COURSE OVERVIEW AND LEARNING OBJECTIVES

The objective of this course is to provide the students with the concepts and tools necessary for understanding real estate markets and for managing real estate assets, with a focus on value creation. Most of the course will focus on commercial real estate, although we will discuss residential property as well. The main topics of the course are real estate markets analysis, valuation, financing, and other topics in real estate finance. The course will have, to the extent possible, an international focus.

TEACHING AND LEARNING METHODS

The course will be based on a combination of lectures and case solving classes which will give an important practical dimension to the course. There will also be a number of guest speakers who will share their real estate experience and expertise with us.

There will be a small number of exercises designed to complement the lectures and to help students to absorb and better understand the material covered. Even though you are not required to hand them in, and they are not formally graded, I would like to encourage the students to work on them on a daily basis. They are the best way to make sure you understand the key concepts covered.

The range of prior knowledge and experience in real estate within the class is wide. In addition, there are a variety of real estate interests within the class, including students who are interested in it from an entrepreneurial perspective, an asset management perspective, an investment banking perspective, a financing perspective, etc. Even though you may be interested in real estate mostly from one of these perspectives, I would like to encourage you to try to make the most of the wide range of interests and expertise within the class to enhance your understanding of the industry.
ASSESSMENT

The grade for the course will be based on class participation, group assignments and a final exam.

TEXTBOOKS

There are several good textbooks in Real Estate Finance. They include:

Commercial Real Estate Analysis and Investments, David M. Geltner and Norman G. Miller (henceforth GM)

Real Estate Finance and Investments, William B. Brueggeman and Jeffrey D. Fisher (henceforth BF)

Real Estate Finance and Investments, Peter Linneman (henceforth L)

These textbooks are to a large extent substitute to one another. You do not need to buy all three. If you do not have any of the three, and would like to buy one of them, the more comprehensive is GM. You may also want to consult the textbooks in the library before deciding which one to buy.

Another useful book (not a textbook, for your free time):

Creating and Growing Real Estate Wealth, William J. Poorvu

COURSEPACK

The course pack includes a number of additional readings on each topic. These are optional readings for those students who would like to read further on a given topic. They complement the textbook. I am happy to provide references for further readings on any real estate related topic that you may be interested. The course pack also includes the cases.
DETAILED COURSE CONTENT

PART I   INTRODUCTION, REAL ESTATE MARKETS, DATA

Topics covered:
Introduction to Real Estate
Real estate markets: the rental market, the asset market
Demand and supply in real estate
Data

Textbook: GM chapters 1, 2.1-2.2, 6, and 26.
OR  BF chapters 1, 9.
OR L chapters 1, 2

Additional readings:
Commercial real estate - the asset class, Andrew Baum
The Geographic Determinants of Housing Supply, Albert Saiz
Spain’s Housing Market May Need Four More Years to Rebalance, Standard and Poor’s
Real Estate Crisis? It Depends on Supply, Casey B. Mulligan
What Matters For Commercial Real Estate: Supply and Demand, Forbes
Dubai Real Estate Market Overview, LaSalle
S&P/Case-Shiller Home Price Indices
FTSE UK Commercial Property Index Series

PART II   PROPERTY VALUATION

Topics covered:
Property level cash-flow pro-forma analysis: leases and development
Cap rates
Cost of Capital for property valuation
Property valuation
Valuation of Real Estate Companies

OR  BF chapters 10 and 11.
OR L chapters 4, 8 and 10.

Additional readings:
Case Study: 77, Avenue des Champs-Elysees
British Land, analyst report
Morgan Stanley, Leisure and Hotels
PwC Real Estate Investor Survey
Investor rationality: evidence from UK capitalisation rates
PART III DEBT FINANCING

Topics covered:
Why is debt financing so prevalent in real estate?
Primary mortgage markets
Mortgage types and mortgage mechanics
Adjustable-rate and fixed-rate mortgages
Interest-only versus repayment loans
Debt securitization
Mortgage backed securities
Covered bonds
Mezzanine finance
Defaults, foreclosures, and workouts

Textbook: GM chapters 13, 16, 17, 18, 19 and 20.
OR BF chapters 2, 4, 5, 8, 9, 19 and 20.
OR L chapters 11, 12, 13 and 14.

Additional readings:
The Rise in Mortgage Defaults, Christopher Mayer, Karen Pence, and Shange M. Sherlund
A Model of Mortgage Default, John Y. Campbell, João F. Cocco
The Danish mortgage bond market

PART IV EQUITY FINANCING

Topics covered:
Private financing: unlisted funds and private equity
Private equity: players, strategies, compensation
Public equity investment in real estate
REITs
Tax considerations

Textbook: GM chapter 23.
OR BF chapters 18 and 21.
OR L chapters 17 and 18.

Additional readings:
Case Study: Graybar Syndications
Note on Real Estate Investments
Performance of Private Equity Real Estate Funds, Ilkka Tomperi
REIT-Based Property Return Indices: A New way to Track and Trade Commercial Real Estate, Holly Horrigan, Brad Case, David Geltner, Henry O. Pollakowski
PART V  FURTHER TOPICS IN REAL ESTATE

Topics covered:
International Property Investments
Real Estate in an Investment Portfolio
Real Estate Development and Land Values
Real Estate Cycles and Risk Management

Textbook: GM chapters 7, 24, 26, and 27.1 – 27.2.
OR BF chapters 17 and 22.
OR L chapter 20.

Additional readings:
Case Study for class discussion: CADIM: China and India Real Estate Deals
The 1985-94 Global Real Estate Cycle, Bertrand Renaud
The politics of Real Estate Cycles, Marc A. Weiss
Irreversible investments, real options, and competition: Evidence from real estate
development, Laarni Bulan, Christopher Mayer, C. Tsuriel Somerville