MOODY'S ANALYTICS

eLearning Solutions

Analyzing Commercial Real Estate

Credit risk assessment and lending decision skills for commercial real estate lenders and analysts

HOURS OF STUDY:
12-14

Moody's Analytics sets the worldwide standard for financial services education. We help financial professionals advance their careers by increasing their competence, credibility and confidence. We help organizations improve staff performance and the profitability of their business.

Overview

Our *Analyzing Commercial Real Estate* eLearning curriculum is specifically designed with commercial real estate lender and analysts in mind. Upon completion of this program, learners will be able to:

- Distinguish among different types of income-generating properties
- 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
- Perform 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
- Make sound, defensible lending decisions, and put in place solid loan structures

TARGET AUDIENCE

This program is recommended for institutions and individuals that engage in commercial real estate lending or assess risks related to those types of loans. Specifically:

- Commercial real estate lenders
- Commercial real estate analysts and underwriters
- Branch managers and select client-facing staff that market to and otherwise work with commercial property owners

PROGRAM MODULES

Analyzing Commercial Real Estate content is accessible over the Internet and is presented in eight modules:

PROGRAM COMPONENTS

1 Interactive Lessons
Students learn essential content, understand how it should be applied, and test their knowledge.

2 Assessments
Learners are challenged to apply their knowledge and demonstrate mastery of required skills.

3 Administrative Tools
Sponsors of the learning program can monitor participation, assess performance, and access critical detail to support mentoring and additional training.

SUPPLEMENTAL FEATURES

Our curriculum can be supplemented with additional features and functions that enhance the learning experience.

- Custom Simulations
- Library
- WebClass
- Mentoring

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CONTENT DETAIL BY MODULE

COMMERCIAL REAL ESTATE ANALYSIS FOUNDATIONS

Lesson 1 – Credit Analysis Framework: Commercial Real Estate provides an overview of the credit risk analysis process as it applies to commercial real estate.

Lesson 2 – Commercial Real Estate and Credit Risk introduces learners to the comprehensive analytical process that must be undertaken if a commercial property and its risks are to be fully understood and accounted for.

THE PROPERTY

Lesson 3 – Property Types focuses on the various kinds of income properties for which institutions typically lend money.

Lesson 4 – Similarities and Differences explores the similarities and differences among commercial property types to help learners meet specific needs within sound loan structure.

Lesson 5 – Owner-Occupied vs. Investment Property discusses the analytical requirements between properties occupied and used by their owners, and those which are held solely for investment purposes.

Lesson 6 – Special-Purpose Property addresses special-purpose properties and a variety of issues surrounding their cash flow generation ability and their ultimate value in the event of a sale situation.

EXTERNAL RISKS

Lesson 7 – Location reviews property location as a major part of the credit risk assessment process, and provides concrete steps for performing this type of analysis.

Lesson 8 – The Market and the Economy discusses the market and economic trends that typically have a significant impact on commercial real estate viability.

Lesson 9 – Environmental Issues helps learners evaluate potential environmental risks posed by a given commercial property.

PROPERTY-SPECIFIC RISKS

Lesson 10 – Tenants addresses risks that can stem directly from those who reside in or use a property, and suggestions are provided to help identify and mitigate these risks.

Lesson 11 – Management and Maintenance reviews management and maintenance items that can hurt a property's performance.

Lesson 12 – Inspections deals with the best practices of property inspections.

CASH FLOW ANALYSIS

Lessons 13 – Projections, Likely Future Sources of Cash, and the Real Estate Cash Drivers addresses likely future sources of cash which will be used to repay real estate loans.

Lesson 14 – Liquidity and The Projected Cash Flow Framework examines the various revenues and expenses that are generated by commercial properties, and provides a framework to help determine if the real estate can cover its obligations.

Lesson 15 – Cash Flow and Valuation provides rationale for looking at a property's liquidity as the primary decision-making basis when considering a real estate loan.

COVERAGE ANALYSIS

Lesson 16 – Debt Service Coverage addresses the most critical ratio in commercial property analysis.

Lesson 17 – Sensitivity Analysis assesses what happens to the ability of a property to perform when key variables change from original expectations using break-even analysis for rental rates, vacancy levels, and target analysis.

Lesson 18 – Income Quality Analysis explores the nature and financial strength of tenants, tenant mix and most importantly, the value and risk associated with anchor tenants.

PROPERTY VALUATION ISSUES FOR LENDERS

Lesson 19 – Formal Valuations: Process, Structure, and Content reviews the appraisal itself as the primary valuation instrument by extracting key data from the document, assessing the information quality and validating the valuation.

Lesson 20 – Valuation Approaches and the Final Valuation Estimate explains the substance and technique behind each of the three main valuation approaches, and the final value arrived at by the appraiser.

Lesson 21 – Valuation Risk and Account Officer Critique addresses appraisal risk and provides a methodology for critiquing the formal appraisal.

FINANCING AND LOAN STRUCTURE

Lesson 22 – Commercial Real Estate Financing: Loan Purposes and Characteristics defines the two principal commercial property loan types – construction and permanent.

Lesson 23 – Loan Covenants presents the concept of loan covenants and describes their purpose and ideal usage.

Lesson 24 – A Basic Underwriting Framework provides learners with a holistic view of commercial property analysis and helps them understand how all of the pieces fit together.

CONTACT US

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