

**Commerce 4FT3
Real Estate Finance and Investments
Fall 2024 Course Outline**

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

INSTRUCTOR AND CONTACT INFORMATION

Section 1:
Wed. 2:30 p.m. – 5:20 p.m.
Dr. Yan Wang
ywang@mcmaster.ca
Office: DSB 323
Office Hrs: By appointment
Tel: (905) 525-9140 x23984

Section 2:
Tue. 2:30 p.m. – 5:20 p.m.
Dr. Yan Wang
ywang@mcmaster.ca
Office: DSB 323
Office Hrs: By appointment
Tel: (905) 525-9140 x23984

Student TA
Ruinan Liu
Liu1006@mcmaster.ca
Office hours: By appointment

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): Yes

COURSE INFORMATION

Lectures: 3hr x1/week

Tutorials: N/A

Course Delivery Mode: In person

Course Description:

The recent upheaval in global financial markets has underscored the intricate and critical relationship between these markets and the real estate sector. This connection has highlighted the need for investors, lenders, and professionals involved in the real estate industry to develop a deeper and more nuanced understanding of the risks and returns associated with various investment and financing strategies. The complexities of the real estate market, compounded by economic volatility, demand a sophisticated approach to evaluating potential investments and the implications of financial decisions.

This course is designed to equip students with the knowledge and analytical tools necessary to navigate the challenging landscape of commercial real estate finance and investment. Through a comprehensive exploration of key topics, students will gain insights into the foundational elements of real estate finance, including mortgage fundamentals, where they will learn about the various types of mortgages, interest rate mechanics, and the implications of mortgage financing on investment decisions.

The course will also delve into market analysis, providing students with the skills to assess market conditions, demand and supply dynamics, and economic indicators that influence real estate values. Appraising and valuation techniques will be covered extensively, enabling students to determine the fair market value of properties through various methods, such as the income approach, cost approach, and sales comparison approach.

Investment analysis will be another critical focus, where students will learn to evaluate the profitability and potential returns of real estate investments. They will explore different financial metrics and tools used in the industry, such as net present value (NPV), internal rate of return (IRR), and capitalization rates, to make informed investment decisions.

The course will further explore real estate development projects, offering insights into the development process, from concept to completion, and the unique risks and rewards associated with such ventures. Additionally, students will study Real Estate Investment Trusts (REITs), gaining an understanding of their structure, benefits, and role in diversified investment portfolios.

By the end of the course, students will be well-prepared to evaluate and participate in the real estate market with a comprehensive understanding of the various factors that influence investment outcomes and the financial strategies that drive success in this dynamic industry.

IMPORTANT LINKS

- [Mosaic](#)
- [Avenue to Learn](#)
- [Student Accessibility Services - Accommodations](#)
- [McMaster University Library](#)

COURSE LEARNING OUTCOMES

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

- Grasp the fundamental concepts of real estate investment: Develop a thorough understanding of the essential principles that guide real estate investment decisions.
- Analyze and assess various financing options for commercial real estate properties: Explore and evaluate different financial instruments and strategies available in the commercial real estate sector.
- Perform a comprehensive SWOT analysis of real estate investments: Identify and analyze the strengths, weaknesses, opportunities, and threats associated with specific real estate properties.
- Conduct detailed financial analyses of real estate properties: Apply financial tools and techniques to evaluate the economic viability and potential returns of real estate investments.
- Assess the risks and returns in real estate development projects: Evaluate the financial and strategic implications of real estate development, considering both potential risks and expected returns.
- Understand and apply the principles of investment evaluation in real estate development: Master the methodologies for assessing the financial feasibility and strategic value of real estate development projects

COURSE LEARNING GOALS

The learning goal of this course include:

- Appreciate the complexity of real estate finance and investments: Students will gain an understanding of the various factors that contribute to the financial landscape of real estate.
- Understand the key concepts in real estate investment and financing: Students will develop a deep comprehension of the principles underlying real estate markets, investment strategies, and financing methods.

- Recognize the importance of market analysis and financial evaluation in real estate: Students will appreciate the critical role that market and financial analyses play in making informed real estate investment decisions.
- Grasp the risks and rewards associated with real estate development projects: Students will understand the potential benefits and challenges that come with real estate development, including the evaluation of investment opportunities.
- Value the role of financial instruments and structures in real estate finance: Students will recognize the significance of various financial instruments and structures in shaping real estate investment strategies.

REQUIRED MATERIALS AND TEXTS

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, 17th ed. (please purchase the correct version as listed below)

Connect: ISBN: 9781264072934

Print + Connect: ISBN: 9781264604654

Optional:

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

COURSE EVALUATION

Learning in this course results primarily from in-class discussions and participation in comprehensive business cases, group project, and out-of-class assignments. Students will receive an individual grade

for assignments, exams, class attendance and participation. Students will receive a group grade for case studies, group projects and presentations. In the components that require group work, 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. If you use MSAF for any component, you are required to complete a different task to compensate for the missing component, e.g., a make-up case study.

Late assignments will be penalized by deducting 15% of grade per hour late. Late submission of case studies will NOT be accepted.

Your final grade will be calculated as follows:

Components and Weights

Assignments	Multiple Choices + Problem Sets (individual)	20%
Case Study I	Case I Analysis, Written Report (group)	15%
Case Study II	Option a) Case II Analysis, Written Report (group); Option b) Group Project, Written Report (group)	15%
Case Presentation	Case Presentation (group)	5%
Final Exam	Multiple Choices + Problem Sets (individual)	35%
Attendance	Class attendance	5%
Participation	In-class Contribution (individual)	5%
Total		100%

COURSE DELIVERABLES

Assignment – Multiple Choice + Problem Sets

The assignment is worth **20%** of your final grade. The purpose of the assignment is to help you review the knowledge learned in the class and practice your ability to solve real estate-related questions. The individual assignments and corresponding due dates will be posted on Avenue after each session. All assignments are submitted online via Connect/Avenue.

Case Study I

Case study I is from Harvard Business Review and focuses on real estate evaluation and investment analysis. This case study analysis (in a written report) in this course accounts for **15%** of your final grade. Details of each case study will be posted on Avenue.

Students will form teams, and each team will consist of 4-5 members. You are required to form a team before the end of week 3. Please register your team and presentation time slot using the link provided on Avenue. Your team is required to perform an analysis and write a report based on the questions posted on Avenue. The written reports and accompanying data files must be submitted online via Avenue.

The written reports are due on the date of each case study presentation. The due dates are in the course schedule below.

Please note that all groups will perform a peer group evaluation 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 grades lowered accordingly. (See Peer Evaluation Instructions on the Peer Evaluation Form)

Case Study II

Two options are available for case study II. Your team can either choose a written case study from Harvard Business Review, or your team can work on a final project. Either option accounts for **15%** of your total grade.

Option a): A written case study focuses on real estate development. Same requirement as Case Study I.

Option b): A final group project. You are required to provide a SWOT analysis and investment analysis of a commercial property located in the GTA area. The type of commercial property can be either a multi-tenant apartment building or an office building. A property visit is highly recommended, and communication with property owners will facilitate your understanding of the current situation of the property. You may acquire detailed financial information from the property owners, or you can complement the financial information with market information from real estate research reports from CBRE and other online sources. Given option b is more challenging than option A, your team will automatically receive 10 bonus points for this option.

Case Study Presentation

Each team is required to present one case study. The case study presentation accounts for **5%** of your final grade. You have 15 minutes of presentation and 5 minutes of Q&A.

Midterm/Final Exam

A comprehensive exam will be held after eight lectures which covers all the contents of the lectures. You can take the “early” final exam in March (week 10) or take the final exam held by the exam office during the exam periods in April. The midterm exam accounts for **35%** of your final grade. The exam will cover material from the lectures, assignments, and class discussions. The exam will **NOT** cover the content of case study, group project, and will **NOT** cover any optional readings. The exam is a **cumulative close-book exam**.

Students can choose to write “early” final exam or not. If you skip the “early” final exam in March, you will be required to attend the final exam during the exam period in April. If you take the “early” final exam in March but are not satisfied with the grade, you are allowed to take the final exam in April and your grade will be based on the higher of the two.

Attendance

The attendance grade accounts for **5%** of your final grade. Student attendance will be checked on a regular basis. You get half a point per lecture attendance. 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 report and mark your attendance on the attendance sheet.

Participation

In-class participation accounts for **5%** of your final grade. You will get half a point per lecture in the class. It is your responsibility to mark your participation on the attendance sheet.

LATE ASSIGNMENTS

- Late assignments will be penalized by deducting 15% of the grade per hour late.
- Late submission of case studies will NOT be accepted.

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.

All students must receive feedback regarding their progress prior to the final date by which a student may cancel the course without failure by default.

- *For Level 1 and Level 2 courses, this feedback must equal a minimum of 20% of the final grade.*
- *For Level 3 courses and above, this feedback must equal a minimum of 10% of the final grade.*

Instructors may solicit feedback via an informal course review with students by Week #4 to allow time for modifications in curriculum delivery.

Students who have concerns about the course content, evaluation methods, or delivery should first reach out to the course instructor. If your concern remains unresolved after speaking with the instructor, you may then reach out to the relevant Area Chair for further consideration.

REQUESTING RELIEF FOR MISSED ACADEMIC WORK

In the event of an absence for medical or other reasons, students should review and follow the Academic Regulation in the Undergraduate Calendar "[Requests for Relief for Missed Academic Term Work](#)" and the link below*;

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

* Non-Commerce students must follow the Missed Course Work protocols outlined by their home faculty and Program Office.

COURSE MODIFICATION

From time to time there may be a need to remove/add topics or to change the schedule or the delivery format. If these are necessary, you will be given as much advance notice as possible.

GENERATIVE AI

USE PROHIBITED

Students are NOT permitted to use generative AI in this course. In alignment with [McMaster academic integrity policy](#), it "shall be an offence knowingly to ... submit academic work for assessment that was purchased or acquired from another source". This includes work created by generative AI tools. Also state in the policy is the following, "Contract Cheating is the act of "outsourcing of student work to third parties" (Lancaster & Clarke, 2016, p. 639) with or without payment." Using Generative AI tools is a form of contract cheating. Charges of academic dishonesty will be brought forward to the Office of Academic Integrity.

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. **It is your responsibility to understand what constitutes academic dishonesty.**

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. For information on the various types of academic dishonesty please refer to the [Academic Integrity Policy](#).

The following illustrates only three forms of academic dishonesty:

- plagiarism, e.g. the submission of work that is not one’s own or for which other credit has been obtained.
- improper collaboration in group work.
- copying or using unauthorized aids in tests and examinations.

AUTHENTICITY/PLAGIARISM DETECTION

This course may use a web-based service (Turnitin.com) to reveal authenticity and ownership of student submitted work. For courses using such software, students will be expected to submit their work electronically either directly to Turnitin.com or via an online learning platform (e.g. Avenue to Learn, etc.) using plagiarism detection (a service supported by Turnitin.com) so it can be checked for academic dishonesty.

Students who do not wish their work to be submitted through the plagiarism detection software must inform the Instructor before the assignment is due. No penalty will be assigned to a student who does not submit work to the plagiarism detection software. **All submitted work is subject to normal verification that standards of academic integrity have been upheld** (e.g., on-line search, other software, etc.). For more details about McMaster’s use of Turnitin.com please go to www.mcmaster.ca/academicintegrity.

COURSES WITH AN ON-LINE ELEMENT

This course uses online elements (e.g., e-mail, Avenue to Learn, LearnLink, web pages, capa, Moodle, ThinkingCap, etc.). Students should be aware that when they access the electronic components of a course using these elements, 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 a course that uses online elements will be deemed consent to this disclosure. If you have any questions or concerns about such disclosure, please contact the course instructor.

CONDUCT EXPECTATIONS

As a McMaster student, you have the right to experience, and the responsibility to demonstrate, respectful and dignified interactions within all of our living, learning and working communities. These expectations are described in the [Code of Student Rights & Responsibilities](#) (the “Code”). All students share the responsibility of maintaining a positive environment for the academic and personal growth of all McMaster community members, **whether in person or online**.

It is essential that students be mindful of their interactions online, as the Code remains in effect in virtual learning environments. The Code applies to any interactions that adversely affect, disrupt, or interfere with reasonable participation in University activities. Student disruptions or behaviours that interfere with university functions on online platforms (e.g. use of Avenue 2 Learn, WebEx or Zoom for delivery), will be taken very seriously and will be investigated. Outcomes may include restriction or removal of the involved students’ access to these platforms.

ACADEMIC ACCOMMODATION OF STUDENTS WITH DISABILITIES

Students with disabilities who require academic accommodation must contact [Student Accessibility Services](#) (SAS) at 905-525-9140 ext. 28652 or sas@mcmaster.ca to make arrangements with a Program Coordinator. For further information, consult McMaster University’s [Academic Accommodation of Students with Disabilities](#) policy.

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 should submit their request to their Faculty Office **normally within 10 working days** of the beginning of term in which they anticipate a need for accommodation 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.

COPYRIGHT AND RECORDING

Students are advised that lectures, demonstrations, performances, and any other course material provided by an instructor include copyright protected works. The Copyright Act and copyright law protect every original literary, dramatic, musical and artistic work, **including lectures** by University instructors.

The recording of lectures, tutorials, or other methods of instruction may occur during a course. Recording may be done by either the instructor for the purpose of authorized distribution, or by a student for the purpose of personal study. Students should be aware that their voice and/or image may be recorded by others during the class. Please speak with the instructor if this is a concern for you.

EXTREME CIRCUMSTANCES

The University reserves the right to change the dates and deadlines for any or all courses in extreme circumstances (e.g., severe weather, labor disruptions, etc.). Changes will be communicated through regular McMaster communication channels, such as McMaster Daily News, Avenue to Learn and/or McMaster email.

ACKNOWLEDGMENT 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
Fall 2024 Course Schedule**

Week	Due Date	Contents	Required Reading
1 (Week Sept. 3)		Introduction & Basic Concepts: Real Estate System and Investment Styles	
2 (Week Sept. 9)		Mortgage fundamentals	BF chapters 3 & 4
3 (Week Sept.16)	Register your team members & choose your presentation time slot	Income-producing properties: lease, rents, and cash flows	BF chapter 9
4 (Week Sept.23)	Assignment 1 (Basic Concepts & Mortgage Fundamentals) Due	Real Estate Valuation & mini case	BF chapter 10
5 (Week Sept.30)		Debt Financing	BF chapter 11
6 (Week Oct.7)	Assignment 2 (Valuation) Due	Financing Alternatives	BF chapter 12
7 (Week Oct.14)	Mid-term recess: No Class		
8 (Week Oct.21)	Assignment 3 (Debt financing & Financial alternatives) Due	Real Estate Development	BF chapter 16
9 (Week Oct.28)	Assignment 4 (Real estate development) Due	REITs: features and valuation	BF chapters 22 & 23
10 (Week Nov.4)		Final Review	
11 (Week Nov.11)		Early Final Exam	
12 (Week Nov.18)	Case study I report due	Case Study I: Discussion & Presentations	
13 (Week Nov.25)	Case study II report due	Case Study II: Discussion & Presentations	