



Real Estate Finance

Course # 1238.3362.01

2013/14 - Module 4

Lecturer: Mr. Saggi Katz
Course Time: Tuesday 08:15 to 11:00*
Classroom: TBA
Telephone: Office# 03-6406334
E-mail: saggi@post.tau.ac.il

Teaching Assistant: Mr. Ari Achiaz
Telephone: Office# 03-6408115
E-mail: ariachia@post.tau.ac.il

**Due to holidays classes will be held from 08:15 to 11:00 on the following dates:
April 29, May 4, May 13, May 20, May 27 and June 10.*

Course Description

This course is an introductory course in real estate finance and investments. The course will provide the students with the basic concepts, principles and tools for making value-based decisions regarding real estate assets and demonstrate how value is fundamental to practically all real estate decision-making.

During the lectures we will mainly focus on the "Micro Level" analysis of real estate, which relates to real estate properties and transactions using basic concepts, models, and theories taken from standard financial theory.

The course will start with a basic introduction to real estate markets and their relation to the investment industry, continue with property-level cash flow analysis, valuation methods and their relation to financial capital budgeting, the use of "Cap. Rates", and basic feasibility analysis. The last part of the course will deal with advanced topics such as financing real estate, the use of debt, leverage effects and project-level capital structure.

Prerequisites

Students are required to have completed an introductory finance course.

Course Materials

All class material including slides presented in class by the instructor will be available on a weekly basis in the course website at Virtual Tau: <http://moodle.tau.ac.il>. Additional materials may be posted to the class website from time to time.

The textbook for this course is:

Commercial Real Estate Analysis & Investments by Geltner and Miller, 2nd edition, 2007.

Additional reference could be:

Real Estate Principles: A Value Approach by Ling and Archer, 3rd edition, 2009.

Course Requirements

Your course grade will be determined by:

- Class participation (10%)
- Three mini-case write-up (90%)
- In addition, from time to time, I will give you short homework assignments in order to help you better understand the class material, these assignments will not be graded, but student will have to submit them or bear a grade reduction.

Class participation

I consider class participation an important component of your learning experience and expect that you devote all of your attention to the class lecture and class discussion once you enter the classroom. **Late arrivals, early departures, ringing cell phones, and private conversations are very disruptive to the quality of the learning environment** in the classroom and disrespectful to the other people. I expect you to come to class prepared. For most students the class participation score will be same as their cases weighted score. In a few cases, the class participation score may be different from the exam score, if the exam score does not reflect the student's contribution to in-class discussions.

Cases Write-Up (group assignment)

Immediately after the first meeting, the class will be organized into study groups, four people in each group. Each group will write detailed reports on the cases. Each report should include 4-8 pages of analysis with references to an unlimited number of tables, figures, and notes attached as appendices. The reports should address the provided suggested questions for the study cases, but should not be written in the form of answers to these questions or be confined to these issues only. Rather, the reports should be complete reviews of the situations analyzed and address all points believed to be important for the analysis. Additional instructions will be given in class.

Final Exam

No final exam ☺.

To the Students

If you need an accommodation for a disability, please let me know at your earliest convenience. **I will treat information you provide as private and confidential.**

Course Schedule

The following course schedule is tentative.

Topic 1 Introduction to Real Estate Markets and Real Estate Investments

GM: Chapters 7, 9, 23

Topic 2 Real Estate Valuation & Investment Analysis at the Micro Level: The Basic Idea

GM: Chapters 8, 10

Topic 3 Valuation Methods and Capital Budgeting: Market Approach, Cost / Residual Approach, Feasibility Analysis.

Class Notes + LA: Chapter 8

Topic 4 Valuation Methods and Capital Budgeting: Income Approach, Cash Flow Proformas and Cap. Rates

GM: Chapters 10, 11, 12, 14

Topic 5 Financing Real Estate: Financing Methods, The use of debt, Leverage effects, Project-level capital structure

GM: Chapters 16-20, 13, 15