



# **Rotman** Commerce UNIVERSITY OF TORONTO

## **Course Outline**

### **RSM 484 H1 F**

Real Estate Finance

Fall 2014

Course Meets: Mondays, 10 AM to 12 Noon in Room TBA

---

Instructor: Adeel Mahmood  
E-Mail: [adeel.mahmood@utoronto.ca](mailto:adeel.mahmood@utoronto.ca)  
Webpage: <http://portal.utoronto.ca>  
Phone: 647-722-3362  
Office Hours: Mondays 12 Noon to 1 PM in Room TBA  
Teaching Assistant: TBA

## **Course Scope and Mission**

Real estate assets account for about one-third of the value of all capital assets in the world. An understanding of real estate investment is, therefore, important no matter what line of business a student plans to be in. This course provides students with a comprehensive understanding of real estate valuation, house price dynamics, real estate liabilities, corporate real estate, decision-making and public policies associated with real estate investment, using modern finance and economics tools. Topics include lease, commercial and residential real estate investment, house price movements, bubbles, mortgage financing and pricing, and international real estate. If time allows, we will end the course with a brief discussion on real estate securitization. Academic lectures are supplemented by a series of case discussions. Reading the course material and preparing for class discussion are both demanding and extremely important, permitting the maximal benefit from your investment in understanding the real estate investment decisions.

## **Course Prerequisites**

**ECO204Y/206Y, ECO220Y/227Y, RSM 332H1. Co-requisite: RSM333H1.** *If you drop RSM333H1 (the co-requisite) during the academic term, you must also drop this course. Contact Rotman Commerce Academic Program Services for academic advising if needed.*

## **Required Readings**

- Course content and class communication available on <http://portal.utoronto.ca>
- Peter Linneman; **Real Estate Finance and Investments: Risks and Opportunities; Third (3rd) Edition**; Linneman Associates, 2011

## Evaluation and Grades

Grades are a measure of the performance of a student in individual courses. Each student shall be judged on the basis of how well he or she has command of the course materials.

<u>Work</u>		<u>Due Date</u>
Class Participation	10%	Ongoing
Team Challenge	10%	Ongoing
Term Test 1	30%	Oct 20, 2014
Term Test 2	25%	Dec 1, 2014
Final Group Project	25%	At the end of the term

## COURSE FORMAT AND EXPECTATIONS

### Class Participation

Name cards are used to help give credit for class participation and contribution to in-class discussion. Students must have name cards with their full first and last names clearly written and displayed in front of them for every class. It is imperative that students prepare for every class. **Class participation marks are primarily based on the quality of contribution.** No class attendance results in zero mark.

A student **missing a class** during the term, excluding a class where a test or an exam is held, is required to contact the Rotman Commerce Academic Program Services office and obtain an official approval of relief to avoid getting a zero (0) participation grade for that class.

If the office adjudicates that relief be provided, the student's participation grade for the classes with relief requests will be re-assigned to the graded classes.

Generally, the office will approve request for relief only if ***the student's absence is for legitimate reasons***, in which case documentation explaining the absence (or absences) must be provided to the office promptly after returning to school.

Refer to the ***Participation Details*** document available online for more details on the evaluation aspects of this course component.

### Team Challenge

Students will complete a ***Team Challenge*** exercise **in groups**. Students will form groups of **four** or **five** of their choice. Each student group will also complete the ***Real Estate Project*** as described further below. *The group members will be assigned individual grades relative to the group grade based on the peer assessments completed towards the end of the course.*

In the ***Team Challenge***, the assigned teams will develop a real estate finance challenge problem to be solved by competing teams in a time-limited format. The problem will be based on the lecture content pre-assigned to the particular ***Team Challenge*** group.

More details of the format, structure, and rubric for this part will be provided during the course of the term.

## Term Tests

Two (2) individual **Term Tests** will be written in the course of the term. More details of the format, structure, and coverage will be provided after the first week of classes.

A student **missing a test** is required to contact the ASO and obtain an official approval of relief if he or she wishes to avoid getting a zero (0) grade for the test. If the ASO adjudicates that relief be provided, the student's grade for the test will be re-assigned proportionately to the graded components of the course.

## Real Estate Project

Students will also complete a group project **due in the 12<sup>th</sup> week of the term**. Students will form groups of **four** or **five** of their choice. Each student group will also complete the **Team Challenge** as described above. *The group members will be assigned individual grades relative to the group grade based on the peer assessments completed towards the end of the course.* Students will receive more guidance on group formation in the first week of classes.

## COURSE FORMAT AND EXPECTATIONS

To Use Turnitin.com:

Normally students will be required to submit their course essays to Turnitin.com for a review of textual similarity and detection of possible plagiarism. In doing so, students will allow their essays to be included as source documents in the Turnitin.com reference database, where they will be used solely for the purpose of detecting plagiarism. The terms that apply to the university's use of the Turnitin.com service are described on the Turnitin.com website.

For Written Assignments

Please note that clear, concise, and correct writing will be considered in the evaluation of the written work. That is, you may lose points for writing that impedes communication: poor organization, weak paragraph development, excessive wordiness, hard-to-follow sentence structure, spelling mistakes and grammatical errors. Students who require additional support and/or tutoring with respect to their writing skills are encouraged to visit the Academic Success Centre ([www.asc.utoronto.ca](http://www.asc.utoronto.ca)) or one of the College Writing Centres ([www.writing.utoronto.ca/writing-centres](http://www.writing.utoronto.ca/writing-centres)). These centres are teaching facilities – not editing services, where trained staff can assist students in developing their academic writing skills. There is no charge for the instruction and support.

## Additional Guidelines for Group Work

Learning to work together in teams is an important aspect of your education and preparation for your future careers. That said, project-based teamwork is often new to students and you are therefore reminded of the following expectations with respect to behaviour and contributions to your team project.

1. Read the document entitled, "*Working in Teams: Guidelines for Rotman Commerce Students*" which is available on the RC portal under the Academic Services tab.

2. When working in a team, Rotman Commerce students are expected to:

- Treat other members with courtesy and respect;
- Honour the ground rules established by the team;

- Contribute substantially and proportionally to the final project;
- Ensure enough familiarity with the entire contents of the group project/assignment so as to be able to sign off on it as original work;
- Meet the project timeline as established by the team.

### 3. Resolving differences:

Conflicts can – and do – occur. Conflicts are part of the team's process of learning how to work together effectively and can actually generate exciting debate and creative solutions – if managed appropriately.

Student teams are collectively expected to resolve disputes or misunderstandings as soon as they arise (and prior to submission of the final project). In cases where teams are unable to reach a mutually agreeable solution, the entire team must meet with the Rotman Commerce Team Coach\*\* as soon as possible. The Coach will listen to the team and help develop options for improving the team process. All members of the project team must commit to, and, utilize their action plans.

\*\* The Rotman Commerce Team Coach, Nikoleta Vlamis, may be reached at [nikoleta@nikoletaandassociates.com](mailto:nikoleta@nikoletaandassociates.com) for an appointment. Nikoleta is an expert in team dynamics and facilitation. Note that Nikoleta's role is to provide guidance, support and advice on team matters – not to formally evaluate or assess teamwork for academic purposes.

## COURSE SCHEDULE

CL.	DATE	TEXTBOOK CONTENT	ONLINE READINGS
1	Mon. Sep 8	<b>Introduction</b>  <u>Ch. 1: Introduction: Risks and Opportunities</u> <u>Ch. 2: What is Real Estate?</u>	<u>Review: CMHC – Home Buying Guide</u>
2	Mon. Sep 15	<b>Commercial Real Estate: Basics</b>  <u>Ch. 3: The Fundamentals of Commercial Leases</u>  <u>Ch. 4: Property-Level Pro Forma Analysis</u>	<u>Review: Urban Development</u>
3	Mon. Sep 22	<b>Commercial Real Estate: Valuation</b>  <u>Ch. 5: Financial Modeling</u>  <u>Ch. 7: The Use and Selection of Cap Rates</u>	<b>Group Formation Complete</b>
4	Mon. Sep 29	<b>Commercial Real Estate: Investments</b>  <u>Prerequisite I: The Basics of Discounted Cash Flow &amp; Net Present Value Analyses</u>  <u>Prerequisite II: IRR: What It Is and What It Isn't</u>  <u>Ch. 7: Real Estate Due Diligence Analysis</u>	<u>Review: The Perfect Property</u>
5	Mon. Oct 6	<b>Application: Retail / Office / Industrial</b>  <u>In-Class: Retail Rules of Thumb</u>  <u>In-Class: ICSC Canadian Mall Definitions</u>  <u>In-Class: Office Rules of Thumb</u>  <u>In-Class: Industrial Rules of Thumb</u>	<u>Prepare: Haines Industrial</u>  <u>Review: North American Demographics</u>  <u>Review: Global Business Influences</u>
-	Mon. Oct 13	<b>Thanksgiving Holiday – No Class</b>	
6	Mon. Oct 20	<b>Term Test 1 – To Be Written in Class</b>	

CL.	DATE	TEXTBOOK CONTENT	ONLINE READINGS
7	Mon. Oct 27	<b>Residential Real Estate: Financial Leverage</b>  <u>Prerequisite III: Amortization Fundamentals</u>  <u>Ch. 13: The Use of Debt and Mortgages</u>	<u>Prepare: Fixed Interest Rate Mortgage Loans</u>  <u>Prepare: Adjustable and Floating Rate Mortgage Loans</u>  <b>Project Proposals</b> – Due by the End of the Class
8	Mon. Nov 3	<b>Residential Real Estate: Price Drivers</b>  <u>Ch. 20: Real Estate Cycles</u>	<u>Review: Market Cycles and Property Types</u>
9	Mon. Nov 10	<b>Real Estate Development</b>  <u>Ch. 8: Development Pro Forma Analysis</u>  <u>Ch. 9: Development Feasibility Analysis</u>	<u>Prepare: Financing Project Development</u>  <u>Review: Land Development</u>
-	Mon. Nov 17	<b>Study Break</b> – No Class	
10	Mon. Nov 24	<b>Secondary Mortgage Market</b>  <u>Ch. 14: Commercial Mortgage Backed Securities</u>	<u>Prepare: The Secondary Mortgage Market: Pass-Through Securities</u>  <u>Prepare: The Secondary Mortgage Market: CMOs and Derivative Securities</u>
11	Mon. Dec 1	<b>Term Test 2</b> – To Be Written in Class	
12	Mon. Dec 3	<b>Application: Multi-Family Residential</b>  <u>Read: Multi-Family Rules of Thumb</u>	<u>Prepare: Ellmar Oaks</u>
-	Mon. Dec 3	<b>Real Estate Project</b> – Due by 11.59 PM	

## **POLICY AND PROCEDURE**

### **Missed Tests and Assignments (including midterm examinations)**

Students who miss a test or assignment for reasons entirely beyond their control (e.g. illness) may submit a request for special consideration. Provided that notification and documentation are provided in a timely manner, and that the request is subsequently approved, no academic penalty will be applied.

In such cases, students must notify Rotman Commerce on the date of the missed test (or due date in the case of course work) and submit supporting documentation (e.g. Verification of Student Illness or Injury form) to the Rotman Commerce Program Office within **48 hours** of the originally scheduled test or due date. Students who do not provide Rotman Commerce or the instructor with appropriate or sufficient supporting documentation will be given a grade of 0 (zero) for the missed test or course deliverable.

**Note that the physician's report must establish that the patient was examined and diagnosed at the time of illness, not after the fact. Rotman Commerce will not accept a statement that merely confirms a report of illness made by the student and documented by the physician.**

Refer to the **Missed Tests** document available online for a detailed description of how the missed test mark will be reallocated.

### **Late Assignments**

Any course component not submitted by the due date and time is considered late. Late submissions carry a 20% mark penalty for each 24-hour time period they are late. Any remaining time period less than 24 hours in length is rounded up to a full 24-hour time period.

Students who, for reasons beyond their control, are unable to submit an assignment by its deadline must obtain approval from the instructor for an extension. Supporting documentation will be required as per the policy on missed tests and assignments.

### **Accessibility Needs**

The University of Toronto is committed to accessibility. If you require accommodations for a disability, or have any accessibility concerns about the course, the classroom or course materials, please contact Accessibility Services as soon as possible: [disability.services@utoronto.ca](mailto:disability.services@utoronto.ca) or <http://www.accessibility.utoronto.ca/>.

### **Academic Integrity**

Academic Integrity is a fundamental value essential to the pursuit of learning and scholarships at the University of Toronto. Participating honestly, respectfully, responsibly, and fairly in this academic community ensures that the UofT degree that you earn will continue to be valued and respected as a true signifier of a student's individual work and academic achievement. As a result, the University treats cases of academic misconduct very seriously.

*The University of Toronto's Code of Behaviour on Academic Matters*

<http://www.governingcouncil.utoronto.ca/policies/behaveac.htm> outlines the behaviours that constitute academic misconduct, the process for addressing academic offences, and the penalties that may be imposed. You are expected to be familiar with the contents of this document. Potential offences include, but are not limited to:

In papers and assignments:

- Using someone else's ideas or words without appropriate acknowledgement.
- Submitting your own work in more than one course without the permission of the instructor.
- Making up sources or facts.
- Obtaining or providing unauthorized assistance on any assignment (this includes collaborating with others on assignments that are supposed to be completed individually).

On test and exams:

- Using or possessing any unauthorized aid, including a cell phone.
- Looking at someone else's answers
- Misrepresenting your identity.
- Submitting an altered test for re-grading.

Misrepresentation:

- Falsifying institutional documents or grades.
- Falsifying or altering any documentation required by the University, including (but not limited to), medical notes.

All suspected cases of academic dishonesty will be investigated by the following procedures outlined in the *Code of Behaviour on Academic Matters*. If you have any question about what is or is not permitted in the course, please do not hesitate to contact the course instructor. If you have any questions about appropriate research and citation methods, you are expected to seek out additional information from the instructor or other UofT resources such as College Writing Centres or the Academic Success Centre.

## **Email**

At times, the course instructor may decide to communicate important course information by email. As such, all UofT students are required to have a valid UTmail+ email address. You are responsible for ensuring that your UTmail+ email address is set up AND properly entered on the ROSI system. For more information please visit <http://help.ic.utoronto.ca/category/3/utmail.html>

Forwarding your utoronto.ca email to a Hotmail, Gmail, Yahoo or other type of email account is not advisable. In some cases, messages from utoronto.ca addresses sent to Hotmail, Gmail or Yahoo accounts are filtered as junk mail, which means that important messages from your course instructor may end up in your spam or junk mail folder.

## **Blackboard and the Course Page**

The online course page for this course is accessed through Blackboard. To access the course page, go to the UofT Portal login at <https://portal.utoronto.ca/> and log in using your UTORid and password. Once you have logged in, look for the My Courses module where you'll find the link to all your course websites. If you don't see the course listed here but you are properly registered for the course in ROSI, wait 48 hours. If the course does not appear, go to the Information Commons Help Desk in Robarts Library, 1st floor, for help, or explore the Portal Information and Help at [www.portalinfo.utoronto.ca/students](http://www.portalinfo.utoronto.ca/students) and review the Frequently Asked Questions.

## **Recording Lectures**

Lectures and course materials prepared by the instructor are considered by the University to be an instructor's intellectual property covered by the Canadian Copyright Act. Students wishing to



record a lecture or other course material in any way are required to ask the instructor's explicit permission, and may not do so unless permission is granted (note: students who have been previously granted permission to record lectures as an accommodation for a disability are, of course, excepted). This includes tape recording, filming, photographing PowerPoint slides, Blackboard materials, etc.

If permission is granted by the instructor (or via Accessibility Services), it is intended for the individual student's own study purposes and does not include permission to "publish" them in anyway. It is absolutely forbidden for a student to publish an instructor's notes to a website or sell them in any other form without formal permission.