

OAKLAND UNIVERSITY
REAL ESTATE INVESTMENTS
FIN 5450 - SEC. 10899

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WINTER, 2018
Wednesdays, 6:30-9:20 p.m.
PH 308

PREREQUISITES:

Admission into MBA Program.

REQUIRED COURSE MATERIAL:

Real Estate Principles: A Value Approach, 4th edition, Ling & Archer, McGraw-Hill Irwin, 2010) ISBN: 978-0-07-337734-6. This book is the most recently published real estate book.

Other useful information sources include:

- McMahan, J., "Handbook of Commercial Real Estate Investing"
McGraw Hill Irwin (2006)
- Appraisal Journal
- Journal of Real Estate Portfolio Management
- Journal of Real Estate Practice Education
- Journal of Real Estate Research
- Real Estate Finance
- Real Estate Finance Journal
- Real Estate Issues
- Real Estate Law Journal
- Real Estate Review
- Real Estate Taxation

Website:

Urban Land Institute (www.uli.org)
Appraisal Institute (www.appraisalinstitute.org)
Institute of Real Estate Management (www.irem.org)
Building Owners and Managers Association (www.boma.org)
Commercial Investment Real Estate Institute (www.ccim.org)
CoreNet Global (www.corenetglobal.com)
National Association of Real Estate Investment Trusts (www.nareit.org)
Numerous other websites are also available.

The objective of this course is to have the student gain an understanding of theories, concepts, institutional relationships, and analytical techniques associated with investing in income-producing real estate. Also, the student will be provided an opportunity to practice the skills needed to prepare and evaluate real estate investment analyses. By the end of the course, the student should understand the:

- Real estate investment decision-making process
- Factors that determine a property's investment value
- Time value of money calculations used in real estate investment and financing
- Legal constraints imposed on owning/developing income producing property
- Role of market research in real estate investment decision-making process
- Advantages/disadvantages of financial leverage as it applies to income producing property
- Methodologies used to estimate appraised value and investment value
- Alternative property disposition techniques.

There will be a special lecture on Negotiation Techniques. The goal of this Instructor is to instill certain fundamental principles that will aid the student's personal, academic and business life.

ADMINISTRATIVE MATTERS:

1. The class meets each Wednesday, 6:30-9:20 p.m., at 308 Pawley Hall, from January 3, 2018, through and including April 11, 2018
2. Unless otherwise directed, the final exam is Wednesday April 25, 2018, 6:30 to 8:30 p.m.
3. Class attendance is mandatory. Except in extraordinary circumstances, final grade will be affected by -.5 grade if a student misses three (3) classes, -1.0 for 4 absences and -2.0 for 5 absences or more. Being late is being rude.
4. Class preparation is mandatory. You will be called in most class sessions to discuss material contained in chapter. Be ready. Standing assignments for each class shall be as follows:
 - A. Read assigned chapters and appendices prior to the commencement of class. Be ready to discuss all matters highlighted by the authors. Students will be randomly called.
 - B. Do assigned chapter problems. Type answers to problems continuously on an 8-1/2" x 11" sheet of paper and staple multiple pages together. Be sure your name is in the top right-hand corner. Five (5) points awarded for correct or complete answers, including support or reasoning for opinion; one-three (1-3) points for attempted answers with some rationale; zero (0) points otherwise. Multiple questions will be awarded one (1) point each where the total exceeds five (5) points.

C. In conjunction with the assigned problems, student is to copy, summarize in student's own words (minimum 200 words), and prepare to discuss current real estate article as close to scheduled book chapters as possible. The summary is to be attached to the front of the article and turned in at same time that homework problems are due. Maximum of five (5) points will be awarded for the uniqueness and summary of the article. Keep copy of article and summary and Instructor will select 5-10 students to discuss the article for each class. As this is not a group project, there is no sharing of articles. No articles are due on day of mid-term, negotiation class, or final. Total of 9 articles are due. Keep copy as articles will not be returned. Total of 8 articles will be due.

D. Turn in assignments at the front desk as you enter class. Keep a photocopy to study and to make notations of class discussions.

E. Late assignments will not be accepted. If unable to attend class, email answers and real estate article. Date and time of email must not be after class has started.

F. Term paper consisting of three (3) interviews of investment real estate property owners or managers (one investment property must be residential leased home, one commercial property, and one commercial property that is for sale). This is a two (2) student team project. All interviews must be fact to face with both students. Failure to do this will result in zero grade for both students. The paper will be joint as follows: one (1) page for each property, one (1) page for comparisons, one (1) page for one student impressions and one (1) page for the other student, minimum of six (6) typed pages, single spaced. Paper must include:

- Date.
- Location of each property.
- All pertinent facts for each location, minimum one page per location.
- **Cap rate and NOI analysis, with power point**
- **-Interviews must be in person, no telephone interviews.**
- See attachment for additional guidelines and instructions for the paper and presentation.

Plus fifteen (15) minute power point presentation on day paper turned in. Please reserve date and time with Instructor. Presentations must be pre-scheduled and made on or before April 4, 2018.

The purpose of these assignments is twofold:

Written Communication Learning Objectives:

1. Be able to articulate main concept(s) in writing.
2. Be able to write logically.
3. Be able to write clearly and concisely.
4. Be able to write using correct grammar and spelling.

Oral Communication Learning Objectives:

1. Be able to articulate main concept(s) orally.
2. Be able to speak coherently.
3. Be able to keep audience's attention.
4. Be able to use time effectively.

CONSULTATION WITH INSTRUCTOR:

Instructor will be available for appointments and for consultation before and after each class. Instructor will always be 15-20 minutes early for each class. Other times may be scheduled by appointment. Please do not hesitate in contacting Instructor. Feel free in making an appointment to meet in classroom before class.

GRADING

PERCENT OF FINAL GRADE

Problems & Articles	25%
Midterm Examination	25%
Final Examination	25%
Paper	<u>25%</u>
	100%

Class participation will affect final grade. If student has not read the assigned chapters before class, or is not able to discuss summarized article, then this lack of preparation will certainly adversely affect the final grade.

MISCELLANEOUS CONTENTS:

-You may find the book voluminous and difficult to read. The chapter lecture is intended to explain and supplement what you have already read.

-You will get out of the course what you put into it.

-Ask questions! If an unfamiliar word/term is used, or if something is ambiguous, you are strongly encouraged to ask questions.

-You will be called on during class to discuss certain parts of the chapter, to answer chapter problems or simply to participate. If this bothers you, get over it quickly. The Instructor's teaching philosophy is that education is best achieved when questions are asked, not when answers are given.

-Work environment will be simulated.

-Get involved! To maximize your real estate education, you must read the material before class, ask questions and participate in the class discussions. Come early, stay late. Enjoy each class and get an education that you will use the rest of your life.

-Historically, examinations have been long. One student once said: "The exams are not long (time wise), they're just long (questions wise)."

-At the end of your notebook, dedicate one page for "SUGAMELI's MAXIMS."

CLASS SCHEDULE

Fin 5450 - Sec. 10899 –Wednesdays, 6:30-9:20p.m. -308 PH

<u>DATE</u>	<u>SUBJECT MATTER</u>	<u>CHAPTERS</u>	<u>STUDY PROBLEMS</u> <u>STUDY QUESTIONS</u>
01/03/18	Introduction		
01/10/18	Nature of Real Estate & Markets	1	5, 6
	Legal & Regulatory + Determ\value	2	5, 6
01/17/18	Valuations - Sales and Cost App.	7	3, 6
	Valuations - Income Approach	8	1, 5, 6
01/24/18	Real Estate Fin. & Bankruptcy	9	2, 6
	Residential Mortgages	10	6, 7
	Sources of Residential Mortgages	11	4, 9
01/31/18	Contracts for Sale and Closing	13	6, 7
	Government Controls	4	1, 2, 6
02/07/18	Forecasting Ownership Benefits	6	2, 5
	3 students: Elysian, Palm Groove, Plane Vista		
	Conveying Real Property Interests	3	1, 5
02/14/18	Exam - Above Chapters		
02/21/18	Take a break from Sugameli		
02/28/18	Commercial Debt & Ownership	17	1, 6, 7
	Commercial Mortgage	16	3, 6, 11
	Speaker ???		
03/07/18	Movie... Big Short		
03/14/18	Investment Ratios	18	5, 6, 8
	Investment Decisions	19	2, 11
	Income Taxation and Value	20	1, 10
	Enhancing Value	21	1, 8
03/21/18	Leases	22	1, 5
	Environmental Issues		
	Wetland Regulations		
03/28/18	Presentations		
04/04/18	Presentations		

04/11/18 Negotiations
04/18/18 Study day
04/25/18 Final Exam

SUPPLEMENT TO WRITING AND PRESENTATION ASSIGNMENT

This assignment is intended to expose students to the real world of real estate investment. There is no better way than to interview individuals in the industry. The students (group of 2) are to personally interview three property managers or owners of real estate investment properties. One of whom must own commercial property, one investor of residential property and one commercial broker listing commercial property for sale. Ask open ended questions and attempt to find out all that you can from the investor. Topics to discuss include, but are not limited to:

- When was the property purchased.
- Describe property.
- How many properties and types does investor own.
- What was asking price and was this market value.
- Was purchase financed and if so what are the rates and deposit.
- What is property valued today.
- Describe clientele that rents property.
- Why select your property to lease.
- What is vacancy rate for your property and for industry.
- What is monthly income and what are monthly operating expenses.
- Do you use a reserve for capital expenses.
- Economy and its effects on this market.
- Current market and trends as perceived by investor.
- Rental rates. (If Interviewer will not give rental rates, use internet to find market rates.) Is Lease NNN or gross?
- Occupancy rate and factors affecting it.
- Problems and how handled.
- Financing\banking issues.
- Legal issues, including bankruptcy.
- Appraisal issues.
- Critical investment ratios.
- Excepted rate of return and other financial issues.
- Forms of doing business (individual, partnership, corporation, or llc).
- Factors effecting buying or selling of property.
- Environmental issues.
- Recommendations to finance student.

Students must then analyze and evaluate all three properties discussing similarities, differences, problems and forecasts. **THERE MUST BE A POWER POINT PRESENTATION AND DISCUSSION ON NET OPERATING INCOME AND CAPITALIZATION.** Paper must be done by team of 2, no other sharing of anything, and paper must contain at least three citations from related periodicals. Students must interview as a group

and both must be present at all the interviews. No splitting of interviews. You do not have to have name of investor.

Presentations must be as a group of 2, but everyone must participate equally. Presentation time must be reserved and will be in front of entire class. All presentations must be scheduled and must be completed by April 4, 2018.

Work environment will be simulated. Grading will include both paper and presentation; but, because of time constraints, weighted more on paper (3/4-1/4). As this assignment is 25% of your grade, take the assignment seriously and do well.

Check out websites: incomepropertyorganization.com