

Course: Principles of Real Estate Finance (B40.2129.60 {May 2009})
Professor: Ary H. Freilich (Adjunct)
Room: KMC 3-65
Email: afreilic@stern.nyu.edu
Class Time: Wednesdays, 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 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.
- Common methods used to analyze cash flows and determine valuations, capital requirements, returns on capital and deal feasibility.

Required reading: William J. Poorvu, *Creating and Growing Real Estate Wealth: The 4 Stages to a Lifetime of Success* (FT Press, 2008).

Recommended: *Dictionary of Real Estate Terms, Sixth Edition* (Barron's, 2005).

Additional reading: The 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.

Further optional reading for those who want more:

- William J. Poorvu & Jeffrey L. Cruikshank, *The Real Estate Game –The Intelligent Guide to Decision-Making and Investment* (The Free Press {Simon & Schuster}), 1999.
- *The Real Deal:* [The Real Deal](#)
- *CoStar:* [CoStar \(NYC\)](#)
- *Commercial Property News:* [Commercial Property News](#)

Financial Calculator: You will need a financial calculator (HP 12C {preferred} or equivalent), and you will need to know how to do basic loan calculations on it (*e.g.*, what is the annual debt service of a \$100,000 loan with a 5.5% interest rate and a 25-year

amortization schedule). Bring the calculator to each class, as we will be using it regularly.

Course Methodology: The subject matter of this course is not contained in any textbook. As a result, most of the course's subject matter will be covered only in the classroom. The subject matter is not linear, so students will need to review and integrate matters covered in class. Also, a significant portion of the concepts are legalistic in nature, as real estate investment is by nature a legalistic enterprise.

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

- Final examination: 85%
- Classroom contribution: 15%

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; Laptops: You are expected to arrive on time and conduct yourself appropriately. Laptops are permitted for note-taking purposes.

Names: You must display your name card at your seat at each class.

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	5/21	<ul style="list-style-type: none">▪ Course introduction and overview▪ The commercial real estate loan: nature, elements, terms, considerations, and calculations (part 1)
#2	5/28	<ul style="list-style-type: none">▪ The commercial real estate loan (part 2)
#3	6/4	<ul style="list-style-type: none">▪ The commercial real estate lease: function, elements and concepts (part 1)
#4	6/11	<ul style="list-style-type: none">▪ The commercial real estate lease (part 2)

<i>Class</i>	<i>Date</i>	<i>Topics</i>
#5	6/18	<ul style="list-style-type: none">▪ Connecting the loan and lease dots▪ The acquisition process▪ Deal Analysis
#6	6/25	<ul style="list-style-type: none">▪ Final Examination▪ In-class Final Examination review