



El Camino College
COURSE OUTLINE OF RECORD – Official

Course Acronym:	RE
Course Number:	21
Descriptive Title:	Real Estate Investments
Division:	Business
Department:	Real Estate
Course Disciplines:	Real Estate
Catalog Description:	<p>This course discusses the acquisition phase, holding period and disposition analysis for real estate investment property. The course covers a review of pro forma statements, the effects of leverage and cash flow operating statements. Students develop strategies for decision-making alternatives for a sale, exchange, continuation of operations, and capital restructure using depreciation, installment sale and tax basis.</p> <p>Note: The California Department of Real Estate (DRE) has approved this course as one of the elective courses that may be completed for the salesperson license in addition to the required courses of Real Estate Principles and Real Estate Practice. The California DRE has approved this course as one of the elective courses for the real estate broker license. The DRE requires a copy of the college course outline or catalog description along with transcript showing proof of course completion. This course is also approved by the California Bureau of Real Estate Appraisers (BREA) for credit hours towards the appraisal license.</p>
Prerequisite:	
Co-requisite:	
Recommended Preparation:	Real Estate 11 and Real Estate 14A
Enrollment Limitation:	
Hours Lecture (per week):	3
Hours Laboratory (per week):	0
Outside Study Hours:	6
Total Course Hours:	54
Course Units:	3
Grading Method:	Letter Grade only
Credit Status:	Credit, degree applicable
Transfer CSU:	Yes
Effective Date:	Prior to July 1992

Transfer UC:	No
Effective Date:	
General Education: ECC	
Term:	
Other:	
CSU GE:	
Term:	
Other:	
IGETC:	
Term:	
Other:	
Student Learning Outcomes:	<p>SLO #1 Mathematical Computations</p> <p>Demonstrate effective skills to calculate typical real estate mathematic computations as found in diverse real estate business situations.</p> <p>SLO #2 Industry Forms</p> <p>Students show the ability to prepare and complete real estate industry documents effective interpersonal and time management skills in using typical real estate industry forms as found in diverse real estate business transactions.</p> <p>SLO #3 Vocabulary</p> <p>Apply knowledge of real estate vocabulary, standard industry forms, real estate math skills and ethics in the workplace to assist and prepare each student from the diverse student body to gain confidence in their ability to take and pass the state examination for real estate sales or property management, appraisal or loan licensing to qualify to work with a diverse public in typical real estate transactions.</p>
Course Objectives:	<ol style="list-style-type: none"> 1. Compare and contrast whether to lease or purchase real property using cash flow analysis. 2. Distinguish the principles of real property investment analysis as compared to personal residence transactions. 3. Collect and define real estate investment terminology, using Internet sources. 4. Using the Realty Blue Book/Financial Tables, calculate loan amortization. 5. Using a real estate financial calculator, compare and analyze present value (PV) and future value (FV) to choose an appropriate rate of return on a real estate investment. 6. Outline the steps for a tax-deferred exchange to minimize tax liability. 7. Structure an installment sale for a real property transaction. 8. Calculate the tax basis for investment real property. 9. Formulate real property investment alternatives using analysis of leverage, cash flow and pro-forma to determine rate of return on investment. 10. Select the method with the least tax consequences as applied to real property investment: capital gains, installment sale and exchange.

	<p>11. Design a real estate counseling business plan for real property that includes ethical and fair housing professional practices that include trust fund handling and real property taxation issues.</p>
<p>Major Topics:</p>	<p>I. Introduction and Guidelines for Real Estate Investment Decisions (3 hours, lecture)</p> <p>A. Definitions and concepts</p> <p>B. Investment value</p> <p>C. Profiling the real estate investor</p> <p>II. Cash Flow Analysis, Market Research and Cash Flow Forecasting (3 hours, lecture)</p> <p>A. Methods of research</p> <p>B. Data sources</p> <p>C. Income and property value</p> <p>III. Forecasting Income and Property Value (6 hours, lecture)</p> <p>A. Income forecasting</p> <p>B. Net operating income</p> <p>C. Necessary additional information</p> <p>IV. Financial Leverage and Investment Analysis (3 hours, lecture)</p> <p>A. Defining leverage</p> <p>B. Levels of leverage</p> <p>V. Credit and Borrowing (3 hours, lecture)</p> <p>A. Instruments for credit</p> <p>B. Interest costs and rates</p> <p>C. Alternative financing arrangements</p> <p>VI. Tax Considerations (3 hours, lecture)</p> <p>A. The concept of tax basis</p> <p>B. The initial basis</p> <p>C. Tax consequences of ownership</p> <p>VII. Rental Real Estate and Performance (3 hours, lecture)</p>

A. Calculating realized gain or loss

B. Ration analysis

C. Traditional profitability measures

VIII. Cash Flow Analysis, Investment Goals, and Decisions (6 hours, lecture)

A. Present value

B. Rate of return

C. Decision rules

IX. Risk (3 hours, lecture)

A. Key risk elements

B. Risk adjustment methods

C. Interpreting risk

X. Risk Management with Portfolios (9 hours, lecture)

A. Portfolio theory

B. Diversification

C. Risk analysis

XI. Investment Feasibility (3 hours, lecture)

A. Investment analysis steps

B. Financial feasibility

C. Market estimation

XII. Subdivisions (3 hours, lecture)

A. The process of subdividing land

B. Residential subdivisions

C. Industrial subdivisions

XIII. Redevelopment (3 hours, lecture)

A. Redevelopment process

B. Rehabilitating property

C. Local Authority

	<p>XIV. Real Estate Investment Trusts (REITs) (3 hours, lecture)</p> <p>A. Regulations</p> <p>B. Management</p> <p>C. Information sources</p> <p>D. Syndications</p>
Total Lecture Hours:	54
Total Laboratory Hours:	0
Total Hours:	54
Primary Method of Evaluation:	
Typical Assignment Using Primary Method of Evaluation:	Calculate the monthly payment required to amortize a thirty-year loan of \$1,000,000 at 10% interest and analyze the amortization for a fixed rate loan versus an installment sale. Report your findings in a one-page paper.
Critical Thinking Assignment 1:	Given the closing statement for the purchase of a real property investment, the capital improvements made since acquisition, the operating statement, the rent roll and the current market value, show the calculations for determining the tax basis for the property at the time of purchase, the current basis for exchange analysis, and the adjusted basis carried forward to the exchanged property. Report your findings in a one-to two-page paper.
Critical Thinking Assignment 2:	Assume a \$100,000 cash investment requirement, a \$10,000 net annual cash flow for 10 years, and a cash reversion of \$100,000 at the end of the lease period, when the property is sold. Calculate the Internal Rate of Return (IRR). Submit your calculations and findings to instructor in an Excel spreadsheet.
Other Evaluation Methods:	Homework Problems, Matching Items, Multiple Choice, Other Exams, Quizzes, Reading Reports, Term or Other Papers, True/False, Written Homework
Instructional Methods:	Discussion, Lecture, Multimedia presentations
If other:	
Work Outside of Class:	Answer questions, Problem solving activity, Study, Written work (such as essay/composition/report/analysis/research)
If Other:	
Up-To-Date Representative Textbooks:	Sirota and Evans. <u>Essentials of Real Estate Investments</u> . 12th ed. Dearborn, 2019. (Discipline Standard)
Alternative Textbooks:	
Required Supplementary Readings:	
Other Required Materials:	
Requisite:	

Category:	
Requisite course(s): List both prerequisites and corequisites in this box.	
Requisite and Matching skill(s):Bold the requisite skill. List the corresponding course objective under each skill(s).	
Requisite Skill:	
Requisite Skill and Matching Skill(s): Bold the requisite skill(s). If applicable	
Requisite course:	Real Estate 11 and Real Estate 14A
Requisite and Matching skill(s):Bold the requisite skill. List the corresponding course objective under each skill(s).	<p>Demonstrate the use of appropriate real estate forms based on client needs. RE 11 - Analyze transactional needs of a client and select transactional forms used for that real estate activity.</p> <p>Demonstrate the ability to identify the location of a parcel of real estate property. RE 11 - Utilize the three common types of land descriptions to identify the location of a parcel of real property.</p> <p>Demonstrate an understanding of capitalization rates, points, discounts, yields and qualify ratios as appropriate for real estate finance. RE 14A - Calculate real estate finance problems such as capitalization rate, points, discounts, yield, and qualifying ratios using the Realty Blue Book, a real estate financial calculator and an online computer calculator.</p>
Requisite Skill:	
Requisite Skill and Matching skill(s): Bold the requisite skill. List the corresponding course objective under each skill(s). If applicable	
Enrollment Limitations and Category:	
Enrollment Limitations Impact:	
Course Created by:	Frank Fowler
Date:	12/01/1974
Original Board Approval Date:	

Last Reviewed and/or Revised by:	Nicholas McGrue
Date:	04/17/2018
Last Board Approval Date:	12/19/2022