

**REAL ESTATE APPRAISAL
FIRE 425 – Fall 2006**

Real Estate and Land Development Program
Virginia Commonwealth University

Instructor: Brent C Smith, Ph.D.
Office Room 5190
Office Phone: (804) 828-7161
Office Hours: 30 minutes after class and by
appointment

Semester: Fall 2006
Schedule: Mondays 7:00 – 9:40 p.m.
Room: BUS 2120
Section # 901
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COURSE DESCRIPTION

This course is an applied introduction to the major concepts, principles, and methods used in appraising commercial real estate. This course is an overview of real estate appraisal process. The knowledge that students derive from this class will provide a basis for understanding real property appraisals and how business practices, micro and macro economic changes and government policies affect value. The objective of the course is to provide a broad survey of real estate appraisal emphasizing the applied elements of the industry including hands on practical engagement by the student.

Throughout the course the primary emphasis will be on the production of a supportable estimate of value via the three widely accepted approaches to appraisal (cost, market/sales and income). We will be exposed to all three of these in the execution of appraisals for both residential and nonresidential properties.

COURSE MATERIALS

Required Text

The Appraisal of Real Estate, 12th edition, Appraisal Institute, 2005. My lectures will not follow the text at all times. Some topics may be expanded on. Both the lecture material and the information in your book are used to create the exams so class attendance is important. Discussion/Seminar - Specific text readings will be assigned for each class period. Class will be conducted in a seminar format and it is expected that each assignment will be read prior to class and you will be ready to discuss the materials.

Pricing: VCU Bookstore 56.25 used, 74.75 new
Amazon 59.99 used

Required Tool

Financial Calculators A financial calculator is required. Make sure your calculator is equipped to handle NPV and IRR calculations for uneven cash flows. Some popular models that meet this requirement are: Texas Instruments BA-II Plus, Hewlett-Packard 10B or 12C. Additionally, it will be vital for you to have a working knowledge of Excel or similar

spreadsheet program. Although it is possible to perform the required work by hand, the time commitment necessary for this approach will be extensive.

Optional Tool

Laptop Computers are allowed in class if they are used exclusively for class related activities such as note taking and practice exercises. Deviations from this limitation will result in the instructor banning you from bringing your computer into the class.

Additional Reading Students are encouraged to regularly read any widely accepted newspaper such as Wall Street Journal, Business Week and other national daily newspapers and general weekly publications. Whatever the rag du jour of choice you are requested to consider everything you read from the perspective of real estate. Students are encouraged to present relevant and timely topics for discussion. Examples and case studies presented by the instructor often come from the aforementioned publications. The Wall Street Journal, for example, maintains a web page dedicated to real estate topics of a national interest.

GRADING

How the grade is determined: The course grade is based on a total of 100 points. Points are earned through hourly exams, homework assignments, and a final exam.

Final grades are derived from the following table:

Midterm Exam	20 points	20%
Take Home Final Exam	25 points	25%
Homework assignments	20 points	20%
Appraisal Report	35 points	35%
Total	100 points	100%

Midterm Exam: There will be one midterm exam near the middle of the semester (see tentative schedule included). Anticipate a variety of question types including short answer, essay, and problem solving and true/false multiple choice. The questions will be derived from material covered in class, in the assigned readings and in the practice assignments.

There will be no makeup exam. If a student misses an hourly exam he or she must prepare a formal written petition requesting that the points from the missed midterm exam be attached to the final exam thereby increasing the weight of the final exam from 25% of the total grade to 45%. This petition must be submitted to the instructor in person no later than 1 class meeting. It will be at the instructor's discretion to affirm the petition or not. Arrangements must be made well in advance with me in the event of additional missed exams.

Assignments and Class Participation: The assignments will be designed to provide a foundation to allow you to prepare for the exams and to aid in preparing your appraisal reports. The details for the assignments will be forthcoming throughout the semester and

well in advance of assigned due dates. You can anticipate homework assignments that are designed to provide you with the chance to put the concepts introduced in class into practice. **LATE HOMEWORK ASSIGNMENTS WILL BE ACCEPTED ON THE NEXT BUSINESS DAY AFTER THE DUE DATE, BUT ARE SUBJECT TO A 50% REDUCTION.**

As for class participation, attendance will not be taken but regular attendance is expected, and it has proven to be a prerequisite for doing well. Students are responsible for assignments and material covered in class.

Excelling in a course in real estate involves learning a new vocabulary and new concepts and thinking about concepts learned previously from a new dimension. As with any new language the key to success is practice, and students are expected to practice and prepare the material prior to the class. As for class participation, attendance will not be taken but regular attendance is expected, and it has proven to be a prerequisite for doing well. Students are responsible for assignments and material covered in class. Excelling in a course in real estate involves learning a new vocabulary and new concepts and thinking about concepts learned previously from a new dimension. As with any new language the key to success is practice, and students are expected to practice and prepare the material prior to the class.

At the limit, every element of life is optional. It is entirely up to you which option you exercise and will be entirely up to you to reap the rewards or suffer the fate (Smith, 2000).

Take Home Final Exam: You will be allowed to take the final exam home to prepare answers. The exam will cover both new material and be comprehensive. The questions will be designed in a similar format to the midterm exam. The date and time for submission of the final are provided on the schedule.

Residential appraisal:

Appraisal Report: In this exercise you will prepare a formal appraisal report of a property of your choosing. Properties will be identified by students and approved by the instructor. This will involve describing the subject, identifying the market and viable comparables, gathering data on those comparables and computing an estimate of value based on the cost, market and income approaches. Your grade will be based on your ability to apply the approaches to value affectively, and to justify your valuation estimates through supporting documentation. Details of this assignment will be forthcoming. You should have your property selected by the class meeting on September 11, 2006.

Grades of W or I: Students whose performance is below 70% at the withdrawal deadline should consider withdrawing from the course with a grade of "W." You must withdrawal by the withdrawal deadline; VCU permits **NO** withdrawals after the deadline. If you are in this situation you should discuss the advantages and disadvantages with the course instructor prior to the deadline. Remember, it is important to do well in your courses and to stay in good academic standing. Grades of "I," Incomplete, are reserved for students who are doing very well (i.e., performance above 70%) but encounter emergency situations very close to the end of the course. Incomplete grades will not be given if the student misses more

than one exam or one assignment (students who miss more work might petition VCU for a “retroactive withdrawal”). Also, students whose performance is below 70% will not be eligible for an incomplete grade.

HONOR SYSTEM

Students are reminded that the academic campus at VCU operates under the Honor System. A full description of the Honor System is printed in full in the VCU Resource Guide. Students are responsible for:

- * Understanding the types of conduct that are deemed unacceptable.
- * Refraining from committing any act of cheating, plagiarizing, facilitating, academic dishonesty, stealing, or lying.
- * Reporting every instance in which the student has a suspicion or knowledge that academic conduct which violates this policy to faculty.

If a student is uncertain about an issue of academic honesty, he/she should consult the professor to resolve questions in any situation prior to the submission of the academic exercise. Violations of academic honesty include but are not limited to: Cheating, Fabrication, Falsification and Forgery, Multiple submissions, Plagiarism and Complicity.

POLICY ON DISABILITIES

VCU is committed to a policy of equal opportunity an affirmative action in education and employment and complies with the requirements of the Rehabilitation Act of 1973 and the American Disabilities Act of 1990. If you require special accommodations, please contact the instructor at your earliest convenience.

STUDENT EMAIL ACCOUNTS

All students are required to obtain an official VCU student Email account within one week of the beginning of the semester when they enroll. Students - both currently enrolled and incoming – may obtain their account over the Web at anytime by going to the "Academic" section of the "Getting a Computer Account" Web page found at www.vcu.edu/it/computer_accounts.html. A student Email account created on the VCU Web is the official Email address to which the University will send Email communications. This official address will be recorded in the University's electronic directories and records for that student. Once a student receives an email address, it is accessible from anywhere on the web through the WebMail interface. Furthermore, if you are using Blackboard for your class the student needs a VCU account.

Given the recent virus attacks and worms, as well as any new threats that may arise, VCU believes it to be safer to only accept mail from a valid VCU address rather than Hotmail, MSN, AOL, etc. **Please note, given the ability of hackers to embed Trojan Horses and other macros in Word, spreadsheet and text documents, I will generally not accept submissions via email if it is not saved as a portable document file (pdf).**

WEATHER POLICY

Please be aware that in the event of inclement weather, only the President or Provost can cancel classes. If the decision to cancel classes is made before school opens, the announcement will be on local radio and television stations. Notice of cancellations that occur after the business day has started will also be announced on the same stations, but we will notify all departmental offices as soon as we are notified and ask that both email and voice mail messages be sent to all faculty. As long as the university is open, classes must be held. The university maintains an inclement weather telephone number, (804) 278-1727, as well as an inclement weather web page found at <http://www.vcu.edu/weather/>.

Any assignments or exams scheduled for the cancelled class will be due at the next class immediately following the one cancelled.

POLICY ON COMPUTER ETHICS

<http://www.students.vcu.edu/rg/policies/rg7compu.html>

Please contact the instructor or Dean's office for further information or concerns.

POLICY ON SEXUAL HARASSMENT

<http://www.students.vcu.edu/rg/policies/rg7harass.html>

Please contact the instructor or Dean's office for further information or concerns.

IMPORTANT DATE(S)

Last Day to Withdraw from Class with a "W" – November 3rd

COURSE OUTLINE

Because of unforeseen circumstances and responsibilities it is possible the instructor will not be able to meet the scheduled class period. In the event this occurs, barring an emergency, the class will be notified, in advance, and the class period will be rescheduled or canceled. Be advised, this schedule is tentative and subject to alteration as dictated by the pace, ability and interests of the students. In class discussion, material difficulty and external forces may dictate alterations.

Tentative Course Schedule

#	Dates	Chap	Description
1	Aug 28	1, 2	Introduction, Real property and its appraisal, The nature of value
2	Sep 11	3, 4,	Discuss properties selected, Foundations of appraisal, The valuation process,
3	Sep 18	5, 7, 8	Real property ownership and interests, Data collections, Market areas, neighborhoods, and districts
4	Sep 25	9, 10, 11	Land and site analysis, improvement analysis, Market analysis

5	Oct 2	12, 13	Highest & best use analysis, Land or site valuation
6	Oct 9	14, 15	The cost approach, Building cost estimates
7	Oct 16	16	Midterm Exam , Depreciation estimates
8	Oct 23	16, 17	The sales comparison approach,
9	Oct 30	18	Adjustment and Analytical Techniques in the sales comparison approach
10	Nov 6	19, 20	Applications of the sales comparison approach, The income capitalization approach
11	Nov 13	22	Direct capitalization
12	Nov 20	21	Income and expense analysis
13	Nov 27	25, 26	Reconciling value indicators, The appraisal report
14	Dec 4	23, 24	Appraisal report due at the start of class , Yield capitalization, Discounted cash flow analysis
	Dec 11		Take home final due in my office Room 5190, by 7:00 p.m.

SAMPLE ONLY
This is not the actual syllabus for this course. It has been created to give prospective students an overview of what the content. Actual content of this course may vary and it is subject to change.