

**Commerce 4FT3
Real Estate Finance and Investments
Winter 2020 Course Outline**

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

COURSE OBJECTIVE

This course prepares students to understand the risks and rewards associated with investing in and financing the real estate properties. The topics include mortgage fundamentals, market analysis, appraising, valuation and investment analysis, mortgage back securities, and managing real estate portfolios.

INSTRUCTOR AND CONTACT INFORMATION

Section 1: Tue 7:00 – 10:00 p.m.

Dr. Yan Wang

Instructor

ywang@mcmaster.ca

Office: DSB 323

Office Hours: Mon 14:30 – 15:30

Tel: (905) 525-9140 x23984

Class Location: DSB B107

Section 2: Fri 2:30 -5:20 p.m.

Dr. Yan Wang

Instructor

ywang@mcmaster.ca

Office: DSB 323

Office Hours: Mon 14:30 – 15:30

Tel: (905) 525-9140 x23984

Class Location: DSB B107

Student TA

TBA

Course website: <https://avenue.mcmaster.ca/>

COURSE ELEMENTS

Credit Value:	3	Leadership:	Yes	IT skills:	Yes	Global view:	Yes
A2L:	Yes	Ethics:	No	Numeracy:	Yes	Written skills:	Yes
Participation:	Yes	Innovation:	Yes	Group work:	Yes	Oral skills:	Yes
Evidence-based:	Yes	Experiential:	No	Final Exam:	Yes	Guest speaker(s):	No

COURSE DESCRIPTION

The recent turmoil in world financial markets, which has been closely tied to events in the real estate market, suggests that investors, lenders, and others who participate in the real estate market need to better understand how to evaluate the risk and return associated with the various ways of investing and lending. This course prepares students to understand the risks and rewards associated with investing in and financing the commercial real estate. The topics include mortgage fundamentals, market analysis, appraising, valuation and investment analysis, mortgage back securities, and managing real estate portfolios.

LEARNING OUTCOMES

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

- Understand the basic concepts of real estate investment
 - Understand the different financing options for commercial real estate properties
 - Conduct SWTO analysis of an investment in a real estate property
 - Conduct financial analysis of real estate properties
 - Evaluate risks and investment returns in the real estate development process
 - Understand the structure of various types of mortgage-back securities
 - Understand the principals of evaluating the investments in real estate market
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COURSE MATERIALS AND READINGS

Required:

Course Materials Are Available on Avenue To Learn

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

Case Studies

- Download from Harvard Business Review: <https://hbr.org/>

Reading

- William B. Brueggeman and Jeffrey D., Fisher, Real Estate Finance and Investments. McGraw-Hill, 16th ed. or 15th ed.

Optional:

David M. Geltner, Norman G. Miller, Jim Clayton and Piet Eichholtz, 2013 ed., Commercial Real Estate Investment and Analysis.

EVALUATION

Learning in this course results primarily from in-class discussion and participation of comprehensive business cases as well as out-of-class assignment. All work will be evaluated on an individual basis except for case studies (reports and presentation) where group work is expected. In the case study analysis and presentation, group members will share the same grade adjusted by peer evaluation.

Missed exams will receive a grade of zero unless the student has submitted and been approved for a Notification of Absence or MSAF. Late assignments and case studies will NOT be accepted. Your final grade will be calculated as follows:

Components and Weights

Assignments	Multiple Choices + Problem Sets (individual)	10%
Case Study 1	Case Analysis, Written Report (group)	15%
Case Study 2	Case Analysis, Written Report (group)	15%
Case Presentation	Case Presentation (group)	10%
Midterm Exam	Multiple Choices + Problem Sets (individual)	20%
Final Exam	Multiple Choices + Problem Sets (individual)	20%
Attendance	Attendance (individual)	5%
Participation	In-class Contribution (individual)	5%
Total		100%

NOTE: The use of a McMaster standard calculator and/or a financial calculator is allowed during examinations in this course. See McMaster calculator policy.

Communication and Feedback

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 Area Administrative Assistants. Instructors are required to provide evaluation feedback for at least 10% of the final grade to students prior to Week #9 in the term. Instructors may solicit feedback via an informal course review with students by Week #4 to allow time for modifications in curriculum delivery.

Course Deliverables

Assignment – Multiple Choice + Problem Sets

The self-practice assignment is worth **10%** of your final grade. The purpose of assignment is to help you review the knowledge learned in the class and practice your ability to solve the real estate related questions. The individual assignments and corresponding due dates will be posted on Avenue after each session. You should submit a hard copy AND an electronic version along with data files via Avenue. Please indicate the names and student ID numbers on the cover page of your assignment.

Case Study 1-2

This course incorporates **two** case studies related to topics on real estate evaluation, investment analysis and real estate development. Each case study analysis (in written report) in this course accounts for **15%** of your final grade. Both case studies (in written reports) account for **30%** of your final grade. Details of each case study will be posted on Avenue. You will be provided with the links to download the case studies from Harvard Business Review.

Students will form 12 teams and each team consists of 3-4 members. You need to form a team before the second lecture starts. You are allowed to switch team for each case study but you need to inform the instructor in advance. For each case study, a list of questions will be posted on Avenue and your team is required to conduct analysis and write a report based on these questions. Groups should submit a hard copy in the class AND an electronic version of the report along with data files via Avenue. Please indicate the names and student ID numbers on the cover page of your reports.

The written reports along with data files are due on the date of each case study presentation. Please find the due dates in the course schedule below.

Please note that a peer group evaluation will be performed by all groups for each case study. Students will set their own rules regarding the functioning of their group, which includes attendance at meetings, work allocation and contributions to the project. Students not performing according to the group's standards will have their grade lowered accordingly. (See Peer Evaluation instructions on the Peer Evaluation Form)

Case Study Presentation

Each team is required to present one of the two case studies. Your team can choose which case study to present. The case study presentation accounts for **10%** of your final grade. You have 15 minutes to present your case analysis and 5 minutes to answer the questions. The presentations will be evaluated by both the instructor and the peer students. Each team (excl. presenting team) sends a representative as a judge for the evaluation of the case study presentation. The representatives are required to ask questions and comment on the presentations. The representatives are required to fill an evaluation form. The final grade of case study presentation is calculated as the average of the grade given by the representatives (50%) and the grade given by the instructor (50%).

Midterm Exam

The midterm exam accounts for **20%** of your final grade. The midterm exam contains both multiple-choices questions and problem sets. The exam will cover material from the lectures, assignments and class discussions. The exam will **NOT** cover the content on case studies and will **NOT** cover any optional readings. A mock midterm exam will be posted for practice. The exam is a **close-book** exam.

Students who do not write the midterm exam, with approval, will write a cumulative final worth 50% of the final grade.

Final Exam

The final exam accounts for **20%** of your final grade. The final exam will be cumulative. The final exam contains both multiple-choices questions and problem sets. The exam will cover material from the lectures, assignments and class discussions. The final exam will **NOT** cover the content on case studies and will **NOT** cover any optional readings. A mock final exam will be posted for practice. The exam is a **close-book** exam.

Attendance

The attendance grade accounts for 5% of your final grade. The student attendance will be checked randomly. If you missed one lecture, one point will be deducted. You can miss lecture(s) for valid reasons such as job interviews or case competition but an email must be sent well in advance to the instructor for approval. It is your responsibility to mark your attendance on the attendance sheet for the lecture.

Participation

Your in-class participation accounts for 5% of your final grade. You will get one point per lecture for your participation in the class. 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 your responsibility to mark your participation on the participation sheet for each lecture after class.

ACADEMIC INTEGRITY

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

AUTHENTICITY/PLAGIARISM DETECTION

In this course we will be using a web-based service (Turnitin.com) to reveal authenticity and ownership of student submitted work. Students will be expected to submit their work electronically either directly to Turnitin.com or via Avenue to Learn (A2L) plagiarism detection (a service supported by Turnitin.com) so can be checked for academic dishonesty. Students who do not wish to submit their work through A2L and/or Turnitin.com must still submit an electronic and/or hardcopy to the instructor. No penalty will be assigned to a student who does not submit work to Turnitin.com or A2L. All submitted work is subject to normal verification that standards of academic integrity have been upheld (e.g., on-line search, other software, etc.). To see the Turnitin.com Policy, please go to;

www.mcmaster.ca/academicintegrity.

ONLINE COURSE COMPONENTS

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, Avenue to Learn, LearnLink, web pages, capa, Moodle, ThinkingCap, etc

REQUESTING RELIEF FOR MISSED ACADEMIC WORK

Students may request relief from a regularly scheduled midterm, test, assignment or other course components. Please refer to the policy and procedure on the DeGroot website at the link below;

<http://ug.degroot.mcmaster.ca/forms-and-resources/misled-course-work-policy/>

STUDENT ACCESSIBILITY SERVICES

Students who require academic accommodation must contact Student Accessibility Services (SAS) to make arrangements with a Program Coordinator. Academic accommodations must be arranged for each term of study. Student Accessibility Services can be contacted by phone 905-525-9140 ext. 28652 or e-mail sas@mcmaster.ca.

For further information, consult McMaster University's Policy for Academic Accommodation of Students with Disabilities:

<http://www.mcmaster.ca/policy/Students-AcademicStudies/AcademicAccommodation-StudentsWithDisabilities.pdf>

ACADEMIC ACCOMMODATION FOR RELIGIOUS, INDIGENOUS OR SPIRITUAL OBSERVANCES (RISO)

Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the RISO policy. Students requiring a RISO accommodation should submit their request, including the dates/times needing to be accommodated and the courses which will be impacted, to their Faculty Office normally within 10 days of the beginning of term or to the Registrar's Office prior to their examinations. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

<https://multifaith.mcmaster.ca/riso>

POTENTIAL MODIFICATION TO THE COURSE

The instructor reserves the right to modify elements of the course during the term. There may be changes to 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.

RESEARCH USING HUMAN SUBJECTS

All researchers conducting research that involves human participants, their records or their biological material are required to receive approval from one of McMaster's Research Ethics Boards before (a) they can recruit participants and (b) collect or access their data. Failure to comply with relevant policies is a research misconduct matter. Contact these boards for further information about your requirements and the application process.

McMaster Research Ethics Board (General board): <https://reo.mcmaster.ca/>

Hamilton Integrated Research Ethics Board (Medical board): <http://www.hireb.ca/>

ACKNOWLEDGEMENT OF COURSE POLICIES

Your enrolment in Commerce 4FT3 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

**Commerce 4FT3
Real Estate Finance and Investment
Winter 2020 Course Schedule**

Week	Date (Place)	Due Date	Contents
1 (Week Jan. 6)	Tue., 7.00 – 10.00 p.m. (DSB B107) / Fri., 2.30 – 5.20 p.m. (DSB B107)		Introduction & Mortgage fundamentals
2 (Week Jan. 13)	Tue., 7.00 – 10.00 p.m. (DSB B107) / Fri., 2.30 – 5.20 p.m. (DSB B107)	Register your team members online; Assignment 1 (Mortgages) Due	Real Estate Valuation & Investment Analysis Part 1
3 (Week Jan. 20)	Tue., 7.00 – 10.00 p.m. (DSB B107) / Fri., 2.30 – 5.20 p.m. (DSB B107)		Real Estate Valuation & Investment Analysis Part 2
4 (Week Jan. 27)	Tue., 7.00 – 10.00 p.m. (DSB B107) / Fri., 2.30 – 5.20 p.m. (DSB B107)	Assignment 2 (Valuations) Due	Financing Alternatives Part1
5 (Week Feb. 3)	Tue., 7.00 – 10.00 p.m. (DSB B107) / Fri., 2.30 – 5.20 p.m. (DSB B107)	Mock Midterm posted on Avenue	Financing Alternatives Part2
6 (Week Feb. 10)	Tue., 7.00 – 10.00 p.m. (DSB B107) / Fri., 2.30 – 5.20 p.m. (DSB B107)	Assignment 3 (Financial alternatives) Due	Midterm Exam
7 (Week Feb. 17)	Feb. 17 – Feb. 23	<i>Winter Break</i>	
8 (Week Feb. 24)	Tue., 7.00 – 10.00 p.m. (DSB B107) / Fri., 2.30 – 5.20 p.m. (DSB B107)	Case study 1 report due	Case Study 1: Discussion & Presentations
9 (Week Mar. 2)	Tue., 7.00 – 10.00 p.m. (DSB B107) / Fri., 2.30 – 5.20 p.m. (DSB B107)		Real Estate Development
10 (Week Mar. 9)	Tue., 7.00 – 10.00 p.m. (DSB B107) / Fri., 2.30 – 5.20 p.m. (DSB B107)		Mortgage Back Securities Part 1
11 (Week Mar. 16)	Tue., 7.00 – 10.00 p.m. (DSB B107) / Fri., 2.30 – 5.20 p.m. (DSB B107)		Mortgage Back Securities Part 2

Week	Date (Place)	Due Date	Contents
12 (Week Mar. 23)	Tue., 7.00 – 10.00 p.m. (DSB B107) / Fri., 2.30 – 5.20 p.m. (DSB B107)	Case study 2 report due; Mock Final Exam posted on Avenue	Case Study 2: Discussion & Presentations
13 (Week Mar. 30)	Tue., 7.00 – 10.00 p.m. (DSB B107) / Fri., 2.30 – 5.20 p.m. (DSB B107)	Assignment 4 (Real estate development + Mortgage back securities) Due	Overview & Assignments & Mock Exam