Course: Real Estate Capital Markets

Sections: MSRE 6160

Semester: Spring 2017

Professor:
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  704.687.7584 (office)

- Dr. Richard Buttimer
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  buttimer@uncc.edu
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Class Info: Thursday 5:30 pm - 8:15 pm
City Center Building, Room 602

Office Hours: Thursday 4:45 pm to 5:30 pm in the classroom, or by appointment.

Course Description

This course emphasizes the role of the public and private capital markets in facilitating development and investment in commercial real estate. Topics include: primary and secondary mortgage markets and securitization; private equity financing; and the analysis of publicly traded equity real estate investment trusts (REITs).

Course Objectives and Learning Goals

- Develop an in-depth understanding of debt and equity real estate capital markets
- Understand the size, structure, and players of the real estate capital markets
- Recognize the risks and returns inherent in the real estate capital markets and how to assess investment performance and risk
- Understand why investors choose a particular capital stack to finance an investment
- Compute IRR waterfall for deals with a joint venture structure
- Understand MBS securities, the securitization process, and how securitization provides capital
- Working knowledge of credit default swaps and other derivatives
- Distinguish the types and structure of REITs
- Innovations in capital markets, such as crowdfunding
Course Methodology

Class sessions will be primarily composed of lectures (with substantial participation and discussion expected from students), but a variety of methods are employed to help make the class interactive. This may include outside speakers, group activities, videos, and real-world problems.

Course Materials

- **Commercial Real Estate Analysis & Investments;** David Geltner, Norman Miller, Jim Clayton, and Piet Eichholtz; 3rd Edition; Cengage Learning. (Required)

- Assignments, additional readings, and other resources will be posted in Canvas. Students are expected to check the website often for current postings.

Course Prerequisites

Financial Management (MSRE/MBAD 6152)

Course Grading

The components that make up the grading in this course are listed below:

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Waterfall Project</td>
<td>33.33%</td>
</tr>
<tr>
<td>REIT Project</td>
<td>33.33%</td>
</tr>
<tr>
<td>Final Exam (cumulative)</td>
<td>33.33%</td>
</tr>
<tr>
<td>Participation</td>
<td>(see next section)</td>
</tr>
</tbody>
</table>

Students arriving late for an examination will be permitted to sit for the exam only if no other student has turned in an exam before the late arrival. As soon as the first student turns in her/his exam and leaves the room, any student arriving later than this will not be permitted into the examination room and will receive a score of zero. Students arriving late for an examination receive no extra time.

Late assignments will be penalized 25% of the possible points for each day late. Make up assignments/exams will not be given. Best efforts are made to grade and give back assignments/exams to students at the next class meeting. Any challenges to the grade received must be made in writing (via email) within 2 weeks from receipt of the grade. After this time period no grade changes will be considered or allowed. If you miss the final exam for any reason, you will receive an incomplete grade (“I”) and will have to make arrangements to complete the course requirements in a later semester.
Attendance & Participation

Attendance will be recorded each class. Attendance means that the student was present and actively participating for the whole class. If you miss a class, it is your sole responsibility to get notes, files, and etc. from another student. To help you maximize your impact in this class, below I have provided specific ways in which you can positively and negatively participate in class.

Positive Participation
Please be prepared to participate fully in the class discussion. You should read and think about each assigned reading, and come to class prepared to engage in informed discussion about their content and implications. Informed discussion is central to the success of the class. One of the primary advantages of being in a high quality graduate program is that you get to participate in interactive discussions with other bright people from different backgrounds and experience. Good class participation is that which contributes to the learning experience of the class as a whole. This includes asking interesting questions, sharing relevant personal insights and experiences, offering constructive alternative points of view, and providing courteous and professional feedback to other people’s opinions. You can also contribute to the shared learning experience by offering pointers to additional articles or resources that add to the collective knowledge and learning of the group.

Negative Participation
The number one rule in this class is do not be a distraction! Activities that distract other students or the professor, disrupt the flow/quality of discussion, or in other ways reduce the effectiveness of classroom learning will be considered negative participation. (Included within this is your telephone ringing in class, inappropriate use of phone and laptops, excessive chatting with adjacent students, or inappropriate responses to other students’ questions/comments).

The use of cell phones, smart phones, or other mobile communication devices is disruptive, and is therefore prohibited during class. Please turn your off your cell phones (or put them into silent mode) in the classroom.

Negative Participation Can Reduce Your Grade
Constant or excessive tardiness at the beginning of class or following breaks, as well as negative participation (discussed above), can result in a reduction to your participation grade.

Grading Scale

<table>
<thead>
<tr>
<th>Grade</th>
<th>Score Range</th>
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<tbody>
<tr>
<td>A</td>
<td>90 – 100</td>
</tr>
<tr>
<td>B</td>
<td>80 – 89</td>
</tr>
<tr>
<td>C</td>
<td>70 – 79</td>
</tr>
<tr>
<td>U</td>
<td>&lt; 70</td>
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</tbody>
</table>
Code of Conduct

Academic dishonesty is not tolerated by the Belk College of Business or this professor. Standards of academic integrity will be enforced in this course. All students have the responsibility to read and abide by The UNC Charlotte Code of Student Academic Integrity. This Code forbids cheating, fabrication or falsification of information, multiple submissions of academic work, plagiarism, abuse of academic materials (such as Library books on reserve), and complicity in academic dishonesty (helping others to violate the Code). Students observing violations of the Code are expected to report this to the professor. If you do not have a copy of the Code, you can obtain one from the Dean of Students Office or access it online at http://www.legal.uncc.edu/policies/ps-105.html. 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 professor 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.

Diversity

The Belk College of Business strives to create an inclusive academic climate in which the dignity of all individuals is respected and maintained. Therefore, we celebrate diversity that includes, but is not limited to, ability/disability, age, culture, ethnicity, gender, language, race, religion, sexual orientation, and socio-economic status.

Disabilities

If you have a disability that qualifies you for academic accommodations, please provide a letter of accommodation from Disability Services (phone 704-687-4355, 230 Fretwell Building) in the beginning of the semester.

Syllabus Changes

The standards and requirements set forth in this syllabus may be modified at any time. Notice of such changes will be by announcement in class, by email, or by changes to this syllabus posted on the course website.

Course Plan

A tentative course plan for the semester is attached. Changes may be made to this plan pursuant to the previous section.
<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Topic</th>
<th>Chapter</th>
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</thead>
</table>
| Week 1    | 1/12 | Introduction
Real Estate Capital Structure (Womack) | Ch. 15             |
| Week 2    | 1/19 | Capital Markets Overview (Womack)
Guest Speaker (Compie Newman) | Handout            |
| Week 3    | 1/26 | Private Equity (Womack) | Ch. 15 & Handout   |
| Week 4    | 2/2  | Waterfalls (Womack)
**Waterfall Project Assigned** | Handout            |
| Week 5    | 2/9  | Real Estate Investment Trusts "REITs"
(Womack)
**REIT Project Assigned** | Ch. 23             |
| Week 6    | 2/16 | REIT Investment Analysis (Womack)
Guest Speaker (John Ockerbloom) | Handout            |
| Week 7    | 2/23 | Crowdfunding (Womack)
**Waterfall Project Due** | Handout            |
| Week 8    | 3/2  | Mezzanine Debt (Womack)
Guest Speaker (Marvin Cash) | Handout            |
| Week 9    | 3/9  | **Spring Break** | |
| Week 10   | 3/16 | **REIT Presentations (Womack)**
Guests (John Ockerbloom, Steve Ott) | |
| Week 11   | 3/23 | Residential Mortgage Backed Securities
"RMBS" (Buttimer) | Handout            |
| Week 12   | 3/28 | **Capital Market Event (*Tuesday*)** | |
| Week 13   | 4/6  | Collateralized Mortgage Obligations
"CMOs" (Buttimer) | Handout            |
| Week 14   | 4/13 | Commercial Mortgage Backed Securities
"CMBS" (Buttimer) | Handout            |
| Week 15   | 4/20 | Credit Default Swaps "CDS" (Buttimer) | Handout            |
| Week 16   | 4/27 | Workouts / Catchup (Buttimer) | Handout            |
| Week 17   | 5/11 | **Final Exam (possibly on 5/4?)** | |

_TENTATIVE COURSE PLAN (SUBJECT TO CHANGE)_