City University of New York (CUNY)

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2016

Zero Textbook Cost Syllabus for RES 3400 (Real Estate Capital Markets)

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RES 3400 Fall 2016

EMWA (45251)

Real Estate Capital Markets

M/W, 2:30PM-3:45PM

Instructor: Dr. Meagan McCollum
Email:
Phone:
Office Location:
Office Hours: Monday and Wednesday 4:00-5:00PM or by appointment

Course Description:
This course examines the creation and evolution of mortgage pass-through securities, real estate investment trusts (REITs), commingled real estate funds (CREFs), and commercial mortgage-backed securities (CMBSs). These developments have had profound effects on the real estate markets, including how they have led to greater flexibility and transparency in those markets, and how they have affected the valuations and pricing efficiency of markets for real estate assets. This course will help students develop a clear understanding of the workings of and opportunities in the real estate capital markets.

Prerequisite(s): FIN 3000.
Credit Hours: 3

Required Texts: *Introduction to Securitization*, 1st ed. (2008) **Authors:** Frank J. Fabozzi and Vinod Kothari; **ISBN-13: 978-0470371909**
Global Property Investment, 1st ed. (2011) **Authors:** Andrew E. Baum and David Hartzell; **ISBN-13: 978-1444335286**
Both of the required texts available as a free PDF through the library. If you prefer a hard copy, they are available in the bookstore, Amazon, etc. Other readings will be assigned throughout the semester (especially in the last 1/3 of the semester) and will be available through Blackboard and/or the Baruch library.

Other Required course materials: Financial Calculator (BA-II Plus recommended. Graphing calculators and calculator apps may not be used on exams), Microsoft Excel (available free of charge to Baruch students)

Course Objectives:

By the completion of this course, students will:

1. understand the history and composition of both debt and equity components of real estate capital markets.
2. understand the structure of both residential and commercial mortgage backed securities (RMBS/CMBS).
3. be able to model MBS cash flows.
4. be able to perform a valuation of a REIT.
5. have an understanding of risks and returns for real estate as an asset class, both on its own as well as in a portfolio context.
6. be familiar with current events in both domestic and international real estate capital markets.

Grade Distribution:

Exam 1	20%
Exam 2	20%
Problem Sets	35%
Final Exam	25%

Letter Grade Distribution:

>= 93.00	A	73.00 - 76.99	C
90.00 - 92.99	A-	70.00 - 72.99	C-
87.00 - 89.99	B+	67.00 - 69.99	D+
83.00 - 86.99	B	63.00 - 66.99	D
80.00 - 82.99	B-	60.00 - 62.99	D-
77.00 - 79.99	C+	<= 59.99	F

Exams:

You will be allowed a scientific or financial calculator on all exams (no graphing calculators, calculator apps, or computers). Unless otherwise announced, all exams are closed book and in class. A request for a re-grade of an exam must be submitted to me in writing within **1 week** of receiving your exam grade. Please be aware that I will re-evaluate your complete exam; this may result in your being raised, lowered, or remaining the same.

Exams 1 & 2

There will be two exams during the semester, each worth **20%** of your course grade.The first exam will be **October 19th** and the second exam will be **November 21**. Please see the course policies section of the syllabus for information about making up a missed midterm exam. There will be an in class review for the exam. The exam dates are fixed, but the material on included on each exam will depend on the progress of the class. This will be communicated during the in class review. You will be allowed a scientific or financial calculator (no graphing calculators, calculator apps, or computers).

Final Exam

The final exam will comprise **25%** of your grade and will be cumulative. The exam will potentially include any material covered in class, the textbook, assigned course readings, or project presentations. There will be an in class review for the exam. You may not use graphing calculators, calculator apps, or computers on the final exam. The exam will be on the date and time assigned by Baruch.

Problem Sets:

- There will be **8 problem sets** due throughout the semester. All of these assignments will be administered or submitted through Blackboard. Each of these assignments will be due at 11:59pm on the date listed on the syllabus. Since the assignments will be available well in advance of the time they are due, I will not be sympathetic to last minute tech issues that may arise. Blackboard will not allow late submissions and I will not reopen submissions unless there is a reported system wide outage for Blackboard.

- The problem sets comprise **35%** of your total grade. In computing this portion of your grade, **if you attempt all 8 assignments (turn in a *complete* assignment by the due date OR have missed 4 or fewer class meetings)** I will drop your **2** lowest grades in calculating this portion of your grade.

Course Policies:

- **Attendance and Absences**

  - Per Baruch policy, I am required to drop you from the class if you have more than four absences and are a freshman or a sophomore. If you are a junior or senior, it is at my discretion to drop you from the class if you have more than four absences. I would urge you to communicate with me if extenuating circumstances arise throughout the semester. If you don't communicate with me, I can't help you. That being said, you do not need to email me to inform me the reason for an absence if you have missed less than four classes. *The exception for this policy would be if you must miss an exam.* If you miss an exam for a legitimate, verifiable reason (e.g. medical) then the exam may be made up within two class meetings of the original exam date at a time mutually agreed upon OR the student may opt to have their final exam count for the missed midterm exam. If no mutually agreed upon time can be found within the next two class meetings, any student with a verified excused absence for an exam will have their final exam count twice. If you miss an exam for any other reason, your grade for the exam will be a zero. Outside work obligations do not constitute a legitimate, verifiable reasons for missing an exam, due date, or presentation since all dates are fixed and clearly communicated at the beginning of the semester.

  - We have limited in-class time together and lots of material to cover. I begin class exactly at the scheduled time. I know commutes/elevators can be somewhat unpredictable, but please plan ahead to arrive on time. It is extremely disruptive for both the instructor and your classmates for you to arrive late to class. *For the purposes of classroom management: 2 tardies=1 absence.*

  - Students are responsible for all missed work, regardless of the reason for absence. It is also the absentee's responsibility to get all missing notes or materials from a classmate. I will not provide copies of notes to individual students beyond what I place on the Blackboard course page.

- **Academic Integrity**

  – Cheating and plagiarism are serious offenses. All students must read and understand Baruch's academic integrity policies:

    http://www.baruch.cuny.edu/academic/academic_honesty.html
    http://newman.baruch.cuny.edu/help/plagiarism/default.htm

  – My policy for a first offense is to give a zero to any assignment that has been plagiarized or an exam in which you have cheated. Any subsequent offenses will receive a penalty ranging from a zero on the exam or assignment to receiving a failing grade in the class. In addition, I am required by College policy to submit a report of suspected academic dishonesty to the Office of the Dean of Students. This report becomes part of your permanent file.

  – I may scan and save copies of all exams before returning them to you. Therefore, be advised that attempting to change answers on an already graded exam will almost certainly be discovered. I will return exams to you to go over in class, but I must retain all original copies of exams. After reviewing exams in class, you may come view the exams in my office during my office hours.

- **Other policies**

  – **Counseling and Student Health**
    Students may occasionally have personal issues that arise in the course of pursuing higher education that may interfere with academic performance. If you are facing problems affecting your coursework you are encouraged to speak with the Director of Executive Programs at (646)312-3100 or to seek confidential assistance at the Baruch College Counseling Center at (646)312-2158.

  – **Students with disabilities**
    Students with disabilities may receive assistance and accommodation of various sorts to enable them to participate fully in courses at Baruch. To qualify for special accommodation you must first register with the Baruch College Disability Services office. For more information contact Lillian Shmulevich, Assistant Director of this office in B2 271 or at (646) 312 4590. If you are approved for accommodations, please speak with me immediately to best plan for any accommodations that you need through the semester. This is particularly important for if you have approved accommodations for exams.

    For additional information, please see:

    http://www.baruch.cuny.edu/facultyhandbook/DisabilitiesInformation.htm.

Tentative Course Outline:
The content coverage might change as it depends on the progress of the class. However, the due dates for problems sets and exams will not change (the content included on each assignment or test may be adjusted as needed). We will heavily rely on in class notes/slides/readings as the textbooks will not contain all the material covered in this course. Broadly speaking, I expect to cover Ch. 1-5, 11, 14 and Appendix B of *Introduction to Securitization* and Ch. 4, 8, 9, 12, 13, 15 of *Global Property Investment* although we will not cover every point in these chapters and will discuss some topics that are not contained within these chapters.

Date	Content
Topic 1 Real Estate Finance Basics	
M Aug. 29	Real Estate Finance Overview and Review
W Aug. 31	Real Estate Finance Overview and Review
M Sept. 5	No classes scheduled, Labor Day
W Sept. 7	Intro to MBS, history
Th Sept. 8	Problem Set 1 due (11:59pm)
Topic 2 Debt/Mortgage Backed Securities	
M Sept. 12	Intro to MBS, Institutional details
W Sept. 14	MBS Basics
M Sept. 19	Mortgage Pass-through Securities
Tu. Sept. 20	Problem Set 2 due (11:59pm)
W Sept. 21	Prepayment
M Sept. 26	Prepayment and Default
W Sept. 28	Default/Credit Enhancement
F Sept. 30	Problem Set 3 due (11:59pm)
M Oct. 3	No Class
W Oct. 5	CMO/CDOs
Th Oct. 6	Sequential Pay/Waterfalls (Classes follow Monday schedule)
F Oct. 7	Problem Set 4 due (11:59pm)
M Oct. 10	No class
W Oct. 12	No class
M Oct. 17	Review/Catch up
W Oct. 19	**EXAM 1**
M Oct. 24	MBS Valuation- OAS model and duration measures
W Oct. 26	OAS model and duration measures, cont.
M Oct. 31	IO/PO strips
W Nov. 2	Floaters/Inverse floaters
F Nov. 4	Problem Set 5 due (11:59pm)
M Nov. 7	Commercial Lending/CMBS overview
W Nov. 9	CMBS pricing
Th. Nov. 10	Last day to withdraw from class with a grade of W
M Nov. 14	CMBS pricing/Capital Structure/Private Equity/Mezz. Debt
Tu. Nov. 15	Problem Set 6 due (11:59pm)
W Nov. 16	Review/Catch up
M Nov. 21	**EXAM 2**
Topic 3 Equity/Real Estate Investment Trusts	
W Nov. 23	Intro to REITs
M Nov. 28	REIT security analysis/valuation
W Nov. 30	REIT security analysis/valuation
F Dec. 2	Problem Set 7 due (11:59pm)
M Dec. 5	International Real Estate Investment
W Dec. 7	Real Estate Portfolio Considerations
Fri. Dec. 9	Problem Set 8 Due (11:59pm)
M Dec. 12	Review/Catch up
Dec. 14-21	**Final Exam** (Time, date, and location TBA)