

MRED 544 - Real Estate Capital Markets

Professor Shlomi Ronen

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A. Introduction and Overview

This course is intended to help you gain an understanding of the diversity and depth of the capital markets and its influence on business decisions of real estate investors and developers. The course will be taught in two modules, treating within each module a particular real estate investment topic in some depth. Modules will include:

1. Real Estate Debt Markets
2. Real Estate Equity Markets

B. Course Requirements

The course requirements include readings, preparation of case studies, and class participation in case discussion and lectures.

1. Homework/Case Assignments. This will consist of case studies relevant to the particular Module. Case assignments will be posted to Blackboard and will be expected to be completed and turned in. All cases, *except for the first case*, will be completed in teams of three.
2. Examinations. None
3. Final Case. TBD
5. Class Participation. A portion of the course grade will be based upon a student's involvement in lectures and discussions. Class participation is expected and required.
6. Grading. Final course grades are determined as a weighted average of each component as follows:

| | |
|-------------------------------|------------|
| a. Homework/Cases | 65% |
| b. Individual Case Assignment | 25% |
| c. Class Participation | <u>10%</u> |
| | 100% |

C. Course Materials and Readings

The basic reference text to be utilized is *Commercial Real Estate Analysis & Investments*, 2nd Edition by David Geltner.

We will be discussing relevant articles published in the WSJ. A subscription is highly recommended.
www.student.wsj.com

You will be receiving Commercial Mortgage Alert & Real Estate Alert on a weekly basis during the fall term. Consider it a regular weekly reading assignment.

Sign up for free access to Real Capital Analytics.
<https://maa.rcanalytics.com/Public/academic.aspx>

Sign up for free access to CREFC Data.
http://www.crefc.org/CREFC/Membership/Academic_Application.aspx

Select articles and cases will be posted to Blackboard. **All Harvard Business School (HBS) Cases and Articles will need to be purchased directly from HBS,**

<http://cb.hbsp.harvard.edu/cbmp/access/66912826>

All required readings and case materials will be available on blackboard or the web. Readings should be read *prior to* lecture to obtain maximum benefit from the class discussion and lecture.

D. Logistics

The class meets Wednesdays from 6:30 – 8:20 p.m. in VPD 112. Office hours are available by appointment either before or after class.

E. Academic Dishonesty

The Use of unauthorized material, communication with fellow students during an examination, attempting to benefit from the work of another student, and similar behavior that defeats the intent of an examination, or other class work is unacceptable to the University. It is often difficult to distinguish between a culpable act and inadvertent behavior resulting from the nervous tensions accompanying examinations. Where a clear violation has occurred, however, the instructor may disqualify the student's work as unacceptable and assign a failing mark on the paper. You are responsible for knowing the USC student code of conduct.

F. Disability Statement

Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to me as early in the semester as possible. DSP is located in STU 301 and is open early 8:30 a.m. -5:00 p.m., Monday through Friday. The phone number for DSP is (213) 740-0776.

G. Schedule of Lectures and Readings

(Note: All dates are approximate, depending on progress made in the lectures and class discussions.)

Real Estate Capital Markets

1. Introduction – The Context for Studying Real Estate Capital Markets (August 23)

Readings:

Select Articles Posted to Blackboard

Intro: Shlomi Ronen PowerPoint

2. Real Estate Debt – Overview of Real Estate Debt & Debt Sources (August 30)

Case 1: Market Cycle

Readings:

Geltner & Miller, Chapter 1, Section 1.2: Asset Market, pp. 11-18

Select Articles Posted to Blackboard

HBS Note on Commercial Real Estate Financial Market

Real Estate Regulatory Environment & Debt Markets, Shlomi Ronen Lecture Slides

3. Real Estate Debt – Banks (Sept 6)

Guest Lecture: Banker

Case 2: Aviation Station Apartments (construction lending, market analysis)

Readings: TBD

Select Articles Posted to Blackboard

4. Real Estate Debt – Agencies (September 13)

Guest Lecture: Agency Lender

Case 3: TBD (understanding lending terms, sizing loan, market analysis)

Readings: TBD

5. Real Estate Debt – Securitization (September 20)

Guest Lecture: CMBS Lender

Readings:

Case 4: TBD, CMBS Underwriting

Geltner & Miller, Chapter 20: Commercial Mortgage-Backed Securities

Borrower's Guide to CMBS

Select Articles Posted to Blackboard

6. Real Estate Debt – Bridge Lending (September 27)

Case 5: USC Atwood, Bridge Loan Underwriting & Cash Flow Modeling

Readings:

TBD

7. Sukkot – No Class (October 4)

8. Real Estate Equity – Mezzanine Debt & Preferred Equity (October 11)

Case 6: TBD (Mezz debt underwriting & modeling)

Readings: TBD

Real Estate Cash Flow Modeling and Mezz/Preff Equity – Shlomi Ronen Lecture Slides

9. Real Estate Equity – Syndications & Crowdfunding (Oct 18)

Guest Lecture: Investor/Syndicator

Case 8: TBD (equity modeling & offering memorandum)

Readings:

Shenkman, Martin M., Samuel Weiner, and John Carbone, “Limited Liability Companies: A New Opportunity for Real Estate Investors,” *Real Estate Finance Journal*, Winter 1995, pp. 22-29.

Real Estate Equity Syndications, Shlomi Ronen Lecture Slides

10. ULI Conference – No Class (October 25)

11. Real Estate Equity – Institutional Equity Funds & Structures (Nov 1)

Guest Speaker: Brady Thruman – Northwood Investors

Case 9: TBD

Readings:

Segel, Arthur, “How Institutional Investors Think About Real Estate,” Harvard Business School, Aug. 12, 2010

Real Estate Equity Capital Markets Overview: Shlomi Ronen PowerPoint

12. Real Estate Debt – Loan Workouts & Restructuring (Nov 8)

Case 7: Oaktree Case

Readings: TBD

13. Real Estate Equity – Going Public & REIT's (Nov 15)

Guest Lecture: REIT - TBD

Readings:

Giliberto, S. Michael, "An Overview of Real Estate Investment Trusts," Salomon Brothers Real Estate Research, February 6, 1992.

REITs for Rookies

The REIT Vehicle Its Value Today and in the Future, Journal Of Real Estate Research

14. No class, night before Thanksgiving (November 23)

15. Closing Remarks & The Art of Pitching a Deal (November 29)