

UNIVERSITY OF GUELPH
DEPARTMENT OF MARKETING AND CONSUMER STUDIES
MCS*2820 REAL ESTATE FINANCE
Winter 2011 Course Outline

INSTRUCTOR: Jian Zhou
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LECTURES: Monday & Wednesday MACS Room 121
Section 1: 08:30AM - 09:50AM; Section 2: 11:30AM - 12:50PM
OFFICE HOURS: Mon & Wed 10-11 or by appointment
FINAL: To be announced

REQUIRED READING:

1. Auld, J.W. and J. Londerville, Real Estate Finance (REF), available online through CourseLink.
2. In order to do the calculations for this course you need a financial calculator; I use the Texas Instruments TI-BA-II Plus. Any calculator with PV, FV, i%, PMT type keys will do. **YOU SHOULD LEARN TO USE THE CALCULATOR EARLY ON IN THE COURSE. I DO NOT RECOMMEND BUYING A MORE COMPLICATED CALCULATOR.**

APPEALS PROCEDURE: Refer to Undergraduate Calendar.

DROP AND ADD PROCEDURE: Refer to Undergraduate Calendar.

ACADEMIC INTEGRITY: <http://www.academicintegrity.uoguelph.ca/>

CALENDAR DESCRIPTION:

This course examines the financing of both residential and commercial investment real estate. A mathematical approach is used to examine the impact of various lender and borrower decisions about loan terms (amortization periods, pre-payment options, etc.). The evolution of the Canadian housing finance system is contrasted with that in the United States. New methods of financing real estate other than traditional mortgages are discussed.

OBJECTIVES OF THE COURSE:

- a) To introduce the concepts of real estate financial analysis at the level of the individual decision unit.
- b) To review the nature form and development of financing instruments.
- c) To relate housing financial analysis and instruments to the real estate development process.
- d) To understand the role of government regulation in affecting the financing of real estate.
- e) To contrast the financing of commercial development with that of housing.

FORMAT:

This is a course for which a standard textbook is not available. Attendance in class should greatly assist in your understanding of the course material and assignments. Completing the assignments carefully **ON YOUR OWN** is essential to understanding the material in the course.

This course uses mathematical techniques to evaluate various types of mortgage borrowing and lending decisions. The math involved is primarily simple algebra; if you have concerns about your math skills please see me early in the course.

METHOD OF EVALUATION:

	<u>Weight</u>
Assignments (3)	25% (first one-10%; second-8%; third-7%)
Midterm Exam	30%
Final Exam	45%

Assignments

THESE ARE TO BE DONE INDIVIDUALLY. GROUP WORK ON ASSIGNMENTS IS CONSIDERED ACADEMIC MISCONDUCT AND WILL BE TREATED AS SUCH. THE PENALTIES FOR THIS CAN BE SEVERE. Assignments are due at the **beginning** of class on the dates indicated in the course outline. Since assignments are handed out more than a week before the due date, late assignments will NOT BE ACCEPTED. **DO NOT SKIP CLASS TO FINISH THE ASSIGNMENT. Assignments should be submitted stapled in the top left corner, without a folder.** They should be handwritten and neat.

Midterm Exam

The midterm exam will cover all material in the course up to and including the class before the test and the format will be discussed prior to the test.

Final Exam

This exam will cover the entire course, including material from the assignments, all reading material and issues discussed during the lectures. The format will be described in the review class.

PRELIMINARY READING LIST - SUBJECT TO REVISION

(*REF* refers to Real Estate Finance by Auld and Londerville. It's available online through Courselink)

<u>Date:</u>	<u>Topic and readings</u>
Week 1	Introduction to Housing Finance Mortgage mathematics: Discounted cash flow analysis
Week 2	Mortgage mathematics: Effective interest rates, payment calculations, outstanding balances; <i>REF</i> A:4 & A:5 Evaluating other mortgage features: Term, Amortization Period, prepayment options, etc; <i>REF</i> A:11
Week 3	The Lending Decision: Homeowners; <i>REF</i> A:2 & A:3 Assignment 1 handout Monday (Jan. 24) The Lending Decision: Commercial Real Estate; <i>REF</i> A:3
Week 4	The Refinancing Decision; Take up Assignment 1 Assignment 1 due & Assignment 2 handout Wednesday (Feb. 2)
Week 5	Insurance; <i>REF</i> A:9; Property Taxes; <i>REF</i> A:8
Week 6	Assignment 2 due Monday (Feb. 14) Take up Assignment 2; Review for Midterm exam Midterm Exam Wednesday (Feb. 16)
Week 7	READING WEEK NO CLASSES
Week 8	Take up Midterm exam (tentative) Guest Speaker - Chris Bisson from Guelph Mortgage Center
Week 9	Mortgage innovations: GPM, PLAM, & ILM, etc
Week 10	Financial and Tenure Options of Housing for Older Canadians: Reverse Annuity Mortgages, Shared Equity, Life Tenancies, & Sale Plans, etc. Assignment 3 handout Wednesday (Mar. 16)
Week 11	Assignment 3 due Wednesday (Mar. 23) Take up Assignment 3; Development Financing
Week 12	Mortgage-backed securities Subprime mortgage
Week 13	RRSPs and housing Review for final exam

University Grading Scheme:

This course follows the University grading scheme outlined in the University Calendar:

A+	90-100%	Excellent: An outstanding performance in which the student demonstrates a superior grasp of the subject matter, and an ability to go beyond the given material in a critical and constructive manner. The student demonstrates a high degree of creative and/or logical thinking, a superior ability to organize, to analyze, and to integrate ideas, and a thorough familiarity with the appropriate literature and techniques.
A	85-89	
A-	80-84	
B+	77-79	Good: A more than adequate performance in which the student demonstrates a thorough grasp of the subject matter, and an ability to organize and examine the material in a critical and constructive manner. The student demonstrates a good understanding of the relevant issues and a familiarity with the appropriate literature and techniques.
B	73-76	
B-	70-72	
C+	67-69	Acceptable: An adequate performance in which the student demonstrates a generally adequate grasp of the subject matter and a moderate ability to examine the material in a critical and constructive manner. The student displays an adequate understanding of the relevant issues, and a general familiarity with the appropriate literature and techniques.
C	63-66	
C-	60-62	
D+	57-59	Minimally acceptable: A barely adequate performance in which the student demonstrates a familiarity with the subject matter, but whose attempts to examine the material in a critical and constructive manner are only partially successful. The student displays some understanding of the relevant issues, and some familiarity with the appropriate literature and techniques.
D	53-56	
D-	50-52	
F	0-49	Fail: An inadequate performance.

http://www.uoguelph.ca/undergrad_calendar/index.shtml

Course Evaluation

Course and instructor evaluation for MCS*2820 will be handled via a separate D2L site during the final two weeks of the term.