

Syllabus: Real Estate Primary Markets (FINC-UB 39) – Fall semester AY 2014-15

Dated: August 20, 2014. This syllabus may be subject to future additions and revisions.

Instructor

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Office Hours: After class in the classroom (when possible) or by appointment.

Teaching Assistant

The teaching assistant is Ashish Mehta (am4824@stern.nyu.edu). You may contact the teaching assistant with questions about the class material.

Class Time

The class meets twice per week on Monday and Wednesday from (9:30 AM – 10:45 AM). The first class is on 09/3/2014, the last class is on 12/10/2014. There will be no class on the following dates: 10/13; 11/24; 11/26.

Content

This is an introductory course covering the fundamentals of real estate, real estate finance and real estate investment. It is directed toward providing students with grounding in the fundamental practical concepts and techniques required to evaluate, finance, acquire and operate income-producing property. The course will focus on:

- The nature of commercial real estate.
- The language, concepts and, agreements and instruments that are critical to real estate transactions.
- The interrelationships between owners, their tenants, lenders and investors, and the issues that arise in those relationships.
- Financial modeling to analyze cash flows and determine valuations, capital requirements, returns on capital and deal feasibility.

The course is designed for undergraduate students with an interest in understanding real estate investment. Its target audience is students specializing in Real Estate, but is also open to finance-oriented students who wish to gain an understanding of real estate investment. See more information on the Real Estate track for undergraduates at the end of this syllabus.

Prerequisites

The only formal course pre-requisites for this course are Foundations of Finance and Corporate Finance.

Readings and Course Methodology

Attendance will be critical to a student's progress. Most of the course's subject matter will be covered only in the classroom. Further, as the subject matter is not linear in nature, students will need to regularly review and integrate matters previously covered in class.

Group projects (with 2 individuals in a group) will involve the analysis and written presentation of investment opportunities.

I have created a 'custom' textbook out of selections from the Brueggeman & Fisher *Real Estate Finance* textbook which will be required reading and will be available in the NYU bookstore. You will need to bring a financial calculator (HP 12C or equivalent) to each class as we will be using it regularly. You will need a laptop or equivalent, as we will be doing spreadsheet work regularly. You will also need a copy of Barron's *Dictionary of Real Estate Terms, Eighth Edition* (Barron's, 2005), which you should also bring to each class. Readings will be a mix of materials which I will provide or designate after the course commences and at a pace which is consistent with our progress. There will also be a number of guest lectures by industry professionals who will focus on specific areas we are studying, as well as some guest lectures of a more general nature intended to provide general background and information.

Optional reading for those who want more: William J. Poorvu, *Creating and Growing Real Estate Wealth: The 4 Stages to a Lifetime of Success* (FT Press, 2008).

Staying Up-to-Date

If the subject matter is truly important to you, you should follow real estate news. Among sources (all on the Web) I recommend:

- New York Times
- Wall Street Journal
- The Real Deal
- NY Commercial Observer's *Mortgage Observer*

If you encounter an interesting article that you would like to share with the class, please send me an email. A section of the class's site will be devoted to interesting background articles.

Classroom Civility

Your behavior should respect your classmates desire to learn and my desire to teach. Note that:

- Each lecture will begin and end on time.
- You should display your name card at your seat each class.

- The use of smart phones, tablets, cell phones, and similar devices is not allowed in class.
- *Appropriate* use of laptops in class will be discussed in the first class. While laptops have advantages in the classroom, they also have the potential to impair your own learning experience as well as that of your neighbors.

Grading and Assignments

At NYU Stern, we strive to create courses that challenge students intellectually and that meet the Stern standards of academic excellence. To ensure fairness and clarity of grading, the Stern faculty has agreed that for elective courses the individual instructor or department is responsible for determining reasonable grading guidelines.

In this course, grades will be based on:

- | | |
|---------------------------|-----|
| ▪ Group project 1: | 25% |
| ▪ Group project 2: | 25% |
| ▪ Final examination: | 40% |
| ▪ Classroom contribution: | 10% |

The usual Stern grading guidelines will be followed. Grades are not subject to negotiation.

Honor Code

You are responsible for maintaining Stern's Honor Code which mandates zero tolerance for cheating and plagiarism. Violations of the honor code will be prosecuted with a minimum penalty of failure for the course, as required by code of conduct rules. If you become aware of any violations of the honor code you must take whatever steps are necessary to stop the violators. You must include a signed statement at the top of each exam indicating that you adhere to the honor code. The statement is: *"I pledge my honor that I have not violated the Stern Honor Code in the completion of this exam."* It is in your best interest that the market place knows that Stern takes honesty seriously; it adds to the value of your degree.

Class Schedule

The class schedule, a list of guest lecturers and their respective topics, required readings and other significant information will be furnished prior to the commencement of the course. Many of the readings will be distributed in pdf format via *NYU classes*.

Information about the Undergraduate Real Estate Track

The Real Estate Track provides rigorous training in (i) the economics of real estate development and investment, the financing such projects, leasing, and appraisal of buildings, (ii) the pricing/valuation and trading of financial instruments with real estate as the underlying, such Real Estate Investment Trusts (REITS), residential and commercial mortgage-backed securities (MBS), and related derivative and structured finance products such as collateralized debt obligations (CDOs), credit default swaps (CDS), and index products (CDX, ABX, etc.), and (iii) the workings of real estate primary and secondary markets, including the various participants in these markets, their roles, and (iv) the legal, taxation, and regulatory environment. Elective courses can be chosen to emphasize the commercial real estate development process (RED focus) or the investment strategies in real estate capital markets (REF focus). With an appropriate choice of elective courses, this track provides in-depth preparation for careers in real estate development, real estate brokerage, real estate project investment for private equity firms, family offices, sovereign wealth funds, and careers in real estate finance in the fixed income or equity desks of investment banks (research, sales & trading), hedge funds, and sovereign wealth funds.

Prerequisites

- Stern Business Tools
- Law, Business, and Society
- Foundations of Financial Markets (FINC-UB.0002)

Essentials

- Corporate Finance (FINC-UB.0007, req: Foundations of Financial Markets)
- Real Estate Transactions (MULT-UB.0051)
- Real Estate Primary Markets (FINC-UB. 0039, co-req: Corporate Finance)
- Real Estate Capital Markets (FINC-UB.00 38, req: Foundations of Financial Markets)

Advanced Electives – Four courses from the following list, of which at least one of the first two courses. The courses denoted by [REF] are more interesting for students who want to specialize more towards a real estate finance specialization, whereas the courses denoted with [RED] are more interesting for students who want to focus on the development, direct investment, or management of property.

- [RED] Real Estate Development and Entrepreneurship (MULT-UB.0050)
- [REF] Real Estate Investment Strategies (FIN-UB.00XX)

- [RED] Urban Economics (ECON-UA 227 – CAS)
- [RED/REF] Financial Statement Analysis (ACCT-UB.0003)
- [RED] Taxation of Individuals (ACCT-UB.0063)
- [REF] Risk Management in Financial Institutions (FINC-UB.0022)
- [RED/REF] Topics in Emerging Financial Markets (FINC-UB.0023)
- [REF] Debt Instruments (FINC-UB.0026)
- [RED/REF] Behavioral Finance (FINC-UB.0029)
- [REF] Equity Valuation (FINC-UB.0041)
- [RED] Topics in Entrepreneurial Finance (FINC-UB 61)

- *[RED] Mergers, Acquisitions, and Restructuring (FINC-UB 50)*
- *[REF] Monetary Policy and the Financial System (ECON-UB 221)*
- *[REF] Macroeconomic Foundations for Asset Prices (ECON-UB 233)*
- *[RED] Strategic Analysis (MGMT-UB 18)*
- *[RED/REF] Negotiation and Consensus Building (MGMT-UB 30)*

For more information on the Stern undergraduate track system, please see <http://www.stern.nyu.edu/portal-partners/current-students/undergraduate/academics/tracks/index.htm>

Academic advisor for the real estate track: Prof. Stijn Van Nieuwerburgh