

Course Title **EMBA 6131 – Real Estate Finance**

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Meeting Hours	Preferred on Fridays, 1:30 to 3:00 PM with a prior notice. Other days/ times by appointment.
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Tutorial Hours	Contact for the venue & timings

Unit description

This course adopts an intensive learning approach towards various analytical aspects of real estate decisions, which are critical to a successful hospitality enterprise. After building the fundamental knowledge of the hospitality real estate system and methods of financial analysis, the course delves deeper into debt financing topics such as mortgage analysis, creative financing decisions and exotic mortgages. In addition, equity-financing topics such as the estimation of revenues, expenses, and risk/return relationships, investment analysis, and asset valuation are discussed in detail. Concepts such as REIT and other entity types, CMBS, cost of debt and equity capital, discount rate, capitalization rate and taxation are extensively applied. Upon successful completion of this course, you should be able to analyze financing, investment and valuation decisions in the context of hospitality real estate.

General learning outcome

At the successful completion of this course you will be able to apply appropriate analytical tools to reach at prudent real estate decisions related to mortgage financing and equity investment. In addition, you will be skilled at creating educated opinions on real estate asset values.

Subject specific competences

1. Explain and critique various real estate entities and their activities in the asset financing system in general and hospitality financing context in particular.
2. Analyze complex debt financing scenarios, decide between available mortgages.
3. Calculate and interpret various measures of returns for equity investment analysis.
4. Develop appropriate skills to apply technology (spread sheets) for real estate financing and investment analysis
5. Conduct real estate market analysis study and estimate asset values.

Required materials

Databases: It is your responsibility to set up access to the following databases and address challenges related to operating systems compatibility on your computer:

- SNL: Refer to the *SNL User Manual* (LMS) for details
- ESRI Business Analyst: Refer to the *ArcGIS BAO User Manual* (LMS) for details

Software: The following software will critically enhance your learning:

- Required: MS Excel for financial analyses and potentially for econometrics
- Recommended: SPSS/ equivalent) for econometrics

Books: None

Recommended books¹

1. Geltner, D.; Miller, N.; Clayton, J. & Eichholtz, P. (2013). *Commercial Real Estate: Analysis & Investments*. Cengage learning. **Chapters 1-2, 10-11, 16-20.**
2. Diaz III, Julian, and J. Andrew Hansz. (2010). *Real Estate Analysis: Environments and Activities*. Kendall Hunt Publishing. **Chapters 1 and 6.**
3. Sturman, M. C., Corgel, J. B., & Verma, R. (Eds.). (2011). *The Cornell School of Hotel Administration on Hospitality: Cutting Edge Thinking and Practice*. John Wiley & Sons. **Chapters 17-18**
4. Clauretje, T. M., & Sirmans, G. S. (2010). *Real Estate Finance: Theory and Practice*. Prentice Hall.
5. Rushmore, S., O'Neill, J.W. & Rushmore, S. (2012). *Hotel Market Analysis and Valuation*. Appraisal Institute.

Communication

Beyond the class hours, emailing is the best way to communicate. During business hours, feel free to contact me via phone: +41 21 785 16 23. You are welcome to visit my office (O20.224) in person during the office hours. An advance notice will be appreciated.

Teams

For various activities you will propose your team structure by the end of the first week since the class begins. In total, 6 teams will be created. Each team should have 4-5 students. If a student is not included in a team within a week, s/he will be assigned to a team by the academic assistant. The term project and some classwork assignments may require you to work in your respective teams.

LMS

All materials for the course are transacted over the Moodle website. It is your responsibility to check the Moodle course page frequently to keep yourself updated with the latest developments. We post the files and announcements on a regular interval. You are expected to submit your work through the same platform. Email submissions will not be entertained.

Hands-on classroom exercises

In several meetings you are expected to run hands-on exercises in finance, econometric etc. I strongly advise that you work diligently on these exercises. Class exercises are usually not graded. However, active participation and feedback will help in preparing you for the final exam/project and more importantly, for your career.

Class participation

Class attendance is recommended but not mandatory. The learning modules are carefully posted in a sequence over time such that your knowledge-building is a gradual process. Thus, missing a class can be costly to your learning process. Also, I encourage you to ask questions and participate in healthy debates.

Evaluations

1. **Final Exam:** 60%
2. **Term Project:** 40%

¹ The recommended books are not required. But I advise those interested in pursuing career in finance/real estate to buy the books. Both the books are available in PDF as well as hard copy formats.

Final exam (Individual)

The exam may be conducted in a classroom environment on PC. Usually, the exam is dominated by calculation-based questions. However, you are also tested on some theoretical underpinnings. Exact format of the exam shall be announced in due course of time. A sample exam from a previous semester may be available for review. However, since the course is continuously evolving and is updated for every class, there is no guarantee that your exam will look similar to the one you review.

How to prepare for the exam

Here is the priority of study materials for scoring well in the final exam:

1. Hands on exercises and other exercises
2. Instructor hand-outs
3. Self-prepared class notes
4. Other materials

Term project (Team)

The term project in this course is aimed at further enhancing your ability to execute complex tasks such as real estate valuation and investment analysis. Due its “real world” features students often find it fun. However, the quantum of work is one of the challenges. Intellectual intensity is another. Team-spirit is a key to success.

Several weeks before the course completion, a term project statement will be introduced. Some parts of the project are based on the topics discussed in latter class meetings. However, it is advisable that teams start working on the project early on. Timely completion of the term project will not overwhelm you during the last few weeks when preparing for the final exam may be a higher priority. The project reports are due before the final exam. Also, each team is required to make a 4-5 minute presentation. The group project will likely be scored commonly (i.e. “team score” to all team members). However, each team-member may also be asked to confidentially grade other fellow team members on a given scale (“peer score”). If so, each student’s grade for the term project incorporates both the team score and the peer score. Therefore, it is important to maintain good rapport with fellow team members and contribute meaningfully to the project.

Instructor hand outs & self-prepared notes

Given the broad scope of the course, no single book can offer a comprehensive set of reference materials.

Class discussions are supported by slideshows. Before the beginning of each class, I will try to upload a limited version of the slideshow. The limited version will be deliberately incomplete so that you attentively take notes.

Policy on electronic devices

Computer: Bringing laptop to the classroom is a requirement. However, Laptops are permitted only during certain exercises and must be shut down otherwise.

All other devices: You must value the class time of the professor and fellow students. Refrain from any such activity that distracts either my attention or someone else’s. Use of cell phones, tablets and other electronic devices is strictly prohibited in class. Chatting on instant messaging systems, facebook usage, tweeting and any other form of social media interaction either through your computer or smart phone device is banned in class. If you feel the compulsive urge to do so, please step outside the class.

Tutoring

Tutoring sessions focus on hands-on exercises and are, by no means, any substitute to class meetings. Please inform the academic assistant before attending a tutorial session and confirm the venue. The timings are mentioned above.

Notes

The syllabus and the course outline below are tentative and indicative in nature. I may make changes anytime throughout the semester, as deemed necessary.

Tentative course outline

1. Real Estate Fundamentals
2. Cost of Capital & Capital Structuring
3. Real Estate Markets & Capitalization Rate
4. Real Estate Appraisal
5. Hedonic Modeling
6. Anatomy of Mortgage Contracts
7. Effective Borrowing Cost
8. Real Estate Development
9. REIT Analysis
10. Exotic Mortgages
11. Re-financing Decisions
12. Hazard Rate & CMBS