

Financial Modelling in Excel for Real Estate Investment Trusts (REITs) and Real Estate Development

By Wong Kah Teck, CFA, MBA (Chicago Booth), BSc (Wharton School) and BA (University of Pennsylvania)

Program Overview

How much is a Real Estate Investment Trust (REIT) worth? How would changes in strategy affect its value and financial ratios? Based on current operating assumptions, would a REIT be able to meet its leverage targets? How should it meet its future funding needs? Is a real estate development project financially viable? What are its expected returns? How can deal structure be optimized to meet investor and lender requirements?

REIT and Real Estate Development Models are essential to quantitatively answer the above questions and more. The **Financial Modelling in Excel for REITs and Real Estate Development** Program equips participants with practical skills to build a fully-integrated REIT and Real Estate Development financial models.

Benefits:

- This Program is extremely hands-on, where participants learn step-by-step how to build detailed financial models for REITs and Real Estate Development
- See how financial concepts such as discounted cash flow, internal rate of return and money multiple are applied in financial models
- Gain practical insights into terminologies related to REITs and real estate development
- Apply useful Excel short-cuts to expedite model-building
- Appreciate how robust financial models can be used for analysis and decision making

Key Program Takeaways

- Build a financial model to determine the value of a REIT
- Use to model to assess whether the REIT can meet a given leverage target or propose changes to its financial policy to do so
- Test the validity of conclusions about the valuation impact of changes in a REIT's acquisition, disposal and redevelopment strategy
- Recommend funding options to meet a REITs funding requirements
- Assess future financial ratios (Debt/EBITDA, EBITDA/Interest, Dividend Yield, etc) and infer the future financial health for a REIT
- Review the effectiveness of the REIT financial model in predicting the value of a REIT using Net Asset Value and Discounted Cash Flow (DCF) methodologies
- Propose funding sources for a real estate development to optimize value for investors and lenders
- Model rent revenues and expenses on a lease by lease basis for a real estate development
- Model the construction phase of a real estate development (including equity and construction debt drawdowns)
- Construct a waterfall schedule to determine Internal Rates of Return (IRRs) and money multiples to different groups of investors (e.g. developer and investors)

- Recommend changes in deal structure for a real estate development to satisfy return and risk requirements of various investors and lenders

How Will You Learn

- Financial modelling case studies
- Building financial models step-by-step
- Interactive lectures

Others

10 SIDC CPE points
HRDF Claimable

Date and Venue

4 – 5
Nov

Wed –Thurs 09:00 – 17:30

Perdana Room,
Royal Lake Club, Kuala Lumpur

Fee (inclusive 6% SST)

Standard	RM 4,028
Early Registration (by 2 Oct 20)	RM 3,816

10% discount applies for group registration of 3 or more from the same organization.

Target Audience

- Investment and research analysts
- Investment banking professionals (Corporate Finance, Equity Capital Markets and Debt Capital Markets professionals)
- Investment managers
- Real estate valuers and analysts
- Real estate developers and investors

Prerequisites

- Participants are required to bring along their laptops equipped with Microsoft Excel 2007 or higher.
- Participants should have an intermediate working knowledge of financial modelling.

Enquiries

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Outline

Day 1: Real Estate Investment Trust (REIT) Modelling

Session 1: Introduction and Modelling Segmental Revenues and Expenses

- How REIT financial modelling differs from traditional financial modelling
- Why build a financial model for REITs?
- A framework for segmenting a REITs sources of revenue and expenses
- Distinguishing between fixed and variable items
- Build-up of revenue and expense forecasts for existing properties
- Modelling the effect of property acquisitions and disposals, developments and redevelopments of existing properties

Case Exercise:

- Building segment by segment revenues and expenses for a REIT

Session 2: Projecting the Income Statement for a REIT

- Understanding the logic of a REIT's Income Statement
- Comparing a REITs Income Statement with non-REITs
- Incorporating segmental revenues and expenses into the Income Statement model
- Developing income statement assumptions

Case Exercise:

- Building the Income Statement Model for a REIT

Session 3: Projecting the Balance Sheet and Cash Flow Statement for a REIT

- Understanding the logic of a REIT's Balance Sheet and Cash Flow Statement
- Formulating and Evaluating Balance Sheet and Cash Flow Statement assumptions
- Mechanics of projecting a REIT's Balance Sheet and Cash Flow Statement
- Determining the funding requirements of a REIT
- Deriving a REIT's Funds From Operations (FFO)

Case Exercises:

- Building the Balance Sheet and Cash Flow

Statement for a REIT

- Meeting the funding requirements for a REIT

Session 4: REIT Ratio Analysis and Valuation

- Projecting a REIT's credit statistics and ratios
- REIT valuation using Discounted Cash Flow and Net Asset Value (NAV) methodologies
- Day 1 Wrap Up and Summary

Case Exercises:

- How should a REIT change its financial policy to adhere to leverage targets?
- Assessing a REIT's future financial health
- Finding the intrinsic value of a REIT
- How do changes in acquisition and redevelopment strategies affect a REITs value?

Day 2: Real Estate Development Modelling

Session 1: Introduction

- How Real Estate Development Modelling differs from REIT financial modelling and financial modelling for traditional firms
- Rationale for real estate development modelling
- Formulating assumptions for a real estate development project

Session 2: Construction Phase, Tenant Rentals and Expenses

- Modelling tenant rentals and expenses
- Modelling the construction phase of a real estate development project including construction loan drawdowns and equity investor drawdowns
- Creating the sources and uses of funds schedule

Case Exercises:

- Model rental income and tenant expenses on a lease by lease basis
- Model the construction phase
- Recommending funding sources to optimize value for investors and lenders

Session 3: Modelling Cash Flows from a Real Estate Development

- Building a pro-forma net operating income statement for the development

- Modelling refinancing of the construction loan with longer term debt
- Modelling reserves and capital costs for the development
- Incorporating tenant rental income and expenses into the pro-forma
- Deriving total cash flow to equity investors

Case Exercises:

- Modelling pro-forma net operating income
- Deriving total cash flow to equity investors

Session 4: Investment Analysis and Evaluation

- Construct a waterfall returns schedule that shows cash flows to different classes of investors
- Derive interest coverage and debt service coverage ratios
- Finding the equity internal rate of return (IRR) and cash-on-cash multiple
- Program Summary and Conclusion

Case Exercises:

- Assess the viability of the development project from investors' and lenders' perspectives
- Recommend changes to deal structure to satisfy requirements of both investors and lenders

Trainer's Profile



Kah Teck has more than a decade of capital markets experience. He was a portfolio strategist in CIMB Investment Bank and Am Investment Bank where he was responsible for spearheading investment advisory and product development initiatives and also played an active role in evaluating numerous plain vanilla and hybrid fund raising options. He has also worked for the Securities Commission in research and formulating capital market development policies.

Now the Managing Director and Principal Trainer for FMTCS Sdn Bhd, Kah Teck passionately shares his knowledge and experience with professionals in many of Malaysia's leading financial institutions and government-linked institutions. His trainees frequently credit him with the ability to make finance interesting and demystify complex finance concepts.

Kah Teck graduated *summa cum laude* with a dual degree in finance and economics from the University of Pennsylvania's Wharton School and School of Arts and Sciences, and holds an MBA (with Honors) from the Booth School of Business, University of Chicago. He is also a Chartered Financial Analyst (CFA) charterholder. Kah Teck was also awarded the prestigious ASEAN scholarship to pursue pre-university studies in Singapore.

His teaching and research interests are in corporate finance, derivatives, securities valuation, financial risk management, financial modelling and financial analysis.

What our past participants say about Kah Teck's training delivery:

- Kah Teck is very enthusiastic and knowledgeable and able to **facilitate lively interaction** among participants. Great job!
- Use of **case studies involving actual companies** and **computer simulations** make the topic come alive and also show how financial analysis can be used to make decisions. Keep it up!
- As a non-finance professional, I now have better grasp of financial terms and the numbers that matter, allowing me to **communicate more effectively** with my colleagues in the finance department
- Finally, a financial analysis course that **focuses on practical analysis and critical thinking** rather than theory and accounting standards

Registration Form

Financial Modelling in Excel for Real Estate Investment Trusts (REITs) and Real Estate Development

on 4-5 November 2020, Perdana Room, Royal Lake Club, Kuala Lumpur

09:00am – 05:30pm

Registration commences at 08:30am

Fee (inclusive 6% SST): RM4,028.00 (RM3,816.00 by 2 October 2020)

Name : _____

Designation : _____

Company : _____

Contact Tel. No. : _____

Fax No. : _____

Email Address : _____

Training Dept. : _____

Name: : _____

Contact Tel. No. : _____

Email Address : _____

Payment Details

BY CHEQUE Cheques should be made payable to “FMTCS Sdn Bhd”. Please indicate the following details at the back of your cheque.

- Your Full Name as per registration detail
- Contact Number & Email Address

BY TELEGRAPHIC TRANSFER

- Participants will bear all bank telegraphic transfer charges.
- Once we receive your registration form, we will provide you with an invoice and bank-in details.

Cancellation and refund policy

Cancellations are allowed up to 15 working days before the date of the program.

Cancellation made with less than 15 working days will not receive a refund but may nominate a substitute.

Enquiries

Please contact +6 016 633 2883 or email us at fmtcs.sb@gmail.com

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