

COURSE INFORMATION

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|------------------------|---------------------------------|-----------------|---------------------------|
| Course title: | Real Estate Investment Analysis | | |
| Course code: | BAUL501 | Credits: | 1.5 |
| Session, term, period: | 2019W1, Period 7 | Class location: | ANGU 435 |
| Section(s): | 001 | Class times: | T/Thu 10:00 AM – 12:00 PM |
| Course duration: | Oct 28 – Dec 7, 2019 | Pre-requisites: | n/a |
| Division: | SBE | Co-requisites: | n/a |
| Program: | MBA | | |

INSTRUCTOR INFORMATION

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|-------------|--|------------------|---|
| Instructor: | Thomas Davidoff, PhD | | |
| Phone: | 2-8325 | Office location: | HA 273 |
| Email: | Thomas.davidoff@sauder.ubc.ca | Office hours: | Tuesday (1:30 PM – 2:30 PM) or by appointment |

COURSE DESCRIPTION

This course is an introduction to the financing of real estate acquisitions and development. The focus will be on debt financing through mortgage loans for residential and commercial properties. Topics will include the mathematics of mortgage design and pricing, the regulatory and legal framework that distinguishes mortgages from other types of secured debt, and mortgage derivatives such as mortgage backed securities. We will also look at the structure of equity finance through partnership arrangements and real estate investment trusts. In combination with BAUL500, this class should prepare students well for careers in real estate acquisitions, development, finance, brokerage or in city planning or government.

COURSE FORMAT

This course will combine lectures, discussion, and problem sets. Problem sets will be due before each class meeting (except the first) and we will review these in class.

LEARNING OBJECTIVES

By the end of this course, students will be able to:

- Compute the payments, outstanding balances, effective interest rate, prepayment penalties or amortization period on a loan
- Characterize the basic structure of reverse mortgages
- Compute the default option value embedded in a conventional or reverse mortgage in a stylized case
- Answer questions concerning the legal foundations of real properties and mortgages
- Understand fundamental measures used in residential mortgage underwriting
- Understand the mechanics and simple valuation of pass-through, tranching, and interest/principal-only mortgage backed securities
- Work through the profitability of a real estate investment and the impact of different financing choices under different macroeconomic conditions
- Calculate measures of real estate investment trust value and profitability

ASSESSMENTS

Summary

| <u>Component</u> | <u>Weight</u> |
|---------------------------------|---------------|
| Assignments (mostly completion) | 30% |
| Final exam | 50% |
| Class participation | <u>20%</u> |
| Total | <u>100%</u> |

Details of Assessments

Assignments due before class will mostly be graded based on completion, as I do not want to penalize trying but getting answers wrong, or reward borrowing answers from friends.

Class participation is mostly attendance, but may be bumped up by a clearly strong effort to follow the class discussion.

LEARNING MATERIALS

Required: *Bruggeman and Fisher, "Real Estate Finance and Investments" (Bruggeman and Fisher, "Real Estate Finance and Investments" (14th Ed+)*

Real Estate Finance in a Canadian Context (Canvas, Free)

Estimated cost of required materials: \$50

COURSE-SPECIFIC POLICIES AND RESOURCES

Missed or late assignments, and regrading of assessments

Late homework submissions will not be accepted and will receive a grade of zero.

Exception: if you came in during add/drop, no problem to make up

Academic Concessions

If extenuating circumstances arise, please contact the RHL Graduate School program office as early as reasonably possible, and submit an [Academic Concession Request & Declaration Form](https://webforms.sauder.ubc.ca/academic-concession-rhlee) <https://webforms.sauder.ubc.ca/academic-concession-rhlee>. If an academic concession is granted during the course, the student will be provided options by RHL, or by the instructor in consultation with RHL, per [UBC's policy on Academic Concession](#).

POLICIES APPLICABLE TO COURSES IN THE ROBERT H. LEE GRADUATE SCHOOL

Attendance

Excepting extenuating circumstances, students are expected to attend 100% of their scheduled class hours. Absent students limit their own academic potential, and that of their classmates, and cause unnecessary disruption to the learning environment. Students missing more than 20% of the total scheduled class hours for a course (including classes held during the add/drop period) without having received an academic concession will be withdrawn from that course. Withdrawals, depending on timing, could result in a "W" or an "F" standing on the transcript.

Punctuality

Students are expected to arrive for classes and activities on time and fully prepared to engage. Late arrivals may be refused entry at the discretion of the instructor or activity lead. Students arriving later than halfway through a scheduled class will be treated as absent for that class.

Electronic Devices

Devices such as laptops, tablets, and cell phones are not permitted to be used in class unless directed by the instructor for in-class activities. Students who do not follow the School's policy in this regard may be required to leave the room for the remainder of the class, so that they do not distract others. Research shows that students' use of laptops in class has negative implications for the learning environment, including reducing their own grades and the grades of those sitting around them.

Citation Style

Please use the American Psychological Association (APA) reference style to cite your sources.

Details of the above policies and other RHL Policies are available at:

<http://www.calendar.ubc.ca/vancouver/index.cfm?tree=12,199,506,1625>

UNIVERSITY POLICIES AND RESOURCES

UBC provides resources to support student learning and to maintain healthy lifestyles but recognizes that sometimes crises arise and so there are additional resources to access including those for survivors of sexual violence. UBC values respect for the person and ideas of all members of the academic community. Harassment and discrimination are not tolerated nor is suppression of academic freedom. UBC provides appropriate accommodation for students with disabilities and for religious observances. UBC values academic honesty and students are expected to acknowledge the ideas generated by others and to uphold the highest academic standards in all of their actions. Details of the policies and how to access support are available on the UBC Senate website at <https://senate.ubc.ca/policies-resources-support-student-success>.

Academic Integrity

The academic enterprise is founded on honesty, civility, and integrity. As members of this enterprise, all students are expected to know, understand, and follow the codes of conduct regarding academic integrity. At the most basic level, this means submitting only original work done by you and acknowledging all sources of information or ideas and attributing them to others as required. This also means you should not cheat, copy, or mislead others about what is your work. Violations of academic integrity (i.e., misconduct) lead to the breakdown of the academic enterprise, and therefore serious consequences arise and harsh sanctions are imposed. For example, incidences of plagiarism or cheating may result in a mark of zero on the assignment or exam and more serious consequences may apply if the matter is referred to the President's Advisory Committee on Student Discipline. Careful records are kept in order to monitor and prevent recurrences.

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All materials of this course (course handouts, lecture slides, assessments, course readings, etc.) are the intellectual property of the instructor or licensed to be used in this course by the copyright owner. Redistribution of these materials by any means without permission of the copyright holder(s) constitutes a breach of copyright and may lead to academic discipline. Audio or video recording of classes are not permitted without the prior approval of the Instructor.

ACKNOWLEDGEMENT

UBC's Point Grey Campus is located on the traditional, ancestral, and unceded territory of the xwm̓əθkw̓əy̓əm (Musqueam) people, who for millennia have passed on their culture, history, and traditions from one generation to the next on this site.

COURSE SCHEDULE

(Subject to change with class consultation)

| Class | Date | Topic | Readings or Activities | Assessments due |
|-------|---|---|------------------------|-----------------|
| 1 | Background, Mortgage History and Law | REFCC 4,5 | NA | |
| 2 | Mortgage Math 1 | REFCC 6 | PS 1 | |
| 3 | Mortgage Math 2 | BF CH 5-6 | PS 2 | |
| 4 | Mortgage Default | <i>Readings posted to connect content folder</i> | PS 3 | |
| 5 | Mortgage Insurance | TBA | PS 4 | |
| 6 | Mortgage Prepayment | REFCC 10, BF 6 | PS 5 | |
| 7 | Mortgage Backed Securities | BF 19-20 | PS 6 | |
| 8 | Reverse Mortgages | "Can High Costs Justify Weak Demand for the Home Equity Conversion Mortgage?" | PS 7 | |
| 9 | Real Estate Equity Partnerships | Graybar Syndications | PS 8 | |
| 10 | Real Estate Investment Trusts and Brokerage | BF CH 21 | PS 9 | |
| | Final Exam | | | |