



BUILDING A FINANCIAL MODEL *(for a Real Estate Development Project)*

SUMMARY:

This course reviews real estate project finance concepts and focuses on the skills required to design and create a model to help finance professionals evaluate a real estate development investment.

In the course we review a case study for a mixed use development project and examine concepts including model design, logic, project timing and various phases and various financing structures.

Various intermediate and advanced Excel tools along with helpful keyboard shortcuts will also be covered throughout the course.

Timing: This course requires 2 days, depending on the amount of material to be covered.

Experts in financial
modeling training

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LEARNING TOPICS:

Design and Structure a Real Estate Development Project Model

- ✓ Design and layout the model clearly and logically
- ✓ Lay out all necessary assumptions
- ✓ Modeling various project phases
- ✓ Use date functions and binary flags to manipulate model cash flows and flexibly manage timing in the model
- ✓ Design a powerful scenario manager with advanced controls
- ✓ Construct financial statements and necessary schedules, including:
 - Construction schedule
 - Revenue schedule including occupancy, rental and other income
 - Cost schedules including operating and maintenance expenses
 - Detailed Sources and Uses schedule
 - CAPEX in the various project phases
- ✓ Calculate various important metrics including Net Operating Income, Cash Flow for Debt Service, Levered and Unlevered Free Cash Flow

Incorporate Advanced Capital Structure Features

- ✓ Layer in financing structure
 - Equity and alternatives and timing considerations
 - Construction loan and take out
 - Mortgage, interest-only and mezzanine debt structures
 - Revolving credit facility with a cash sweep
 - Financing costs – interest rates, fees, etc.
 - Create “flags” to monitor leverage levels and covenants

Sensitize and Evaluate the Project

- ✓ Explore model optimization and self-auditing techniques
- ✓ Set-up financing sensitivity analysis – revenue reductions, cost overruns, interest rate risk, etc.
- ✓ Incorporate and control model circularity
- ✓ Incorporate a schedule to evaluate the project’s returns
 - Net Present Value (NPV)
 - Levered & Unlevered Internal Rate of Return (IRR)
- ✓ Build a strong summary page to display the results

Design and create a real estate development project model for investment and decision making