

COURSE SYLLABUS
CAPITAL MARKETS: DEBT
WINTER 2016
PLAN6710, Call Number 13546
1.5 credits

WEDNESDAYS, 1:00 pm-3:00 pm, 200 Fayerweather

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I. COURSE DESCRIPTION

Capital Markets: Debt is a course designed for the student to learn to look at a real estate deal as a lender would. As the title of the course suggests the class will focus on transactions that, by virtue of their complexity and/or size lend themselves to markets based financing.

The course is case based. By looking at transactions done in the last 12 months, the student will gain current knowledge the latest financing techniques. The students will learn about current issues and how they are being addressed.

The course is structured primarily as a series of lectures, many of which draw on original material that was actually used to evaluate and structure the financing being examined. This original material will be reproduced and made available on *Courseworks* for students.

The course will provide the lender's perspective of cash flow and property valuation. We will discuss proper amounts of leverage and the various risks and mitigants associated with three distinct financings: Stand alone CMBS, Syndicated Construction Debt and a Private market transitional asset financing

Many classes will have guest lecturers from the industry. Additionally each session will provide some insight into the various participants in the financing markets today: Banks, Insurance Companies, Private Equity, REITS, Debt Funds, Servicers, Ratings Agencies, Regulators, etc.

II. COURSE REQUIREMENTS AND ASSIGNMENTS

Students will be expected to complete some weekly assignments based on the prior week's lecture. There will also be a take home final exam between weeks 5 and 6.

Participation in class is encouraged.

III. COURSE GRADING CRITERIA

Course grading criteria are as follows:

- Attendance and in-class participation: 10%
- Weekly Assignments: 40%
- Final exam or paper: 50%

IV. READINGS

Students are encouraged to review materials posted on Courseworks frequently.

V. COURSE OUTLINE

Class 1: January 18: Course Introduction and Underwriting for CMBS

In addition to introducing the course and providing a general analytical framework for real estate transactions, this class will specifically explore underwriting future property cash flow for a standalone CMBS transaction.

Assignments due:

After class a take home series of questions will be posted on *Courseworks*

Class 2: January 25: Stand alone CMBS; creating bonds from a mortgage loan

This class will provide the student with the framework to from which to create mortgage backed securities from the cash flows unwritten in class 1. . The class will review: the methodology used to assign ratings; tranching; different investors for different ratings: mezzanine versus mortgage, how the dealer makes money, the magic of IO bonds, hedging

Assignments due:

After class a take home series of questions will be posted on *Courseworks*

Class 3: February 1: Lender's analysis of a Construction project

In class 3, the students will be provided a lenders point of view for a construction project currently underway in NYC. Focus will be given to property analysis, appropriate risk sharing and structuring debt.

Assignments due:

After class a take home series of questions will be posted on *Courseworks*

Class 4: February 8: Syndicating a bank loan

This class will look at the current state of the art in the oldest US debt capital market; syndicated bank lending. We will look at who participates and why; limitations on leverage and the effect of limited recourse on the liquidity of the debt.

Assignments due:

After class a take home series of questions will be posted on *Courseworks*

Class 5: Feb 15: Repo: Financing the financing

The class analyzes how a highly transitional asset in Brooklyn NY was financed in 2016. Insight will be provided into private equity lending and how the lender makes return requirements.

Assignments due:

Final Exam will be posted on *Courseworks*

Class 6: February 22: Professional perspectives

This class will be a panel of professionals from various parts of the commercial real estate capital markets. Students will be provided with panelists biographies in advance of the class. Students will be strongly encouraged to bring questions.

VI. FINAL EXAMS AND PROJECTS

The final exam will be take home and provide on *Courseworks* after lecture 5.