

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

FIN 397.6 – Special Topics in Investments – REIT and RE-PE – 03700  
FIN 366P – Finance Practicum - Security Analysis – REIT and RE-PE – 03370

Fall 2018  
Tuesday 3:30 – 6:30, Rowling Hall 3.414

Professor: Greg Hallman

CBA 5.161, [Greg.Hallman@mcombs.utexas.edu](mailto:Greg.Hallman@mcombs.utexas.edu)

Class website: Canvas

Hallman office Hours: Wednesday and Thursday, 2:00 – 4:00; can pretty easily arrange for phone or video consultations outside of office hours\

### Course Description

The Real Estate Investment Fund class is a two semester course, and this course is the second half of the class. The first half of the course focused on investment theory, portfolio theory, REIT analysis and economics. Student groups analyzed pairs of highly-correlated REITs and traded into over- under- positions relative to the benchmark based on their view of the expected relative performance of their REIT pair. In this second half of the course student managers will concentrate their efforts more on the private equity deals, while also analyzing a pair of REITs in the same property sector as the PE deal they are analyzing.

This semester we have four private equity deals we are going to analyze, write an investment memo, and make a presentation to our fund investment committee with our decision regarding investment. Fund faculty managers put out a call for student-fund investments this summer and received interest from four sponsors, all with some form of multifamily projects here in Texas. The fund's goal is to invest between \$100,000 – \$250,000 in one or two of the deals we are analyzing this semester.

Our PE deals for the Fall 2018 semester are:

1. Park at Tour 18 – North-Houston (Humble) MF development; deal sponsor and class contact - Martin Brontstein, BHW Capital, Houston
2. Austin MF development – details TBD; deal sponsor and class contact - Jay Fuqua, Trinity Capital, Dallas
3. Austin MF value-add – details TBD; deal sponsor and class contact – Vivek Shah, Nitya Capital, Houston
4. Daymark Living – Waxahachie MF development for semi-independent living; deal sponsor and class contact – Murray McCabe, Montgomery Street Partners, Dallas

Grading

<u>Assignment</u>	<u>date</u>	<u>%</u>
REIT pairs analysis	Oct 16 or 23	25%
Investment memo on PE deal	Oct 30 or Nov 6	50%
Class Participation	ongoing	25%

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 Canvas. There is no textbook for the course, but I will be posting material throughout the semester on the Canvas 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	Tues	Sept 4	<ol style="list-style-type: none"> <li>1. If you worked in real estate this summer, tell us about your summer, what you did, what you learned, what seemed interesting, what seemed boring</li> <li>2. Review of portfolio summer performance with Bloomberg charts and reports. Review pair bets.</li> <li>3. Introduction of PE deals and thoughts on a REIT pair accompaniment for each PE deal.</li> <li>4. Datasets – CoStar, RCA, and SNL</li> <li>5. Discussion of dates and deliverables; our PE work will culminate in formal presentations to the PE investment committee in the first week of November (or so).</li> </ol>
2	Tues	Sept 11	CoStar training

3	Tues	Sept 18	<p>PE deal sponsor: Vivek Shah, Nitya Capital, Austin MF value-add deal, to speak in class on the investment deal they are kindly sharing with the class and on their business and experience and views on the market in general.</p> <p>Prof Hallman on the economics and financial modeling of a single-asset real estate investment, and the economics and modeling of real estate equity cash flow into a cash-flow waterfall with IRR hurdles. A closer look at the GP/LP contract and relationship.</p>
4	Tues	Sept 25	<p>PE deal sponsors in class:</p> <ol style="list-style-type: none"> <li>1. Martin Brontstein, BHW Capital, The Park at Tour 18, N-Houston area MF development,</li> <li>2. Jay Fuqua, Trinity Capital, Austin MF development TBD, and</li> <li>3. Murray McCabe, Montgomery Street Partners, Daymark Living, Waxahachie MF development for semi-independent living</li> </ol> <p>to speak in class on the deals they are kindly sharing with us and their business and experience and thoughts on the market in general.</p>
5	Tues	Oct 2	<p>– WORK meetings / class discussions– (?+guests to bounce ideas off of, get suggestions for additional areas of inquiry.)</p>
6	Tues	Oct 9	<p>– WORK meetings / class discussions– (?+guests to bounce ideas off of, get suggestions for additional areas of inquiry.)</p>
7	Tues	Oct 16	<p>Present REIT Pairs in class, all in MF space (and arguably a little healthcare with Daymark) ~ 90 minutes – a reminder of public market perceptions of the MF space as we put together our private market investment memos.</p>
8	Tues	Oct 23	<p>– WORK meetings / class discussions– Finalize investment memos; rough presentation of at least the core of the investment argument to the class for discussion</p>
9	Tues	Oct 30	<p>PRESENT TO IC (2 deals; one call/meeting)</p>

10	Tues	Nov 6	PRESENT TO IC (2 deals; one call/meeting)
11	Tues	Nov 13	ADVISORY BOARD meeting in class and on into dinner*; 10-15 minute deal presentations by students to Advisory Board, then an overall presentation on how we bet the REIT MF pairs we reviewed. Agenda below.
12	Tues	Nov 20	For those in town (Thanksgiving is Thursday Nov 22) – Short class meeting for post-mortem / lessons learned from PE work and presentations to IC committee and Advisory Board. Talk a little about the memo.
13	Tues	Nov 27	Class meeting to discuss memo construction, portfolio trades, over/under weights and tracking error estimation in-class; memo to include usual REIT pairs write-ups plus some kind of write-up of the PE investment work.
14	Tues	Dec 4	Quick class meeting to finalize memo and any other class material ( <i>as necessary</i> ); class finishes with dinner at Pluckers, 5:00 – 7:00.

*\*Real Estate Investment Fund (REIF) Advisory Board proposed meeting/dinner agenda*

*Tuesday, November 13, 2018*

- 3:30 – 5:00 Dr. Hallman starts the meeting, talks about the fund class, the students, how things went in this first formal semester working on private deals, Advisory Board introduces themselves to the students (and each other), 10-15 minute deal presentations by students of their private deal analyses (4 groups), with a brief touch on the REIT portfolio as time allows or requires
- 5:00 – 5:15 BREAK
- 5:15 – 6:00 Dr. Hallman moderates economy/real estate market discussion with Advisory Board members. Students are encouraged to ask the Advisory Board questions, and Advisory Board members are encouraged to share anything they feel would be useful to students.
- 6:00 – 7:00 cocktails and meet and greet with students and Advisory Board members
- 7:00 – 8:00 dinner