

COURSE INFORMATION

Course title: Real Estate Investment Analysis

Course code:	BAUL501	Credits:	1.5
Session, term, period:	2021	Class location:	HA 347
Section(s):	001	Class times:	Tue/Thu: 2:00 PM - 4:00 PM
Course duration:	Nov 1 – Dec 11, 2021	Pre-requisites:	n/a
Division:	SBE	Co-requisites:	n/a
Program:	MBA		

INSTRUCTOR INFORMATION

Instructor:	Thomas Davidoff, PhD		
Phone:	2-8325	Office location:	HA273 (but OH Zoom)
Email:	thomas.davidoff@sauder.ubc.ca	Office hours:	Weds 11:00-12:00 or appt.

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. Additional lecture material will be posted to canvas.

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-resourcessupport-student-success>.

Respect for Equity, Diversity, and Inclusion

The UBC Sauder School of Business strives to promote an intellectual community that is enhanced by diversity along various dimensions including status as a First Nation, Metis, Inuit, or Indigenous person, race, ethnicity, gender identity, sexual orientation, religion, political beliefs, social class, and/or disability. It is critical that students from diverse backgrounds and perspectives be valued in and well-served by their courses. Furthermore, the diversity that students bring to the classroom should be viewed as a resource, benefit, and source of strength for your learning experience. It is expected that all students and members of our community conduct themselves with empathy and respect for others.

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.

Academic Freedom and Students Studying from Outside Canada [do not modify this paragraph] During this pandemic, the shift to online learning has greatly altered teaching and studying at UBC, including changes to health and safety considerations. Keep in mind that some UBC courses might cover topics that are censored or considered illegal by non-Canadian governments. This may include, but is not limited to, human rights, representative government, defamation, obscenity, gender or sexuality, and historical or current geopolitical controversies. If you are a student living abroad, you will be subject to the laws of your local jurisdiction, and your local authorities might limit your access to course material or take punitive action against you. UBC is strongly committed to academic freedom, but has no control over foreign authorities (please visit <http://www.calendar.ubc.ca/vancouver/index.cfm?tree=3,33,86,0> for an articulation of the values of the University conveyed in the Senate Statement on Academic Freedom). Thus, we recognize that students will have legitimate reason to exercise caution in studying certain subjects. If you have concerns regarding your personal situation, consider postponing taking a course with manifest risks, until you are back on campus or reach out to your academic advisor to find substitute courses. For further information and support, please visit: <http://academic.ubc.ca/supportresources/freedom-expression>

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ACKNOWLEDGEMENT

UBC's Point Grey Campus is located on the traditional, ancestral, and unceded territory of the xwməθkwəyəm (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	Readings	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		