
TABLE OF CONTENTS

ASSIGNMENT 1	1
Chapter 1: Introduction to Real Estate	3
Types of Real Estate Assets	3
Common Industry Terms	9
Chapter 2: Forms of Real Estate Organizations	17
Sole Ownership	17
Common and Joint Ownership	18
Partnerships	18
Joint Ventures	20
Corporations	20
Limited Liability Companies	22
Real Estate Investment Trusts	22
Chapter 3: Accounting for Operating Property Revenues	25
Types of Leases	25
Revenue Recognition	30
Lease Classification	31
Additional Cost Recoveries	33
Operating Expenses Gross-Up	34
Contingent Rents	34
Rent Straight-Lining	35
Modification of an Operating Lease	39
Sublease of Operating Lease	41
Assignment 1: Test Your Knowledge	43
Assignment 1: Solutions and Suggested Responses	45
ASSIGNMENT 2	49
Chapter 4: Accounting for Operating Property Expenses	51
Operating Costs	51
Chapter 5: Operating Expenses Reconciliation and Recoveries	61
Most Common Recoverable Operating Expenses	61
Most Common Nonrecoverable Operating Expenses	62
Calculating Tenant Pro-Rata Share of Expenses	62
Chapter 6: Lease Incentives and Tenant Improvements	65
Lease Incentives	65
Tenant Improvements	67
Tenant Improvement Journal Entries	67
Further Comparison of Lease Incentives and Tenant Improvements	68
Differences in Cash Flow Statement Presentation	69
Demolition of Building Improvement	69

Chapter 7: Budgeting for Operating Properties	71
What Is a Budget?	71
Components of a Budget	71
Chapter 8: Variance Analysis	75
Sample Operating Property Variance Analysis	75
Salient Points on a Variance Analysis	77
Chapter 9: Market Research and Analysis	79
Market Research Defined	79
Market Analysis Defined	79
Market Research: Practical Process	79
Chapter 10: Real Estate Valuation and Investment Analysis	87
What Is Real Estate Valuation?	87
Approaches to Real Estate Valuation	87
Assignment 2: Test Your Knowledge	99
Assignment 2: Solutions and Suggested Responses	101
ASSIGNMENT 3	103
Chapter 11: Financing of Real Estate	105
Equity	105
Debt Financing	105
Other Financing Sources	107
Types of Loans	108
Debt Agreements	108
Financing Costs	111
Relationship Between a Note and a Mortgage	112
Accounting for Financing Costs	112
Chapter 12: Accounting for Real Estate Investments and Acquisition Costs	115
Methods of Accounting for Real Estate Investments	115
Purchase Price Allocation of Acquisition Costs of an Operating Property	119
Chapter 13: Accounting For Project Development Costs on GAAP Basis	125
Stages of Real Estate Development Project	125
Postdevelopment Stage	132
Chapter 14: Development Project Revenue Recognitions	133
Full Accrual Method	133
Deposit Method	137
Installment Method	139
Reduced-Profit Method	141
Percentage-of-Completion Method	143
Cost Recovery Method	154

Chapter 15: Audits	157
Audit Overview	157
Types of Audits	162
Assignment 3: Test Your Knowledge	167
Assignment 3: Solutions and Suggested Responses	169
Glossary	171
Index	175
Final Exam Copy	179