DEPARTMENT OF FINANCE
MCCOMBS SCHOOL OF BUSINESS
UNIVERSITY OF TEXAS AT AUSTIN

FIN 397.6 – Special Topics in Investments - REIT
FIN 377-3 Security Analysis - REIT

Spring 2013
Monday 3:30 – 6:30, GSB 5.153, uniques 03735, 03545

Professor: Greg Hallman
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Class website: Blackboard
Office Hours: most (about ½) Tuesdays and every Thursday, 1:15 – 3:00

Course Description

This course is designed to train the fund managers of the McCombs REIT fund. The goal
of the class is to train REIT fund managers in both the analysis of REIT stocks and in the
construction of an active REIT portfolio designed to outperform the unmanaged Dow Jones
REIT index of equity REIT stocks. REITs are an interesting and unique combination of
real estate assets and financial securities, and provide a very good opportunity for student
fund managers to gain analytical skills in core real estate valuation and analysis, security
analysis, and active management portfolio construction.

We start the course with an overview of the REIT Fund investment process, including
choosing stocks to analyze, analytical methodology, making trade decisions, putting
together the memo, and making the final trades to re-arrange the portfolio. Following our
nuts and bolts discussion of the fund work flow, we will discuss some basic urban
economics and commercial real estate analysis and valuation methods. In our second
meeting we will start into REITs and go over the history and structure of the REIT industry
and REIT performance as an asset class. After our coverage of the REIT industry we start
portfolio theory, focusing first on the traditional analysis and construction of mean-variance
portfolios. The REIT Fund is an actively managed sector fund, and we follow our
traditional discussion of MV-efficient portfolios with a discussion of optimal strategies for
actively managing a stock portfolio against a sector benchmark. The "pairs trading"
strategy used by the McCombs REIT fund is an important portfolio management tool that
the REIT fund managers learn through both lecture and practice in actively managing the
portfolio. After our portfolio theory work we re-focus on REITs with a lecture and
discussion on REIT performance metrics and analyses and relative valuation metrics, along
with a review of a few professional REIT analyst reports. In our last meeting before spring
break we will have a short midterm on REIT performance metrics and relative valuation
measures, along with a few questions related to active portfolio management, and I will talk
about the specifics of getting the REIT financial data and constructing and using a REIT
analysis spreadsheet model.

In the second half of the course student managers will concentrate their efforts on analyzing REIT stocks to determine optimal portfolio weights in the McCombs REIT portfolio. Throughout the second half of the course student managers will work in teams consisting of both MBAs and undergrads and will present their analyses to the class for critique and debate to move to a consensus on the portfolio weights for the REITs in the portfolio. Students not presenting are required to read the posted analyst reports related to the REITs being presented and to come prepared for discussion of the presentation REITs.

Grading

Assignment	date	%
Portfolio theory homework	due Feb 11	10%
Pairs-math and Tracking Error HW	due Feb 18	10%
Short Midterm	Feb 25	30%
Pairs presentation	TBD by midterm score	30%
Class Participation	ongoing for presentations	20%

Academic dishonesty will not be tolerated. Your responsibilities with regard to scholastic dishonesty are described in detail in the Policy Statement on Scholastic Dishonesty for the McCombs School of Business.

Course Materials

The required material for the course will be provided on blackboard. There is no text for the course, but I will be posting material throughout the semester on the blackboard site and I expect you to keep up with the readings that I post and read them before we meet.

Course Schedule

meeting	DAY	DATE	TOPIC
1	Mon	Jan-14	Introductions and meet and greet REIT overview REIT Fund investment process A little Urban Economics Basic Commercial Real Estate Analysis and Valuation
2	Mon	Jan-28	REITs and the REIT Industry REIT performance and risk characteristics
3	Mon	Feb-4	Portfolio Theory and the traditional portfolio problem Construction of traditional MV-efficient portfolios

4	Mon	Feb-11	Active portfolio performance metrics Managing Performance and Risk Against an Index Pairs-trading and tracking error
5	Mon	Feb-18	REIT metrics and analytics – performance evaluation and relative value metrics Review of professional REIT analyst reports
6	Mon	Feb-25	Short midterm on REIT analytics and Active Management Analyzing and Valuing a REIT – Professor example using the REIT spreadsheet model

GLOBAL TRIP WEEK AND SPRING BREAK –

I Advise using at least the first week of the break, if you're around, to:
- get hooked up to SNL, make sure you can download the REIT info you need,
- get started getting a model together to do the analysis,
- review a couple of the pairs-presentation decks
- if you are going, first or second, i.e., in the second week back, we can talk sooner and you can pick the REITs you want to analyze.

7	Mon	Mar-18	Review of the current portfolio and latest REIT Fund memo Additional discussion on the spreadsheet model and review of sample pairs presentation – I will talk about some aspects of the analysis that are required, and the overall goal of the analysis and presentation Final discussion and choices of REITs to analyze
8	Mon	Mar-25	Pairs presentations
9	Mon	Apr-1	Pairs presentations
10	Mon	Apr-8	Pairs presentations
11	Mon	Apr-15	Pairs presentations
12	Mon	Apr-22	Additional pairs presentations, if needed Discussion and planning of REIT Fund memo
13	Mon	Apr-29	Finalize memo and determine trades