

HONG KONG UNIVERSITY OF SCIENCE AND TECHNOLOGY
REAL ESTATE INVESTMENT
Summer 2008

Instructor: Dr. Rod Monger
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Office hours: 2:00 – 4:00 p.m. MWF; whenever available

Course Description

An analysis of real estate investment and financing, with particular emphasis on the determination of financial feasibility for proposed real estate investments. Valuation of income properties, investment and risk analysis and real estate investment trusts.

Required text

Geltner, Miller, Clayton and Eichholtz. Commercial Real Estate, Analysis and Investments, Thompson-South-western, 2nd edition.

Harvard notes and cases

Obtain from <http://harvardbusinessonline.hbsp.harvard.edu>

Notes and other materials provided in class

Financial calculator needed

Recommended

Poorvu, William J. The Real Estate Game: The Intelligent Guide to Decision-Making and Investment, The Free Press, 1999.

Assignment	%
Module exams (lowest grade deleted)	70
Final exam	30
Course	100

MODULE 1 – REAL ESTATE ECONOMICS, URBAN ECONOMICS AND REAL ESTATE MARKET ANALYSIS

Wednesday, 9 July 2008 – 19:00-22:20 at HKUST Business Central

Text and other readings readings

- Chapter 1 Real Estate Space and Asset Markets
- Chapter 2 Real Estate Systems
- Chapter 3 Central Place Theory and the System of Cities
- Chapter 4 Inside the City I: Some Basic Urban Economics
- Chapter 5 Inside the City II: A Closer Look
- Chapter 6 Real Estate Market Analysis
- Whitman, Dale A., Mortgage Law in China: Comparing Theory and Practice, Missouri Law Review, Fall 2007 (provided online).

MODULE 2 – BASIC FINANCIAL CONCEPTS AND TOOLS

Saturday, 12 July 2008 – 14:30-17:50 at HKUST campus

Text readings

- Chapter 7 Real Estate as an Investment: Some Background Information
- Chapter 8 Present Value Mathematics for Real Estate
- Chapter 9 Measuring Investment Performance: The Concept of Returns
- Chapter 10 The Basic Idea: DCF and NPV

Harvard cases

- Citic Tower II, HKU154

Module exam

MODULE 3 – REAL ESTATE VALUATION AND INVESTMENT ANALYSIS

Wednesday, 18 July 2008 – 19:00-22:20 at HKUST Business Central

Text readings

- Chapter 11 Nuts and Bolts for Real Estate Valuation: Cash Flow Proformas and Discount Rates
- Chapter 12 Advanced Micro-Level Valuation
- Chapter 13 Use of Debt in Real Estate Investment: The Effect of Leverage
- Chapter 14: After-Tax Investment Analysis & Corporate Real Estate
- Chapter 15 Real Estate Investment Capital Structure

Harvard cases

- Refinancing the Western Harbour Crossing, Hong Kong, HKU649

Module exam

MODULE 4 – MORTGAGES FROM AN INVESTMENT PERSPECTIVE

Saturday, 19 July 2008 – 14:30-17:50 at HKUST campus

Text and other readings

- Chapter 16 Mortgage Basics I: An Introduction and Overview
- Chapter 17 Mortgage Basics II: Payments, Yields and Values
- Chapter 18 Commercial Mortgage Analysis and Underwriting
- Chapter 19 Commercial Mortgage Economics and Investment
- Chapter 20 Commercial Mortgage-Backed Securities

Harvard cases

- Mortgage Backs at Ticonderoga

Module exam

MODULE 5 – PORTFOLIOS AND VALUATION

Wednesday, 23 July 2008 – 19:00-22:20 at HKUST Business Central

Text readings

- Chapter 21 Real Estate and Portfolio Theory: Strategic Investment Considerations
- Chapter 22 Equilibrium Asset Valuation and Real Estate's Price of Risk in the Capital Market

Harvard readings

- Segel, Arthur L. Structuring Real Estate Deals: An Investor's Perspective, 9-208-066

Harvard cases

- Hongkong Land Holdings Ltd: Strategic Repositioning of Real Estate Assets, HKU251

Module exam

MODULE 6 – REITS AND ASIAN REITS

Saturday, 26 July 2008 – 14:30-17:50 at HKUST campus

Text readings

- Chapter 23 Real Estate Investment Trusts (REITs)
- Chapter 24 International Real Estate Investment: Markets, Strategies and Implementation
- Chapter 25 Data Challenges in Measuring Real Estate Periodic Returns
- Chapter 26 Real Estate Investment Management and Derivatives

Harvard cases

- Landlease (Asia) Property Limited: Redefining Real Estate Investment Strategies, HKU267

Module exam

MODULE 7 – REAL ESTATE DEVELOPMENT AND OTHER SELECTED TOPICS

Wednesday, 9 July 2008 – 19:00-22:20 at HKUST Business Central

Text readings

- Chapter 27 Real Options and Land Value
- Chapter 28 Investment Analysis of Real Estate Development Projects: Overview and Background
- Chapter 29 Investment Analysis of Real Estate Development Projects: Part 2 – Economic Analysis
- Chapter 30 Leases and Lease Strategy

Harvard cases

- Citic Tower II: The Real Option, HKU199
- Real Estate and Capital Structure Decisions – Lease-versus-Buy Analysis, HKU253

Module exam

MODULE 8 – FINAL EXAMINATION

Saturday, 2 August 2008 – 14:30-17:50 at HKUST campus