



Broward Community College

Course Outline

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STATUS: A

COMMON COURSE NUMBER: REE 1210

COURSE TITLE: Real Estate Finance

CREDIT HOURS: 3

CONTACT HOURS BREAKDOWN:

Lecture/Discussion 48

Lab

Other

Contact Hours/Week 3

CATALOG COURSE DESCRIPTION:

Prerequisite:

Corequisite:

This course covers the basics of real estate lending with an emphasis on commercial property. Topics covered include legal issues in real estate lending, risk, appraising income property, and financing of different types of commercial properties.

General Education Requirements - Associate of Arts Degree, meets Area(s):
General Education Requirements - Associate in Science Degree, meets Area(s):

UNIT TITLES:

1. Commercial Real Estate Finance
2. Real Estate Law
3. Legal Issues in Real Estate Lending
4. Managing Risk in Real Estate Lending
5. Appraising Income Property
6. Multifamily Housing: Condos and Coops
7. Financing Multifamily Rental Housing
8. Retail Properties
9. Office, Warehouse, and Lodging Properties
10. Land Development and Residential Construction Lending
11. Income-Property Construction Lending
12. Sources of Funding for Income Property
13. Real Estate Investment Analysis

I. Course Overview:

Upon successful completion of this course, the students should be able to describe the basic analytical and environmental background of real estate finance.

II. Units:

Unit 1. Commercial Real Estate Finance

General Outcome:

- 1.0 The students should be able to describe the cyclical nature of real estate markets.

Specific Learning Outcomes:

Upon successful completion of this unit, the students should be able to:

- 1.1 Explain why the expansion of commercial lending and real estate investment in the early 1980s damaged the savings and loan industry.
- 1.2 Describe the events that led to the rise of real estate syndication and explain how tax law changes brought about its demise.
- 1.3 Explain the process by which real estate markets correct their own imbalances.

Unit 2. Real Estate Law

General Outcome:

2.0 The students should be able to describe the fundamental aspects of real property law that impact the financing of real estate.

Specific Learning Outcomes:

Upon successful completion of this unit, the students should be able to:

- 2.1 Describe how ownership is legally assigned to real property and the various rights associated with ownership.
- 2.2 Identify the legal entities that may hold title to real property and act as borrowers in real estate loans.
- 2.3 Describe how title to real property is transferred through deeds.
- 2.4 Cite some of the limitations that may be imposed on a title.
- 2.5 List the elements of a legal description of real property.
- 2.6 Describe how legal records of real estate ownership are prepared and maintained.
- 2.7 List some of the technical issues that may arise with the title to real property.

Unit 3. Legal Issues in Real Estate Lending

General Outcome:

- 3.0 The students should be able to describe the documents required from the borrower obtaining a real estate loan.

Specific Learning Outcomes:

Upon successful completion of this unit, the students should be able to:

- 3.1 List and explain the essential elements of a real estate loan agreement.
- 3.2 List the basic parts of the promissory note, including any special conditions that may be attached to repayment.
- 3.3 Explain the different applications of the deed of trust form of security instruments and the mortgage.
- 3.4 Cite the basic procedures and requirements for a foreclosure proceeding for both the mortgage and deed of trust.

Unit 4. Managing Risk in Real Estate Lending

General Outcome:

- 4.0 The students should be able to identify the issues surrounding risk in real estate lending and explain the real estate fundamentals that underlie those problems.

Specific Learning Outcomes:

Upon successful completion of this unit, the students should be able to:

- 4.1 Identify risk factors in real estate lending.
- 4.2 Explain how risk factors affect bank performance.
- 4.3 Explain from a theoretical perspective why real estate lending has an inherently high level of risk.
- 4.4 Distinguish among different levels of risk presented by real estate lending.
- 4.5 Explain the underwriting processes used to explore the risks specific to real estate lending.

Unit 5. Appraising Income Property

General Outcome:

- 5.0 The students should be able to describe the task of the real estate lender in evaluating the valuation of the real estate security.

Specific Learning Outcomes:

Upon successful completion of this unit, the students should be able to:

- 5.1 Outline the steps a professional appraiser follows in appraising a commercial property.
- 5.2 Distinguish among valuation techniques used with different commercial properties and identify the techniques appropriate to each property type.
- 5.3 List some important characteristics of commercial and income producing properties.
- 5.4 Read, evaluate and challenge a real estate appraisal for commercial property.

Unit 6. Multifamily Housing: Condos and Coops

General Outcome:

- 6.0 The students should be able to describe the ownership and legal documents used in multifamily housing.

Specific Learning Outcomes:

Upon successful completion of this unit, the students should be able to:

- 6.1 Distinguish a condominium from a cooperative and explain how a typical condominium is created and managed.
- 6.2 List some of the positive and negative aspects of condominium ownership from the purchaser's standpoint.
- 6.3 List some of the elements of a typical condominium floor plan.
- 6.4 Describe risk analysis and control procedures available to the condominium lender.

Unit 7. Financing Multifamily Rental Housing

General Outcome:

- 7.0 The students should be able to describe the financing characteristics of multifamily rental housing.

Specific Learning Outcomes:

Upon successful completion of this unit, the students should be able to:

- 7.1 Identify rental apartments by location and lifestyle characteristics.
- 7.2 Cite some of the supply and demand factors that must be underwritten in the apartment loan.
- 7.3 Compare apartment properties using industry standards.
- 7.4 Prepare an apartment loan analysis worksheet.
- 7.5 Conduct a basic analysis of an income statement from an apartment property.
- 7.6 List some of the government controls that affect multifamily rental housing and name some ways these government controls affect the lender.

Unit 8. Retail Properties

General Outcome:

- 8.0 The students should be able to discuss the characteristics and economics of shopping center real estate.

Specific Learning Outcomes:

Upon successful completion of this unit, the students should be able to:

- 8.1 Separate retail shopping centers into types identified by size and market orientation.
- 8.2 Assess tenant locations within a shopping center and evaluate the mix of tenants.
- 8.3 List several reasons that location, traffic flow, and building design are important considerations when evaluating a loan application for a shopping center.
- 8.4 Develop a pro forma income statement from appraisal information on a shopping center.
- 8.5 Identify specialty and other unusual retail properties.
- 8.6 Explain why the shopping center owner should be familiar with the details of the tenants' business operations.

Unit 9. Office, Warehouse, and Lodging Properties

General Outcome:

- 9.0 The students should be able to describe and explain the economics of office, warehouse and lodging properties as income producing properties.

Specific Learning Outcomes:

Upon successful completion of this unit, the students should be able to:

- 9.1 Name some reasons office buildings cluster in downtown areas and office parks.
- 9.2 Identify the significant operating categories in office building ownership.
- 9.3 List some industrial trends that have affected the design and location of industrial and warehouse property.
- 9.4 List the criteria used in site selection of industrial real estate.
- 9.5 Name some advantages of design and location of warehousing properties.
- 9.6 Explain why lodging properties are considered management intensive.
- 9.7 Separate real estate and non-real estate income generation in a lodging property.

Unit 10. Land Development and Residential Construction Lending

General Outcome:

10.0 The students should be able to discuss the techniques, risks, and policies of construction and development lending for residential properties.

Specific Learning Outcomes:

Upon successful completion of this unit, the students should be able to:

- 10.1 Identify some of the policy issues regarding whether construction lending should be included in a bank's loan program.
- 10.2 Cite the information needed to evaluate an application for land development or residential construction financing.
- 10.3 Describe the procedures construction lenders use in processing disbursements from loans granted for development or construction purposes.
- 10.4 Formulate release procedures.
- 10.5 Identify the special documentation necessary to cover the unique risks and legal aspects of construction lending.

Unit 11. Income-Property Construction Lending

General Outcome:

- 11.0 The students should be able to identify and discuss the four primary risks of underwriting the income property construction loan.

Specific Learning Outcomes:

Upon successful completion of this unit, the students should be able to:

- 11.1 Identify the four risks of income property construction lending.
- 11.2 List ways the loan officer seeks to control these risks through underwriting.
- 11.3 Name some of the services a construction management specialist provides.
- 11.4 Identify the major components of the cost of developing an income producing property.
- 11.5 Describe the progress payment system.
- 11.6 Describe how specific elements of the loan administration system are used to control specific risks.
- 11.7 Apply the forms used in the loan administration system to the various components of the progress payments system.
- 11.8 Describe the collateral release system.

Unit 12. Sources of Funding for Income Property

General Outcome:

12.0 The students should be able to describe the alternative sources of funding available for income property.

Specific Learning Outcomes:

Upon successful completion of this unit, the students should be able to:

- 12.1 Identify the various lenders engaged in extended term lending and in construction and development lending for income producing real estate.
- 12.2 List some reasons commercial banks are less active in extended term lending than in construction and development lending.
- 12.3 Distinguish among types of loans made by construction and development lenders and by extended term lenders.
- 12.4 Cite some of the investment criteria of extended term lenders.
- 12.5 Explain how and why pension funds, life insurance companies, and syndicators purchase equity in income producing real estate.
- 12.6 List some variations in lending and equity purchasing that have accrued as a result of economic pressures.

Unit 13. Real Estate Investment Analysis

General Outcome:

- 13.0 The students should be able to discuss the process of real estate investment analysis.

Specific Learning Outcomes:

Upon successful completion of this unit, the students should be able to:

- 13.1 Name some motivating factors in the purchase of income producing real estate.
- 13.2 Explain the impact of leverage on the value of real estate.
- 13.3 Identify some positive and negative aspects of investing in income producing real estate.
- 13.4 Define capitalization.
- 13.5 Distinguish between capitalization in perpetuity and the internal rate of return calculation.
- 13.6 Explain the applications and limitations of the internal rate of return (IRR) calculation.
- 13.7 Describe the effect of the participating mortgage on the yields available to a mortgage lender.
- 13.8 Explain how appraisal techniques are used to quantify motivations in a real estate market.