



Analyzing Commercial Real Estate builds sector-specific skills in credit risk assessment, structuring, and pricing. This 12-14 hour eLearning course helps commercial property analysts and lenders make sound, defensible lending decisions.

### You learn how to:

- » Distinguish among different types of income-generating properties and assess 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.
- » Undertake meaningful sensitivity analysis to 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.

Moody's ANALYTICS | Analyzing Commercial Real Estate (ACRE) Exit

Cash Flow Analysis 🔍 📄 🖨

### Liquidity and The Projected Cash Flow Framework

Introduction ✔

**What You Need to Know**

What You Need to Do

How This is Useful

Questions You Should Ask

Knowledge Check

It is critical to estimate the future cash flow that a property can generate (i.e., its liquidity) and then determine the likely amount of debt that cash flow will comfortably support. The framework for projecting a property's cash flow is illustrated in the exhibit below. Note that all revenues and expenses except Reserves & Replacements are cash in nature. (Even then, in many instances the cash for Reserves & Replacements may be set aside in an escrow account with the lender, thus making it a cash item.)

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**The Projected Cash Flow Framework**

|                |   |
|----------------|---|
| <b>less:</b>   | Gross Rental Income<br>Vacancy and Rental Losses  |
| <b>yields:</b> | <b>EFFECTIVE GROSS INCOME</b>   |
| <b>less:</b>   | Operating Expenses:<br>Taxes<br>Insurance<br>Utilities/ Janitorial/ Maintenance<br>Management & Leasing<br>Structural Maintenance<br>Miscellaneous<br>Reserves & Replacements |

Moody's Analytics learning solutions help transform work performance, providing you with the skills and tools to apply complex concepts and make sound credit decisions.

### With Moody's Analytics eLearning:

- » You gain an in-depth understanding of credit theory and sector-specific factors from our relevant and current content.
- » You concentrate your learning on the areas where you have knowledge gaps, through our pre-course diagnostics and comprehension checks.
- » You then reinforce your learning when you are back on the job with Moody's reference materials and credit toolkit.
- » Program sponsors can monitor participation, assess performance, and access critical detail to support mentoring, additional training, and return on investment.

### Who is taking this course?

- » Commercial real estate lenders
- » Commercial real estate analysts and underwriters
- » Branch managers
- » Commercial property owner client-facing staff

Today's commercial real estate lenders have to understand a myriad of property-related,

economic, and financial risks to make good credit and business decisions. Moody's Analytics offers a market-leading eLearning curriculum specifically designed with the commercial real estate lender in mind. Our program focuses on the different types of risks inherent in real estate deals, cash flow and coverage analyses, and issues of valuation and loan structuring. It combines the flexibility of the web, Moody's Analytics proven training techniques, and industry-leading analytical tools to optimize training relevance, keep learners motivated and give them the skills to make sound lending decisions.

## Analyzing Commercial Real Estate

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### Foundation

Credit Analysis Framework: Commercial Real Estate

Commercial Real Estate and Credit Risk

### The Property

Property Types

Similarities and Differences

Owner-Occupied vs. Investment Property

Special-Purpose Property

### External Risks

Location

The Market and the Economy

Environmental Issues

### Property-specific Risks

Tenants

Management and Maintenance

Inspections

### Cash Flow Analysis

Projections, Likely Future Sources of Cash, and the Real Estate Cash Drivers

Liquidity and The Projected Cash Flow Framework

Cash Flow and Valuation

### Coverage Analysis

Debt Service Coverage

Sensitivity Analysis

Income Quality Analysis

### Property Valuation Issues for Lenders

Formal Valuations: Process, Structure, and Content

Valuation Approaches and the Final Valuation Estimate

Valuation Risk and Account Officer Critique

### Financing and Loan Structure

Commercial Real Estate Financing: Loan Purposes and Characteristics

Loan Covenants

A Basic Underwriting Framework

This course can be completed in 10 to 12 hours.



## LEARN MORE

Learn more about Moody's Analytics industry-leading learning solutions. Contact us at [elearning@moodys.com](mailto:elearning@moodys.com) or visit us at [www.moodysanalytics.com/learning](http://www.moodysanalytics.com/learning).

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