

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS  
II. CLASSES AT THE UNIVERSITY OF WISCONSIN--MADISON  
I. Business 760: Real Estate Equity Investment  
1. Syllabus: Fall 1971

Real Estate Equity Investment - Business 760

Fall Semester 1971-72

Prof. James A. Graaskamp

I. Course Description

1; 2 credits. The problems matching investment strategy to physical property, leverage, income tax, and management alternatives. Analysis of forms of ownership alternatives from sole proprietorship to public real estate securities emphasizes problem of measuring and comparing yield and risk. Prereq: Bus. 520 and cons Instr. Mr. Graaskamp.

II. Course Format

Course will consist of intensive readings to relate real estate decisions to current capital budgeting and investment theory, to investigate the federal tax law, to define the alternative forms of ownership, and to suggest how decision techniques can be used to choose a specific investment opportunity. There will be a 2-hour exam on these readings at the end of the semester, contributing 40% of the grade.

There will be a series of relatively short problem exercises and several lab sessions involving use of analytical technical on computer terminal installations counting 30% of the grade.

There will be a term project for each student involving either a written case analysis or development of a special case financial investment loss contributing 30% of the final grade.

III. Text

Federal Taxes Affecting Real Estate, National Institute of Farm & Land Brokers of NAREB, published by Arthur Andersen & Co.

In addition there will be extensive mimeograph handouts for which the student is responsible unless it is starred (\*).

IV. Assignments

Sept. 13-17 INTRODUCTION

- ~~1.~~ "Real Estate Decisions Are Different" by Arthur M. Weimer, Harvard Business Review. 1966
- ~~2.~~ "The Role of Investment Real Estate in Portfolio Management" by James A. Graaskamp, American College of Life Underwriters. 1970
- ~~3.~~ "Real Estate as a Corporate Investment", by Hayes & Harlan, Harvard Business Review. 1967
- ~~4.~~ "Using the After-Tax Discounted Yield to Compare Investment Alternatives, Coldwell Banker & Co. 1970
- ~~5.~~ "Look Who's Rushing Into Real Estate" by Eleanore Carruth,

Sept. 20-24 BASIC ASSUMPTIONS OF CASH FLOW THEORY OF INVESTMENT

1. The U. of Wis. Business School Mini-Mod kit
- ~~2.~~ "How to Assess Investment Proposals" by Robert H. Baldwin, Harvard Business Review.
- ~~3.~~ NIREB Property Analysis Form
- ~~4.~~ "Property Analysis, Chapter III, by Buckels & Decot
- ~~5.~~ "The Computer World of Real Estate Investment Analysis Chapter X, Max Ganezer

Sept. 27- ALTERNATIVE APPLICATIONS OF CASH FLOW TECHNIQUE  
 Oct. 1

*Blue* 1. *MAADW* "An Analysis of the 1968 Housing Act by Robert O'Block,  
 Harvard Bureau of Business Research, 1970, Chapter 1-3.

~~2.~~ <sup>2</sup> "Financial Model Based on the Tustin Meadows Subdivision,"  
 Omnimetrics.

~~3.~~ <sup>3</sup> Realmetrics Manual and Input Form

Oct. 4-8 RISK MANAGEMENT CONCEPTS FOR REAL ESTATE ANALYSIS

~~1.~~ <sup>14</sup> Real Estate: On the Brink", Forbes magazine.

~~2.~~ <sup>15</sup> "Real Estate Cash Flow Simulation Probability Model" by the  
 Cambridge Group, Inc. *Probability Models*

~~3.~~ "Reduction of Risk Through Diversification: Portfolio  
Theory", Chap. 5, pp. 83-95, Readings in Managerial Finance  
 by Eugene Brigham.

~~4.~~ "Peril-point Acquisition Prices" by John F. Crowther, Harvard  
Business Review, Sept.-Oct. 1969.

Oct. 11-15 WHAT IS THE YIELD ON REAL ESTATE EQUITY INVESTMENT?

*Text* 1. "Determining Rate of Return on Real Estate Investment"  
 Section 14.11, pp. 338-345, Federal Taxes Affecting Real  
Estate by McCoy, Olsen, Reed, Sandison, & Wright for the  
 National Institute of Farm & Land Brokers of NAREB.

~~2.~~ "A Mathematical Model for Evaluating Real Estate Investments  
 of a Life Insurance Company" by Quincy S. Abbot.

~~3.~~ "Imputed Equity Returns on Real Estate Financial With Life  
 Insurance Company Loans" by Bruce Ricks. Journal of Finance

~~4.~~ "Differences Between the Major Discounted Cash Flow Capital  
 Budgeting Techniques", Chap. 3, pp. 45-63, Readings in  
Managerial Finance by Eugene Brigham.

~~5.~~ MINI-MOD PROBLEM DUE

Oct. 18-22 REAL ESTATE INVESTMENT AND THE FEDERAL INCOME TAX

1. Chapters 1, 2, & 3 of Federal Taxes Affecting Real Estate,  
 3rd Edition by McCoy, Olsen, Reed, Sandison, & Wright,  
 National Institute of Farm & Land Brokers of NAREB. 1970.

Oct. 25-29 ACQUISITION AND SALE OF REAL ESTATE

1. Chapters 4, 5, 9 and 10 of Federal Taxes Affecting Real Estate.
2. "A CPA's Role in the Purchase of Real Estate" by Philip Wolitzer, The New York Certified Public Accountant April 1966

Nov. 1-5 DEFERRING TAXES ON REAL ESTATE INVESTMENT PROCEEDS

1. Chapters 6, 7, 8, and 11 of Federal Taxes Affecting Real Estate.
2. "Land is a Growth Investment" by Bruce Ricks and Fred Weston, Financial Analyst Journal, July-August 1956.

Nov. 8-12 FORM OF OWNERSHIP

1. Chapter 12, 14 (balance not previously assigned) of Federal Taxes Affecting Real Estate.

Nov. 15-19 SOLE PROPRIETORSHIP

- TO SETH
1. "How to Acquire Realty in Individual Form", Real Estate Investment Planning, Institute for Business Planning, Inc.
  2. "Real Estate Investor's Guide to Oil & Gas Drilling Programs" by Thad W. Thomas, Real Estate Review Spring 1971 Vol 1 No.1
  3. "Impact of the Tax Reform Act Upon the Section 236 Limited Dividend Investor Program" by Max Thurston, VP, Gene Glick Co.
  4. "Changes in Depreciation and Recapture - Impact on Real Estate Investments" by Emil M. Sunley, Jr. The Appraisal Journal, October 1970.
  5. "How to Plan an Estate" by Casey, Estate Planning Guide.
  6. \* "Real Estate Responsibilities of the Corporate Executor" by Thomas M. Tull, Jr. Trusts & Estates April 1968.

Nov. 22-26 LIMITED PARTNERSHIP INVESTMENTS

1. "How to Use Partnerships", Real Estate Investment Planning, Institute for Business Planning, Inc.
2. "Family Partnerships", Real Estate Investment Planning, Institute for Business Planning, Inc.
3. "Limited Partnerships - Their Use in Real Estate Syndications" by Paul Bernstein, Taxes September 1968.
4. "The Limited Partnership Agreement"- Suggested Clauses.

Nov. 29- JOINT VENTURES  
Dec. 3

1. "Real Estate Equity Investments and The Institutional Lender: Nothing Ventured Nothing Gained" by F. E. Rogge, G. J. Talbot, R. M. Zinman, Fordham Law Review, Vol. 39, May 1971, pp. 579-648.
- ~~2.~~ "Joint Venture & Equity Investment Seminar - Developer's View of Joint Ventures" by Robert T. Foley.

*[Handwritten scribbles]*  
Dec. 6-10

3. "National Corporation for Housing Partnerships" mimeo  
*Participation between Developer & N.C.*  
REAL ESTATE INVESTMENT TRUST

- ~~1.~~ "Real Estate Investment Trusts" NAREIF Handbook of Member Trusts. Mimeo
- ~~2.~~ "Renewed Interest" by Dana L. Thomas, Barron's, August 24, 1970.
- ~~3.~~ "Analyzing Real Estate Investment Trusts" by Thomas J. Kearns, The National Real Estate Investor. October, 1971.
- ~~4.~~ "Fresh Appraisal" by Dana L. Thomas, Barron's, Oct. 28, 1968.

- ~~5.~~ "Mortgage Loans Packaged as Securities" by J. William Brennan, Real Estate Review, Spring 1971, Vol. 1 No. 1.

6. ANALYSIS OF SYNDICATE PROPERTIES DUE

Dec. 13-17 PUBLICLY HELD REAL ESTATE CORPORATIONS

*Look at 8/11*

1. "The Strategy Behind Wall Street's Move into Real Estate" by Frank Lalli., The Institutional Investor May 1970.
- ~~2.~~ "Public Companies as Investor-Builders" by Henry A. Lambert, The National Real Estate Investor July 1970.
- ~~3.~~ "Venture Capital and Real Estate" by Marvin R. Shanken, The National Real Estate Investor July 1970.
- ~~4.~~ "Wall Street Analysts See Trend to Bigness, Long-Term Growth" The National Real Estate Investor July 1971.
- ~~5.~~ "Going Public Again Beckoning Developers", The National Real Estate Investor July 1971.
6. "Castles of Sand" by Abraham Briloff, Barron's Feb. 1969.

Jan 3-7 TERM PAPERS DUE FOR DISCUSSION & HANDED IN

Jan. 10-14 CASE PROBLEM OPTION DUE FOR DISCUSSION & HANDED IN

LATE PAPERS WILL BE PENALIZED