

11.432J/15.427J: Real Estate Capital Markets Spring 2007, MIT Center for Real Estate

Prerequisites: Either 11.431/15.426 or 15.401, or Permission of Instructor

Lectures 2:30-4:00 T,H; Recitation 5:30-7:00 H; Room W31-310.

Course web site: <http://stellar.mit.edu/S/course/11/sp07/11.432/>

Primary Instructor: Professor David Geltner (Office W31-310G, Center for Real Estate)
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Office hours: 1:30-2:30 Tue,Thur or by appointment.

Case Instructor: Tod McGrath
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Office hours: Immediately after selected recitations, or by appointment

Teaching Assistant: S. Michael O'Young
Phone/Cell/Email: smoyoung@gmail.com
Office hours: TBA (if any)

Course description & objectives: This half-semester course introduces and surveys the major public capital market real estate vehicles, REITs and MBS (with primary emphasis on CMBS). Some background is also included in basic modern portfolio theory and equilibrium asset pricing. This course is primarily designed to provide MSRED students with a basic introduction to the public capital market sources of financial capital for real estate, and how those markets value such capital investments. Students can take 11.432/15.427 without having taken 11.431/15.426 provided they have taken 15.401. Such students may have to do some review of the real estate terminology presented in the earlier course if they are not already familiar with basic real estate finance and investment terminology (see the "Key Terms" listed in the backs especially of Chs.1, 9, 11, 14, 16-18 of the text).

Sloan and other students taking this course as an elective should understand that this is a required course in MIT's MSRED program core and, as such, is taught as a "core" subject. That is, a large body of material is covered in a short amount of time, aimed at students who do not necessarily have much finance background. This precludes primary reliance on the case method (though there are some cases). The course reflects the rather quantitative nature of the subject matter (i.e., the course features intensive lectures presenting large quantities of analytical material).

Administration: In addition to twice-weekly lectures taught by the primary instructor (or Case Instructor), there will usually be weekly recitation periods run by various members of the teaching staff (and sometimes guest speakers). The course will include several case assignments or exercises, generally due during class. Recitations may also be used for guest lectures from industry leaders and for review of lecture material.

Grading: The grade will be based three written group assignments (cases or "case-like" exercises). Grading will be done by the teaching assistant and late assignments will not be accepted. Overall course grading will be approximately as follows:

REIT & CMBS Cases (total)	80%
Portfolio Exercise	20%

Required Text: D.Geltner, N.Miller, J.Clayton, & P.Eichholtz; "Commercial Real Estate Analysis & Investments, 2nd Edition", South-Western College Publishing Co., Cincinnati, 2007 (ISBN# 0-324-30548-6). (This text is also used in 11.431/15.426 and 11.434/15.428.)

11.432J/15.427J: Real Estate Capital Markets, Spring 2007 Tentative Proposed Class Schedule (2/15/07)

Class	Topic:	Date	References*:	Recitation:
1	Course intro, Portfolio Theory: LN21&22 #19-29 (21.1-21.2.5: pp 524-538)	2/06 T	GM Ch 21	
2	Portfolio Theory & CAPM: LN21&22 #30-59 (21.2.6-22.1.4: pp 539-568)	2/08 H	GM Chs 21, 22	Review of R.E.Fin last fall; Coaching on portf optimizer Excel file.
3	CAPM: LN21&22 #60-73 (22.1.5-22.4: pp 569-582)	2/13 T	GM Ch 22	
4	REITs Intro: LN23 #80-82,1-26 (23.5,23.1: pp 620-621,585-592)	2/15 H	GM Ch 23	Portfolio Exercise Due. Guest speaker: Cate Polleys & John Barrie (Fidelity Inv Mgt, Dir of Research)
5	REIT CF-based Valuation (as stocks): LN23 #27-46 (23.2-23.2.3: pp 592-604)	2/22 H	GM Ch.23	Coaching on "ABC REIT" Excel model &/or Lincoln Case.
6	REIT NAV-based Valuation & Asset Valuation: LN23 #79,47-72 (23.4,23.2.4-23.2.5,12.3: pp 617-620,604-610,276-285)	2/27 T	GM Ch.23, Ch 12(part)	
7	Lincoln Case Due: One Lincoln (B) due (McGrath) Note: Class will start at 5:00 this day (5-7PM for Case discussion).	3/01 H		Case discussion cont.
8	REITs Mgt Considerations, wrap-up: LN23 #73-78 (23.2.6-23.3: pp 610-617), etc selected topics	3/06 T	GK, GJM papers	
9	CMBS Intro, CMBS Structure (start): LN20 #1-16 (20.1, start 20.2: pp 489-495+...)	3/08 H	GM Ch 20	Guest speaker on REITs (TBA)
10	CMBS Structure & Rating LN20 #17-36 (20.2-20.3.2: pp 494-508)	3/13 T	GM Ch 20	
11	CMBS Rating & Other Topics (Ciochetti lecture) LN20 #37-54 (20.3.3-20.5: pp 508-515)	3/15 H	GM Ch 20	CMBS guest speaker?
12	Real Estate Equity Derivatives: Index Swaps LN TBA (26.3: 707-714)	3/20 T	GM Ch 26(part)	
13	Course wrap-up, CMBS Case Due	3/22 H		Case discussion cont.

* GM # = Geltner-Miller text chapter #, GK & GJM papers will be provided.