

## CHAPTER 6

# Structured Real Estate Financing Case Studies

In order to achieve a better understanding of how structured financing works in the real estate sector, this chapter<sup>1</sup> will illustrate some practical examples.<sup>2</sup> Three case studies are presented from the borrower perspective: an income producing property (investment transaction), the acquisition of a property portfolio aimed at its disposal by single assets, and a residential development project. The fourth case study is presented instead from the lender perspective, by describing the analysis carried out by the credit committee of the lending bank. Even if the perspectives of the two parties may appear different, the analyses are similar with respect to the element of risk and the major financial elements considered.

For each operation an example of a possible term sheet relating to the structured financing will be presented, including comments on various items (some common items of minor importance will not be presented in the subsequent term sheets), along with the economic analysis carried out by the lending bank in order to assess the feasibility of the loan applied for, under the conditions proposed in the term sheet. For the purposes of simplicity, the models used will not contain any considerations relating to tax issues (both income and transaction taxes) and will present an extremely simplified cash flow model (before tax and without presenting the profit and loss account). The same considerations will also remain valid if a more detailed economic model is applied.<sup>3</sup>

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<sup>2</sup> All of the names used in this chapter are fictitious and any similarity to the names used by actual business enterprises is entirely coincidental.

<sup>3</sup> For further details on the models please visit [www.morri-mazza.com](http://www.morri-mazza.com) where you can freely download all the Excel spreadsheets used in the book and other materials.