

MAR 03 1997

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

COURSE OUTLINE

COURSE NAME Introduction to Real Estate Appraisal and Investment Analysis

COURSE NUMBER MKTG 4412 | DATE January 1997

Prepared by Gary Bailey | Taught to Second Year

School Business | School Business

Program Marketing Management | Program Marketing Management

Date Prepared January 1997 | Option Real Estate Studies

Term 4 Hrs/Wk 4 Credits 4

No. of Weeks 20 Total Hours 80

Instructor(s) Gary Bailey Office SE6-316 Local 6762

Office Hours As posted.

**PREREQUISITES**

Economics of Real Estate Markets - MKTG 3312

Introduction to Real Estate Finance - MKTG 3313

**COURSE OBJECTIVES**

This course introduces the application and use of formatted and narrative appraisal forms. It is based on developing related skills to real estate investment analysis and valuation in the context of property transactions and property markets. It also examines the characteristics of real property markets, examines a variety of methods for analyzing the income, cash flow and value potential of real property assets. In addition, the course considers various decision criteria and investment objectives in real estate investment and important deal structure considerations such as financing arrangements, ownership forms and tax strategies.

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## EVALUATION

|                          |           |   |
|--------------------------|-----------|---|
| Final Examination        | <u>34</u> | % |
| Mid-Term                 | <u>22</u> | % |
| Project(s)/Assignment(s) | <u>20</u> | % |
| Quizzes                  | <u>14</u> | % |
| Participation            | <u>10</u> | % |

Note that tests may be administered in either lecture or lab sessions. Absences without a medical doctor's certificate will result in a mark of zero. For an aergrat mark to be awarded, students must satisfactorily complete at least 60% of the course mark allocation.

Attendance requirements will be enforced as per the BCIT policy on page 3 of the BCIT Calendar (1996/97). Excessive absence may result in failure or immediate withdrawal from the course or program.

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## REQUIRED TEXT(S) AND EQUIPMENT

Text: Real Estate Investment Analysis and Appraisal, by Dominique Anchor, George Gau and S.W. Hamilton, published by the Real Estate Division of the Faculty of Commerce and Business Administration, University of British Columbia.

Real Estate Agents' Pre-Licensing Course, Chapters 16, 18, 19 and 20.

Students are required to have available a silent, cordless, handheld financial calculator throughout the course work.

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## REFERENCE TEXTS AND RECOMMENDED EQUIPMENT

The course should have familiarity with microcomputers including the use of electronic spreadsheets (either Lotus 1-2-3 or Excel, etc.).

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## COURSE SUMMARY

MKTG 4412 is a required second year course for students in the Real Estate Studies option of the Marketing Management Technology. The course will focus on the following general areas:

### REAL PROPERTY ASSETS AND MARKETS

- Investment and Market Characteristics
- Attributes of Real Estate Investment
- Participants

### INVESTMENT DECISION

- Process and Feasibility Studies

### PRICE SETTING

- Appraisal Theory and Process
- Valuation and Appropriate Appraisal Method

### MARKET COMPARISON APPROACH

- Selection of Comparables
- Adjustment
- Gross Income Multipliers (G.I.M.)

### COST METHOD APPROACH

- Elements of Cost
- Improvements – Depreciation – Obsolescence

### APPRAISAL FORM USE

- MVA Residential Appraisal Form
- Uniform AIC Appraisal Form
- Narrative Appraisals

### ANALYSIS OF INCOME AND EXPENSES

- Statements and Forecast
- Estimating Potential Income and Expenses
- Ratio Analysis and Leverage

### INCOME TAXATION

- Characteristics
- Capital Cost Allowance (C.C.A.)
- Disposition of Assets

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## CASH FLOW ANALYSIS

- Operating Cash Flows and Income
- Pro Forma Statements
- Property Appreciation and Reversion

## TAX SHELTERING

- C.C.A. and Holding Period

## OWNERSHIP STRUCTURES

- Review Types and Implications

## RETURN MEASUREMENT

- Single Period Measures
- Discounted Cash Flows (D.C.F.)
- Internal Rate of Return (I.R.R.)

## INCOME METHOD OF VALUATION

- Income Capitalization
- Net Operating Income and Discount Rate

## MORTGAGE EQUITY ANALYSIS

- D.C.F. Valuation
- Band of Investment Analysis

## REAL ESTATE SYNDICATION

- Elements, Structure and Legal Form
- Risk - Returns - Roles

## CASES IN REAL ESTATE VALUATION AND INVESTMENT

## NARRATIVE OR FORMAT APPRAISAL PROJECT