

**COURSE SYLLABUS**  
**Capital Markets: US REIT Analysis & Investment**  
**Fall 2017**  
**PLAN 6259**  
**3.0 CREDITS**

**Thursdays, 4pm-6pm, 113 Avery**

**Professor: David Kruth**  
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**Text - TBD**

**I. COURSE DESCRIPTION**

This course covers public US REIT analysis, valuation and stock selection. We will use private and public market investment skills to consider, compare, analyze, select and build a portfolio of publicly traded US REITs. International (non US) REIT Analysis will be covered in a separate class.

The class starts with the relevance of REITs in a diversified investment portfolio for Institutional, HNW, and individual investors. Questions such as “Why Invest in REITs?”, “How are investments in REITs different than Private Equity Investments?” and “How are REIT Investments Complimentary to Private Equity In a Real Estate Investment Strategy?” will be discussed.

We then review the history and regulatory framework that allowed US REITs to grow to the \$1 Trillion industry it is today.

We then review the underlying valuation methodologies used in REIT analysis including a review of income statements and balance sheets, earnings and FFO/AFFO, return on assets and equity, enterprise and equity valuation using cash flow multiples and a detailed Net Asset Value “NAV” Analysis.

NOTE: A basic understanding of financial accounting is essential to reading the financial statements. If you took the Accounting Workshop/Seminar taught by me over the summer this will be a very good head start. If you have not and you need additional help in this area, please contact the Professor. PDF’s of the Accounting Workshop will be in the US REIT Course Files

for review.

The various real estate property types will be evaluated and compared in terms of economic cycles, revenue structure, lease structure, risk profile and valuation. These include multi-family and other residential, retail, industrial, office, technology related sectors (data centers and cell towers), Storage and Commercial Mortgage Lending.

Students will be required to perform financial analyses and provide fully formed investment summaries on two- three REITs per week -- which will include the analysis of the property portfolio (asset quality and markets), business model, management team, growth prospects, financial overview, investment risks, valuation & price targets (using the various valuation methodologies) and total return expectations.

The latter classes will cover Portfolio Management including benchmarks, stock selection, weightings of each stock in a portfolio, performance measurement and a comparative analysis of REIT Mutual Funds available in the market.

Professional REIT analysts/investors will visit the class over the semester to share insights and expertise, and answer questions.

## **II. COURSE REQUIREMENTS AND ASSIGNMENTS**

Students will be expected to complete the readings and to analyze specific data and information on select REITs in order to prepare for group discussion.

The mid-term will consist of multiple choice questions. The final exam will cover all the material learned during the semester – the format of which is will be determined later.

## **III. COURSE GRADING CRITERIA**

Course grading allocations are:

1. Completion of readings and company specific assignments: 45%
2. Attendance and in-class participation: 15% (important if you are expecting a High Pass)
3. Mid-term: 20%
4. Final exam: 20%

Please note that the work is expected to be done individually and not in groups. This allows for each of you to develop your own investment “voice” and avoids “group think”. I will penalize those that seem to have similar or the same written passages and numbers.

#### **IV. READINGS & TECHNOLOGY**

**Textbooks:** There are two Textbooks listed. They are good background – use them for reference only.

**Non Textbook Reading:** The CFA Level II Reading is required. It is more specific, technical and dense. I urge you to read this as part of the class.

**Weekly Topical News:** Various news on the sector will be assigned. I will request 2-3 students to read and discuss the articles at the start of each class.

**Company Materials:** The specific materials for each REIT will be imperative and insightful to the analysis. Most will be placed on Courseworks, and the balance is available on SNL and company investor relations websites.

All readings will be posted on ***Courseworks***.

**Technology:**

The SNL REIT analysis tools are available and will be helpful to speed up the analysis of the companies. Do not overly rely on this as it tends to “dumb down” your work.

Seeking Alpha is an app that I suggest you download from the app store. It provides the ability to set up a list of stocks, and then get quick and easy access to stocks prices, charts, news and earnings transcripts.

Courseworks has a new Tab called Pizza. It allows students to post questions regarding the class. I believe this could be a good tool and we should think about ways to utilize this in the class.

**Textbook 1: Investing in REITs 4<sup>th</sup> Edition, Ralph L. Bock**

**Textbook 2: CFA Institute Industry Guides: The REIT Industry, Irfan Younus**

**Non Textbook Reading: CFA Level II - Reading 39, Publicly Traded Real Estate Securities**

**Sell Side REIT Research – Various**

**NAREIT Articles - Various**

**Company Websites - Financials, SEC documents and Company Presentations**

**Financial & Economic News – WSJ, NYT, FT, Bloomberg, etc.**

**Technology – SNL & Seeking Alpha App**

#### **V. COURSE OUTLINE (subject to changes & updates as the class progresses)**

<b>Date</b>	<b>Covering</b>	<b>Text 1 Chapter</b>	<b>Text 2 Pages</b>	<b>CFA II Section</b>
<b>9/7</b>	<b>Overview: Why Invest In REITs</b>	<b>1-6</b>	<b>1-20</b>	<b>1-3</b>
<b>9/14</b>	<b>Analysis &amp; Valuation Metrics</b>	<b>7-9, B-C</b>	<b>29-51</b>	<b>4-7</b>
<b>9/21</b>	<b>Sector Analysis – Residential I</b>	<b>10, D</b>		<b>8.0-9.0, Extra</b>
<b>9/28</b>	<b>Sector Analysis – Residential II</b>	<b>13</b>		<b>Extra</b>
<b>10/5</b>	<b>Sector Analysis – Industrial</b>			
<b>10/12</b>	<b>Mid-term Exam</b>			
<b>10/19</b>	<b>Sector Analysis – Office</b>			
<b>11/2</b>	<b>Sector Analysis – Technology - Data Centers &amp; Cell Towers</b>			
<b>11/9</b>	<b>Sector Analysis – Storage &amp; Other</b>			
<b>11/16</b>	<b>Sector Analysis – Commercial Mortgage Lending</b>			
<b>11/30</b>	<b>Portfolio Analysis</b>			
<b>12/7</b>	<b>Final Exam</b>			
<b>TBD</b>	<b>REIT Analyst Visits</b>			