

Lincoln University
School of Business

Spring 2018
Mr. Hibshoosh

Course: BA 464 – Investments (Real Estate)

Credit: 4 units (45 hours of lecture + 1 unit individual research project)

Level: Mastery 2 / Research (M2R)

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

Instructor: Aharon Hibshoosh

Office Hours: Wed. and Th. 18:15 - 23:15

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Textbook: William B. Brueggeman and Jefferey D. Fisher. (2015). *Real Estate Finance and Investments*, 15th 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. Basically understand how demographic, economic and capital market conditions interact and affect demand and supply conditions 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 the various types of risks encounter in real estate investment decisions.
6. Using Constructs and apply operational and analytical financial models and Financial Accounting pro forma for deriving the key values associated with real estate investment and debt in various situations, and for conducting “what if” sensitivity analysis.
7. Identify objectives and operations of the secondary mortgage market and compare alternative types of mortgage backed securities.
8. Identify and compare organizational features and regulations of syndicates and Real Estate Investment Trusts.
9. Identify benefits and challenges of incorporating real estate investments in a financial portfolio.

10. Conduct a dedicated project involving an assessment and projection of real estate conditions in some specific area.

BA 464 Learning Objectives*	PLO1	PLO2	PLO4
1. Basically understand how demographic, economic and capital market conditions interact and affect demand and supply conditions in Real Estate markets.	Y	Y	Y
2. Demonstrate knowledge of physical and legal Real Estate concepts and maxims.	Y	Y	Y
3. Apply analysis to comprehend the intrinsic nature of financial concepts and the systematic relationships among them.	Y	Y	Y
4. Compare alternative Real Estate mortgages and debt structures.	Y	Y	Y
5. Identify the various types of risks encounter in real estate investment decisions	Y	Y	Y
6. Using Constructs and apply operational and analytical financial models and Financial Accounting pro forma for deriving the key values associated with real estate investment and debt in various situations, and for conducting “what if” sensitivity analysis.	Y	Y	Y
7. Identify objectives and operations of the secondary mortgage market and compare alternative types of mortgage backed securities.	Y	Y	Y
8. Identify and compare organizational features and regulations of syndicates and Real Estate Investment Trusts.	Y	Y	Y
9. Identify benefits and challenges of incorporating real estate investments in a financial portfolio.	Y	Y	Y
10. Conduct a dedicated project involving an assessment and projection of real estate conditions in some specific area.	Y	Y	Y

*See Appendix for Program Learning Objectives and Institutional Learning Objectives.

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/or 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.

Individual research project (1 unit)

Each student registered for a 400-level course must complete a one unit research project in addition to the coursework described in this syllabus. The specific topic will be assigned by the instructor.

The project requires 45 hours of independent study with regular consultations in accordance with the schedule determined by the instructor. The project work results in a written report (not less than 15 pages; APA style) and an oral presentation during the class session.

Evaluation of the student’s work on the Individual Research Project will be done using the following rubric:

WRITTEN REPORT				
	<i>Exceeds Standards</i>	<i>Meets Standards</i>	<i>Does Not Meet Standards</i>	<i>Not Present</i>
<i>Research Problem Statement</i>	The statement of a research problem is crystal clear, novel and thought provoking	Clearly and concisely identifies a research problem	The statement of a research problem is incomplete, lacking precision.	The statement of a research problem is absent.
<i>Organization</i>	The report is logically organized; ideas are exceptionally well-developed and support a thoughtful and engaging conclusion.	The development of ideas is present; the conclusion is effective and directly addresses the original thesis.	Organization is confusing, disjointed, and inconsistent; ideas, if present, are not developed; the conclusion is vague and/or does not address the original thesis.	The report lacks organization
<i>Sources and formatting</i>	A variety of high-quality sources is used; all factual claims are supported with citations. The report follows the APA style guidelines.	A few high-quality sources are used; majority of factual claims are supported with citations The report mostly follows the APA style guidelines.	Sources used are of a questionable quality; factual claims are not supported. Use of APA style is inconsistent.	Sources are not identified or of a poor quality; factual claims are unsubstantiated. The report is poorly formatted

PRESENTATION			
	<i>Exceeds Standards</i>	<i>Meets Standards</i>	<i>Does Not Meet Standards</i>
<i>Style and Organization</i>	Presentation is clear, confident and fully engaging; the use of visual aids enhances its effectiveness; the presentation is	Presentation is clear; the use of visual aids is not detrimental to audience engagement; all necessary	Presentation lacks clarity, no attempt is made to engage the audience; visual aids are haphazard and distracting;

	well-timed and structured.	components are given appropriate time.	lack of structure results in an inefficient use of time.
<i>Questions and Answers</i>	Student demonstrates extensive knowledge of the topic by providing confident, precise and appropriate responses to all audience question.	Student demonstrates knowledge of the topic by responding adequately to questions of the audience.	Student demonstrates lack of knowledge of the topic by responding inaccurately and inappropriately to audience questions.

Grading Guidelines:

Class attendance 10 pts

Homework assignments 30 pts

Midterm 30 pts

Project 40 pts

Final 50 pts.

Total course points:160 pts

The grade will be based on a curve. To gain a passing grade the student must substantially participate in the Homework, take each exam, and do the project. Failing to participate in any course component would result in course failure, regardless of exams' grade. Gaining the following number of course points would assure the grade:

Course Points	Grade
133 and above	A
128-132	A-
115-127	B+
105-114	B
95-104	B-
85-94	C+
73-84	C
81-72	C-
79-80	D+
77-78	D
Below 77	F

Course Schedule:

Topics^ and Tentative Schedule^^

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

Date		Part I. Overview of Real Estate Finance and Investment	Chapters
1/18	Lec 1	Overview of course concepts of real estate, RE finance and investment	Ch 1, and elements of 3, 7, 8, and 22, 23.
1/25	Lec 2	Securing Real Estate Investments. Financial Instruments: Trust Deeds and Mortgages	Review of Ch 1, and Ch 2,3.
2/1-2/8	Lec 2, 3	Analytical Economic Foundations of consumption and saving, borrowing and lending*	Ch 3 and elements of 4, 5 and 22.
		Part II. Real Estates Mortgages and Trust Deeds*	
2/8-2/15	Lec 3, 4	Fixed interest Rate Mortgage Loan	Ch 4
2/8-2/22	Lec 3,4,5	ARM (Adjustable Rate Mortgage loans and additional concepts	Ch 5 and elements of 6.
		Part III. The Processing of Real Estate Borrowing and Lending in residential Investment	
2/22-3/8	Lec 6, 7, 8 and throughout the course	Application, Underwriting and Financing of Residential investments*	Elements of Ch 7, Ch 8 and Regulations Update.
		Part IV. Finance and Investment in Income Producing Properties	

3/22-3/29	Lec 9, 10	Investment in Income Producing Properties	Chs: 9, 10,11.
3/29-4/5	Lec 10, 11	Financial Leverage and Risk analysis	Chs: 12, 13 and elements of 14 and 15.
4/5	Lec 11	Review of Real estate Development	Elements 16 and 17.
		Part V. Portfolio and Market Related Real Estate Investment	
4/12	Lec 12,	Real Estate Organizational forms and REITs	Elements of Chs:18, 21
4/12-4/19	Lec 12, 13	Real Estate Secondary Markets and MBS (Mortgage Based Securities)	Chs 19, 20.
4/19-4/26	Lec 13, 14	Real Estate investment and portfolio investment	Ch 22, 23.

* This topic will be covered throughout the course.

Special Dates

Spring Recess: March13-March17

Midterm: March 1

Final: May 3

^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, 2018. The syllabus may be updated in the future as necessary. Expect possible changes and follow announcements regarding them on CANVAS.

Appendix

Institutional Learning Outcomes (ILOs)	
<i>MBA Graduates of Lincoln University should be able to:</i>	
1b	Recognize and be able to work with the components of reasoning and problem solving; understanding concepts, assumptions, purpose, conclusions, implications, consequences, objections from alternative viewpoints, and frame of reference.
2b	Gather and assess relevant information, using abstract ideas to interpret it effectively; being able to develop well-reasoned conclusions and solutions, and testing them against relevant criteria and standards
3b	Be exemplary business professionals and try to ensure that the products of their efforts will be used in socially responsible ways, will meet social needs, and will avoid harmful effects to health and welfare
4b	Lead by example in order to create highly collaborative organizational environment, and be able to develop and use strategies to encourage employees at all organizational levels to do the same.
5b	Set goals and have a vision of the future. The vision should be owned throughout the organization. As effective leaders, they should habitually pick priorities stemming from their basic values.
6b	Continually look for, develop, and offer new or improved services, and be able to use original approaches when dealing with problems in the workplace.
7b	Demonstrate fluency in the use of tools, technologies and methods in the field. They should know how to evaluate, clarify and frame complex questions or challenges using perspectives and scholarship from the business discipline.

Program Level Outcomes (PLOs)	
<i>Students graduating our MSFM program will be able to:</i>	
1	Demonstrate expert-level understanding of the aspects of finance management including including mathematical, statistical, financial, and economic.
2	Develop knowledge of finance management including international finance, international securities, commercial banking and lending, investment science, real estate, and stock market.
3	Recognize financial problems and provide creative solutions. Integrate theory and practice for strategic analysis in the field of finance management.
4	Apply quantitative methods of analysis to analyze financial data.
5	Communicate to relevant audiences including written and oral communication.

6	Work effectively with a team of colleagues on diverse projects.
7	Identify and analyze the ethical obligations and responsibilities in the field of finance management.

Code	Classification	Description
Courses 300 level w/o graduate prerequisites	Mastery 1 (M1)	Mastery 1 courses introduce graduate level concepts and ideas in a specific field of study and provide an opportunity to initiate the development of graduate level competences.
Courses 300 level with graduate prerequisites	Mastery 2 (M2)	Mastery 2 courses build upon students' execution of Mastery 1 learning outcomes and allow for further development of students' mastery of concepts, ideas, and competences in the specific field of study.
Courses 398, 399	Mastery 2 / Assessment (M2A)	Mastery 2/Assessment courses are structured to provide opportunity to assess students' achievements of set program learning outcomes.
Courses 400 level	Mastery 2 / Research (M2R)	Mastery 2/Research courses employ individual research project to deepen students' understanding of the subject developed in lower level courses and to equip students with knowledge and skills required by MS and DBA degree programs.
Courses 500 level	Doctorate Assessment (DA)	Doctoral Assessment courses are doctorate level seminars and research activities fostering the highest level of professional expertise by providing continuous assessment and development of students' ideas and analytical skills in the context of the doctorate program.