

## Real Estate Finance

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## Overview

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The first module's goal is to familiarize you with the tools and language of real estate finance and valuation. To that end, it tackles the two most basic asset-pricing questions in real estate: 1) how to price a revenue-generating property and 2) how to price a mortgage when prepayment and default are a possibility. The second module covers the details of real estate deal making, the development process, institutional investments and capital market investment vehicles (Real Estate Investment Trusts and Mortgage Backed Securities.)

## Learning outcomes

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By the time the course is complete you will be familiar with the vocabulary and decision methods real estate professionals employ. You will also understand the distinguishing features of all broad segments of the real estate asset class.

## Key topics

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Module 1:

1. Fundamentals of Real Estate Valuation
2. Mortgage pricing

Module 2:

1. Financial Deal Structuring—(Graybar case)
2. Real Estate Development
3. Institutional Investment
4. Real Estate Investment Trusts
5. Commercial Mortgage-Backed Securities

## Course materials

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Power point slides (see [https://mywebspace.wisc.edu/quintin/web/index\\_files/tea.htm](https://mywebspace.wisc.edu/quintin/web/index_files/tea.htm)) are the main source of material for module 1. Other suggested readings are drawn from the following textbook: "Commercial Real Estate Analysis and Investments," D.M. Geltner, N.G. Miller, J. Clayton, P. Eichholtz, Cengage Learning, 2007. Chapters 11 and 14 in GM are particularly useful. Power point lecture slides will also be made available for module 2. Two weeks prior to the start of the module, you will also receive the text of the Graybar case and instructions on how to complete a group report on the case prior to the start of the module.

## Teaching methods

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Module 1: Lecture, conversations, and a take-home final.

Module 2: Class discussion of Graybar case, lecture, and a take-home final.

## Prerequisites

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None, although brushing up on your Excel skills would come handy. Most of the examples we will go through in module 1 are Excel based. For module 2, you will need to form a group of 4 students and complete a 10 page case report prior to the start of the module.

## Grading

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A 48 hour take-home final accounts for 100% of your grade in module 1. The Graybar case study will account for 40% of your grade in module 2. A take-home final will account for the other 60%. The two modules will be weighted equally in the calculation of your overall course grade.

## Timothy Riddiough

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Timothy (Tim) Riddiough holds the E.J. Plesko Chair and is a professor in the Department of Real Estate and Urban Land Economics at the Wisconsin School of Business. Riddiough served as the director of the Graaskamp Center for Real Estate from 2004-2009. From 1994 to 2001 Riddiough was at MIT as an assistant and associate tenured professor, and from 1991 to 1994 he was an assistant professor at the University of Cincinnati. Riddiough is currently the second vice president of the American Real Estate and Urban Economics Association (AREUEA). He has been active in AREUEA for many years, serving on the board of directors several times. He is on the editorial board of Real Estate Economics, and for several years served as editor of Real Estate Finance. He currently serves on the editorial boards of five other real estate-related journals. His honors and awards include winning the best dissertation and best paper awards from AREUEA, being named a founding fellow at the Real Estate Research Institute, and a fellow at the Homer Hoyt Institute for Advanced Studies. Riddiough is best known for his work on credit risk in mortgage lending, mortgage securitization, real options, REIT investment and corporate finance, and land use regulation. He has published in Real Estate Economics, Journal of Urban Economics, Journal of Real Estate Finance and Economics, Review of Financial Studies, Journal of Quantitative Financial Analysis, and the Journal of Financial Intermediation. His current research interests are focused on the financial crisis of 2007-08, economic development of debt markets, and optimal contract design. Riddiough is an active participant in the commercial real estate industry, speaking often on the financial crisis, and was recently named to NAREIT's investment advisory council. He is also active with the Pension Real Estate Association and the Commercial Mortgage Securities Association. He advises several real estate organizations on investment and risk management issues, and has served as an expert economic consultant on numerous legal matters involving real estate finance and investment issues. He received his Ph.D. from the University of Wisconsin–Madison. He holds the Counselor of Real Estate (CRE) designation.

## Erwan Quintin

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Erwan Quintin joined the faculty of the Wisconsin School of Business in January 2010 as an assistant professor in its Department of Real Estate and Urban Land Economics. He came to Wisconsin from the Federal Reserve Bank of Dallas, where he had worked as a senior economist and policy advisor since 2000. He has published academic research in financial economics and macroeconomics in the leading field journals such as the Journal of Monetary Economics. His recent research focuses on the recent rise of mortgage-backed securitization. Quintin earned his Ph.D. from the University of Minnesota in 2000.



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