

Course Title **9505AC - Real Estate Finance**

Program BOSC5

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Level Advanced

Duration of the unit 30 hours

Credit value US 3.3 ECTS VALUE 5

Unit description

This course builds up on key concepts from earlier finance, accounting and economics courses in the context of real estate, in particular hotels. The topics appraisal, investment, and financing are approached from several angles, and are applied to hotel examples. Real estate theory is blended with extensive application of financial tools. Fundamentals of capital structuring, cap rate and hotel appraisal are discussed with realistic examples and exercises. Students go through in-depth analysis of debt capital using the concepts of effective borrowing cost, refinancing and alternate mortgage instruments. Students apply these concepts to leveraged investment analysis.

General learning outcome

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

1. Subject specific competences

- 1.1. Estimate asset values using a variety of methods
- 1.2. Calculate and interpret various measures of returns for equity investment analysis
- 1.3. Analyze complex debt financing scenarios, decide between available mortgages

2. Cognitive competences

- 2.1. Analysis and synthesis of data
- 2.2. Application of theories to case studies and analysis
- 2.3. Reconciliation of concepts learned from earlier courses

3. Personal competences

- 3.1. Creating synergies in a team-environment
- 3.2. Communication skills

Required resources

Books: None

Software: MS Excel

Communication

If you have questions, please come to us before or after class. Beyond the class hours, emailing is the best way to communicate. In addition, there is the opportunity to schedule an appointment by E-Mail to visit us in our offices (020.224/ 020.233 for Dr. Das and Dr. Woltering respectively).

LMS

All materials for the course are transacted over the LMS. It is your responsibility to check the LMS course page frequently to keep yourself updated with the latest developments. We will 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 using MS Excel. We strongly advise 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 and the team project.

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. You will also benefit from asking questions in class and participating in healthy debates.

Evaluations

Number	Status	Type	Weight	Subject Specific Competency Tested	General Education Competency tested
1	Intermediate	Team Project	35 %	1.2; 1.3	2.1; 2.2; 2.3; 3.1; 3.2
2	Final	Online Quizzes	5 %	1.1; 1.2; 1.3	2.1; 2.2; 2.3.
3	Final	Individual final exam	55 %	1.1; 1.2; 1.3	2.1; 2.2; 2.3.

Term project (Team)

Several weeks before the course completion, a term project will be handed out. 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 seek substantial attention. The project reports are due before the final exam. 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 working spirit with fellow team members and contribute meaningfully to the project.

Online Quizzes (Individual)

There will be online quizzes administered on LMS throughout the course of the semester. These online quizzes are aimed at providing **continuous feedback** for the students. Each quiz will include multiple choice questions and will be allocated a maximum duration of one hour once started. A student can start the attempt any time during the scheduled week but should be complete by the deadline. Each quiz will commence at 9 am on Monday and close at 11:30 pm on the following Sunday. No retake or rescheduling request will be entertained.

Final Exam (Individual)

The exam questions may be a mixture of objective-type and essay type (e.g. financial problem solving, explanations, etc.) questions. Also, the exam may be conducted in a classroom environment on PC. Exact format of the exam will 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 exams

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

1. Lecture slides (including the notes made by you during class)
2. Tutorial exercises
3. Homework
4. Online Quizzes
5. Other materials

Policy on electronic devices

Computer: Bringing laptop to the classroom will enhance the learning experience. 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 our 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 to do so.

Tutoring/Coaching

Tutoring sessions focus on hands-on exercises; and are, by no means, any substitute to class meetings.

Notes

The syllabus and the course outline below are tentative and indicative in nature. Changes may be made anytime throughout the semester, as deemed necessary.

Recommended books

1. Geltner, D., Miller, N., Clayton, & J., Eichholtz, P. (2013). *Commercial Real Estate Analysis and Investments (3rd edition)*. ONCOURSE LEARNING.
2. Diaz, J. & Hansz, A. (2011). *Real Estate Analysis: Environments and Activities (1st edition)*. Kendall Hunt Publishers
2. O'Neill, J.W. & Rushmore, S. (2012). *Hotel Market Analysis and Valuation: International Issues and Software Application*. Appraisal Institute

Tentative course outline

1. Introduction to Real Estate Markets
2. Time Value of Money (TMV) and Return Concepts
3. Valuation Methods – Cap Rate
4. Valuation Methods – Cost and Sales Comparison Approach
5. Valuation Methods – Discounted Cash Flow (DCF)
6. Leverage
7. Real Estate Investment Analysis
8. Mortgages
9. Effective Borrowing Cost
10. Re-financing Decisions
11. Alternate Mortgage Types