

Overview

This two-day course presents a framework for understanding commercial real estate (CRE) analysis and provides you with the techniques to reduce risk and improve your decision-making and loan structuring skills.

Commercial Real Estate Analysis Foundations provides you with an end-to-end loan underwriting process for CRE finance and banking. The course begins with a framework to evaluate and mitigate credit risk, then explores various property types and discusses external and property-specific risks. The program addresses cash flow analysis, asset coverage, financial ratios, and property valuation approaches to help determine the CRE loan amount and concludes with CRE loan underwriting and loan structuring options. Case studies and group projects will be included throughout both days of the course.

Who Should Attend?

This seminar is for professionals from the financial services and commercial real estate sectors. Delegates from a wide variety of backgrounds will attend, including:

- » Analysts and underwriters
- » Investment and commercial bankers
- » Relationship managers
- » CRE professionals

Course Benefits

By the end of this seminar, you will be able to:

- » Recognize the credit risks associated with commercial real estate (CRE).
- » Define the different types of income-generating properties and their primary characteristics.
- » Assess the property-specific and external risks associated with lending against commercial properties.
- » Evaluate the quality of income sources associated with commercial real estate.
- » Structure historical and projected property cash flow statements and assess the ability of the property to generate sufficient cash flow.
- » Perform meaningful sensitivity analyses with financial ratios to determine an appropriate loan amount.
- » Assess the ability of a property to generate sufficient cash flow to keep loans current in less-than-ideal circumstances.
- » Properly use commercial real estate appraisals.
- » Make sound, defensible lending decisions, and put in place solid loan structures.

PROGRAM LEVEL

Introductory to Intermediate

PREREQUISITES

None

ADVANCED PREPARATION

None



Course Agenda

MODULES	TOPICS
<p>1 Credit Analysis Framework and Credit Risk</p>	<p>Liquidity and solvency tests and analytical decision-making</p> <p>Five crucial areas of risk assessment</p> <p>Financial risk analysis and risk mitigants</p> <p>General categories and types of CRE credit risk</p> <p>5-C's of credit</p>
<p>2 Property Types and Uses</p>	<p>Description of general CRE property types: Residential Construction, Multifamily, Industrial, Office, Retail, Mixed-Use, Special-Purpose, and Land</p> <p>Primary characteristics of those CRE property types</p> <p>Similarities and differences between CRE property types</p> <p>Owner-occupied properties vs. investment properties</p> <p>Special-purpose properties</p> <p>Current trends affecting general CRE property types</p>
<p>3 External Risks</p>	<p>Property location and its effect on demand and credit</p> <p>CRE in the context of market and economic trends</p> <p>Space markets, asset markets, capital markets, and development industry</p> <p>Real estate capital markets and industry statistics</p> <p>External environmental issues</p> <p>Legal and governmental regulatory risks</p>
<p>4 Property-specific Risks</p>	<p>Sponsor/borrower analysis</p> <p>Tenants: source of cash flow</p> <p>Description of lease types and terms</p> <p>Property management and building maintenance</p> <p>Deferred maintenance and reserves for replacement</p> <p>Property condition assessments (environmental, engineering, seismic, and property inspections)</p> <p>Property inspections, including inspections for construction loan</p>

MODULES	TOPICS
<p>5 Cash Flow Analysis</p>	<p>Cash flow projections and "drivers"</p> <p>Liquidity and pro forma cash flow overview</p> <p>Description of individual pro forma cash flow items</p> <p>Sample rent roll and pro forma cash flow</p> <p>Capitalization rates</p> <p>Cash flow and property valuation</p> <p>Ground leases and mortgage financing</p> <p>Legal aspects of leases</p>
<p>6 Coverage Analysis and Financial Ratios</p>	<p>Description of financial ratios</p> <p>Interaction between pro forma cash flow and financial ratios</p> <p>Determining the CRE loan amount ("sizing the loan") based on cash flow and financial ratios</p> <p>Income quality, sensitivity analysis, and "stressing" the loan</p>
<p>7 Third-party Property Valuation Issues for Lenders</p>	<p>Formal property valuations: process, structure, and content</p> <p>The three approaches to an appraisal valuation: Cost, Sales Comparison, and Income</p> <p>Final property valuation estimate vs. liquidation value</p> <p>Valuation risk and appraisal analysis</p>
<p>8 Financing and Loan Structure</p>	<p>Description and characteristics of two basic CRE loans: construction loan and permanent loan</p> <p>Capital structure overview</p> <p>Typical loan covenants and samples of each: affirmative, negative, and financial covenants</p> <p>Basic loan underwriting framework</p> <p>Typical lender escrow/reserves, including property taxes, insurance, tenant rollover, and deferred maintenance</p> <p>Sample cash management/lockbox structures</p> <p>Term sheet vs. letter of commitment</p>

Why Moody's Analytics?

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GROUP DISCOUNTS

Special rates may be available for multiple seminar or group bookings. Please contact us for details.

FEES AND CANCELLATIONS

The fee listed is per participant and includes refreshments, lunches and seminar materials. Seminar fees do not include tax, transportation or hotel accommodations. Payment must be received in full prior to the start of the seminar. Registrations may be canceled in writing via letter or email at least 30 days before the first date of the training for a full refund. Cancellations received less than 30 days in advance are eligible for substitution with another seminar, but fees will not be refunded. We reserve the right to cancel or reschedule seminars at any time. For further information on our refund and complaint policy, please contact us.

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