Finance and Business Economics 489
Real Estate Capital Markets

Units: 4
Term—Day—Time: Fall 2022, MW, 6:00-7:50 pm
Location:
Instructor: Professor Richard K. Green
Office: 331B RGL
Office Hours: Thursdays, 3-5 PM
Contact Info: richarkg@usc.edu, 301-467-3582

Assistant: Nina Tibayan
Contact Info: tibayan@usc.edu

Course Description

This course provides an overview of real estate capital market analytics, and the entities that facilitate the flow of money into real estate. The first half of the course focusses on debt instruments, such as permanent mortgages, construction loans, and mortgage backed securities. The second half focusses on equity, both public and private. The public funding of real estate has exploded over the past 30 years.

The primary objective of this course is to combine the theory of finance with the practice of real estate capital markets to enable you to make intelligent business decisions in increasingly complex and turbulent real estate markets.
Prerequisite(s):

Prerequisite(s) are course(s) that must be taken prior to this course, if any, and are decided by the department/program.

Recommended Preparation:

Know financial functions of spreadsheets very well.

Course Notes:

I will be flipping the classroom some this semester. There will be a video every week that I expect you to watch before class. YOU MUST WATCH THE VIDEO. There will be a short three question quiz about each video very week, that will need to be completed within 24 hours of the end of class.

Communication:

Feel free to text me at 301-467-3582. For email, please use richarkg@usc.edu.

Technological Proficiency and Hardware/Software Required:

You will need a computer and internet access for this class, as well as a suite of productivity software (Word, Excel, Powerpoint). Please let me know if this creates any issues for you.

USC Technology Support Links:

Zoom information for students
Blackboard help for students
Software available to USC Campus

Required Materials:


Michael Lewis, The Big Short, Norton.
Grading Breakdown
A grading breakdown includes all contributions to the overall course grade, with their corresponding weights/percentages. The listed assignments will be the same ones found in the Description and Assessment of Assignments section above.

<table>
<thead>
<tr>
<th>Assignment</th>
<th>% of Grade</th>
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<tbody>
<tr>
<td>Three in Class Exams (best two of three)</td>
<td>30</td>
</tr>
<tr>
<td>Project Presentation</td>
<td>30</td>
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<tr>
<td>Final Comprehensive Exam</td>
<td>30</td>
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<tr>
<td>Quizzes and Homework</td>
<td>10</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
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You may have up to four unexcused absences. Quizzes/Homeworks are due by 5 PM Friday of each week.

Project

The project this year will be a presentation on how you think how the past two years may have permanently changed some aspect of the mortgage market or REIT market. You will do this in teams of four or five. We will discuss this in depth as the course progresses.

Grading Scale

I grade on a curve. The mean GPA for the class will be slightly under 3.5 (the maximum allowable under Marshall School of Business Policy).

Course-specific Policies

We will do exams over Zoom. You will download and upload exams to and from Blackboard. I will have your exams graded and returned to you within one week of you taking them.

Synchronous session recording notice

All synchronous sessions will be recorded and provided to all students asynchronously.

Sharing of course materials outside of the learning environment

USC has a policy that prohibits sharing of any synchronous and asynchronous course content outside of the learning environment.

_SCampus Section 11.12(B)_
Distribution or use of notes or recordings based on university classes or lectures without the express permission of the instructor for purposes other than individual or group study is a violation of the USC Student Conduct Code. This includes, but is not limited to, providing materials for distribution by services publishing class notes. This restriction on unauthorized use also applies to all information, which had been distributed to students or in any way had been displayed for use in relationship to the class, whether obtained in class, via email, on the Internet or via any other media. (See Section C.1 Class Notes Policy).

Course evaluation

Please fill it out then it comes.

Learning Goals

1. Understand the nuts and bolts of mortgages and the industrial organization of the mortgage market.
2. Understand mortgage pricing and trading strategy.
3. Understand the benefits and dangers of leverage.
4. Understand differences between private and public equity entities, how to model returns for such entities, and how arbitrage can exist between the two types of entities.

Course Schedule: A Weekly Breakdown

<table>
<thead>
<tr>
<th>Topics/Daily Activities</th>
<th>Readings and Homework</th>
<th>Assignment Dates</th>
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<tbody>
<tr>
<td>August 22-24 Mortgages</td>
<td>Colwell and Dehring</td>
<td>Quiz 1</td>
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<tr>
<td>Fundamentals; State of</td>
<td>Green, Chapters 1-3</td>
<td></td>
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<tr>
<td>the Mortgage Market</td>
<td>Green Video (Course 1)</td>
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<tr>
<td>August 29-August 31</td>
<td>Green, Chapter 2</td>
<td>Quiz 2</td>
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<tr>
<td>Mortgage Participants</td>
<td>Green Video (Course 2)</td>
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<tr>
<td></td>
<td>Guest Speaker, Lindsay</td>
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<td></td>
<td>Dunn, Executive Vice</td>
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<td></td>
<td>President, City</td>
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<tr>
<td></td>
<td>National Bank</td>
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| September 7 Refinancing Loans: Residential and Commercial    | Secrets to Refinancing Commercial Real Estate  
Class will be on Zoom.  
https://www.commercialpropertyadvisors.com/refinancing-commercial-real-estate/  
Green Video (Course 3)                                      | Quiz 3                        |
| September 12-14 Interest Rate Fundamentals                   | Green, Chapter 11 Davidson and Herskovitz, Chapter 4  
Guest speaker, Selma Hepp, Interim Chief Economist, CoreLogic  
Green Video (Course 4)                                       | DH Exercises in Chapter 4     |
| September 19-21 Residential Underwriting                     | Green Chapter 5 Guest Speaker  
Laurie Goodman, Urban Institute                               | Exam I (September 20)         |
| September 26-28 Commercial Underwriting                      | Green Chapter 7 Guest Speaker  
Speaker  
Todd Popovitch, HSBC                                         | Quiz 4                        |
| October 3-5 Securitization                                    | Green Chapter 6 and 12 Davidson and Herskovitz Chaper 3  
Speaker  
Anita Paryani-Rice, Senior Managing  
Director, Marcus and Millichap                                 | DH Chapter 3 Exercises.       |
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<tr>
<td>October 10-12 Derivatives</td>
<td>Green Chapter 11 Davidson and Herskovitz Chapters 5-6</td>
<td>DH Chapter 5-6 Exercises.</td>
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<tr>
<td></td>
<td>Watch The Big Short</td>
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<tr>
<td>Introduction to Private Equity</td>
<td>Discounted Cash Flow Approach.” Available at SSRN 3526845</td>
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<td></td>
<td>(2020). Mark Jacobs, Managing Director, Oaktree Capital</td>
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<td>October 24-26 Partnerships: Setup and Lab</td>
<td>Brueggeman and Fisher, Real Estate Finance and Investments, Chapter 18</td>
<td>Quiz 5</td>
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<tr>
<td>October 31, November 2</td>
<td>[<a href="https://gowercrowd.com/real-estate-insights/real-estate-waterfalls">https://gowercrowd.com/real-estate-insights/real-estate-waterfalls</a>][1]</td>
<td>Quiz 6</td>
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<tr>
<td>Waterfalls and Exchanges</td>
<td>[<a href="https://www.realized1031.com/1031-exchange-examples#~:text=The%20IRS%20considers%20all%20%E2%80%9CI%20invest%20apartment%20complex">https://www.realized1031.com/1031-exchange-examples#~:text=The%20IRS%20considers%20all%20%E2%80%9CI%20invest%20apartment%20complex</a>.][2]</td>
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<td>November 14-16 C Corporations and REITs</td>
<td>Geltner and Miller, Commercial Real Estate Analysis and Investments, Chapter 23</td>
<td>Quiz 7</td>
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<tr>
<td>November 21 How Analysts Analyze Public Real Estate Companies</td>
<td>Guest Speaker: Dirk Aulabaugh, Greenstreet</td>
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<td>Nov 28-Nov 20 Presentations</td>
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<td>Team Presentations</td>
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Statement on Academic Conduct and Support Systems

The current Statement on Academic Conduct and Support Systems is a required component of all USC syllabi and is updated yearly. Faculty should use the latest version of the Statement on Academic Conduct and Support Systems found in the Curriculum Coordination Office’s Syllabus Template. The Statement below is current as of August 2018

Statement on Academic Conduct and Support Systems

Academic Conduct:

Plagiarism – presenting someone else's ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in SCampus in Part B, Section 11, “Behavior Violating University Standards” policy.usc.edu/scampus-part-b. Other forms of academic dishonesty are equally unacceptable. See additional information in SCampus and university policies on scientific misconduct, policy.usc.edu/scientific-misconduct.

Support Systems:

Counseling and Mental Health - (213) 740-9355 – 24/7 on call
studenthealth.usc.edu/counseling
Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention.

National Suicide Prevention Lifeline - 1 (800) 273-8255 – 24/7 on call
suicidepreventionlifeline.org
Free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week.

Relationship and Sexual Violence Prevention Services (RSVP) - (213) 740-9355(WELL), press “0” after hours – 24/7 on call
studenthealth.usc.edu/sexual-assault
Free and confidential therapy services, workshops, and training for situations related to gender-based harm.

Office of Equity and Diversity (OED) - (213) 740-5086 | Title IX – (213) 821-8298
equity.usc.edu, titleix.usc.edu
Information about how to get help or help someone affected by harassment or discrimination, rights of protected classes, reporting options, and additional resources for students, faculty, staff, visitors, and applicants.

Reporting Incidents of Bias or Harassment - (213) 740-5086 or (213) 821-8298
usc-advocate.symplicity.com/care_report
Avenue to report incidents of bias, hate crimes, and microaggressions to the Office of Equity and Diversity |Title IX for appropriate investigation, supportive measures, and response.

The Office of Disability Services and Programs - (213) 740-0776
Support and accommodations for students with disabilities. Services include assistance in providing readers/notetakers/interpreters, special accommodations for test taking needs, assistance with architectural barriers, assistive technology, and support for individual needs.

**USC Campus Support and Intervention** · (213) 821-4710  
[campussupport.usc.edu](http://campussupport.usc.edu)  
Assists students and families in resolving complex personal, financial, and academic issues adversely affecting their success as a student.

**Diversity at USC** · (213) 740-2101  
[diversity.usc.edu](http://diversity.usc.edu)  
Information on events, programs and training, the Provost's Diversity and Inclusion Council, Diversity Liaisons for each academic school, chronology, participation, and various resources for students.

**USC Emergency** - **UPC:** (213) 740-4321, **HSC:** (323) 442-1000 – 24/7 on call  
[dps.usc.edu](http://dps.usc.edu), [emergency.usc.edu](http://emergency.usc.edu)  
Emergency assistance and avenue to report a crime. Latest updates regarding safety, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible.

**USC Department of Public Safety** - **UPC:** (213) 740-6000, **HSC:** (323) 442-120 – 24/7 on call  
[dps.usc.edu](http://dps.usc.edu)  
Non-emergency assistance or information.