

Student Name: _____

INTRODUCTION TO CRE FINANCE

FINAL EXAM

THE YEAR IS 2040, AND YOU ARE AN EXPERIENCED REAL ESTATE OWNER AND OPERATOR AND HAVE BEEN NICELY SUCCESSFUL IN YOUR REAL ESTATE CAREER. CONGRATULATIONS!

YOUR BFF BIPSY HAS HAD SOME GOOD FORTUNE IN HER LIFE AND FINDS HERSELF WITH \$5,000,000 TO INVEST. SHE HAS CALLED YOU AND LET YOU KNOW THAT SHE CONSIDERS YOU NOT ONLY HER BFF, BUT ONE OF THE MOST CAPABLE AND ASTUTE REAL ESTATE INVESTORS SHE'S EVER KNOWN AND WOULD LIKE TO INVEST HER \$5,000,000 WITH YOU. YOU ARE ECSTATIC AS THE COUNTRY IS CURRENTLY GOING THROUGH A FISCAL CRISIS THE LIKES OF WHICH HAVEN'T BEEN SEEN BEFORE, OR AT LEAST NOT SINCE YOU WERE AN UNDERGRADUATE AT TSU. AS A RESULT OF THIS CRISIS YOU BELIEVE COMMERCIAL REAL ESTATE PRICES ARE AT A LOW POINT. ALTHOUGH YOU'VE BEEN SUCCESSFUL IN YOUR CAREER, YOU'VE NOT EXPERIENCED PERSONALLY THIS KIND OF MARKET, AND YOU'RE TRYING TO RECALL WHAT SOME PROFESSOR SAID ABOUT THESE KINDS OF TIMES. BIPSY HAS REQUESTED THAT YOU MAKE HER A FAIRLY SPECIFIC PROPOSAL FOR THE INVESTMENT OF HER QUITE PRECIOUS \$5,000,000 AND SHE'S OUTLINED HER THOUGHTS AS PER BELOW:

1. DESCRIBE THE CRE ASSET AND WHY. (BE VERY SPECIFIC):
 - a. TYPE
 - b. CLASS
 - c. SIZE
 - d. LOCATION
 - e. TOTAL PROJECT COST
 - SHOWN BY CATEGORIES AS IN PROPERTY COST, RENOVATION, FEES (ENUMERATE).

2. GIVEN THAT BIPSY WILL INVEST \$5,000,000, DESCRIBE THE DEBT YOU WILL OBTAIN FOR THE TRANSACTION. (BE VERY SPECIFIC):
 - a. AMOUNT
 - b. TERM
 - c. RATE
 - d. CONDITIONS
 - PRE-PAYMENT AVAILABLE
 - e. RECOURSE OR NON-RECOURSE

3. DESCRIBE THE FULL CAPITAL STACK.
 - a. DEBT AMOUNT
 - b. EQUITY AMOUNT

4. WHAT ARE YOUR PLANS FOR THE ASSET? **(BE VERY SPECIFIC)**:
- a. RENOVATION
 - b. MARKETING
 - c. MANAGEMENT
 - d. LEASING
 - e. SALES PLAN AND EXIT PRICING PROJECTION
5. WHAT IS THE DEAL YOU ARE PROPOSING FOR YOUR LP AGREEMENT WITH BIPSY.
(BE VERY SPECIFIC):
- a. HOW MUCH WILL YOU PERSONALLY INVEST (BOTH AS A % OF THE EQUITY AND \$\$ AMOUNT)
 - b. GP FEE
 - c. PREFERRED RETURN (ANNUAL RATE)
 - d. PROFIT SPLIT UPON RETURN OF CAPITAL (EXPRESSED IN % TO GP AND LP'S RESPECTIVELY)
 - e. EXPECTATION OF RETURN TO BIPSY