

**FINN 3261**  
**Real Estate Finance**  
**Fall, 2019**

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Hours: W 9:00-12:00  
Texts: Real Estate Finance & Investments (16<sup>th</sup> edition) by William Brueggeman and Jeffrey Fisher

**Course Description**

This is a course on real estate finance and investments. This course is essentially divided into three major sections. In Section I we will examine the financing of owner-occupied residential properties. In Section II we will examine investing in and financing commercial (i.e. income-producing) properties. This will include multifamily residential, office, industrial, and retail properties. This will include both debt and equity investment in commercial real estate. The final third of the course will examine the real estate capital markets, including mortgage securitization and investments in Real Estate Investment Trusts (REITs.)

**Course Objectives**

- To present the risks and returns inherent in real estate finance and real estate investments.
- To examine the legal foundation upon which the US real estate finance system is based.
- To examine both the primary and secondary residential mortgage markets, and the role they played in the 2008-2010 financial crisis.
- To develop the tools frequently used in the analysis of commercial real estate development.
- To examine the role that taxes and regulation play in the workings of both the residential and commercial real estate finance markets.

**About this Syllabus**

This syllabus contains the policies and expectations I have established for FINN 3261. Please read the entire syllabus carefully before continuing in this course. These policies and expectations are intended to create a productive learning atmosphere for all students. Unless you are prepared to abide by these policies

The standards and requirements set forth in this syllabus may be modified at any time by the course instructor. Notice of such changes will be by announcement in class or on the Canvas site for this class.

### **Office Hours**

My office hours are from 10:00-11:30 (a.m.) on Tuesday and Thursday. I will also gladly make other appointments as necessary. The graduate teaching assistant for this course, Sean Brunson, will hold office hours every Wednesday from 9:00-12:00 pm. I strongly encourage you to take advantage of our office hours. I believe that any student that is taking this class has the ability to learn this material and to do well in this class. If you are having difficulty, I want to help you determine both what the problem is and what needs to be done to correct it. I also want to encourage you to stop in over the first part of the semester to introduce yourself. This helps me to learn your name and determine what your interests are, and it gives you a chance to ask any questions you may have about the course.

### **Electronic Communications**

**Email:** All students at UNC Charlotte are assigned a student email account, which is the official means of communication between the University and the student. Although I will certainly respond to you if you use another email system, you should be aware that any class-wide announcements that I send through email will be sent to your UNC Charlotte email account, and you are responsible for any such information sent to that account.

**Canvas:** I will also maintain a Canvas site for this class. On this site I will post class materials, including PowerPoint slides, sample problem sets, and other miscellaneous materials.

I will also maintain a “question archive” on my Canvas site. When students send me e-mail with questions about the class, I will post both their question and my reply on the Canvas site. I will, of course, remove any information that would identify the student asking the question prior to posting the question. Further, if you wish for me not to post your question just let me know when you send me the e-mail. In the past I have found that this question and answer archive is very useful to students in the class.

### **Conduct and Academic Honesty Policy**

I will conduct this class in an atmosphere of mutual respect. I encourage your active participation in class discussions. Each of us may have strongly differing opinions on the various topics of class discussions. The conflict of ideas is encouraged and welcome. The orderly questioning of the ideas of others, including mine, is similarly welcome. However, I will exercise my responsibility to manage the discussions so that ideas and argument can proceed in an orderly fashion. You should expect that if your conduct during class discussions seriously disrupts the atmosphere of mutual respect I expect in this class, you will not be permitted to participate further.

All students are required to read and abide by the Code of Student Academic Integrity. Violations of the Code of Student Academic Integrity, including plagiarism, will result in disciplinary action as provided in the Code. Definitions and examples of plagiarism are set forth in the Code. The Code is available from the Dean of Students Office or online from the Office of Legal Affairs under University Policy: 407. I have included a link to this policy on the Canvas site for this course.

Note that per University policy, Faculty may ask students to produce identification at examinations and may require students to demonstrate that graded assignments completed outside of class are their own work.

I take academic honesty very seriously, and I expect you to. On tests and class assignments you may not benefit from any work not produced by your own intellect.

### **Grading Policies**

There will be four in-class exams, four problem sets, and one mandatory cumulative final exam. I will automatically drop the lowest of your four in-class exam grades, and the remaining three in-class exams will each count for 15% of your final grade. Each problem set will count for 5% of your final grade. The cumulative final will count for 35% of your final grade.

### **Grading Scale**

The lower bounds for final grades of A, B, C, and D will be no higher than 90, 80, 70, and 60 percent of the total available points, respectively. Grades will be curved if necessary.

### **Exam Format**

The exams will be a mixture of short answer, quantitative and essay questions.

### **Problem Sets**

You will be assigned 4 out-of-class problem sets. You will have one week to complete and turn in the problem sets.

The purpose of the problem sets is to give you a set of practice problems similar to what you will see on an exam. As you can see, each problem set is due a class period before an exam. To help you prepare for the exams, I will make the answer key available immediately after they are due. This means that I cannot allow late submissions of problem sets. They will be due at the day and assigned, and I will not accept late submissions.

### **Missed Exams**

The dates for the tests (and problem sets) are firm. Make up exams will not be administered under any circumstances. In the event of absence from an exam due to a University-excused absence, the weight of that exam will be assigned to the final exam. In the event of a missed in-class exam that is not a University-excused absence, you will

receive a zero for the exam. No make-up provision is available for tests missed to oversleeping, lack of preparation, vacation, social events (including weddings), traffic, etc.

### **Extra Credit Opportunities**

Please note that there will be no opportunities for extra credit to make up for missed exams, or poor grades on exams.

### **University Policy on Withdrawals**

Students are expected to complete all courses for which they are registered at the close of the add/drop period. If you are concerned about your ability to succeed in this course, it is important to make an appointment to speak with me as soon as possible. The University policy on withdrawal allows students only a limited number of opportunities available to withdraw from courses. It is important for you to understand the financial and academic consequences that may result from a [course withdrawal](#).

### **Calculators**

You will need some kind of financial calculator for this class. You will not be allowed to use present value tables in this class. Although not mandatory, I recommend using a financial calculator such as the HP 10-B, HP 12-C, or HP-19B II (Texas Instruments, Sharp and Casio also make inexpensive calculators which are equivalent.) You will be required to solve for yields and internal rates of return, and financial calculators greatly simplify this task. Note that it is your responsibility to know how your calculator works. I will not spend class time explaining how to use a calculator. Please note that I do not allow the use of cell phones, tablets, laptops or any other electronic device other than a financial calculator during the exam. You may not use a financial calculator app on a cell phone during the exam.

You may program into your calculator any formula you wish. You may not, however, enter text into your calculator. I reserve the right to check your calculator for text at any time during a test or exam. If I find text in your calculator, I will, at a minimum, clear the calculator's entire memory. Note that I consider the entering of text in your calculator to be a violation of Academic Honesty policies.

### **Cell Phone and Computer Use Policy**

The use of cell phones, smart phones, or other mobile communication devices is disruptive, and is therefore prohibited during class. Except in emergencies, those using such devices must leave the classroom for the remainder of the class period.

Students are permitted to use computers during class for note-taking and other class-related work only. Those using computers during class for work not related to that class must leave the classroom for the remainder of the class period.

### **Disability Accommodations**

Students in this course seeking accommodations to disabilities must first consult with the Office of Disability Services and follow the instructions of that office for obtaining accommodations.

### **Non-Discrimination**

All students and the instructor are expected to engage with each other respectfully. Unwelcome conduct directed toward another person based upon that person's actual or perceived race, actual or perceived gender, color, religion, age, national origin, ethnicity, disability, or veteran status, or for any other reason, may constitute a violation of University Policy 406, The Code of Student Responsibility. Any student suspected of engaging in such conduct will be referred to the Office of Student Conduct.

### **Required Reporter Notification**

UNC Charlotte is committed to providing an environment free of all forms of discrimination and sexual harassment, including sexual assault, domestic violence, dating violence, and stalking. If you (or someone you know) has experienced or experiences any of these incidents, know that you are not alone. UNC Charlotte has staff members trained to support you in navigating campus life, accessing health and counseling services, providing academic and housing accommodations, helping with legal protective orders, and more.

Please be aware that many UNC Charlotte employees, including all faculty members, are considered **Responsible Employees** who are required to relay any information or reports of sexual misconduct they receive to the Title IX Coordinator. This means that if you tell me about a situation involving sexual harassment, sexual assault, dating violence, domestic violence, or stalking, I must **report the information to the Title IX Coordinator**. Although I have to report the situation, you will still have options about how your case will be handled, including whether or not you wish to pursue a formal complaint. Our goal is to make sure you are aware of the range of options available to you and have access to the resources you need.

If you wish to speak to someone confidentially, you can contact any of the following on-campus resources, who are not required to report the incident to the Title IX Coordinator: (1) University Counseling Center ([counselingcenter.uncc.edu](http://counselingcenter.uncc.edu), 7-0311); (2) Student Health Center ([studenthealth.uncc.edu](http://studenthealth.uncc.edu), 7-7400); or (3) Center for Wellness Promotion ([wellness.uncc.edu](http://wellness.uncc.edu), 7-7407). Additional information about your options is also available at [titleix.uncc.edu](http://titleix.uncc.edu) under the "Students" tab.

**Class Readings and Dates**

This schedule of readings is tentative and is subject to change. The test dates, however, are firm and not subject to change. You are expected to have read the material **before** coming to class. NOTE: On exams, you are responsible for all class readings, even those portions that we do not explicitly discuss in class. You are also responsible for material that I cover in class that are not in the book.

<b>Date</b>	<b>Topic</b>	<b>Chapter</b>
<b>Section 1: Residential Real Estate Finance</b>		
August 20	Introduction and Basic Legal Concepts	Ch. 1
August 22	Real Estate Financing: Notes and Mortgagees	Ch. 2
August 27	Time Value of Money in Real Estate Finance	Ch. 3
August 29	Time Value of Money in Real Estate Finance	Ch. 3
	<b>Problem Set #1 Assigned</b>	
September 3	Fixed Rate Mortgages	Ch. 4
September 5	Fixed Rate Mortgages	Ch. 4
	<b>Problem Set #1 Due</b>	
September 10	<b>EXAM #1</b>	
September 12	Adjustable Rate Mortgages	Ch. 5
September 17	Adjustable Rate Mortgages	Ch. 5
September 19	Refinancing and Incremental Cost of Borrowing	Ch. 6
	<b>Problem Set #2 Assigned</b>	
September 24	Single-Family Housing – Home Prices and Investment	Ch. 7
September 26	Underwriting and Qualifying for a Single-family Mortgages	Ch. 8
	<b>Problem Set #2 Due</b>	
October 1	<b>EXAM #2</b>	
<b>Section 2: Commercial Real Estate Finance and Investing</b>		
October 3	Building the Pro-Forma Statement	Ch. 9
October 8	<b>FALL BREAK – NO CLASS</b>	
October 10	Investment Analysis and Taxation of Income Properties	Ch. 11
October 15	Investment Analysis and Taxation of Income Properties	Ch. 11
October 17	Risk Analysis	Ch. 13
October 22	Disposition and Tax-Deferred Exchanges	Ch. 14
	<b>Problem Set #3 Assigned</b>	
October 24	Financing Real Estate Development	Ch. 16
October 29	Real Estate Joint Ventures	Ch. 18
	<b>Problem Set #3 Due</b>	
October 31	<b>EXAM #3</b>	
<b>Section 3: Real Estate Capital Markets</b>		
November 5	Secondary Mortgage Markets: Pass-Through Securities	Ch. 19
November 7	Secondary Mortgage Markets: Pass-Through Securities	Ch. 19
November 12	Secondary Mortgage Markets: CMOs	Ch. 20
November 14	Secondary Mortgage Markets: CMBS	Ch. 20
	<b>Problem Set #4 Assigned</b>	
November 19	Real Estate Investment Trusts	Ch. 21
November 21	Real Estate Investment Trusts	Ch. 21
	<b>Problem Set #4 Due</b>	
November 26	<b>Exam #4</b>	
November 28	<b>THANKSGIVING – NO CLASS</b>	
December 3	Course Review	
December 12	<b>MANDATORY, CUMULATIVE FINAL EXAM</b> <b>NOTE TIME: 11:00-1:30</b>	