

Course Syllabus

RE 410: Real Estate Finance

Spring 2017

LEC 001: Tue & Thu 9:30 – 10:45 am Grainger 1190

LEC 002: Tue & Thu 11:00 am – 12:15 pm Grainger 2190

Course Website: courses.wsb.wisc.edu (canvas)

Instructor: Moussa Diop
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Office Hours: Mon. & Wed. 12 – 1 pm or by appointment

Course Description:

This course builds on the prerequisite introduction to real estate course. We will cover the following topics: mortgage, securitization, commercial real estate valuation and investment analysis, and real estate investment structures, particularly Real Estate Investment Trusts (REITs).

Learning Outcomes:

- Students will demonstrate proper application of the terminology and tools of real estate finance
- Students will demonstrate thorough knowledge of mortgage mechanics and related financing analysis
- Students will show thorough understanding of secondary mortgage markets and securitization
- Students will value income properties and evaluate real estate investment decisions
- Students will measure the impact of leverage on real estate investment risks and return
- Students will demonstrate learn about real estate investment structures, particularly REITs

Course Prerequisite:

Real Estate 306

Textbook:

For the REIT portion of the course, you will need to purchase “*The Intelligent REIT Investor*” by Stephanie Krewson-Kelly and R. Brad Thomas. There is no assigned textbook for the other topics. I recommend “*Real Estate Finance and Investments*” by Brueggeman & Fisher or “*Commercial Real Estate Analysis and Investments*” by Giltner & Miller for those who need a real estate reference textbook. Lecture slides and additional reading materials will be posted on the course website. Be aware, these slides are not lecture notes. They are not fully developed and do not necessarily encapsulate everything discussed in class.

Expectations:

You are required to come to class prepared and ready to actively participate in classroom work. Key learning objectives will be highlighted during lectures and covered in homework assignments to help you prepare for the exams.

Exams:

Three exams will be given in this class – see tentative schedule below. You will also be required to complete and present a commercial real estate finance case study at the end of the semester.

Job interviews, case competitions, business speakers, etc., are not legitimate excuses for missing exams and other course requirements. In certain exceptional cases, you may be excused from taking an exam at the scheduled time, provided that you notify me of your inability to attend prior to the scheduled time of the exam.

Homework Assignments:

There will be nine homework assignments. They are meant to check and challenge your understanding of the material discussed in class. *Do not take these assignments lightly*, for they often require substantial amount of work and account for a large portion of your grade. In general, there is a *very strong positive correlation between performance on homework and final grade*. Assignments will be turned in or completed online. No late assignments are accepted, unless cleared in advance with me.

These are *individual* assignments. You are encouraged to discuss them with other students, but you must turn in your own work. *Sharing of work will constitute a violation of the Academic Integrity Policies for Students.*

Commercial RE Case:

As part of the course requirements, you will have to complete and present a commercial real estate finance case at the end of the semester. The purpose of this case study is to give you an opportunity to apply the concepts learned in this class to a real-world real estate financing problem. Cases will be distributed later. You will have to organize in groups of two or three students for this assignment. *Each group will have to meet with me outside of class* to update me on the case's progress and get assistance if needed. A well-executed case study must include the following pieces: a detailed market/submarket analysis, a clear investment strategy and a reasonable financing proposal, including a pitch to potential investors/lenders. More detail about this assignment is to come in due course.

Attendance and Class Participation:

You are expected to come to class on time and to actively participate in classroom work. I will take class attendance from time to time for the purpose of allocating the attendance and class participation piece of the grade.

Grading:

First Exam (Feb. 16)	20%
Midterm Exam (Mar. 16)	20%
Final Exam (Finals Week)	20%
Homework assignments	20%
Commercial RE Project	15%
Attendance/participation	5%
<i>Total</i>	<i>100%</i>

Financial Calculator:

You will need a basic financial calculator for this course. Basic knowledge of Excel is also a must in this class. If you are not already familiar with Excel, you are most strongly encouraged to take advantage of the learning opportunities offered by DoIT.

Course Electronics Policy:

You are allowed to use your computer in class for coursework. However, the use of cell phones, mp3 players (e.g. iPods), recording devices or other hand-held devices is strictly prohibited during class periods. Classroom use of such technology can serve as a distraction for the user, classmates, and the instructor, and can hinder instruction and learning.

Academic Integrity:

By enrolling in this course, each student assumes the responsibilities of an active participant in UW-Madison's community of scholars in which everyone's academic work and behavior are held to the highest

academic integrity standards. Academic misconduct compromises the integrity of the university. Cheating, fabrication, plagiarism, unauthorized collaboration, and helping others commit these acts are examples of academic misconduct, which can result in disciplinary action. This includes but is not limited to failure on the assignment/course, disciplinary probation, or suspension. Substantial or repeated cases of misconduct will be forwarded to the Dean of Students Office for additional review. Please refer to the following website for more information.

Dean of Students: <https://www.students.wisc.edu/doso/academic-integrity/>

WSB Honor Code: <https://bus.wisc.edu/about-us/commitment-to-ethics/honor-code>

Accommodations for students with disabilities:

The University of Wisconsin-Madison supports the right of all enrolled students to a full and equal educational opportunity. The Americans with Disabilities Act (ADA), Wisconsin State Statute (36.12), and UW-Madison policy (Faculty Document 1071) require that students with disabilities be reasonably accommodated in instruction and campus life. Reasonable accommodations for students with disabilities is a shared faculty and student responsibility. Students are expected to inform faculty [me] of their need for instructional accommodations by the end of the third week of the semester, or as soon as possible after a disability has been incurred or recognized. Faculty [I], will work either directly with the student [you] or in coordination with the McBurney Center to identify and provide reasonable instructional accommodations. Disability information, including instructional accommodations as part of a student's educational record, is confidential and protected under FERPA.”

Wisconsin School of Business Commitment to Diversity:

Diversity and inclusion are core values of the Wisconsin School of Business. We believe in the importance of learning from others whose experiences and perspectives differ from our own. Students, faculty and staff are expected to embody inclusive behaviors that create an exemplary learning community for all.

If you would like to learn more, or have suggestions for how we can improve the climate for learning, please contact your instructor or TA directly or the Director of Diversity and Inclusion, Binu Hill at binu.palta.hill@wisc.edu, 263-3462, 4250 Grainger Hall.

Tentative Schedule:

<i>Date</i>	<i>Session</i>	<i>Topics & Assignments Due</i>
Jan. 17	1	Real Estate Markets / Mortgage Documentation
Jan. 19	2	Mortgage Documentation / Fixed Rate Mortgages (FRMs)
Jan. 24	3	FRMs (<i>Homework 1</i>)
Jan. 26	4	FRMs / Adjustable Rate Mortgages (ARMs)
Jan. 31	5	ARMs (<i>Homework 2</i>)
Feb. 2	6	Additional Mortgage Topics
Feb. 7	7	Additional Mortgage Topics (<i>Homework 3</i>)
Feb. 9	8	Commercial Mortgage Specifics
Feb. 14	9	Mezzanine Finance (<i>Homework 4</i>)
Feb. 16	10	Exam 1
Feb. 21	11	Introduction to Securitization
Feb. 23	12	Residential Mortgage-Backed Securities (RMBS)
Feb. 28	13	RMBS
Mar. 2	14	RMBS / Mortgage Derivatives: IOs, POs (<i>Homework 5</i>)
Mar. 7	15	Mortgage Derivatives: IOs, POs / CMOs
Mar. 9	16	Mortgage Derivatives: CMOs (<i>Homework 6</i>)
Mar. 14	17	CMBS
Mar. 16	18	Exam 2
<i>Spring Break (Mar. 18 – 26)</i>		
Mar. 28	19	Operating Cash Flow Analysis
Mar. 30	20	Operating Cash Flow Analysis / Valuation of Income Properties
Apr. 4	21	Valuation of Income Properties (<i>Homework 7</i>)
Apr. 6	22	Before and After Tax Cash flow Calculations
Apr. 11	23	Investment Analysis
Apr. 13	24	Investment and Risk Analysis
Apr. 18	25	Real Estate Investment Structures (<i>Homework 8</i>)
Apr. 20	26	Real Estate Investment Trusts (REITs)
Apr. 25	27	REITs: Cash Flow Analysis
Apr. 27	28	REITs: Valuation (<i>Homework 9</i>)
May 2	29	Case Presentations
May 4	30	Case Presentations / Course Wrap-up