Western The University of Western Ontario
Social Science

Department of Geography

GEOG 3464F: Financial Feasibility of Urban Developments

Course Outline

Location:	SSC 2322E
Class time:	Thursdays, 4:30—6:30 pm
Tutorial time:	Thursdays, 6:30—7:30pm

Instructor Information

Name and title:	Dr. Diana Mok
Contact information:	dmok3@uwo.ca Office: SSC 2316 Office hour: TBA
Course webpage:	geography.ssc.uwo.ca/faculty/mok (password protected)

Course Syllabus

Description

The object of the course is to expose students to the financial and economic underpinnings of urban form and structure. A major focus is on static development feasibility models and their application to understanding urban change. The course provides hands-on experience for students to build financial feasibility models of urban developments.

Objectives

To introduce students to the principal concepts and theories in urban development. To understand market and development feasibility analysis. To apply these concepts in conducting feasibility studies. To understand the role of property development in urban and regional economic growth.

Prerequisite(s):

Geography 2460F/G (the former Geography 277F/G)
BUS 257 is strongly recommended.

Antirequisite(s):

The former Geog 377F/G, the former Geog 378F/G, and the former Geog 333E
Please consult the calendar for updated information.

Note: It is students' responsibility to ensure that all prerequisite conditions are met or that special permission to waive these requirements has been granted by the Faculty. Unless the student has either the requisites for this course or written special permission from the Associate Dean's Office to

enroll in it, he/she will be removed from this course and it will be deleted from the student's record. It is also the student's responsibility to ensure that he/she has not taken a course listed as an anti-requisite. The student may not be given credit if he/she violates the anti-requisite condition. The decisions regarding either prerequisite or antirequisite may not be appealed. The student will receive no adjustment to tuition fees in the event that he/she is dropped from a course for failing to meet prerequisite and antirequisite conditions.

Approach
The course is run as a series of weekly lectures. Some class time is set aside for guest lectures and course administration.

Topics
The following list of topics will be considered during the term. See the attached reading list for the corresponding required readings.

- An overview of urban developments in North American
- Development processes and types of developments
- Basic market analysis: Residential
- Basic market analysis: Retail
- Basic market analysis: Office and others
- Basic cash-flow analysis
- Time value of money, interest rates, and risks
- Mortgage mechanics
- Depreciation and tax effects
- Techniques in feasibility studies

Course Materials

Course readings
The course has a required manual:

Canestaro, J. 1988. *Real Estate Financial Feasibility Analysis: Handbook and Workbook.*

There is no principal text for this course. See the attached reading list for mandatory readings. Students are expected to have read the readings before class and be ready to discuss them in the lectures. Additional suggested readings for the course are listed as below:

Brueggeman, W. B. and Fisher, J. 2002. *Real Estate Finance Investments.* McGraw Hill.

Carn, N., Rabianski, J., Racster, R. and Seldin, M. 1988. *Real Estate Market Analysis: Techniques and Applications.* New Jersey: Prentice Hall.

DiPasquale, Denise and Wheaton, William. *Real Estate and Urban Economic.* New Jersey: Prentice Hall.

Linneman, Peter. 2008. *Real Estate Finance and Investments: Risks and Opportunities.* Second edition. Philadelphia: Linneman Associates.

McMahan, John. 1989. *Property Development.* New York: McGraw-Hill.

Miles, M. E., Berens, G. and Weiss, M. A. 2003. *Real Estate Development: Principles and Process.* Urban Land Institute.

Peiser, R. B. and Frej, A. B. 2004. *Professional Real Estate Development.* Urban Land Institute.

Thrall, Grant Ian. 2002 *Business Geography and New Real Estate Market Analysis.* Oxford University Press.

References to general topics in finance are:

Ross, S. A., Westerfield, R. W. and Jordan, B. D. 2006. *Corporate Finance, 7th edition.* New York: McGraw Hill.

Gitman, L. J. and Hennessey, S. 2004. *Principles of Managerial Finance, 1st Canadian edition*. Pearson.

Students are encouraged to read advanced theoretical texts for more challenging topics:

Arnott, R. 1986. *Location Theory.* Chur, Switzerland and New York: Harwood Academic Publishers.

Barnes, T.J. 1996. *Logics of dislocation: Models, metaphors, and meanings of economic space.* New York and London: Guilford Press.

Berry, B.J.L., Conkling, E.C. and Ray, D.M. 1993. *The Global Economy: Resource Use, Location Choice, and International Trade.* Englewood Cliffs, N.J.: Prentice-Hall.

Krugman, P. 1991. *Geography and Trade.* Leuven, Belgium, and Cambridge, Massachusetts: Leuven University Press and MIT Press.

Krugman, P. 1995. *Development, Geography and Economic Theory.* Cambridge, Mass.: MIT Press.

Jones, K. and Simmons, J. 1993. *Location, Location, Location: Analyzing the Retail Environment* (Second Edition.). Toronto: Nelson Canada.

Vance, J.E. 1990. *The Continuing City.* Johns Hopkins Press.

Methods of Evaluation of Assignments

The course has four components: Class Participation, Labs and the Course Project (the financial feasibility model).

(a) Class Participation / in-class quizzes. Class participation is worth 10 percentage points towards the final course grade. There will be 5 small in-class

quizzes, which are randomly distributed throughout the term. These quizzes are meant to ensure that students do understand and remember the concepts discussed in lectures. Each small quiz is worth 2 percentage points to give a total of 10 points towards the final course grade. Students will get either 0, 1 or 2 in each quiz, based on their level of understanding of the concepts.

(b) Labs. There are 4 labs in total; each is worth 10 percentage points towards the final grade (see Schedule for the specific due dates). The first 3 labs are intended to assist students getting started with the financial feasibility model. Lab 4 consists of progress checks of the project (see the course webpage for the schedule).

The labs are mini-research assignments, which will become the first few sections (or the parameter inputs) of the final feasibility model. There is no lab manual provided; submission forms are provided on the course webpage (see attachments).

(c) Course Project. The course project is a dynamic financial feasibility model. It is a model based on the sites chosen by students; the only given parameter of the model is that the development must be mixed uses, with 3 types of income-generating uses. The model will be based on the course reading: Canestaro, J. 1988. *Real Estate Financial Feasibility Analysis: Handbook and Workbook.*

The project has two deliverables: a professional report and an Excel spreadsheet that shows the calculations in the feasibility model.

Professional Report

The report should contain five sections:

Section 1 should address the following questions/issues:

(a) Where is the proposed site for the mixed-use development? Why is the site chosen? Provide a map of the site. You can download the map from maps.google.com or google earth.

(b) What are the objectives of the development?

(c) What are the proposed uses? How large (site area and building area) is the development? You also need to give specific details for the proposed uses—for example, a 50-storey condominium apartment building with x units of 1-bedroom apartment, y units of 2-bedroom apartment, and z units of 3-bedroom suite.

(d) You should also use your imagination and sketch a land-use design for the proposed building(s), although you will not be graded on the quality of your drawings or designs.

(e) What is the current market situation for the proposed uses?

(f) What is the time scale for the development period? How long is the lease-up period, if applicable?

(g) What are the current uses and zonings? Would re-zoning be required? What are the anticipated impacts and implications on the neighbourhood?

Sections 2, 3 and 4 should each address one of the three proposed uses. All three sections should address the following questions/issues:

(a) You need to show the rent/price of comparable units for the proposed development.

(b) What is the trend for the market rent/price in the last 3 to 5 years?

(c) What are the different measurements of returns on each of the three types of uses?

(d) How sensitive are your results to changes in some of the parameters of the model (e.g. rents)?

(e) Is each of the proposed use a feasible project? Why or why not?

Section 5 should provide a brief summary and a conclusion for the project.

<u>The Excel Spreadsheet</u>

The Excel spreadsheet should contain at least six worksheets.

(a) Sheet 1: Input parameters

(b) Sheet 2: Feasibility analysis for Proposed Use A

(c) Sheet 3: Feasibility analysis for Proposed Use B

(d) Sheet 4: Feasibility analysis for Proposed Use C

(e) Analysis on the return on the project

(f) Sensitivity analysis

Please hand in the Professional Report in hardcopy and the Excel file in softcopy. Please also check for viruses for your Excel file before submitting.

The Professional Report and the Excel calculations will be graded out of 50. The Excel calculations would carry 20 points; the final report is worth 30. The report will be graded, based on the following criteria:

(i) Understanding of the concepts (10 points)
(ii) Thoroughness (10 point)
(iii) Clarity (5 point)
(iv) Professionalism (5 point)

Students are reminded that the report should be written in a professional manner. Please edit your work before you submit.

In sum, the breakdown of the course grades is given as follows:

Components	Grade	Date due
Class participation	10%	(random in-class quizzes)
4 Labs	40%	See Schedule
Course project	50%	December 9, 2010 (no extension)

Students are responsible for any lectures and/or labs that they have missed. The material will not be re-taught.

Late assignments will be penalized at 10% per day late, including weekends. Assignments more than a week late will not be graded.

Projects and labs are to be submitted to Dr. Diana Mok directly or to her email address (dmok3@uwo.ca). If submitting by email, use ASCII (plain text), RTF (rich text format), MS Word, or PDF (portable document format); no other format will be accepted.

Requests to have an assignment re-read, re-checked, or re-graded must normally be made no later than two business days following return of the assignment, and must include a brief written explanation. The instructor reserves the right to adjust the grade both upward and downward, where appropriate.

Additional Statements

Prerequisite checking - the student's responsibility

Unless you have either the requisites for this course or written special permission from your Dean to enroll in it, you may be removed from this course and it will be deleted from your record. This decision may not be appealed. You will receive no adjustment to your fees in the event that you are dropped from a course for failing to have the necessary prerequisites.

Statement on Academic Offences

Students must write their essays and assignments in their own words. Whenever students take an idea, or a passage from another author, they must acknowledge their debt both by using quotation marks where appropriate and by proper referencing such as footnotes or citations.

Scholastic offences are taken seriously and students are directed to read the appropriate policy, specifically, the definition of what constitutes a Scholastic Offence, at the following Web site: http://www.uwo.ca/univsec/handbook/appeals/scholoff.pdf .

All required papers may be subject to submission for textual similarity review to the commercial plagiarism detection software under license to the University for the detection of plagiarism. All papers submitted for such checking will be included as source documents in the reference database for

the purpose of detecting plagiarism of papers subsequently submitted to the system. Use of the service is subject to the licensing agreement, currently between The University of Western Ontario and Turnitin.com (http://www.turnitin.com).

Policy on Accommodation for Medical Illness

For UWO Policy on Accommodation for Medical Illness:
http://www.uwo.ca/univsec/handbook/appeals/accommodation_medical.pdf
Downloadable Student Medical Certificate (SMC)
https://studentservices.uwo.ca under the Medical Documentation heading.

Support Services

Registrarial Services: http://www3.registrar.uwo.ca/index.cfm
Student Development Services: http://www.sdc.uwo.ca/

Western's commitment to accessibility

The University of Western Ontario is committed to achieving barrier free accessibility for persons studying, visiting and working at Western.

Please contact the course instructor if you require material in an alternate format or if you require any other arrangements to make this course more accessible to you. You may also wish to contact Services for Students with Disabilities (SSD) at 661-2111 x 82147 for any specific question regarding an accommodation.