

## Preface

**T**he Global Financial Crisis (GFC) has confirmed the importance of proper and accurate finance models in the property market. Since then, a period of deep change has commenced, with new structures, characteristics, and perspectives in the property market arising. Moreover, the change also extends to the property market's relationships with other sectors, primarily capital markets and banking. The GFC which has engulfed the world's largest markets has revealed, amongst other things, one common element: players with a global presence will be in a better position to overcome local crises as they can offset cyclical recessions in certain countries against growth periods in others. A global presence enables companies to recoup losses incurred in the developed markets with profits from emerging countries. With this end in view, international investors build up real estate portfolios through the acquisition of properties located around the world in order to allocate the risk among different markets.

The same dynamic is at work in the real estate finance sector. Financial institutions specializing in granting commercial real estate loans have for some time appreciated that the globalization of their reference market represents a major opportunity, as it enables them to finance the property market throughout the world, thereby preventing a real estate crisis or recession in any individual country from causing them to default. This approach is also appreciated by all stakeholders of these financial institutions including shareholders and the holders of covered bonds, which are often used as a source of real estate finance.

The aim of this book is to describe and present factors common to any structured real estate finance irrespective of where it is to take place. These factors may be global or local in reach.

The global factors relate to the technical, economic, legal, and financial variables which must be analysed by operators when engaging in an operation to finance the purchase of property anywhere in the world. These involve economic and financial issues (the substance of the finance), as well as legal considerations (the form of the finance).

Amongst other topics, Part One addresses issues relating to the processing of real estate operations by banks and financial institutions, negotiations relating to structured property finance, the drafting of term sheets and the insertion of covenants, as well as guarantees usually requested by financial institutions. Part One is supplemented by various forms of practical support, such as examples and financial models which illustrate problem areas and set out the principal operational and technical instruments.

Any structured finance operation however is inconceivable without taking into account local factors concerning the investment object – the property – and hence the assessments which local market experts must make in order to establish its value and return. Needless to

say, such factors involve, *inter alia*, civil law and tax and town planning legislation in force in the country in which the property to be financed is located. In particular, in relation to real estate finance, the statutory framework regulating guarantees under loan agreements and the procedural rules governing the terms on the enforcement of personal and real guarantees are of utmost significance.

It is precisely for this reason that Part Two of the book sets out the peculiarities of seven among the most important legal systems by asking questions of relevance to leading domestic lawyers specializing in real estate finance. The reader can thus consider the problems relating to any given jurisdiction in greater depth and compare and contrast the positions under different legal systems.

Such a twin-track approach is extremely practical and detailed on the one hand, whilst adopting a bird's eye view on the other, thereby aiding readers to quickly grasp the key areas of structured financing in the real estate sector, whilst enabling from the outset the most important operational instruments commonly used around the globe to be understood and, above all, put to use.

It is our hope that this book will contribute to a better understanding of the fascinating world of property finance.

San Clemente – Chia, July 2014

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