

**MBA F734
Real Estate Finance and Investing
Winter 2019 Course Outline**

**Finance and Business Economics Area
DeGroote School of Business
McMaster University**

COURSE OBJECTIVE

This course is intended for students who wish to enhance their skills and knowledge in real estate finance and investment. The course prepares students to understand the risks and rewards associated with many approaches that may be used when investing in and financing both residential and commercial real estate. Concepts and techniques in the course are used in many careers related to real estate. These include investing, financing, appraising, consulting, managing real estate portfolios, leasing, managing property, analyzing site locations, and managing corporate real estate. This material is also relevant to individuals who want to better understand real estate for their own personal investment and financing decisions.

INSTRUCTOR AND CONTACT INFORMATION

**Section 1: Mon 7:00 p.m.– 10:00 p.m.
Enrico Visentini CPA, CA, MBA, CFA**

Instructor

visente@mcmaster.ca

Office: RJC

Office Hours: after class

Tel: (905) 525-9140 x26996

Class Location: RJC 214

COURSE ELEMENTS

Credit Value:	3	Leadership:	Yes	IT skills:	No	Global view:	Yes
Avenue:	Yes	Ethics:	No	Numeracy:	Yes	Written skills:	No
Participation:	Yes	Innovation:	Yes	Group work:	Yes	Oral skills:	Yes
Evidence-based:	Yes	Experiential:	No	Final Exam:	No	Guest speaker(s):	Yes

COURSE DESCRIPTION

The course covers key aspects of real estate and financing including important legal concepts, time value of money concepts related to real estate, financing residential properties, investment analysis and financing of income properties, and analysis of construction and land development projects.

The course prepares students to understand the risks and rewards associated with investing in and financing both residential and commercial real estate. Concepts and techniques included in the course materials are used in many careers related to real estate. The material is also relevant to individuals who want to better understand real estate for their own personal investment and financing decisions. The course is designed to help students learn how to evaluate the risk and return associated with the various ways of investing and lending.

LEARNING OUTCOMES

Upon completion of this course, students will be able to complete the following key tasks:

- Understand important legal concepts related to ownership rights related to ownership rights and real estate notes and mortgages;
- Describe various types of mortgages, including fixed rate, adjustable rate, hybrid, sub-prime, and home-equity-based loans;
- Analyse whether a residence should be rented or owned, tax considerations, expected price appreciation, and other factors;
- Analyse leases and address rent determination, expense recoveries, and other options and features that are peculiar to four major types property types;
- Estimate value of income properties including analysing various financing alternatives, risk analysis, and disposition decisions;
- Analyse construction and land development projects including additional risk introduced by development process from perspective of both lenders and investors; and
- Analyse how construction loans are structured, how a developer receives advances or “draws” during development and lease-up phase, and how such loans are repaid.

REQUIRED COURSE MATERIALS AND READINGS

Avenue registration for course content, readings and case materials

- <http://avenue.mcmaster.ca>

\$ FREE

Real Estate Finance and Investments, Brueggeman and Fisher, McGraw-Hill Irwin, 14th or 15th Edition.

- Purchase a copy at the bookstore

Texas Instruments BA II Plus financial calculator or HP12C is recommended and will be used in class. However, any calculator that performs time value of money functions is acceptable.

- Available at the bookstore

EVALUATION

Learning in this course results primarily from in-class discussion and participation of comprehensive business cases as well as out-of-class analysis. The balance of the learning results from the lectures on strategic concepts, from related readings, and from researching your presentations, cases, assignments, simulation decisions and projects. All work will be evaluated on an individual basis except in certain cases where group work is expected. In these cases, group members will share the same grade adjusted by peer evaluation. Your final grade will be calculated as follows:

Components and Weights

Test 1	Multiple Choice Exam (Individual)	25%
Test 2	Multiple Choice Exam (Individual)	35%
Assignment	Investment Analysis (Group)	30%
Participation	In-class Contribution (Individual)	10%
Total		100%

NOTE: The use of a McMaster standard calculator is allowed during examinations in this course. See McMaster calculator policy at the following URL:

www.mcmaster.ca/policy/Students-AcademicStudies/UndergraduateExaminationsPolicy.pdf

Grade Conversion

At the end of the course your overall percentage grade will be converted to your letter grade in accordance with the following conversion scheme:

LETTER GRADE	PERCENT	POINTS
A+	90-100	12
A	85-89	11
A-	80-84	10
B+	75-79	9
B	70-74	8
B-	60-69	7
F	00-59	0

Communication and Feedback

Students that are uncomfortable in directly approaching an instructor regarding a course concern may send a confidential and anonymous email to the respective Area Chair or Associate Dean:

<http://mbastudent.degroote.mcmaster.ca/contact/anonymous/>

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. Emails regarding course issues should NOT be sent to the Administrative Assistant.

Test #1 – Multiple Choice Exam

This is the first of two multiple choice examinations. The first exam in this course accounts for **25%** of your final grade. The exam will cover material from the text book, readings, lectures and class discussion. This is a **closed-book** exam. There are a variety of sample questions available for you to practice on which can be found on Avenue to Learn.

Test #2 – Multiple Choice Exam

This is the second of two multiple choice examinations. The second exam in this course accounts for **35%** of your final grade. The exam will cover material from the text book, readings, lectures and class discussion. This is a **closed-book** exam. There are a variety of sample questions available for you to practice on which can be found on Avenue to Learn.

Assignment – Investment Analysis

Students will form groups of **three** to **five** members of their own choosing. All group members will be assigned identical grades for the group work.

Each group will complete the Real Estate Project – DUE ON AT THE BEGINNING OF TEST #2. Working in teams, each team will research the valuation and financing of a real estate property in the local metropolitan area (within a 300 km radius of Hamilton)

More details of the format, structure, and length of the project will be provided during the course of the term.

Participation

Name cards and class pictures are used to help give credit for your participation. You must have a name card with your **full first and last name** clearly written and displayed in front of you for every class.

It is imperative that students prepare for every class. Class participation marks are primarily based on the quality of contribution. No class attendance results in zero mark.

While class participation in this course is well demonstrated by addressing the assigned case study questions, participation in conceptual discussions and other class aspects will also add to the grade. Students may be asked to share their analysis with, or otherwise present their arguments to, the class in order for their contribution to be qualified as significant.

The determination of a student's level of participation in a class will be in the Instructor's sole discretion.

ATTENDANCE IS NOT PARTICIPATION

ACADEMIC DISHONESTY

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: "Grade of F assigned for academic dishonesty"), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the Academic Integrity Policy, located at:

www.mcmaster.ca/academicintegrity

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one's own or for which other credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations

Language for Use in Courses with an On-Line Element

In this course we will be using X*. Students should be aware that when they access the electronic components of this course, private information such as first and last names, user names for the McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course. The available information is dependent on the technology used. Continuation in this course will be deemed consent to this disclosure.

If you have any questions or concerns about such disclosure, please discuss this with the course instructor.

X* = e-mail, LearnLink, WebCT, web pages, capa, Moodle, ThinkingCap, etc

MISSED ACADEMIC WORK

Missed Mid-Term Examinations / Tests / Class Participation

Where students miss a regularly scheduled mid-term or class participation for legitimate reasons as determined by the Student Experience – Academic (MBA) office, the weight for that test/participation will be distributed across other evaluative components of the course at the discretion of the instructor. Documentation explaining such an absence must be provided to the Student Experience – Academic (MBA) office within five (5) working days upon returning to school.

To document absences for health related reasons, please provide to Student Experience – Academic (MBA) office the Petition for Relief for MBA Missed Term Work and the McMaster University Student Health Certificate which can be found on the DeGroote website at <http://mbastudent.degroote.mcmaster.ca/forms-and-applications/>. Please do not use the online McMaster Student Absence Form as this is for Undergraduate students only. University policy states that a student may submit a maximum of three (3) medical certificates per year after which the student must meet with the Director of the program.

To document absences for reasons other than health related, please provide Student Experience – Academic (MBA) office the Petition for Relief for MBA Missed Term Work and documentation supporting the reason for the absence.

Students unable to write a mid-term at the posted exam time due to the following reasons: religious; work-related (for part-time students only); representing university at an academic or varsity athletic event; conflicts between two overlapping scheduled mid-term exams; or other extenuating circumstances, have the option of applying for special exam arrangements. Such requests must be made to the Student Experience – Academic (MBA) office at least ten (10) working days before the

scheduled exam along with acceptable documentation. Instructors cannot themselves allow students to unofficially write make-up exams/tests. Adjudication of the request must be handled by Student Experience – Academic (MBA).

If a mid-term exam is missed without a valid reason, students will receive a grade of zero (0) for that component.

Missed Final Examinations

A student who misses a final examination without good reason will receive a mark of 0 on the examination.

All applications for deferred and special examination arrangements must be made to the Student Experience – Academic (MBA) office. Failure to meet the stated deadlines may result in the denial of these arrangements. Deferred examination privileges, if granted, must be satisfied during the examination period at the end of the following term. There will be one common sitting for all deferred exams.

Failure to write an approved deferred examination at the pre-scheduled time will result in a failure for that examination, except in the case of exceptional circumstances where documentation has been provided and approved. Upon approval, no credit will be given for the course, and the notation N.C. (no credit) will be placed on the student's transcript. Students receiving no credit for a required course must repeat the course. Optional or elective courses for which no credit is given may be repeated or replaced with another course of equal credit value.

Requests for a second deferral or rescheduling of a deferred examination will not be considered.

Any student who is unable to write a final examination because of illness is required to submit the Application for Deferred MBA Final Examination and a statement from a doctor certifying illness on the date of the examination. The Application for Deferred MBA Final Examination and the McMaster University Student Health Certificate can be found on the DeGroote website at <http://mbastudent.degroote.mcmaster.ca/forms-and-applications/>. Please do not use the online McMaster Student Absence Form as this is for Undergraduate students only. Students who write examinations while ill will not be given special consideration after the fact.

In such cases, the request for a deferred examination privilege must be made in writing to the Student Experience – Academic (MBA) office within five business days of the missed examination.

Special examination arrangements may be made for students unable to write at the posted exam time due to compelling reasons (for example religious, or for part-time students only, work-related reasons):

- Students who have religious obligations which make it impossible to write examinations at the times posted are required to produce a letter from their religious leader stating that they are unable to be present owing to a religious obligation.

- Part-time students who have business commitments which make it impossible to write examinations at the times posted are required to produce a letter on company letterhead from the student's immediate supervisor stating that they are unable to be present owing to a specific job commitment.

In such cases, applications must be made in writing to the Student Experience – Academic (MBA) office at least ten business days before the scheduled examination date and acceptable documentation must be supplied.

If a student is representing the University at an academic or athletic event and is available at an overlapping scheduled time of the test/examination, the student may write the test/examination at an approved location with an approved invigilator, as determined by the Student Experience – Academic (MBA) office.

In such cases, the request for a deferred examination privilege must be made in writing to the Student Experience – Academic (MBA) office within ten business days of the end of the examination period.

Note: A fee of \$50 will be charged for a deferred exam written on campus and a fee of \$100 for deferred exams written elsewhere. In cases where the student's standing is in doubt, the Graduate Admissions and Study Committee may require that the student with one or more deferred examination privileges refrain from re-registering until the examination(s) have been cleared.

STUDENT ACCESSIBILITY SERVICES

Student Accessibility Services (SAS) offers various support services for students with disabilities. Students are required to inform SAS of accommodation needs for course work at the outset of term. Students must forward a copy of such SAS accommodation to the instructor normally, within the first three (3) weeks of classes by setting up an appointment with the instructor. If a student with a disability chooses NOT to take advantage of an SAS accommodation and chooses to sit for a regular exam, a petition for relief may not be filed after the examination is complete. The SAS website is:

<http://sas.mcmaster.ca>

POTENTIAL MODIFICATION TO THE COURSE

The instructor and university reserve the right to modify elements of the course during the term. The university may change the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

ACKNOWLEDGEMENT OF COURSE POLICIES

Your registration and continuous participation (e.g. on A2L, in the classroom, etc.) to the various learning activities of MBA F734 will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. **It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.**

Lack of awareness of the course policies **cannot be invoked** at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

COURSE SCHEDULE

MBA F734 Real Estate Finance and Investing Winter 2019 Course Schedule

WEEK	DATE	ASSIGNMENT
1	January 7	Introduction Chapter 1 – Real Estate Investment: Basic Legal Concepts Chapter 2 – Real Estate Financing: Notes and Mortgages
2	January 14	Chapter 3 – Mortgage Loan Foundations: The Time Value of Money Chapter 4 – Fixed Interest Rate Mortgage Loans
3	January 21	Chapter 5 – Adjustable and Floating Rate Mortgage Loans Chapter 6 – Mortgages: Additional Concepts, Analysis, and Applications
4	January 28	Chapter 7 – Single Family Housing: Pricing, Investment, and Considerations Chapter 8 – Underwriting and Financing Residential Properties
5	February 4	Chapter 9 – Income-Producing Properties: Leases, Rent, and Market for Space Chapter 10 – Valuation of Income Properties: Appraisal and the Market for Capital
6	February 11	TEST #1
	February 18	Midterm Recess
7	February 25	Chapter 11 – Investment Analysis and Taxation of Income Properties Chapter 12 – Financial Leverage and Financing Alternatives
8	March 4	Chapter 13 – Risk Analysis Chapter 14 – Disposition and Renovation of Income Properties
9	March 11	Chapter 15 – Financing Corporate Real Estate Chapter 16 – Financing Project Development
10	March 18	Chapter 17 – Financing Land Development Projects Chapter 18 – Structuring Real Estate Investments: Organizational Forms and Joint Ventures
11	March 25	Chapter 19 – The Secondary Mortgage Market: Pass-Through Securities Chapter 20 – The Secondary Mortgage Market: CMOs and Derivative Securities
12	April 1	Chapter 21 – Real Estate Investment Trusts (REITs) GROUP ASSIGNMENT DUE
13	April 8	TEST #2