



CAPITAL FORMATION:

FUNDS vs JOINT VENTURE STRUCTURES

COURSE OBJECTIVES

1. Discuss the types of capital structure and provide an example of each.
2. Define a joint venture partner and provide examples of JV partners.
3. Compare and contrast the joint venture equity partnership and the fund structure.
4. Explain how to form a “good” partnership

LESSON 1 - START HERE

TYPES OF COMMERCIAL REAL ESTATE TRANSACTIONS

STABILIZED PROPERTIES

- Permanent financing
- Fully leased with rents at market rate and current cash flow within the properties
- No more work to be done on the property to “grow or groom” the NOI
- Lenders are betting that nothing “bad” will happen to the project cash flows in the future

TYPES OF COMMERCIAL REAL ESTATE TRANSACTIONS

UNSTABILIZED OR VALUE-ADDED PROPERTIES

- Shorter term or floating rate financing
- Not fully leased, and/or rents are not at market
- Substantial work to be done before the property becomes stabilized
- Something “good” needs to happen to the property cash flow in order to stabilize the property and achieve the business plan objectives

TYPES OF COMMERCIAL REAL ESTATE TRANSACTIONS

OPPORTUNISTIC PROPERTIES

- These properties typically require “specialized” financing.

TYPES OF CAPITAL (CAPITAL STRUCTURE)

1. First Trust Debt
2. Mezzanine
3. Equity High Leverage Mezzanine Preferred Equity
4. Hard Money/Bridge Loans/Distressed/Value-Added Financing
5. Debtor-in-Possession Loans (DIP)
6. Super Collateralized Loans (Super C)