

RE 591
 Professor Crocker H. Liu
 3:10-5 p.m. MW BA257
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Fall 2008
 BAC575
 Office Hours:
 5-6 p.m. MW

Real Estate Capital Markets: Equity Securitization

Course Objectives: This course is designed to introduce students to various facets of real estate securitization from both a debt and equity perspective. Students will not only gain an understanding of the theory underlying the securitization, structuring, and pricing of assets in general and real estate in particular but will also learn how to actually structure and value various real estate securities using Excel. Equity instruments explored include real estate investment trusts (REITs), commingled real estate funds (CREFs), limited partnerships, and real estate swaps among others. The course also explores real estate securitization in a mixed asset portfolio as well as international real estate securitization. Real Estate Process I and II is a prerequisite for this course.

Texts	<p>Required: Richard T. Garrigan and John F.C. Parsons, Real Estate Investment Trusts: Structure, Analysis and Strategy, McGraw-Hill; 1st ed (September 1, 1997)</p> <p>Recommended: Ralph L Block, Investing in REITs: Real Estate Investment Trusts: 3rd ed, Bloomberg Press, (January 1, 2006)</p> <p>Nicholas Cammarano and James J. Klink, Real Estate Accounting and Reporting, 3rd ed, Wiley; 3rd ed (February 1, 2001)</p>
Class Packet	Lecture notes are available at the Memorial Union Copy Center (basement)
Reading Packet	Readings are available for download on my website for this course. The password will be given on the first day of class.

Grading: Grading is based on the class curve rather than the total number of points and adheres to the grading curve.

Each Case (4 Cases)	15% (60% Total)
Final Exam	40%

Each of the cases is an **INDIVIDUAL** case study. Students must turn in assignments on the date due by the beginning of class. No late submissions are allowed. Grading is based on the class curve.

Topic Schedule 8/20/07-9/22/07

Class/ Week	Date	Topic	Assigned readings/Assignment
1	8/20- 8/22	Real Estate Investment Trusts	<p>Wachovia, July 2005, Real Estate in Real Terms: Wachovia Real Estate Primer, pp 7-66, 125-158</p> <p>Key Ratios for Rating REITs and Other Commercial Property Firms, Moody's, April 2007</p> <p>D. Downs and Z. Güner, On the Quality of FFO Forecasts, <i>Journal of Real Estate Research</i>, Jul-Sep 2006; 28(3): 257-274</p> <p>NAREIT, April 2002, White Paper on Funds from Operations, pp. 1-8.</p> <p>Prudential, July 1997, Real Estate Accounting and Reporting Study.</p> <p>GP Ch1 – Modern REIT Industry: An Overview GP Ch2 – Going Public: Formation of a REIT GP Ch3 – REITs as Legal Entities GP Ch9 – REIT Mergers and Acquisitions GP Ch12 & 13 – Historical Behavior of REIT Returns</p> <p>Case 1: Forecasting REIT FFO</p>
2	8/27 - 8/29	Real Estate Investment Trusts (continued)	<p>GP Ch14 – Financial Analysis of REIT Securities</p> <p>Ernst & Young, October 2006, Global REIT Report 2006, pp. 1-37</p> <p>Case 2: REIT Valuation Case</p>
3	9/03 – 9/05	Real Estate Funds: Private Equity, Commingled RE Funds	<p>Ernst & Young, Fall 2005, Market Outlook: Trends in the Real Estate Private Equity Industry, pp. 1-14</p> <p>INREV, January 2007, Investment Intentions Survey</p> <p>Case 3: Real Estate Private Equity Case (ToysRUs)</p>
4	9/10 – 9/12	Real Estate Swaps Real Estate Derivatives	<p>Jim Clayton, PREA Quarterly, Winter 2007, Commercial Real Estate Derivatives: They're Here ... Well, Almost, pp. 28-31</p> <p>The Townsend Group, September 2005, Real Estate Derivatives: Drive to Derive, pp. 1-7</p>

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4	9/10 – 9/12	Real Estate Swaps Real Estate Derivatives (continued)	Macromarkets, 2006-2007, S&P/Case-Shiller Home Price Indices: A Primer, pp. 1-18 Chicago Mercantile Exchange, Introduction to CME Housing Futures and Options, pp. 1-28 Chicago Mercantile Exchange, Introduction to CME U.S. Commercial Real Estate Futures and Options, pp. 1-28 Case 4: Real Estate Swaps
5	9/17	Real Estate in a Mixed Asset Portfolio	GP Ch. 15 – Public and Private R.E.: Performance Implications for Asset Allocation GP Chapter 17 – REIT Investment Strategy: The Pension Fund Perspective
5	9/19	Final Exam	You may bring in 2 pages of formulas ONLY!!! This includes explanation of formulas.