

# Reader's Manual

**P**art One addresses economic and financial issues common to any real estate finance. Chapter 1 [*Introduction to Property Financing*] offers an overview of structured financing, highlighting the differences between corporate finance (where the lender's object of analysis is a legal entity) and project finance (which focuses on cash flows and also the manner in which the banks procure the capital used for lending). Chapter 2 [*Structured Real Estate Financing*] is dedicated to bank loans to the real estate sector, while Chapter 3 includes a detailed discussion [*Loan Agreement*] of the structure of a bank finance agreement along with its principal clauses. Again adopting a highly practical approach, Chapter 4 [*Loan Repayment, Interest and Renegotiation*] addresses the manner in which interest is charged. A broad overview of the capital repayment plan as well as the possibility to renegotiate the terms where difficulties are encountered in repayment are also dealt with. Chapter 5 [*Effects of Financial Leverage on Real Estate Investments*] provides a further discussion of financial models and outlines, by means of examples, the mechanics of financial leverage and the consequences associated with various levels of investment risks. To enable a better understanding of the contractual and financial dynamics of real estate finance, examples of typical real estate operations which analyse the term sheets of the relative loan agreements and construct models for assessing their financial sustainability are provided in Chapter 6 [*Structured Real Estate Financing Case Studies*]. The more practical part concludes with a section on hybrid financing [Chapter 7 *Hybrid Forms of Financing*], alongside more traditional forms of bank lending (pure debt), introducing a form of capital that is in part remunerated with reference to the outcome of the transaction. The concluding Chapter 8 [*Basel Accords and Effects on Real Estate Financing*] illustrates the effects of the Basel Accords on real estate finance, bringing the reader back to problems which are perhaps less practical; while not encountered on a daily basis, they are nevertheless of great importance in understanding the dynamics of real estate finance.

In Part Two the peculiarities of property finance in seven jurisdictions (China, England and Wales, France, Germany, India, Italy, and Spain) are addressed in greater detail by prominent lawyers specializing in property finance through answers provided to a predetermined set of questions. The latter cover most of the issues presented in Part One, thus providing a hands-on insight into structured finance transactions in the respective domestic jurisdictions.

The book contains numerous examples of contractual clauses and financial models that transpose financing contracts into figures. In particular, the calculation tables are freely available in Microsoft Excel format along with all active formulas, which will enable readers to run their own simulations in order to understand how financial models are constructed. The

files relating to the examples are available on the website [www.morri-mazza.com](http://www.morri-mazza.com) along with further discussions and updates on the main issues addressed:

- new academic and professional papers;
- link to websites on the topics;
- PowerPoint presentations for every chapter, in order to summarize the main ideas or for teaching purposes.

Moreover, personalized and tailor-made PowerPoint presentations will be prepared and made available free to teaching staff.

This book is intended for all players (financial institutions, investors, technical advisors, lawyers, brokers, etc.) who wish to engage with the capital markets using the common language of real estate finance. It is structured in a user-friendly manner, enabling readers to gain an overarching vision of the principal problems associated with real estate finance, whilst providing detailed practical analysis of the contractual and financial foundations of operations. It is also directed at university students who wish to consider any of the many issues (economic, financial, technical, or legal) associated with structured real estate finance in more detail.

Needless to say, although the book aims at outlining factors common to any structured real estate finance, and – hence – sets out the principles, rules, and techniques applicable internationally, as a matter of convention the examples are presented in Euros. Of course, nothing would change were the dollar, renminbi, or any other currency to be used. The choice to refer to the Euro appeared best to express the international outreach of this book, as it is a symbol of internationalization, having brought together a range of countries within a single currency.

Any comments, critiques, suggestions, or information from readers are very welcome. Please feel free to contact the authors by e-mail at [authors@morri-mazza.com](mailto:authors@morri-mazza.com).