In case packet) Submit a one page summary which answers the following questions: 1. What is the most appropriate appraisal technique to use? 2. Is the property currently built to highest and best use? 3. What would you suggest as a listing price (show how you get this number?) Be prepared to discuss your analysis and all assumptions you have made.
Wednesday	DCF I; Leases and Cash Flow Projections REIAA Chapter 2.30-2.38; 5.1-5.41 <b>SUBMIT IN CLASS ONE PAGE HARD COPY TERM PROJECT OUTLINE DESCRIBING PROPERTY TO BE ANALYZED AND DATA SOURCES</b>
Week 5 Monday: Wednesday	<b>Thanksgiving – no class</b> Demonstration of Spreadsheets/Excel review; <b>Computer Lab Case:</b> Real Property Associates (on COURSELINK). See assignment description on COURSELINK. A different property is assigned to each person to analyse. <b>P-</b> For the first due date, complete Exhibits 1-4 <b>for the</b>

**property assigned to you** and submit on COURSELINK; keep a copy for discussion.

- Week 6 Monday DCF II; Debt and Taxes REIAA Chapter 5.1 - 5.41  
Return Measures; Risk Analysis REIAA Chapt. 6.  
**Wednesday: P-** Submit remaining exhibits (**except exhibit 7**) for the Real Property Associates case for your property. **For exhibit 5 you should submit the front page of the spreadsheet for your property. Also submit the sale spreadsheet. All should be submitted in the assignment turn-in section of COURSELINK.** At end of class your group will be given a common set of solutions for all properties with which to complete the case memo.
- Wednesday Market Comparison Approach;
- Week 7 Monday: Guest Speaker TBA  
Wednesday: Real Property Associates Assume you are Playfair. Your group should prepare a five page memo with your recommendations for the two investors in the case. The memo should be typed but handwritten appendices are acceptable, if neat. **Submit exhibit 7 with your memo. KEEP A COPY OF YOUR SUBMISSION FOR CLASS DISCUSSION.**  
Midterm exam posted on COURSELINK at the end of class.
- Week 8 **Monday : Computer session to work on Midterm**  
Wednesday: Cost Approach
- Week 9 **Monday: Cost approach exercise in class**  
**Wednesday: No Class; Midterm due by 4 PM in my office**
- Week 10 Monday: **P- Mass Appraisal: An Introduction to Multiple Regression Analysis for Real Estate Valuation. From the Journal of Real Estate Practice and Education Vol. 7 #1 2004 (available electronically through the library)**  
Use Excel to develop a regression model to fit the data; come to class with your model written out (e.g.  $MV = B_0 + B_1 * \text{sq.ft.} + B_2 * \text{parking} + \dots$  where the Bs are the numerical coefficients from the statistical analysis) and a paragraph explaining why your model is a good one. NOTE: Under Tools tab in Excel, go to Add-Ins and click Analysis ToolPak. This will allow you to do regression analysis.
- Week 11 Monday Discussion of Midterm, Review  
Wednesday Term Project Presentations
- Week 12 **Monday** Term Project Presentations; NOTE: class Thursday to make up for  
**Wednesday,** Thanksgiving Monday ; **Hard copies of projects due in class Thursday;**  
**Thursday** spreadsheets to be submitted on Courselink

**University Grading Scheme:**

This course follows the University grading scheme outlined in the University Calendar:

[http://www.uoguelph.ca/undergrad\\_calendar/index.shtml](http://www.uoguelph.ca/undergrad_calendar/index.shtml)

**Course Evaluation**

Course and instructor evaluation for MCS\*4820 will be handled either via a separate COURSELINK site or in class during the final two weeks of the term.