**Session 2: Practice Worksheet**

**Advanced REIT Financial Analysis - Chain of Thought Methodology**  
**Time: 40 minutes | Professional Investment Analysis**

**Participant Information**

**Your assigned REIT:** ☐ British Land ☐ Land Securities ☐ Segro ☐ Other: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**AI platform:** ☐ ChatGPT ☐ Claude ☐ Gemini ☐ Other: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Part A: Financial Strength Analysis (15 minutes)**

**Chain of Thought Financial Health Assessment**

**Use this prompt template with your REIT's latest data:**

Analyse [YOUR REIT]'s financial strength using the Chain of Thought methodology:

Financial Data: LTV ratio: [X]%, Debt maturity: [X] years, Interest coverage: [X]x,

Cash and facilities: £[X]m, Net debt: £[X]bn, Covenant levels: [X]%

Step 1: Assess Leverage Position - Because the LTV ratio is X%, this indicates...

[Analyse against covenant levels, peer average, and refinancing capacity]

Step 2: Evaluate Debt Profile - Given debt maturity of X years and cost of X%, this suggests...

[Assess refinancing risk, interest rate exposure, and funding flexibility]

Step 3: Analyse Liquidity Position - With cash of £Xm and facilities of £Xm, this means...

[Evaluate near-term funding needs and financial flexibility]

Step 4: Financial Strength Conclusion - Based on leverage, debt profile, and liquidity...

[Overall financial strength assessment and key risks/strengths]

Show your reasoning for each step with specific metrics.

**Record Your Financial Analysis Results:**

**Step 1: Leverage Assessment**

* LTV ratio: \_\_\_\_%
* Covenant level: \_\_\_\_%
* Headroom: \_\_\_\_%
* Peer comparison: \_\_\_\_\_\_\_\_\_\_\_\_

**AI Reasoning:**

**Step 2: Debt Profile Analysis**

* Average debt maturity: \_\_\_\_ years
* Interest coverage ratio: \_\_\_\_x
* Fixed vs floating rate split: \_\_\_\_%

**AI Reasoning:**

**Step 3: Liquidity Analysis**

* Available cash: £\_\_\_\_m
* Undrawn facilities: £\_\_\_\_m
* Near-term debt maturities: £\_\_\_\_m

**AI Reasoning:**

**Step 4: Overall Financial Strength** **Rating (1-10):** \_\_\_\_/10

**Key Strengths:**

**Key Concerns:**

**Part B: Operational Performance & Valuation Analysis (15 minutes)**

**NAV and Dividend Analysis**

**Use this comprehensive analysis prompt:**

Conduct operational and valuation analysis for [YOUR REIT]:

Operational Data: Occupancy: [X]%, Like-for-like growth: [X]%, WALL: [X] years,

Development pipeline: £[X]m at [X]% yield on cost

Valuation Data: NAV per share: £[X], Share price: £[X], P/NAV ratio: [X]x,

Dividend per share: [X]p, FFO per share: [X]p, Dividend yield: [X]%

Step 1: Analyse Operational Performance - With occupancy of X% and rental growth of X%...

[Compare to pre-pandemic levels, sector averages, and peers]

Step 2: Assess NAV and Valuation - Trading at X discount/premium to NAV indicates...

[Analyse NAV quality, valuation methodology, and peer comparison]

Step 3: Evaluate Dividend Sustainability - FFO of Xp covering dividend of Xp means...

[Calculate coverage ratios, assess sustainability, compare yield to benchmarks]

Step 4: Development Pipeline Assessment - Pipeline of £Xm at X% yield suggests...

[Evaluate value creation potential, execution risk, and market timing]

Provide specific calculations and peer comparisons.

**Record Your Analysis:**

**Step 1: Operational Performance**

* Current occupancy: \_\_\_\_%
* Pre-pandemic occupancy: \_\_\_\_%
* Like-for-like rental growth: \_\_\_\_%
* WALL (lease length): \_\_\_\_ years

**AI Assessment:**

**Step 2: NAV Analysis**

* NAV per share: £\_\_\_\_
* Current share price: £\_\_\_\_
* Discount/Premium: \_\_\_\_%
* 5-year average discount: \_\_\_\_%

**AI Assessment:**

**Step 3: Dividend Analysis**

* FFO per share: \_\_\_\_p
* Dividend per share: \_\_\_\_p
* Coverage ratio: \_\_\_\_x
* Dividend yield: \_\_\_\_%

**AI Assessment:**

**Step 4: Development Pipeline**

* Pipeline value: £\_\_\_\_m
* Development yield on cost: \_\_\_\_%
* Market yield comparison: \_\_\_\_%
* Value creation potential: £\_\_\_\_m

**AI Assessment:**

**Part C: Multi-Scenario Analysis & Investment Recommendation (10 minutes)**

**Three-Scenario Valuation**

**Use this scenario modelling prompt:**

Create three valuation scenarios for [YOUR REIT] over 24 months:

BEAR CASE (25% probability):

- Interest rates remain 6%+, property yields expand +50bps

- Rental growth turns negative (-2% to -5%)

- Development pipeline faces delays/impairments

- Dividend cut of 20-30% required

BASE CASE (50% probability):

- Interest rates stabilise 5%, property yields unchanged

- Modest rental recovery (+1% to +3%)

- Development delivers on schedule

- Dividend maintained with 2-3% growth

BULL CASE (25% probability):

- Rates decline to 4%, yields contract -25bps

- Strong rental growth (+4% to +8%)

- Development exceeds expectations

- Dividend growth accelerates to 8-10%

For each scenario, calculate:

- Expected NAV per share in 24 months

- Implied share price (assume 15% average NAV discount)

- Total return (dividend income + capital appreciation)

- Key catalysts and risk factors

Then calculate probability-weighted expected return.

**Scenario Results:**

**Bear Case (25% probability)**

* Projected NAV: £\_\_\_\_
* Implied share price: £\_\_\_\_
* Total return: \_\_\_\_%
* Key risks: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Base Case (50% probability)**

* Projected NAV: £\_\_\_\_
* Implied share price: £\_\_\_\_
* Total return: \_\_\_\_%
* Key assumptions: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Bull Case (25% probability)**

* Projected NAV: £\_\_\_\_
* Implied share price: £\_\_\_\_
* Total return: \_\_\_\_%
* Key catalysts: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Probability-Weighted Expected Return:** \_\_\_\_%

**Final Investment Recommendation**

**Professional Investment Committee Format**

**Investment Recommendation:** ☐ BUY ☐ HOLD ☐ SELL

**Target Price:** £\_\_\_\_ (**\_\_\_\_%** upside/downside potential)

**Investment Thesis (Top 3 Points):**

**Key Risk Factors (Top 3 Concerns):**

**Expected Total Return:** \_\_\_\_% **Time Horizon:** ☐ 12 months ☐ 18 months ☐ 24 months

**Primary Catalyst for Target Achievement:**

**Key Metric to Monitor:**

**Analysis Quality Assessment**

**AI Performance Evaluation**

**Rate the quality of AI analysis (1-5 scale):**

* **Chain of Thought reasoning quality:** \_\_\_\_/5
* **Financial metric calculations accuracy:** \_\_\_\_/5
* **Peer comparison insights:** \_\_\_\_/5
* **Scenario analysis comprehensiveness:** \_\_\_\_/5
* **Investment recommendation clarity:** \_\_\_\_/5

**Most valuable AI insight:**

**Biggest AI limitation encountered:**

**Learning Reflection**

**Key Financial Analysis Skills Gained:**

**Most Important Discovery:**

**Confidence Level in Your Recommendation (1-10):** \_\_\_\_/10

**Why this confidence level?**

**Peer Comparison Discussion**

**Cross-REIT Analysis**

**Your REIT:** \_\_\_\_\_\_\_\_\_\_\_\_\_ **Recommendation:** \_\_\_\_\_\_\_ **Expected Return:** \_\_\_\_%

**Peer's REIT:** \_\_\_\_\_\_\_\_\_\_\_\_\_ **Recommendation:** \_\_\_\_\_\_\_ **Expected Return:** \_\_\_\_%

**Which appears more attractive and why?**

**Key differences in analysis approach:**

**Professional Development Assessment**

**Implementation Planning**

**Which analysis technique will you use immediately?**

☐ Chain of Thought financial analysis ☐ Multi-scenario valuation modelling  
☐ NAV analysis and peer comparison ☐ FFO/dividend sustainability analysis

**The biggest challenge in applying these techniques:**

**How will you address this challenge?**

**Quality Control Framework**

**How will you validate AI analysis in practice?**

**Session 2 Completion Checklist**

☐ Completed comprehensive financial strength analysis using Chain of Thought

☐ Conducted NAV validation and dividend sustainability assessment

☐ Generated three-scenario valuation with probability weighting

☐ Produced professional investment recommendations with a target price

☐ Evaluated AI analysis quality and identified improvement areas

☐ Developed personal framework for ongoing REIT analysis