

**ASSUMPTION UNIVERSITY
MARTIN DE TOURS SCHOOL OF MANAGEMENT
DEPARTMENT OF FINANCE AND BANKING
COURSE OUTLINE (1/2010)**

Course Title:	FIN 3832: Real Estate Investment Analysis and Valuation ***** <i>This subject is for students under NEW Curriculum ONLY</i> *****
Pre-requisite:	FIN3701 Corporate Finance
Lecturer:	A. Paopitaya Smutrakalin
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Martin de Tours School of Management's Vision and Mission

Vision:

To be the leading international business school in the ASEAN region providing high quality business education to enable graduates to make invaluable contributions to organizations and society.

Mission:

To shape our students into independent-minded graduates who are well-versed in business, able to communicate effectively, tech savvy, innovative, and ethical to successfully face global challenges.

Course Description:	The course is an integration of theories and practice of real estate valuation, real estate investment, portfolio management and legal aspects of real estate. The course is divided into three parts. The first part provides basic introduction to discounted cash flow, common real estate valuation models, appraisal of real estate development projects, as well as the choices of discount rate. The second part provides a formal introduction to risk and return, a comprehensive analysis of the risk-return characteristics of commercial real estate, construction of real estate portfolios and diversification in real estate. The third part examines the efficiency of real estate market and its inflation hedging characteristics, real estate portfolio strategies and performance measurement.
Course Objectives:	The main objectives of the course are: <ul style="list-style-type: none"> • To enable students to understand fundamental concepts and elements of real estate investment • To enable students to appreciate the important elements of real estate investment analysis • To enable students to gain insights into fundamental concepts of real estate valuation • To enable students to perform basic valuation of residential and commercial real estate • To create an environment where students can interact in differing groups throughout the course period so that they are able to accommodate differing opinions
Main Text:	<ol style="list-style-type: none"> 1. Brown, Gerald R. & Matysiak, George A. (2000), "<i>Real Estate Investment: A Capital Market Approach</i>", Financial Times Prentice Hall. 2. Clauretje, Terrence M., and Sirmans, G. Stacy, (2006) <i>Real Estate Finance: Theory and Practice</i>, 5th Edition, Cincinnati, OH: South-Western/Thomson Learning.
References:	<ul style="list-style-type: none"> • Geltner, D., Miller, N., Clayton, J., and Eichholtz, P. (2007), "<i>Commercial Real Estate Analysis & Investment</i>", 2nd Edition, Thomson South-Western. • Brueggeman, William B. & Fisher, Jeffrey D. (2008), "<i>Real Estate Finance and Investments</i>", 13th Edition, McGraw-Hill. • Berges, Steve (2004), "<i>The complete guide to Real Estate Finance for Investment Properties</i>", Wiley. • Johnson, T., Davies, K., & Shapiro, E. (2000), "<i>Modern methods of Valuation</i>", 9th Edition, Estates Gazette. • Isaac, D. (2002), "<i>Property Valuation Principles</i>", Palgrave. • Isaac, D. & Steley, T. (2000), "<i>Property Valuation Techniques</i>" 2nd Edition, Palgrave. • Baum, A., Mackmin, D., & Nunnington, N. (1997), "<i>The Income Approach to Property Valuation</i>", 4th edition, Thomson. • Damodaran, A. (1996), "<i>Investment Valuation</i>", John Wiley & Sons, university edition. • Baum, A. & Crosby, N. (1995), "<i>Property Investment Appraisal</i>", 2nd edition, Routledge.

Required Readings:	The lecturer in charge of this subject will assign additional reading materials to the students. It is for the student to ensure that s/he read these additional materials so that s/he can be familiar with the concepts and topics covered in such reading materials as these can appear in the test, the examination or the quizzes.
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Marking Scheme*:

Midterm Examination	30%
Class Participation	5%
Homework (Individual)	5%
Coursework and Presentation (Group)	15%
Comprehensive Final examination	<u>45%</u>
TOTAL:	100%

Note: * See also classroom policies

CLASSROOM POLICIES:

- **Students need to comply with AU Dress Code, Time Conflict Examination Regulations, Laws on Smoking Cigarette, and Restrictions on Foods and Drinks V10.1, June 2010.**
- **Attendance policies:**
 - [2 times of ten-minute late](#) for class considered as [1 absence](#).
 - Make-up classes are not allowed.
 - 80% attendance is strictly required regardless of any reason.
 - No checking attendance for other classmates. Violation of the policies will result in being automatically withdrawn from the class.
 - [Attendance is counted since the first day of class](#) regardless of any reason.
- **Manner in class:**
 - Behave in a polite manner
 - Pay respect to instructors and class participants
 - Turn off all communication devices
 - Do not leave and re-enter the classroom
 - Prohibited manners: Eating, drinking, chatting, talking on the phone, text-messaging, sleeping, reading other materials, doing other subjects' assignments/homework, walking in-out, etc.
 - [Improper behavior will result in no attendance checked.](#)
- **Dress code:**
 - Follow AU dress code
 - [Improper dress code will result in no attendance checked.](#)
- **Class assignments (Homework, reports, project, presentation, paper, etc.):**
 - [No Plagiarism.](#)
 - The students copying works from all sources will be penalized – “Zero” marks or “F” grade.
 - Hand in all class assignment on time, both soft copy and hard copy.
 - [Late submission will NOT be graded.](#)
- **Class participation:**
 - Be participative and attentive in class
 - The students are also required to comply with all classroom policies.
 - Violation of the classroom policies will result in [“zero” or “negative” participation marks and/or no attendance checked.](#)
- **Request for make-up quizzes (if applicable):**
 - The students requesting for the make-up quizzes need to submit their names with valid evidence (ABAC related issues only) to the respective lecturer within the specified dates.
 - [Late submission will NOT be allowed to take the make-up quizzes.](#)
- **Grade inquiry:**
 - The students can request for a review for their marks or grades.
 - The students need to submit petition to the respective Chairperson at D6 or MSM2 [within 2 weeks](#) after their marks or grades have been officially announced. Petition submitted after the specified period will NOT be considered.
 - **Reevaluation process:** The students' class assignments or exam answer scripts will be reevaluated by the internal committees assigned by the respective department. Please note that the students' marks may or may not be adjusted after the reevaluation process and it is considered as a “final consensus” between the students and the committees.

**August 27, 2010 (Fri.): Last day to withdraw with “W”
(Withdrawal after this date, student needs a chairperson's approval.)**

Tentative Course Schedule

Periods	Topics/Activities	Date
1	<ul style="list-style-type: none"> • Class Orientation & agreements • Introduction to Real Estate/Property; what is real estate? • Valuation and financial theory: bridging the gap • Valuing cash flows <ul style="list-style-type: none"> - The effective rate of interest - **Coursework : Property Valuation** 	
2	<ul style="list-style-type: none"> • Simple freehold valuation models • Estimating the growth rate from yield – Freehold (T1) • **Coursework : Topic Selection** 	
3	<ul style="list-style-type: none"> • Simple leasehold models (T1) • Simple leasehold models – Multiple growth models (T1) 	
4	<ul style="list-style-type: none"> • Mortgages and Amortisation (T1) 	
5	<ul style="list-style-type: none"> • The term structure of interest rates (T1) 	
6	<ul style="list-style-type: none"> • Investment decision techniques (T1) <ul style="list-style-type: none"> - Simple financial feasibility analysis: Front-door V Back-door (Slide) 	
7	<ul style="list-style-type: none"> • Investment decision techniques (cont.) <ul style="list-style-type: none"> - Inflation, financing, and taxation (T1) - Estimating relevant discount rates (T1) 	
8	<ul style="list-style-type: none"> • Investment decision techniques (cont.) <ul style="list-style-type: none"> - Estimating relevant cash flows (T1) - Option to invest (T1) 	
9	<ul style="list-style-type: none"> • Midterm Examination Revision 	
Midterm: July 29, 2010 (15:00 – 17:00), Huamak Campus		
10	<ul style="list-style-type: none"> • Midterm Examination Discussion • Real estate cash flow structure & Example (T2 & Slide) • Real estate valuation – Income Approach 	
11	<ul style="list-style-type: none"> • Risk, return and diversification (T1 & Slide) 	
12	<ul style="list-style-type: none"> • Constructing property portfolios (T1) <ul style="list-style-type: none"> - Risk-reduction and portfolio size based on equal investment (T1) - The relationship between systematic risk, diversification and the inter-asset coefficient of correlation (T1) - Estimating the number of properties required to achieve a given level of diversification (T1) - Estimating the portfolio-specific risk (T1) 	
13	<ul style="list-style-type: none"> • Developing a portfolio strategy (T1) <ul style="list-style-type: none"> - Estimating Risk Premium • **Coursework: Group Presentation** 	
14	<ul style="list-style-type: none"> • Performance measurement (T1) <ul style="list-style-type: none"> - Calculating time-weighted rates of return (T1) • Real Estate Investment Trusts (Slide) 	
15	<ul style="list-style-type: none"> • Course Round up & Final Examination Revision 	
Final: October 4, 2010 (09:00 – 12:00), Huamak Campus		