

NEW YORK INSTITUTE OF FINANCE

Established 1922



Real Estate Finance Suite

Gain state-of-the-practice understanding
of real estate investment and finance
in the “New Normal” economy

October 31–November 4 | New York

Overview

While property prices in the U.S. are at multi-year lows and the Fed has embraced easy money to re-inflate the economy, real estate continues to be an important asset class in institutional portfolios and household wealth.

This program is designed for industry participants and investors to gain state-of-the-practice understanding of real estate investment and finance in the “New Normal” economy.

From demand assessment to financing, capital structures, valuation, and risk management, industry executives and experts in economics and finance will address issues that are critical in today’s real estate market.

Level: Advanced **CPE Credits:** 36.0

Target Audience

Project managers and analysts, developers, fund managers, research analysts, consultants, sales professionals, individual and institutional investors, financial advisors, plan sponsors, investment committee members, and pension board members.

Learning Objectives

Participants will be able to:

- Identify the drivers of real estate demand and rates of return in different real estate markets
- Analyze the dynamic interplay between economic trends and real estate cycles
- Learn and apply analytical techniques to assess demand for different property types across market segments, real estate cycles, and in foreign countries.
- Understand how to analyze and capitalize various types of financing
- Identify the various sources of capital for real estate financing, both public and private
- Analyze advanced structures of capital stacks for various property types
- Approach optimal capital structures with different types of capital, for different property types, and with different investment objectives
- Have a firm grounding of different methods of commercial real estate valuation, from using traditional methods to valuation from the viewpoints of capital providers
- Understand the dynamic interplay between desired capital structures and valuation
- Identify the sources of risks in real estate and how to evaluate them
- Understand the trade-offs between risks and returns, and the risk effects of leveraging capital structures and financing
- Have in-depth understanding of how to create an optimal real estate portfolio through diversification across property types and markets

Prerequisites: Financial calculator required. Knowledge of Excel.

YOUR INSTRUCTORS

The Suite is led by Dr. Vinh Q. Tran and instructors who are experienced industry executives and adjunct professors at a leading university in New York.

Vinh Q. Tran, Ph.D.



Vinh Q. Tran has been a money manager for over 25 years with global financial institutions, including Morgan Stanley and Bank of America. He is Managing Partner at Pinehill Capital LLC, an investment advisory firm. He has been doing research and writing on global and Asian markets and economies and has given lectures at renowned universities, including Wharton School of Business, Harvard Business School, and New York University. He is Adjunct Professor at NYU Center for Global Affairs, and lead lecturer and founder of the Real Estate Finance program at New York Institute of Finance.

Dr. Tran has had career experience in managing global investments, hedged equities and alternative investments, including institutional real estate and private equity, and advising wealthy individuals and institutional investors. He was Director of Alternative Investments at Bank of America, Head of Global Fixed Income at Morgan Stanley, and Director of International Investments at Aetna Life & Casualty. He has earned high acclaim for his top investment performance from *Fortune*, the *New York Times*, *Morningstar*, and others.

Dr. Tran is the author of *Market Upside Down: How to Invest Profitably in a Shrinking Economy* (FT Press/Wharton School Publishing), wherein he discusses how to achieve long-term objectives with absolute return strategies and opportunistic investments, while minimizing risks of capital loss and liquidity shortfall; *Evaluating Hedge Fund Performance* (John Wiley & Sons), a recommended reading for the CFA® program which is being translated into Chinese by Shanghai University Finance and Economic Press; and *Foreign Exchange Management in Multinational Firms* (University of Michigan Research Press.).

Dr. Tran taught investment and quantitative finance as an adjunct professor of finance at NYU Stern School of Business and also as a Visiting Scholar at NYU Schack Institute of Real Estate. He holds a Ph.D. and MBA in Finance from The George Washington University and Business Administration and Political Science degree from the University of Dalat, Vietnam.

DAY ONE

Demand Assessment & Market Analysis

The 2008 collapse of the economy and real estate prices point to the critical importance of effective demand and return analyses in the success of real estate developments and investments, through different economic cycles and in different real estate markets. Participants will learn analytical techniques applicable to different property types, market segments and foreign countries.

The Economy and Real Estate

- The drivers of real estate returns
- Economic cycles and real estate returns

The Real Estate Cycle

- Why is there a real estate cycle
- How is the real estate cycle related to the general business cycle
- Using the yield curve as an indicator
- Understanding how government policies affect the real estate cycle

Real Estate Markets

- Discussion of the characteristics of different real estate types and the associated cycles
- Identification and calculation of real estate market variables, like vacancy rates and cap rates
- Using the real estate market variables to identify the different real estate cycles and analyze opportunities

Replacement Cost versus Rent Model

- What are the input variables for this model
- What does the model tell us
- How do the input variables change for different types of real estate and different stages of the real estate cycle

The Top Down Approach—Part One

- Analyzing global real estate markets, especially Asia
- Drivers of institutional investing: global real estate investors versus local real estate investors
- Relating real estate cycles to risk and portfolio management

The Top Down Approach—Part Two

- Agglomeration effects: What are the benefits of concentrated real estate markets
- How does infrastructure tie in and what to look for when analyzing real estate opportunities
- Identifying development and ownership rights and their importance to the final investment decision

DAY TWO & THREE

Debt, Equity & Alternative Financing

The credit crunch has prompted developers and investors alike to seek alternative financing, in addition to traditional debt and equity. Participants will examine how to analyze and capitalize various types of transactions. Advanced concepts of structuring capital stacks for various property types and private and public capital, including hedge funds and private equity firms, will be explored.

Senior Debt

- How money is distributed - path of capital from sources to user
- Classification of the participants, nature and sources of capital
- Key components
- Deal Structures - participation, accruals, IO
- 360/364
- Reserves
- Syndicated versus participation
- Compounding structures (full/partial)
- Points in and out
- Assumptions / extensions
- Recourse - full / partial, springing, burn off / walkway
- Four methods to reduce future defeasance cost
- Four methods of loan sizing
- Loan pricing (how to calculate points for targeted yields given rate and vice versa)
- Modeling floating rate loans and A/B structures with different terms / amortization periods
- Forward standby and forward takeout commitment structures

Equity / Mezzanine

- How money is distributed - path of capital from sources to user
- Classification of the participants, nature and sources of capital
- Mezzanine debt - uses of and pricing factors, fixed / floating / participating
- Calculating IRR look backs on fixed and floating rate mezzanine loans
- Equity structures - entity level, programmatic equity, preferred equity, JV and forward pre purchases
- Key components of JV agreements
- Calculating equity promote structures - Excel
 - Parri Passu vs. senior subordinate on pref
 - Pref first, then return of capital
 - Pre = return of and on capital
 - Look-backs and claw-backs

Monetizing RE and Alternatives

- Recapitalization - different perspectives of principal, debt and equity provider
- Ground leases
- Sale leaseback
- Corporate trade for RE
- Asset swaps (LSP) for real estate and debt positions

DAY FOUR**Capital Structure & Valuation**

With debt financing scarce, participants will explore strategies to achieve optimal capital structures from the viewpoint of capital providers, specific to property types, return objectives and risk acceptance. Also, building blocks of commercial real estate valuation will be juxtaposed with alternative approaches that principal investors are utilizing today in the context of lower transaction volume and generally less pricing transparency.

Financing Alternatives and Costs of Capital

- Definition and context
- Pricing / cost of capital
- Control and covenants
- Interests and negotiating points
- Market participants
- Conflicts of interest among capital providers

Commercial Real Estate Valuation

- Traditional methods of commercial real estate valuation
 - Sales comparables
 - Replacement cost
 - Income capitalization
 - Discounted cash flow
- Creative methods of due diligence and valuation discovery
- Feasibility / highest and best use
- Market research and assumption corroboration
 - Opportunistic debt acquisition

Valuation through the Prisms of Debt and Equity

- Debt participants = downside mitigation
 - Equity participants = upside maximization
- An interactive discussion focused on how various sources of capital formulate, evaluate, and eventually conclude on asset valuation.

DAY FIVE**Portfolio Diversification & Risks**

Participants will analyze how returns and risks of real estate portfolios vary with diversification of small versus large properties, regional versus national and global markets, or investment vehicles, including REIT and private equity funds; risks specific to tenants and buyers, types of properties, as well as economic cycles and market conditions. Strategies to enhance values, and achieve optimal return and risk trade-offs, will also be examined.

Defining Risk and Return

- How is risk defined
- How does one determine his or her investment objectives
- Based on these investment objectives, how can and should one calculate the required return
- How does risk affect the probability of earning the required return: a discussion of expected returns versus realized returns

Creating an Optimal Portfolio through Diversification

- What is a state of the economy table and how does one create such a table
- How do we calculate the expected return and risk using the state of the economy table
- Why and how is real estate different
- Creating a well-diversified portfolio that includes real estate
- Performing a buy-hold-sell decision analysis: portfolio rebalancing

Inputs for the Model

- Historical data
- Potential data sources and data requirements


Benchmark Analysis

- The advantages of creating a standardized benchmark for risk analysis
- Is it possible to use benchmark analysis for real estate: Using beta
- Looking at the NCREIF index or country-specific equivalent

Pitfalls and Plain Mistakes

- Autocorrelation: What is it and is it important
- The Life Cycle: A very useful model, but also a potential pitfall
- Real estate is lumpy: Is that bad or an opportunity
- Behavioral real estate decisions: What if investors are irrational
- How does property management play a role in all of this

ENROLLMENT APPLICATION AND ORDER FORM

 Fax your completed form to +1 212-641-2598

	Dates	Code	Cost
Real Estate Finance Suite (Days 1–5)	<input type="checkbox"/> October 31–November 4	SPEC5009	\$4,875
Day One Demand Assessment & Market Analysis	<input type="checkbox"/> October 31	SPEC5006	\$1,575
Days Two & Three Debt, Equity & Alternative Financing	<input type="checkbox"/> November 1–2	SPEC3004	\$2,475
Day Four Capital Structure & Valuation	<input type="checkbox"/> November 3	SPEC5007	\$1,575
Day Five Portfolio Diversification & Risks	<input type="checkbox"/> November 4	SPEC5008	\$1,575

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I certify that the above information is correct. I am aware of the prerequisites for the course(s) for which I am registering and have met the necessary requirements. I have read and understand the enrollment policies.

Attendee Signature _____ Date _____

Enrollment Policies

Your registration is not complete until payment is received before the event.

Cancellation, Transfer and Substitution Policy: A full refund less a cancellation fee of 10% will be applied to all cancellations received in writing at least 21 calendar days before the event. Absolutely no refund or credit will be given for cancellations received less than 21 calendar days before the event. A charge of 10% of the course fee will be applied to all transfers that occur at least 21 calendar days before the event. A participant may only transfer once within the policy guidelines.

Please note that visa issues are subject to the same refund policy and refunds will not be offered due to the inability to obtain a visa. No refund will be issued once a visa is obtained and the NYIF class is scheduled to run. The only time a refund will be given

once a visa is issued and payment is made, is if NYIF cancels the class. No substitutions will be allowed as the visa letter applies only to the original registrant.

Should a participant be unable to attend, a substitute may attend at no extra charge provided NYIF receives notification of the substitution in writing before the event.

Incidental Expenses: NYIF is NOT responsible for covering airfare or other travel costs incurred by registrants.

Venue details: Please refer to our website for venue location. Full details will be sent to you upon registration.

Disclaimer: NYIF reserves the right to alter the contents of this course and/or the course instructors due to circumstances beyond our control.

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within 6–8 weeks of start of course.

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July 18–22 | October 31–November 4 | New York