

## **COURSE SYLLABUS**

Course Title: **MGMT 170 - REAL ESTATE FINANCE AND INVESTMENTS**

Quarter: Spring 2022

Instructor: Mark Karlan [mark.karlan@anderson.ucla.edu](mailto:mark.karlan@anderson.ucla.edu)

Meetings: Mondays/Wednesdays 11:00 AM - 12:20 PM

Location: Kaplan A51

Teaching Assistants: Hunter Price [hunter.price.2022@anderson.ucla.edu](mailto:hunter.price.2022@anderson.ucla.edu)  
Jordan Ferguson [jordan.ferguson.2023@anderson.ucla.edu](mailto:jordan.ferguson.2023@anderson.ucla.edu)

Office Hours: Mondays: 12:30 PM - 1:30 PM  
Wednesdays: 12:30 PM - 1:30 PM

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### **COURSE DESCRIPTION:**

This course explores the fundamentals of residential and commercial real estate finance, investment, and development. Students will learn the qualitative concepts and the quantitative tools necessary to develop real estate decision-making skills. The class will analyze a variety of case studies of finance, investment and development projects from the United States, Europe, China, and Japan that highlight the opportunities, risks, challenges, and solutions that were unique to each situation. We will often use specially prepared Excel models to understand and evaluate the financial aspects of the transactions and will consider the macroeconomic context and discuss its potential impact on real estate finance and investment decisions.

Topics covered include:

- (1) Legal aspects of real estate transactions, including notes and mortgages, purchase and sale agreements, deeds, title insurance, and foreclosures
- (2) Financial leverage and sources of capital for real estate investments
- (3) Lease analysis, including gross and net leases, for the major property types
- (4) Cap rates, interest rates and cash flow analysis
- (5) Deal structuring, investment entities, joint ventures, and risk management
- (6) Valuation and appraisal of income properties
- (7) Real estate taxation, including Section 1031 transactions
- (8) Real estate development and value-added investments
- (9) Secondary mortgage market, securitization, and REITs
- (10) Portfolio considerations and diversification of real estate assets within a portfolio

## **GOALS AND OBJECTIVES**

The objective of this course is to provide students with a solid understanding of the basics of real estate finance and investment using a variety of teaching methodologies.

During the course, students will:

1. Learn the key success factors for the real estate investor, borrower, lender, landlord and tenant, and understand the key elements that should be negotiated by each party to achieve success.
2. Acquire an understanding of the financial analysis used to assess the viability of real estate investment and development opportunities and the key elements involved in creating a successful real estate transaction.
3. Learn the importance of deal structuring to a real estate project, whether in the U.S. or abroad, and which legal entities are optimal for real estate transactions.
4. Identify the major players in the primary and secondary mortgage markets and understand their roles and responsibilities in providing liquidity to the market.
5. Understand the risks that are generally applicable to all real estate investments and the risks that are unique to specific real estate product types and geographic markets and identify ways to mitigate those risks.

## **COURSE PREREQUISITES**

**Before taking this course, students should understand the basic principles of finance and should be able to use the basic financial formulas of Microsoft Excel (e.g. PV, FV, NPV, PMT, INT, IRR).** The course will regularly use specially prepared Excel models in class to perform a variety of financial and investment calculations. Econ 106F and other undergraduate courses are available as preparation for this class.

## **COURSE TEXTBOOK**

### **Real Estate Finance and Investments, 16th edition**

William B. Brueggeman and Jeffrey D. Fisher  
McGraw-Hill ©2018, ISBN 9781260153927

A digital copy of the course textbook will be made available to all enrolled students at a substantially reduced price of less than \$50.00 that will be automatically billed to your BruinBill account as part of a UCLA textbook program called Inclusive Access. You will receive an e-mail from the UCLA Store on or before the first day of class with instructions on how to access the digital textbook. The key concepts presented in the textbook chapters will be summarized in class and posted on our course website.

The problem sets that follow each of the textbook chapters have been assigned in the Class Schedule below to augment your understanding of the material presented in the lectures. Answers to the problem sets will be posted on our course website.

The Inclusive Access digital textbook program is optional, but if you do not want to participate you must opt-out on or before the second Friday of the quarter. The Inclusive Access team can be reached at [inclusiveaccess@asucla.ucla.edu](mailto:inclusiveaccess@asucla.ucla.edu) for any assistance. Additional info on the UCLA Inclusive Access program can be found at the following link: <https://shop.uclastore.com/c-833.aspx?searchEngineName=inclusive-access>.

### **ADDITIONAL READING**

Students are encouraged to read real estate and finance related articles like those that appear regularly in the *Wall Street Journal*, the *Los Angeles Times*, the *Financial Times*, the *New York Times*, and *Bloomberg News*. Relevant articles and case studies from public and private sources will be reviewed and discussed during class and will provide real-world context for the key concepts presented.

### **STUDENT EXPECTATIONS**

Students are expected to:

1. Read the “Key Concepts” summaries and review the Excel models prior to class. Attend all lectures prepared to discuss the course material to be covered in that class. If you are having difficulty with any of the material, you are encouraged to attend the bi-weekly office hours with our outstanding Teaching Assistants.
2. Complete the assigned problem sets. Problem sets relating to each textbook chapter reinforce the key concepts discussed in class and will assist you in preparation for the exams.
3. Review the case studies presented. During the course, we will analyze a variety of case studies of actual real estate finance, investment and development projects from the United States, Europe, China, and Japan.
4. Participate in classroom discussions. Your questions, comments, and ideas will contribute substantially to an enhanced classroom experience. Although you are not required to speak in class, you will earn class participation points when you respond to the polling questions that are presented during each lecture.

## **EXAMS AND GRADING**

Course grades are based primarily on your performance on the Midterm Exam and the Final Exam with a small component related to class participation. Final course grades will be curved and will reflect relative as well as absolute performance by students. Make-up exams will not be offered, except in extremely extenuating circumstances.

The components of the final course grade are:

	<b>Maximum Raw Scores</b>	<b>% of grade</b>
Midterm Exam	<b>50</b>	<b>30%</b>
Final Exam (cumulative)	<b>100</b>	<b>60%</b>
Participation	<b>15</b>	<b>10%</b>

Please note that **ALL COURSE GRADES ARE FINAL.**

The Midterm Exam and the Final Exam will be taken online on Bruin Learn, so students will need to bring their charged laptops to the exams. **Exams will be open book and open notes, and during the online exams you may access and use on your laptops:** i) Microsoft Excel; ii) all the materials posted in our course website on Bruin Learn, including the Excel spreadsheets posted therein, the "Key Concepts by Chapter" PDFs, the exam practice questions and answers, the digital course -textbook; and iii) any personal notes that are either handwritten or in PDF format. **No other apps, websites, chat rooms, or phones may be open during the exams.**

## **CLASS PARTICIPATION**

The 10% class Participation component of your final course grade will be determined by your participation in our online polling questions during lecture through Poll Everywhere. Your responses to the polling questions help me understand what you have learned and gives everyone a chance to participate in class. You will earn one Participation point for each day that you participate by responding to any of the polling questions presented during lecture that day, whether your answers to the polling questions are correct or not, up to a maximum of 15 points for the quarter.

## **LECTURE RECORDINGS**

All our class sessions will be recorded by BruinCast and posted in our Bruin Learn course website in the "UCLA Media Reserves (Beta)" tab for later review by you. The BruinCast recording equipment can see and hear students in the classroom, so you should be aware that your image and voice might be captured and recorded by BruinCast during class. No recording by any other means is permitted by students.

### OFFICE HOURS

Our Teaching Assistants will hold office hours on two days each week, and four review sessions will be scheduled for the week before each of the Midterm and Final exams. Questions relating to the key concepts presented in the lectures, the practice problem sets, and exam preparation should first be directed to one of our outstanding Teaching Assistants, who are UCLA Anderson MBA students with excellent experience in real estate. If our Teaching Assistants are unable to provide you with satisfactory help, you are more than welcome to contact the Professor for additional assistance.

### CLASS SCHEDULE

Course assignments and readings may be adjusted based on feedback from the class, and the dates for guest speaker presentations may change due to speaker availability.

<b>Class Dates</b>	<b>Assignments</b>	<b>Readings</b>
Monday, March 28		Chapter 1: "Basic Legal Concepts"
Wednesday, March 30	Chapter 2, Problems 1-3 Chapter 3, Problems 1-8	Chapters 2 and 3: "Notes and Mortgages" and "The Time Value of Money"
Monday, April 4	Chapter 4, Problems 1-18	Chapter 4: "Fixed Interest Rate Mortgage Loans"
Wednesday, April 6	Chapter 5, Problems 2-6	Chapter 5: "Adjustable and Floating Rate Mortgage Loans"
Monday, April 11	Chapter 6, Problems 1-10	Chapter 6: "Mortgages - Additional Concepts, Analysis"
Wednesday, April 13	Chapter 9, Problems 1-9	Chapter 9: "Income-Producing Properties: Leases, Rents, and the Market for Space"
Monday, April 18	Chapter 10, Problems 1-13	Chapter 10: "Valuation of Income Properties: Appraisal and the Market for Capital"
Wednesday April 20	Chapter 11, Problems 1-3	Chapter 11: "Investment Analysis and Taxation of Income Properties"
Monday, April 25	Chapter 12, Problems 1-8 Chapter 13, Problems 1-5	Chapters 12 and 13: "Financial Leverage and Financing Alternatives" and "Risk Analysis"
Wednesday, April 27	<b><i>Guest Speaker</i></b>	
Monday, May 2	<b>MIDTERM EXAM</b>	

<b>Class Date</b>	<b>Assignments</b>	<b>Readings</b>
Wednesday, May 4	Chapter 14, Problems 1-4	Chapter 14: "Disposition and Renovation of Income Properties"
Monday, May 9	Chapter 15, Problems 1-3	Chapter 15: "Financing Corporate Real Estate"
Wednesday, May 11	Chapter 16, Problems 1-3	Chapters 16: "Financing Project Development"
Monday, May 16	Chapter 17, Problems 2-3	Chapters 17: "Financing Land Development Projects"
Wednesday, May 18	Chapter 18, Problem 1	Chapter 18: "Structuring Real Estate Investments: Organizational Forms and Joint Ventures"
Monday, May 23	Chapter 19, Problems 1-2 Chapter 20, Problems 1-3	Chapters 19 and 20: "The Secondary Mortgage Market: Pass-Through Securities" and "CMOs and Derivative Securities"
Wednesday, May 25	Chapter 21, Problems 1-2	Chapter 21: "Real Estate Investment Trusts (REITs)"
Monday, May 30	<b><i>Memorial Day Holiday</i></b>	
Wednesday, June 1		Chapter 22: "Portfolio Considerations"
Thursday, June 9	<b>FINAL EXAM</b> 8:00 AM – 11:00 AM	

***Enrolled students seeking disability services should register with the CAE office as soon as possible. If you are already registered and require assistance for the quarter, please release your accommodation letter by the end of week one.***