

**San José State University**  
**URBAN AND REGIONAL PLANNING DEPARTMENT**  
**URBP 206 – Market Analysis, Appraisal, and Finance of Real Estate**  
**Development**  
**Spring 2025**

Instructor(s):	David Shiver, Lecturer, with Matt Fairris, Special Consultant
Office Location:	Online
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Office Hours:	Wednesday 4:00 to 5:00 p.m. <b>via Zoom</b> (or by appointment)
Class Days/Time:	Mondays, 6:00 to 8:45 p.m.
Classroom:	<b>In person</b> (Matt Fairris via Zoom)
Prerequisites:	None. Recommended to have prior knowledge of spreadsheets.

### **Course Catalog Description**

Students will be taught the basics of real estate investment analysis and real estate capital markets and how they interact to finance development projects. Students will prepare financial analyses and evaluate criteria used by developers, real estate lenders and capital providers looking to minimize risk and maximize returns on real estate investments.

### **Course Description and Learning Outcomes**

This course focuses on three key criteria utilized by real estate capital markets to evaluate projects: market feasibility, valuation, and financial feasibility both for new development and existing real estate assets. Students will study market analysis for a variety of land uses, basic appraisal theory, and key financial metrics as measured by static pro formas and cash flow analysis. This course will have students complete a weekly assignment, with many assignments focused on training and improving student skills using Microsoft Excel. The course will include readings, guest lectures, and a real estate group project.

Upon successful completion of the course, students will be able to meet the following class learning objectives (CLOs):

1. Ability to evaluate residential and commercial real estate markets and to critically assess market studies and reports by understanding the following:

- a. Key demographic demand drivers
  - b. Key economic demand drivers
  - c. Site analysis for contemplated use
2. Ability to interpret real estate appraisal reports which use the following three approaches to valuation:
    - a. Market or sales comparables approach
    - b. Cost or replacement approach
    - c. Income capitalization approach
  3. Ability to address the major components of the real estate development process, including:
    - a. Site due diligence
    - b. Understand the permitted use and entitlement process
    - c. Yield analysis; conceptual site plan
    - d. Identify a competitive set of market comparables
    - e. Formulate a budget for pre-development and construction
    - f. Determining project community benefits and contribution to social equity
    - g. Determining price and terms for site acquisition
    - h. Forming a development team and roles of each team member
    - i. Understanding the risks and challenges of real estate development
  4. Ability to prepare a static and multi-year cash flow financial analysis
    - a. Understanding of key financial performance metrics used in capital markets, including yield/cash on cash return, discount rates, IRRs, equity multiplier, debt coverage ratio, and loan-to-value ratios.
    - b. How to link the development program, development budgets, operating budget to the cash flow analysis.
  5. Understanding the basic capital financing structures, including terms for debt and equity participation, addressing the following:
    - a. Current capital market conditions and underwriting criteria for debt and equity
    - b. Basics of evaluating and presenting project viability to attract capital to a project
    - c. Key principles for joint venture agreements and structuring distributions to equity partners (including waterfall distributions)

### **Course Format**

This course will be presented in an in-person format. All materials will be available to you through Canvas. Office hours will be held via Zoom. A computer which has a web camera and microphone, and which can run software such as MS-Office, Zoom, Adobe Reader, etc. is required to participate in office hours. SJSU has a free equipment loan program available for students.

Your attendance is important to facilitate our understanding of the course material and required projects. Discussion of current trends will also benefit from attendance in person for the entire class.

## Textbook and Readings

*Real Estate Finance and Investments*, William B. Brueggeman and Jeffrey D. Fisher. 17th Edition. 2021. Note that there is a 2024 release, but we plan to use the 17<sup>th</sup> edition. McGraw-Hill ISBN10: 1259919684 or ISBN13: 9781259919688. Referred to as “REFI” in course schedule.

## Other Readings

Several assignments require internet research using search engines and websites such as Google, government data websites, and industry trade associations. Supplementary readings and other class materials will be provided in advance of each class.

## Course Requirements and Assignments

Your grade for the course will be based on the following assignments and graded activities:

Activities/Course Elements	Percent of Course Grade	CLOs Covered
Class Participation - Individual	15%	1,2,3,4, & 5
Assignments - Individual	40%	1,2,3,4, & 5
Final – Group Project	45%	3, 4, & 5

## Class Participation

Students are expected to contribute to class conversation in an intelligent manner and to ask questions regarding the material. Good questions can enhance the learning experience of the entire class.

## Assignments

The instructor will distribute eight assignments over the semester per the schedule which will be completed by each student and submitted for grading.

## Group Project

One of the main deliverables of the class will be a Group Project with three to four students per group as assigned by the instructor. The Group Project will be an opportunity to apply all the concepts learned in the class to the development of a real site or existing structure that is currently available for sale on the market in the Bay Area. Students will need to meet with city officials and real estate brokers and make a proposal for the development based on the current or anticipated zoning. Students will need to prepare preliminary design sketches, a market analysis, and financial pro-forma of the project detailing all development costs, future revenue and expected profit. Each group will submit an Excel spreadsheet with the project pro-forma; a 10- to 15-page investment memorandum detailing their investment proposal (including the constraints and risks of the investment) and a 20-to-25-minute presentation to the entire class. The Instructors will also meet with each

group during the Semester. The deadlines and deliverables for the Group Project are shown at the class schedule below.

### **Grading Information**

The course letter grade will be determined by the total accumulated points a student is awarded from the elements shown in the table above. Final letter grades will result from the percent of total points received by each student based on the following grading scheme: A+ (96 and above); A (93 to 95); A- (90 to 92); B+ (87 to 89); B (84 to 86); B- (81 to 83); C+ (78 to 80); C (75 to 77); C- (72 to 74); D+ (69 to 71); D (66 to 68); D- (63 to 65); F (below 63).

### **Other Grading and Assignment Issues**

Late assignments will only be accepted with prior consent of the instructor and will be down-graded 10%.

### **Classroom Protocol**

It is expected that students will arrive to class on time and to mute their computer if there is background noise that disturbs the class.

### **University Policies**

Per [University Policy S16-9](http://www.sjsu.edu/senate/docs/S16-9.pdf) (<http://www.sjsu.edu/senate/docs/S16-9.pdf>), relevant university policy concerning all courses, such as student responsibilities, academic integrity, accommodations, dropping and adding, consent for recording of class, etc. and available student services (e.g. learning assistance, counseling, and other resources) are listed on [Syllabus Information web page](https://www.sjsu.edu/curriculum/courses/syllabus-info.php) (<https://www.sjsu.edu/curriculum/courses/syllabus-info.php>). Make sure to visit this page to review and be aware of these university policies and resources.

### **Additional Information (Delete if not applicable)**

All writing is expected to follow The Chicago Manual of Style: The Essential Guide for Writers, Editors, and Publishers.

**URBP 206**  
**Spring 2024**  
**Tentative Course Schedule**

<b>Week/Lesson /Module</b> (Delete if not applicable)	<b>Date</b>	<b>Topic Covered</b>	<b>Reading</b>	<b>Assignments Due Dates</b>
1	1/27	Introductions Syllabus Student Survey Real estate development process & legal concepts	REFI, Chap 1	None
1b	1/29	Optional Excel workshop during office hours 4:00 to 5:00 p.m.		None
2	2/3	Market Analysis a. Key demographic demand drivers b. Key economic demand drivers c. Real estate cycles d. Residential trends (for-sale & rental) <b>Assignment #1 (distribution)</b>	REFI Chap 7, pages 182-205; Chap., 11 pages 347-360	None
3	2/10	Market Analysis a. Office trends b. Industrial trends	Supplemental Readings	<b>Assignment #1</b>
4	2/17	Market Analysis c. Retail trends d. Consumer buying power e. Location analysis <b>Assignment #2 (distribution)</b>		
5	2/24	Financial Analysis a. Time value of money b. Capitalization rates c. Investment Metrics <b>Assignment #3 (distribution)</b>	REFI Chap. 3 Supplemental Readings	<b>Assignment #2</b>
6	3/3	Financial Analysis (continued) a. Fixed rate loans b. Variable rate loans No assignment		<b>Assignment #3</b>
7	3/10	Financial Analysis (continued) c. Finishing up on loans Pro Forma Best Practices Financial Analysis – Static Pro Forma <b>Assignment #4 (distribution)</b>	REFI Chaps. 2, 4, & 5	

<b>Week/Lesson /Module</b> (Delete if not applicable)	<b>Date</b>	<b>Topic Covered</b>	<b>Reading</b>	<b>Assignments Due Dates</b>
8	3/17	Financial Analysis – Static Pro Forma Financial Analysis –Cash Flow Pro Forma <b>Assignment #4 (distribution)</b>	REFI Chaps. 9 & 16	
9	3/24	Financial Analysis –Cash Flow  In class exercise  Project Team Formation <b>Group Project Assignment</b>	REFI, Chap.10  REFI Chap. 16 pages 536-545	<b>Assignment #4</b>
10	3/31	NO CLASS – SPRING BREAK		
11	4/7	Appraisal a. Role of appraisers b. Appraisal Instructions c. Three approaches to value d. Highest and best use e. Land residual value  Project & Construction Cost Budgeting <b>15-minute Group Project Session</b>		
12	4/14	Financial Analysis –Cash Flow  In-class exercise Cash Flow: Mezz Financing  30-minute Group Project Session <b>Assignment #5 (distribution)</b>	Supplemental Readings	
13	4/21	Cash Flow: Preferred Equity  Structuring Real Estate Investments  <b>30-minute Group Project Session</b>	REFI Chap. 18	<b>Assignment #5</b>
14	4/28	Entitlement Process and Issues a. Zoning and General Plan b. CEQA c. Impact Fees d. Community Benefits Ground Leases <b>45-minute Group Project Session</b>	Supplemental Readings	
15	5/5	Guest Speaker TBA Group Project Check-in/Q&A		
16	5/12	<b>Group Presentations – No exam</b>		

