

COURSE SYLLABUS (at Nov 2016)
REAL ESTATE FINANCE III: CAPITAL MARKETS
SPRING 2017
COURSE NUMBER PLANA4314-001-2017_1
CREDITS: 3

Tuesdays, 12pm-2pm, 113 Avery

Instructor:

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Additional contact info

I. COURSE DESCRIPTION

COURSE GOAL: The course will touch on all facets of public and private capital providers, as well as investors, with particular focus on commercial real estate in the public markets: the recent history of securitized real estate debt and equity; the structure of CMBS and roles of the major participants; the growth, structure, valuation and performance measurements of real estate investment trusts (REITS); and other deal formats. Current events will permeate all classes as capital markets is a fluid subject; thus, the cause and effect of the recession/capital markets crisis will be discussed and its result. The general topics include: Real Estate Industry Trends – past and present; Overview of Real Estate Capital Markets and Participants; Alternative Investments (CMBS, REITs, high yield, syndications, opportunity funds); Financial and Ownership Structures; Rating Methodology; Bankruptcy; and Capital Markets Instruments.

COURSE PRINCIPLES: Perception can become reality!

- Risk-return paradigm, corporate structure and capital markets determine availability of equity/debt capital in the four quadrants – public/private/debt/equity.
- Financial structure can magnify/mitigate risk and return and influence investor/lender perceptions, transaction structure, and pricing.

II. COURSE REQUIREMENTS AND ASSIGNMENTS: There will be two homework assignments based upon the topics covered and a final exam. The purpose of the course is to understand when to apply/use the four quadrants (debt/equity/public/private) and the basic capital markets tenets.

III. COURSE GRADING CRITERIA

Attendance and Class Participation	10%
Homework Assignments- 2 (25% each)	50%
Final Exam	40%

Deadlines in this class, as in business, are firm. Assignments are due on time to the Gmail box created for the class. An extension of the due date will be considered under extreme circumstances, but you must email or call Prof. Frankel before the due date to apprise her of the reason. Failure to submit the assignment on time without apprising instructor ahead of time is NOT an option.

Computer usage during classes should be restricted to class matters such as taking notes or following the PowerPoint presentations. Surfing the Internet or non-class related computer usage during class hours is

prohibited. Only exceptional performers will receive a High Pass. Those who fall short on more than one major assignment will receive a Low Pass.

IV. READINGS

Students will be expected to complete readings in advance of class. With the exception of the required textbook, readings and supplementary information will be generally posted in advance on Courseworks. However, there are times in the capital markets where new deals arise that we will cover immediately upon announcement- these situations cannot be anticipated in advance- postings will occur as soon as possible or the instructor will bring handouts to class.

- Required textbook(s): Real Estate Finance & Investments: Risks & Opportunities, Peter Linneman, Edition 3.1 (2013).
- Recommended textbook(s):
 - Investing in REITs: Real Estate Investment Trusts Press, 4th Ed., Oct 2011.(This is the best primer on REITs- you can order it from Amazon or Barnes & Noble, Ralph L. Block, John Wiley/Bloomberg.
 - Real Estate Finance and Investments, 14th Ed., McGraw-Hill/Irwin, Feb 2010. (RESOURCE-NOT REQUIRED). William B. Brueggeman, Ph.D. and Jeffrey D. Fisher, Ph.D.

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V. COURSE OUTLINE: Topics and Dates Subject to Change:

- Class 1- Jan 17:** Introduction to Capital Markets: Debt/Equity; Public/Private
- Class 2- Jan 24 :** Introduction to Capital Markets: (continued); Property sector outlook
Reading: Linneman-Chapters 13 and 20
- Class 3- Jan 31:** REITs (domestic and international), bonds, revolvers
Reading: Block, *Investing in REITs- particularly Chapters 1-4 and 7*;
Linneman- Chapter 18; Chap 2 (Supplement A)
- Class 4- Feb 7:** REIT M&A, REIT equity valuation/pricing, REIT case-study
- Class 5- Feb 14:** Commercial Mortgage Backed Securities (CMBS), CDOs, ratings, current market/deals
Reading: Linneman-Chapter 14-CMBS and Supplemental II (pg. 453)
- Class 6- Feb 21:** Commercial Mortgage Backed Securities (CMBS), CDOs, ratings, current market/deals (CON'T)
Reading: Linneman-Chapter 14-CMBS and Supplemental II (pg. 453)
- Class 7- Feb 28:** Opportunity Funds; Reading: Linneman-Chapter 17
- Class 8- March 7:** Opportunity Funds/modeling- continued
- Homework Assignment #1 Due (email to MSRED Gmail mailbox)**
- March 14:** **NO CLASS-SPRING BREAK**
- Class 9- March 21:** High Yield market; Sarbanes-Oxley; Syndication process; Mezzanine and Partnership Lending; Organizational structures
- Class 10- March 28:** GUEST SPEAKER: CMBS (may be scheduled another night depending upon speaker's availability)
- Class 11- April 4:** Case-studies: Workouts- Kellogg "Working at Workouts" Oct 2012 and Bankruptcy-Harvard B-School "General Growth Properties".
Reading: Linneman-Chapter 11
- Class 12- April 11:** **Homework Assignment #2 due (email to MSRED Gmail-box)**
Capital market instruments (derivatives-swaps, caps, collars) and how to utilize them with real estate projects and financing; Covered bonds.
- Class 13- April 18:** Case-study; Review for Final Exam/Wrap-up
- Class 14- April 25:** Final Exam