

Financial Modeling for REITs

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Note – larger part of this event is financial modelling on Excel. The faculty will cowork with participants to develop Excel models for REITs. General proficiency in Excel is a must for this course. Specific functions to be used will be intimated to participants in advance. All participants will bring along their own computing devices.

Day 1:

1. REITs – familiarisation
 - a. Collective devices for commercial real estate: REITS, REOCs, property trusts, property funds, mutual funds, and so on – distinctive features of each
 - b. REIT industry globally
 - c. Growth of the REIT industry in selected jurisdictions
 - d. Preconditions for REITs – tax transparency and regulation
 - e. REITs and CMBS
 - f. Looking forward – CRE funding by REITs
2. Structuring of REITs
 - a. Normal REIT structure
 - b. UPREIT structure
 - c. DownREIT structure
 - d. Structure in different countries
 - e. Classes of liabilities in REITs
 - f. Islamic REIT structures
3. Simple financial model for REITs:
 - a. Basic techniques of forecasting cashflows of commercial real estate – understanding factors that affect property cashflows
 - b. Projecting property cashflows
 - c. Projecting property expenses and NOCF
 - d. Projecting residual value of property
 - e. Incorporating REIT cashflows –
 - Rental Income
 - Administration costs
 - Management fees
 - Property Taxes
 - Property Acquisition Costs
 - Disposal Proceeds
 - Capital Expenditure

- f. Building a simple cashflow model
- 4. Incorporating volatility in cashflows
 - a. Use of simulation approach to incorporate volatility
 - b. Volatility areas
 - i. Vacancy
 - ii. Rentals
 - iii. Property expenses
 - iv. Residual value
 - c. Developing a probability distribution of property NAV after incorporating uncertainty

Day 2

- 5. Incorporating impact of diversification
 - a. Multi-tenant property
 - b. Multi sector property reits
 - c. Impact of correlations
- 6. Basics of property and REIT accounting
 - a. Accounting standards on investment property –basics
 - b. Understanding REIT FFOs and AFFOs
 - c. GAAP accounting and REIT accounting – key differences
 - d. Understanding the performance analytics of REITs
- 7. Incorporating leverage, CMBS, etc:
 - a. Incorporating the impact of leverage on REIT valuations
 - b. Superimposing CMBS in REITs
 - c. Incorporating reinvestment of cashflows, NFOs, etc
- 8. Case studies on REIT valuations: we will take case studies of at least 2 real life REITs