

COURSE SYLLABUS
CLASS TITLE: REAL ESTATE FINANCE II -CAPITAL MARKETS AND
TRANSACTIONS
SEMESTER YEAR . SPRING 2017
COURSE NUMBER XXX
NUMBER CREDITS 3.0 CREDITS

DAY, TIME, ROOM Wednesday 4-6pm, [113 Avery]

Instructor: Lisa Eyles Beeson

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I. COURSE DESCRIPTION

This course provides a real world overview of private and public markets for real estate. The course will review capital formation for private investors and how public and private investors consider publicly traded REITs, through the lens of the public markets. This is a real estate finance class where a strong understanding of finance, accounting and excel are extremely helpful.

The course will be structured as a series of lectures reviewing each of the subjects, followed by an out of class assignment. The assignments will be completed in preparation for and in support of the “Final Exam”. The Final will be comprised of two pieces - a group presentation comparable to a Board of Directors presentation and an individual Investment Committee/Board memo.

II. COURSE REQUIREMENTS AND ASSIGNMENTS

Students will be expected to complete assigned weekly readings and to prepare questions based on these readings for group discussion. In addition, short problems will need to be completed. There will be several financial models and excel spreadsheet built over the course. In addition, the class will be broken into groups (size to be determined based upon enrollment) that will prepare materials required for their Board presentation. This requires team work, just like the real work world.

Students are expected to read the Wall Street Journal daily.

III. COURSE GRADING CRITERIA

Course grading criteria are as follows:

- Completion of readings, assignments: 20%
- Attendance and in-class participation: 20%
- Group Board Presentation: 30%
- Final exam Individual Investment Committee memo: 30%

Only exceptional performers will receive a High Pass. Those who fall short on more than one major assignment will receive a Low Pass.

IV. READINGS

Students will be expected to complete readings in advance of class. With the exception of those from the required textbook, these will be posted at least one week in advance on Courseworks. However, each student will be required to access SEC-Edgar for the assigned company financial statement information.

Required books:

Real Estate Finance and Investments, 14th Edition, William Brueggeman and Jeffrey Fisher. While students will only be “assigned” a few chapters, there are several additional chapters to be used as a resource.

Investing in REITS, 4th Edition, Ralph Block. Can be ordered on Amazon.

The Wall Street Journal, daily

The merger proxies (Background of the Transaction and Overview of the Opinion of the Financial Adviser) for Campus Crest, Home Properties, Associated Estates and Excel Trust. These will be posted.

Each student will be assigned one company. They will be required to read the Financial Statements (Form 10-K and latest 10-Q), Supplemental and Investor Presentation for the company. Accessed via the SEC’s Edgar System and or SNL Financial.

V. COURSE OUTLINE

Class 1: January 18: Introduction to Capital Markets

Class 2: January 25 : Private Real Estate Capital Structure

Review of various types of private market funding for transactions with expected return requirements and waterfall creation

Assignments due: None

Required readings: Chapter 18, Brueggeman and Fisher, Real Estate Finance and Investments. Chapter to be read prior to class.

Class 3: February 1: Private Real Estate Capital Structure, Continued

Class 4: February 8: Public Market Values of Real Estate

What is a REIT and how do public investors value REITs.

Assignments due: Waterfall Analysis

Required readings: Brueggeman and Fisher, Real Estate Investments, Chapter 21; Frozen on the Rates: Impact of Interest Rates on Capitalization Rates, by Paul Mouchakkaa, Managing Director at Morgan Stanley; Block, Investing in REITs, Chapters 1-2
Review assigned company Financial Statements: Form 10-K Financials, Latest Form 10-Q Financials, Last 10-Q Supplemental and most recent investor presentation.

Class 5: February 15: Public Market Values of Real Estate, Continued

Required readings: Block, Investing in REITs, Chapters 7-8

Class 6: February 22: The Debt Capital Stack

Assignment Due: NAV of assigned Company

Required Reading: Brueggeman and Fisher, Chapter 16 and ppgs 660-672

Class 7: March 1: What is NAV and Precedent Transactions

What is NAV and how to understand income statement and balance sheet adjustments, plus a review of how to incorporate previously announced transactions

Assignments due: Comparable company analysis (assigned sector/companies)

Required readings: Brueggeman and Fisher, Real Estate Finance and Investments: Chapter 10

REIT Valuation – The NAV based Pricing Model, GreenStreet Advisors (article)

Block, Investing in REITs, Chapter 9

Class 8: March 8: What is NAV and Precedent Transactions, Continued

Class 9: March 22: Private Market Valuations

Traditional cash flow analysis taken to the next level – review of DCF and LBO analysis of a company/portfolio with projection and exit considerations

Assignment Due: NAV of assigned company. Beginning DCF template.

Assigned Reading: Assigned Company Form 10-K Business Overview and Earnings Transcript for latest quarterly earnings conference call

Class 10: March 29: Private Market Valuations, continued

Considering implications of current versus future markets on exit and return.

Assignment Due: Calculation of CapM of assigned company

Class 11: April 5: Private Market Valuations, continued

Assignment Due: Calculation of DCF of Company.

Class 12: April 12: Private Market Valuations

Assignment Due: The LBO of the Company

Class 13: April 19: GUEST SPEAKER – Head of BAML Real Estate

Class 14: April 26: Board Presentation (Final Exam) – Should I Stay or Should I Go?

Each group will have [30] minutes to present their board materials with a review of company valuation. Each group will be assigned a company to review.

Assignment Due: In addition to Board Book (group work), each student will be required to pull together a memo to the Board/Investment Committee arguing their assigned position (sell or not, buy or not at a proposed premium to publicly traded levels.)

VI. FINAL EXAM AND INVESTMENT COMMITTEE MEMO

As mentioned, the final exam will be comprised of two pieces of work – one group and one individual. The group project will be a Board book where the team will value the public company based upon the analysis framework reviewed during the previous classes. In addition,

each student will be required to write a brief Investment Committee/Board memo arguing whether or not the transaction as proposed should be consummated.