COURSE STATEMENT

Real estate capital markets have been experiencing tremendous transition and development over the 1990s as real estate becomes integrated with the capital markets on a global scale. The growth of public equity financing for real estate companies and the development of a commercial mortgage-backed securities market have created a broader set of financing options for both real estate investors and developers. Capital flows to real estate must be competitive on a risk-adjusted basis with other investments, a pricing discipline that has fundamentally altered the past ways of financing real estate, much of which was on a project-by-project basis. The structural transformation of real estate finance consequently, calls for students of real estate to become fluent in the languages of both corporate finance and real estate.

This course examines, in depth, financial strategies for real estate companies and debt structures for real estate investments. The focus is on public securities markets—both equity and debt—their role as sources of funds for real estate and the arbitrage interplay that occurs with private markets. The course aims to impart to students a competency in investment banking and advanced financial structuring as applied to real estate today. On the equity side, specific topics covered include equity valuation in the public markets, pricing via common-stock comparisons, the IPO process, REIT accounting and corporate finance, and private equity. On the debt side, specific topics covered include debt securitization, CMBS structuring, rating agency procedures and the securitization process, and mezzanine debt.

Course materials and cases aim to blend theory with real-work applications and investment-banking practice. Class formats are varied: lectures, discussions based on exercises or readings, cases and guest speakers from Wall Street who explain practices and dissect cases.
September 8 (W)  Introduction and Course Overview

EQUITY FOR PUBLIC REAL ESTATE COMPANIES

September 13 (M)  Equity Concepts and Valuation
September 15 (W)  REIT Accounting: How do you measure profits? FFO, FAD, EBIDTA and all that...
September 20 (M)  Structuring the REIT IPO [Religious Holiday; class will be videotaped]
September 22 (W)  Video Replay of Structuring the REIT IPO class
September 27 (M)  Common-Stock Comparisons

October 4 (M)  REIT Corporate Finance and Real Estate
October 6 (W)  REIT Accounting: Reading Financial Statements, Intelligently
October 11 (M)  Private Equity
October 18 (M)  Case Analysis

DEBT FINANCING FOR REAL ESTATE

October 25 (M)  Debt Markets and Fixed-Income Basics
October 27 (W)  Optional Review Session: Fixed-Income Basics
November 1 (M)  COLUMBIA HOLIDAY
November 3 (W)  Debt Accounting: Loans, Leases, Hedges and Other Derivatives
November 8 (M)  CMBS Structuring: Risk Segmentation, Rating Agencies & the Securitization Process
November 15 (M)  CMBS Structuring: Protective Mechanisms, Prepayment and Default

November 22 (M)  Case Analysis: Evaluating A CMBS Deal
November 29 (M)  Private Markets for Debt: Mezzanine Debt; Comparing All in Costs

December 6 (M)  Capstone Case
   Guest: Michael Fascetelli, Vornado Realty Trust