



1. General Information

Course Subject	FINA
Course Number	2382
Course Title	Real Estate Finance
Academic Years	2023-2024
Grading Method	Letter

2. Instructors

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Subclasses: 1A,2B

4. Course Description

Course Description	<p>Real Estate represents a large fraction of the world's wealth. Its efficient utilization and the markets in which it is traded involve many interesting and complex economic and policy issues. A proper understanding of the real estate market is important for individuals to make sound savings and investment decisions, for businesses to make the right decision on whether to buy or lease a property, and important for banks to evaluate the asset risks underlying their mortgage loan portfolios and to innovate real estate related financial products. The objective of this course is to develop an analytical framework by which students can make sound real estate investment decisions. The main emphases of the course are on theory, concept building, financial modeling, and practical application. In particular, class discussions will cover the following areas in real estate:</p> <ul style="list-style-type: none">• Real estate market analysis• Mortgage Markets• Mortgage-Backed Securities• Real Estate Investment Trusts (REITs)• Real Estate Investments• International and Institutional Real Estate Investments• Real Estate Transactions• Valuation of Income Producing Properties and Land <p>Materials and data pertaining to local real estate market will be used throughout the course whenever possible. Although our discussion will focus on the property market in Hong Kong, the techniques and concepts discussed apply to any property market outside Hong Kong.</p>
Prerequisites	FINA1310: Corporate Finance
Free Elective	Yes

5. Course Objectives

1. Understand the nature of the Hong Kong property market and evaluate the supply and demand conditions

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of residential properties in Hong Kong.

2. Understand the relationship between the US real estate bubble and the global financial crisis.

3. Evaluate the various mortgage products for the financing of real estate properties.

4. Evaluate the risk and return tradeoffs of mortgage-backed securities and understand the nature and operation of real estate investment trusts.

5. Understand the international and institutional aspects of real estate investments.

6. Analyze and evaluate the economic and financial implications of real estate transactions in Hong Kong.

7. Apply the various valuation techniques to appraise the fair market value of residential and commercial properties, land, and old properties.

8. Develop your own theoretical view to explain the phenomenon of the real estate market.

6. Faculty Learning Goals

Goal 1: Acquisition and internalization of knowledge of the programme discipline

Goal 2: Application and integration of knowledge

Goal 3: Inculcating professionalism

Goal 4: Developing global outlook

Goal 5: Mastering communication skills

Goal 6: Cultivating leadership

7. Course Learning Outcomes

Course Teaching and Learning Activities	Aligned Faculty Learning Goals					
	1	2	3	4	5	6
CLO1. Understand the nature of the Hong Kong property market and evaluate the supply and demand conditions of residential properties in Hong Kong.	✓				✓	
CLO2. Understand the relationship between the US real estate bubble and the global financial crisis.	✓			✓	✓	
CLO3. Evaluate the various mortgage products for the financing of real estate properties.	✓	✓				
CLO4. Evaluate the risk and return tradeoffs of mortgage-backed securities and understand the nature and operation of real estate investment trusts.	✓	✓				
CLO5. Understand the international and institutional aspects of real estate investments	✓			✓	✓	
CLO6. Analyze and evaluate the economic and financial implications of real estate transactions in Hong Kong.	✓	✓				
CLO7. Apply the various valuation techniques to appraise the fair market value of residential and commercial properties, land, and old properties. 	✓	✓				
CLO8. Develop your own theoretical view to explain the phenomenon of	✓	✓	✓		✓	✓

7. Course Learning Outcomes

the real estate market.

8. Course Teaching and Learning Activities

Course Teaching and Learning Activities #	Expected Study Hours	Study Load (% of study)
T&L1. Lectures	36	30
T&L2. Tutorial Sessions	12	10
T&L3. Assignments and Case analysis	30	25
T&L4. Self-Study	42	35
	Total: 120	Total: 100

9. Assessment Methods

Assessment Methods	Description	Weight %	Aligned Course Learning Outcomes
A1. Tutorial Participation and Discussion		10%	
A2. Mid-term assessment: QUIZ		15%	
A3. Individual Take-home Assignment	THREE assignments	15%	
A4. One Individual Case Analysis		10%	
A5. Final Exam		50%	

Assessment Rubrics

A3. Individual Take-home Assignment	While the detailed assessment rubric may differ slightly across assignments, the criteria of assessment can be broadly divided into two aspects: (1) Appropriateness of Analysis (60%) and (2) Clarity/Readability (40%)
A+,A,A-	
B+,B,B-	
C+,C,C-	
D+,D	
F	
A4. One Individual Case Analysis	Students will be given a choice of real estate issues to study, analyze and report with power point slides. Performance will be assessed based on (1) justification of arguments, (2) application of the principles and techniques discussed in class in analyzing the problem(s) and forming your angle of view, (3) ability to summarize the results in a professional report.

Assessment Rubrics	
A+,A,A-	
B+,B,B-	
C+,C,C-	
D+,D	
F	

10. Course Grade Descriptors

A+,A,A-	<ul style="list-style-type: none"> • All aspects were addressed and researched in great depth. • Demonstrates a clear understanding of and the ability to apply and theory, concepts and issues relating to the topic. • All aspects conform to a high academic / professional standard
B+,B,B-	<ul style="list-style-type: none"> • Most aspects were addressed and researched in depth. • Demonstrates a good understanding and some application of the theory and issues relating to the topic. • Most aspects conform to a high academic / professional standard.
C+,C,C-	<ul style="list-style-type: none"> • Most aspects were addressed and researched adequately. • Demonstrates a good understanding of the theory, concepts and issues relating to the topic but limited application relating to the topic. • Most aspects conform to an acceptable academic / professional standard.
D+,D	<ul style="list-style-type: none"> • Basic aspects were addressed and researched adequately. • Demonstrates mainly description, showing basic understanding of the topic but no application. • Limited aspects conform to academic / professional standards
F	<ul style="list-style-type: none"> • Basic aspects were superficial, inadequate or absent. • Demonstrates limited understanding of the topic and draws conclusions unrelated to the topic. • The written work is not of an academic / professional standard

11. Course Content and Tentative Teaching Schedule

Topic/ Session	Content	Readings	Other information
	Introduction	Lecture notes	
	Property Market Analysis	Lecture notes	
	Capital and Property Marke	Lecture notes	
	Mortgage Market	Lecture notes	
	Securitization of Mortgages	Lecture notes	
	Securitization of Mortgages and QUIZ	Lecture notes	
	Reading Week		
	Real Estate Investment Trusts (REITs):	Lecture notes	
	Pre-sale Transactions	Lecture notes	
	Real Estate Investment	Lecture notes	

11. Course Content and Tentative Teaching Schedule

	Performance and Portfolio Considerations		
	Valuation of Income Producing Properties	Lecture notes	
	Valuation of Land and Redevelopment	RM1, RM2	
	Review		

12. Required/Recommended Readings & Online Materials

Reading	RM1: Jeffrey Fisher, George Lentz, and K.S. Tse, "Valuation of the Effects of Asbestos on Commercial Real Estate." RM2: George Lentz and K.S. Tse, "An Option Pricing Approach to the Valuation of Real Estate."
Textbook	There is no required textbook for this course. Reading materials for all topics will be handed out in class and will also be posted on the HKU website for the course. Students are responsible for all materials. • References: Real Estate Finance and Investments, Bruggeman and Fisher, 9th Edition, Irwin

13. Means / Processes for Student feedback on Course

✓	Conducting mid-term survey in additional to SETL around the end of the semester
	Online response via Moodle site
	Others

14. Course Policy

Academic Honesty and Integrity

The University Regulations on academic dishonesty will be strictly enforced. Please check the University Statement on plagiarism on <http://www.hku.hk/plagiarism/>.

Cheating or plagiarism of any kind would result in an automatic F grade for the course plus strict enforcement of all Faculty and/or University regulations regarding such behavior. Incident(s) of academic dishonesty will NOT be tolerated.

Academic dishonesty is a behavior in which a deliberately fraudulent misrepresentation is employed in an attempt to gain undeserved intellectual credit, either for oneself or for another. It includes, but is not necessarily limited to, the following types of cases:

- a. Plagiarism - The representation of someone else's ideas as if they are one's own. Where the arguments, data, designs, etc., of someone else are being used in a paper, report, oral presentation, or similar academic project, this fact must be made explicitly clear by citing the appropriate references. The references must fully indicate the extent to which any parts of the project are not one's own work. Paraphrasing of someone else's ideas is still using someone else's ideas, and must be acknowledged.
- b. Unauthorized Collaboration on Out-of-Class Projects - The representation of work as solely one's own when in fact it is the result of a joint effort.
- c. Cheating on In-Class Exams - The covert gathering of information from other students, the use of unauthorized notes, unauthorized aids, etc.
- d. Unauthorized Advance Access to an Exam - The representation of materials prepared at leisure, as a result of unauthorized advance access (however obtained), as if it were prepared under the rigors of the exam setting. This misrepresentation is dishonest in itself even if there are not compounding factors, such as unauthorized uses of books or notes.

15. Additional Course Information

Highly Recommended Tool

- A standard financial calculator such as TI BA35 and HP 12C.

Problem Sets

Problems sets at the end of lectures will be assigned, but some will not be collected and therefore not graded. The purpose of the p