

# MOS 4313A: Real Estate Investment Trusts and Mortgage Backed Securities

## Course Outline Fall 2012

Location: SSC 3022

Class time: Thursdays 1:30–3:30

Tutorial time: Tuesdays 1:30–2:30

### ***Instructor Information***

Name and title: Dr. Diana Mok

Contact information: [dmok3@uwo.ca](mailto:dmok3@uwo.ca)

Office: SSC 4426

Office hour: TBA

Course webpage: [geography.ssc.uwo.ca/faculty/mok](http://geography.ssc.uwo.ca/faculty/mok)

### ***Course Syllabus***

#### *Description*

The object of the course is to introduce students to the financial analysis of real estate investments. It discusses the fundamentals of real estate investment trusts, securitization and the commercial mortgage-backed securities market. The course also links these concepts to the evidence observed in the real world. It provides students with a better understanding of the mechanisms that underlie the real estate financial market.

#### *Objectives*

To introduce students to the principal concepts and theories in real estate investment trusts (REITs), publicly traded real estate, commercial mortgage-backed securities (CMBS) market and securitization. To apply these concepts to the real world and assess the empirical evidence.

#### *Prerequisite(s):*

MOS 3310A/B

#### *Antirequisite(s):*

NA

**Note:** It is students' responsibility to ensure that all prerequisite conditions are met or that special permission to waive these requirements has been granted by the Faculty. Unless the student has either the requisites for this course or written special permission from the Associate Dean's Office to enroll in it, he/she will be removed from this course and it will be deleted from the student's record. It is also the student's responsibility to ensure that he/she has not taken a course listed as an anti-requisite. The student may not be given credit if he/she violates the anti-requisite condition. The decisions regarding either prerequisite or antirequisite may not be appealed. The student will receive no adjustment to tuition fees in the event that

he/she is dropped from a course for failing to meet prerequisite and antirequisite conditions.

### *Approach*

The course is run as a series of weekly lectures. Some class time is set aside for guest lectures and course administration.

### *Topics*

The following list of topics will be considered during the term. See the attached reading list for the corresponding required readings.

- Agency and non-agency mortgage-backed securities markets
- Valuation of MBS
- Prepayment models
- Interest rate models
- Default risk models
- REITs and financial analysis of REITs

### **Course Materials**

#### *Course readings*

The course has no principal required text books. Lectures are based on course readings posted on the course webpage. These readings are drawn from recent articles, book chapters and other academic sources.

Recommended readings include:

Chan, S.H., Erickson, J., and Wang, K. 2003. **Real Estate Investment Trusts: Structure, Performance, and Investment Opportunities**. Oxford University Press.

Kendall, L.T. and Fishman, M.J. **A Primer on Securitization**. 2000. MIT Press.

Additional suggested readings will be listed on the course webpage. In addition, references to general topics in finance are:

Brealey, R.A., Myers, S.C., Marcus, A.J., Maynes, E.M., and Mitra, D. 2009. *Fundamentals of Corporate Finance, 4<sup>th</sup> Canadian Edition*. Toronto: McGraw-Hill Ryerson.

Ross, S. A., Westerfield, R. W. and Jordan, B. D. 2006. *Corporate Finance, 7<sup>th</sup> edition*. New York: McGraw Hill.

Gitman, L. J. and Hennessey, S. 2004. *Principles of Managerial Finance, 1<sup>st</sup> Canadian edition*. Pearson.

## ***Methods of Evaluation of Assignments***

The course has three components: Class Participation, Short Assignments and a Group Project.

**(a) Class Participation.** Class participation is worth 10 percentage points towards the final course grade. The lectures involve class activities—for example, real estate portfolio analyses and discussion on current issues. It is important that students be involved in these activities in order to benefit from the course.

**(b) Short Excel model.** Students are expected to build a cash-flow model, using Excel. The model is geared towards helping students understand the concepts discussed in class and gathering empirical evidence in the real world.

**(c) Group Project.** The group project requires students to form groups of no more than 4 students. Each group will develop and analyze the performance of a portfolio of 3 REITs traded on the stock market. The project will be presented at the end of the course.

In sum, the breakdown of the course grades is given as follows:

<b>Components</b>	<b>Grade</b>	<b>Date due</b>
Class participation	20%	NA
Short assignments	40%	TBA
Group project	40%	TBA

Students are responsible for any lectures and/or labs that they have missed. The material will not be re-taught.

Late assignments will be penalized at 10% per day late, including weekends. Assignments more than a week late will not be graded.

Projects and assignments are to be submitted to Dr. Diana Mok directly or to her email address ([dmok3@uwo.ca](mailto:dmok3@uwo.ca)). If submitting by email, use ASCII (plain text), RTF (rich text format), MS Word, or PDF (portable document format); no other format will be accepted.

Requests to have an assignment re-read, re-checked, or re-graded must normally be made no later than two business days following return of the assignment, and must include a brief written explanation. The instructor reserves the right to adjust the grade both upward and downward, where appropriate.

## ***Additional Statements***

### **Prerequisite checking - the student's responsibility**

Unless you have either the requisites for this course or written special permission from your Dean to enroll in it, you may be removed from this course and it will be deleted from your record. This decision may not be appealed. You will receive no adjustment to your fees in the event that you are dropped from a course for failing to have the necessary prerequisites.

### **Statement on Academic Offences**

Students must write their essays and assignments in their own words. Whenever students take an idea, or a passage from another author, they must acknowledge their debt both by using quotation marks where appropriate and by proper referencing such as footnotes or citations.

Scholastic offences are taken seriously and students are directed to read the appropriate policy, specifically, the definition of what constitutes a Scholastic Offence, at the following Web site:

<http://www.uwo.ca/univsec/handbook/appeals/scholoff.pdf> .

All required papers may be subject to submission for textual similarity review to the commercial plagiarism detection software under license to the University for the detection of plagiarism. All papers submitted for such checking will be included as source documents in the reference database for the purpose of detecting plagiarism of papers subsequently submitted to the system. Use of the service is subject to the licensing agreement, currently between The University of Western Ontario and Turnitin.com (<http://www.turnitin.com> ).

### **Support Services**

Registrarial Services: <http://www3.registrar.uwo.ca/index.cfm>

Student Development Services: <http://www.sdc.uwo.ca/>