

**Course:** BA 464 – Investments (Real Estate)

**Credit:** 4 units (45 hours of lecture)

**Day/Time:** Thursday 18:30 - 21:15 PM

**Instructor:** Aharon Hibshoosh

**Office Hours:** Wed. and Th. 21:15 - 23:15

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**Textbook:** William B. Brueggeman and Jefferey D. Fisher. (2015). *Real Estate Finance and Investments*, 15<sup>th</sup> edition, 2015, McGraw Hill -Higher Education. (ISBN 13: 978-0-07-337735-3 ; ISBN-10: 0-07-337735X)

**BA 464 – Investments (Real Estate) Course Description:**

**Course Catalog Description:** An in-depth study of real estate investments including the nature of real property, market analysis, construction cycles, mortgage lending, equity investment, metro area growth, urban land use, the effect of credit on demand, equity investment criteria, real property valuation and public policies, as well as current news and market conditions in both the United States and international real estate markets will be covered in the course. A one-unit written research project and its oral presentation are required for the course. (4 units).

Real estate properties are highly non homogenous as investments that are often non liquid. Furthermore, the risks and returns of Real Estate investments are highly governed and constrained by dynamic national federal and state regulation. Hence, participation in Real Estate investment transactions requires complex application and underwriting process. I will emphasize the intrinsic in real estate finance and investment, institutional practices in forming the real estate deal, updated regulation, and analytical approaches to evaluation of risk and return of real estate investment and its relationship to overall financial investment. The course will provide a broad spectrum of real estate investment topics. The course's focus will be conceptual, operational and analytical. Introduction of additional material in this course is highly functional. This additional material may, on occasion, negate and supersede material covered in the textbook. It will update the book's information or deal with the topic in a greater depth. To enhance learning, the students will be assigned to study groups.

The teaching will be based on lectures (including a possible guest lecturer(s)), routine HW, and a project. The HW is critical and the most challenging part of the course. The HWs are typed assignments consisting usually of problems and questions at the end of the chapter, but other individual and group assignment may be given. The HW will include the construction of a variety of operational models and their implementation. The data will include textbook and actual examples. My teaching assistant evaluates assignments under my direct guidance and issues a preliminary grade. If any student has a question about the evaluator's comments and/or grade, he/she should first discuss it with the teaching assistant, and then with me if there are

further questions. We are using the CANVAS software for HW collection, submission time monitoring and grade assignments. The HW files are submitted *only* through CANVAS. No hard copy is turned in. But a hard copy of the HW must be brought to class and will be inspected by the instructor at the roll call. Every student must be listed on CANVAS. An added student must belong to a group and inform the teaching assistant his/her added status and group number.

HW is due by 1AM Thursday as instructed by CANVAS. If you are late, you still may use an automatic extension of 8 hours and submit the HW by 9 AM Thursday through CANVAS.

CANVAS has a built-in time cut off function and will not allow submission past the deadline or the deadline extension. No further extension will be provided. Hence, any homework past the due date extension deadline will not be accepted for grading. .

In reporting to CANVAS every student must list on his/her assignment by the following order, the following information: Student ID, Last Name and First Name--as they appear on the enrolment sheet and group number. In reporting group work, all group members must be reported on the assignment in this format but only one submission per group is allowed.

Homework assignments in various forms are essential for success in this course.

### **Learning Objectives:**

As a result of this course the student should be able to:

1. Comprehend how demographic, economic and capital market conditions interact and affect demand and supply in Real Estate markets.
2. Demonstrate knowledge of physical and legal Real Estate concepts and maxims.
3. Apply analysis to comprehend the intrinsic nature of financial concepts and the systematic relationships among them.
4. Compare alternative Real Estate mortgages and debt structures.
5. Identify and incorporate effects of taxation in residential and commercial investments decisions.
6. Construct and apply operational and analytical financial models for deriving the key values associated with real estate investment and debt in various situations, and for conducting “what if” sensitivity analysis.
7. Analytically decide on the preferred course of action in various real estate situations.
8. Identify objectives and operations of the secondary mortgage market and compare alternative types of mortgage backed securities.
9. Identify and compare organizational features and regulations of syndicates and Real Estate Investment Trusts.

10. Identify benefits and challenges of incorporating real estate investments in a financial portfolio.

### **Methodology:**

The course is based on lecture, homework, with questions and problems that supports, integrates and extends the lecture as a major component. Most of the HW are the questions and problems at the end of the chapter. These may be augmented by special problems that rise as the need rises: for example, as conditions in the real estate market or forces who shape them evolve throughout the semester. Quantitative Analysis would have to be done routinely by using the appropriate software and developing operational new models. In addition, a project consisting of assignments which require mini cases assessment of actual real estate conditions and special investment and lending situations will be assigned. The TA will be available to cover HW solutions. Both individual and group homework will be assigned. No late homework is accepted and all homework must be typed, unless otherwise specified. Homework requires specific formats. For Example, most quantitative questions must be reported in EXCEL and others, as specified, in Microsoft Word Doc Format. As part of the homework, every group will divide the questions in each chapter which was covered among its members, then submit the answers of the whole group. Parts I and II of the course will be covered in great depth. Many other chapters will be covered in a review mode.

### **Student Conduct:**

- Please participate. What you put into the class will determine what you get out of it – and what others get out of it.
- Please come **on time**. Late arrivals disturb everyone else. Plan to stay during the whole class period. Attendance may be taken at least one time in of each class. In the case where more than one attendance is taken, only students attending all attendances would be considered as present. Attendance is a component of the overall grading.
- Students may not read other materials (newspapers, magazines) during class and no multitasking is allowed.
- Students are not allowed to come and go during class sessions.
- If you miss a class, you are responsible for getting notes/slide printouts on the material covered from a classmate in your group.
- To avoid distracting noise in class, cellular phones **must** be turned off or the ringing mode silenced.
- During an exam or a review of an exam all recording devices of any form must be closed and stored in closed bags. (See also Examination Policy).
- All class participants are expected to exhibit respectful behaviors to other students and the instructor. All students have the right and privilege to learn in the class, free from harassment and disruption. Inappropriate or disruptive behavior will not be tolerated, nor will lewd or foul language.

### **Examination Policy:**

I will use objective exams consisting of TF and MC questions. The midterm will only include chapters covered in the lecture prior to the midterm and associated extra lecture information.

The final is comprehensive. The exams are closed book exams, without a restroom break (or any other break). (I will make alternative examination opportunities where the need for break is medically required and professionally supported by a letter from a medical doctor). No exchange of pencils, erasers and any other material between students is allowed during the exam.

No electronic instrument capable of copying material in any form (in particular, in print or visual image) is allowed in the exam or a review of an exam. In particular, cell phones, organizers, calculators, tape recorders cameras, computers, etc. must be closed and stored inside a closed bag. Likewise, any conduct that constitutes subversion of the exam is punishable in at least a course failure. These specifically include: removing or reproducing examination material; communication with anyone with the purpose of reconstructing the examination or any part of it; keeping or using the instructor's past exam questions to prepare for the exam without specific instructor authorization; distributing any examination material; impersonating an examinee or having an impersonator take the examination. This list is not exhaustive.

A student violating these requirements should expect an F, in addition to other disciplinary consequences.

### **Grading Guidelines:**

Class attendance 10 pts

Homework assignments 30 pts

Midterm 30 pts

Project 25 pts

Final 50 pts.

Total course points:145 pts

The grade will be based on a curve. To gain a passing grade the student must substantially participate in the Homework, regardless of the student's exam grades. Gaining the following number of course points would assure the grade:

<b>Course Points</b>	<b>Grade</b>
118 and above	A
113-117	A-
100-112	B+
90-99	B

80-89	B-
70-79	C+
68-69	C
66-67	C-
64-65	D+
62-63	D
Below 62	F

**Course Schedule:**

**Topics^ and Tentative Schedule^^**

We will focus on elements in the following chapters^, in Brueggeman and Fisher:

<b>Date</b>		<b>Part I. Overview of Real Estate Finance and Investment</b>	<b>Chapters</b>
1/19	Lec 1	Overview of course concepts of real estate, RE finance and investment	Ch 1, and elements of 3, 7, 8, and 22, 23.
1/26	Lec 2	Securing Real Estate Investments. Financial Instruments: Trust Deeds and Mortgages	Review of Ch 1, and Ch 2,3.
2/2-2/9	Lec 2, 3	Analytical Economic Foundations of consumption and saving, borrowing and lending*	Ch 3 and elements of 4, 5 and 22.
		<b>Part II. Real Estates Mortgages and Trust Deeds*</b>	
2/9-2/16	Lec 3, 4	Fixed interest Rate Mortgage Loan	Ch 4
2/9-2/23	Lec 3,4,5	ARM (Adjustable Rate Mortgage loans and additional concepts	Ch 5 and elements of 6.
		<b>Part III. The Processing of Real Estate Borrowing and Lending in residential Investment</b>	
2/23-3/9	Lec 6, 7, 8 and throughout the course	Application, Underwriting and Financing of Residential investments*	Elements of Ch 7, Ch 8 and Regulations Update.
		<b>Part IV. Finance and Investment in Income</b>	

		<b>Producing Properties</b>	
3/23-3/30	Lec 9, 10	Investment in Income Producing Properties	Chs: 9, 10,11.
3/30-4/6	Lec 10, 11	Financial Leverage and Risk analysis	Chs: 12, 13 and elements of 14 and 15.
4/6	Lec 11	Review of Real estate Development	Elements 16 and 17.
		<b>Part V. Portfolio and Market Related Real Estate Investment</b>	
4/13	Lec 12,	Real Estate Organizational forms and REITs	Elements of Chs:18, 21
4/13-4/20	Lec 12, 13	Real Estate Secondary Markets and MBS (Mortgage Based Securities)	Chs 19, 20.
4/20-4/27	Lec 13, 14	Real Estate investment and portfolio investment	Ch 22, 23.

\* This topic will be covered throughout the course.

### Special Dates

Spring Recess: March14-March18

Midterm: March 2

Final: May 4

^This is not an exclusive list of topics to be covered in this course.

^^ The time table is tentative. If time permits, I will accelerate the presentation. Alternatively, if necessary, pace and intensity of coverage may be traded off to assure greater comprehension.

**Updated:** January 8, 2017. The syllabus may be updated in the future as necessary. Expect possible changes and follow announcements regarding them on CANVAS.