

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

COURSE OUTLINE

COURSE NAME Introduction to Real Estate Appraisal and Investment Analysis

COURSE NUMBER MKTG 4412

DATE January 1996

Prepared by Gary Bailey

Taught to Second Year

School Business

School Business

Program Marketing Management

Program Marketing Management

Date Prepared January 1995

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.

EVALUATION

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

1. Absences without a written medical excuse in excess of 10% of the scheduled lab and lecture hours will result in the student being prohibited from completing the course.
2. BCIT attendance requirements as per the BCIT calendar will be followed. A student who is more than five minutes late will be recorded as being absent.

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 aegrotat mark to be awarded, students must satisfactorily complete at least 60% of the course mark allocation. Absences without written medical excuse, in excess of 10% of the scheduled lab and lecture hours will result in the student being prohibited from completing the course. Attendance will be taken.

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.

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.).

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

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