

Real Estate Capital Markets
C15.0038
Spring 2010

Preliminary and subject to change.

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I. Introduction

This course is designed to provide students with an indepth analysis of the real estate capital markets. A thorough understanding of the capital markets is required not only for those working in the field, but also for general real estate practioners who will find their decision making impacted by their ability to raise funds in the capital market. The course will cover five topics.

Credit Crunch and Real Estate – the recent down fall of the subprime market has impacted not only the mortgage markets, but also the real economy. This topic examines what went wrong and what effect it will have on the broader real estate market and economy going forward.

Commercial Mortgage Backed Securities and Debt Structures - CMBS are bonds that are issued backed by commercial mortgages. This topic will examine both the security structures employed in the industry and the characteristics of the commercial mortgages backing these securities. Combined together, these will allow students to assess the relative value of different tranches. We will also examine A/B note structures, mezz debt etc. Although these structures are not being employed at present an understanding of how they work is critical to understanding how defaults will unfold in the commercial market going forward.

Real Estate Investment Trusts - since the early 1990s REITs have become a popular vehicle for investing in real estate. This topic is designed to introduce students to REIT structures, valuation and analysis.

Real Estate Returns – the illiquid nature of real estate makes assessing performance problematic. This topic provides an overview of the methods used to calculate returns and the problems that these methods cause in calculating performance and benchmarking.

Real Estate Derivatives – in the last two years there has been a burgeoning interst in derivatives related to both residential and commercial real estate. This topic discusses the derivatives that exist and their potential use for speculation and hedging.

II. Prerequisites

Real estate capital markets are where real estate meets finance, so a knowledge of both is important in understanding the material for the course. Core finance and real estate knowledge is assumed. If a student is having trouble in a given area I will be happy to provide background readings.

III. Textbook and Readings

There is no set text that covers all the topics in the course. I will use various texts and other reference materials throughout the semester. During each topic I will tell you what source, if any, I am using. Course material will be posted on Blackboard. If I forget to post something, please remind me.

The instructor assumes that students will read all materials assigned for each class, and any additional recommended readings.

IV. Administrative

Attendance

Class attendance is compulsory. Absences may be excused only in the case of documented serious illness, family emergency, religious observance, or civic obligation. If you will miss class for religious observance or civic obligation, you should inform me no later than the first week of class. Recruiting activities are not acceptable reasons for class absence. Students are also expected to arrive to class on time and stay to the end of the class period. Chronically arriving late or leaving class early will have an impact on a student's grade.

Disabilities

If you have a qualified disability and will require academic accommodation during this course, please contact the Moses Center for Students with Disabilities (CSD, 998-4980) and provide me with a letter from them verifying your registration and outlining the accommodations they recommend. If you will need to take an exam at the CSD, you must submit a completed Exam Accommodations Form to them at least one week prior to the scheduled exam time to be guaranteed accommodation.

Code of conduct

All students are expected to follow the **Stern Honor Code**:

(http://w4.stern.nyu.edu/scorp/committee.cfm?doc_id=4797)

V. Assessment

Mid Term 40%

Final Exam: 40%

Homeworks: 15%

Participation: 5%

As always, participation is based on quality not quantity, but remember there needs to be some quantity to judge quality. All assessment, apart from exams, can be done in groups of up to five. Individual assessment is expected to be done on an individual basis. Students are free to discuss group homeworks among their group members. As always, students are expected to adhere to the honor code.