

Table of Contents

Overview	vii
Schedule	xi

SECTION 1

Part 1. Introduction and Overview

Introduce seminar topics.....	3
Discuss key definitions/concepts	4

Part 2. Current Events and Trends

Discuss valuation trends with distressed real estate	15
Explore social and technological issues affecting real estate	17
Discuss housing impact on commercial real estate (CRE).....	18

Part 3. Market Analysis

Discuss macro/micro issues affecting supply/demand components and the six steps involved in a marketability study	25
Demonstrate supply and demand impacts on both development and existing property types.....	27

Part 4. Capital Markets

Recognize impact of both debt and equity capital availability on commercial real estate	35
Review how debt parameters affect equity and equity returns	38

Part 5. Highest and Best Use Considerations

Review key definitions and explore highest and best use concepts.....	47
Discuss keys to turning a property around and how this affects highest and best use as improved conclusions	49

Part 6. Property-Specific Issues

Demonstrate how physical issues affect commercial real estate 55
Demonstrate how functional design issues affect commercial real estate 57

SECTION 2

Part 7. Operational Issues

Explore operational issues (revenue and vacancy patterns) on distressed
real estate 63
Explore operating expense patterns on distressed real estate and how this
contrasts with nondistressed real estate 65
Discuss holding costs associated with a partially completed development
property..... 66

Part 8. Adaptive Use Considerations

Discuss adaptive use considerations and the relative risks of this type of
property conversion 71
Review alternative uses for various developments and existing commercial
properties..... 73

Part 9. Traditional “As Is” Value Considerations

Recognize key components for forecasting “as is” values on distressed
real estate..... 79
Discuss the differences between gross and net rent loss 80

Part 10. Profit – The Missing Component

Review the five key characteristics of profit forecasting 87
Review techniques used to quantify profit forecasts in “as is” value
calculations 90

Part 11. Shady Acres Case Study

Contrast and review key components to value a partially completed
distressed subdivision 95

Part 12. Retail Case Study and Land Residual Technique

Evaluate a vacant big-box retail building.....	103
Analyze value alternatives between a continued use and an alternative use.....	104
Analyze the mechanics of a land residual technique when limited or no land sales are available.....	113

Appendix

William Ted Anglyn, MAI, “Appraising in the Next Cycle – The Profit Issue,”
Valuation Insights & Perspectives, Fourth Quarter 2001.

William Ted Anglyn, MAI, “Analyzing ‘Unearned’ Entrepreneurial Profit,”
The Appraisal Journal, July 1992.

Overview

Seminar Description

This seminar provides critical insights on how lenders, equity investors, and appraisers value distressed real estate. Major emphasis is placed on how to analyze both distressed development properties and improved commercial real estate. The impact that capital markets have is explored from both a cost and an availability standpoint. The resulting impact on supply and demand to complete a sellout on a development property is presented, as well as the revenue and expenses on all income-producing types (commercial and residential).

The foundation of the seminar is the discussion of key issues with analyzing properties in distress and the required game plan to turn these properties around. Specific considerations on how to entice an entrepreneur are presented as well as detailed methods to appropriately arrive at a market-supported, “as is” value forecast. The seminar includes discussions of adaptive or alternative uses for those properties that no longer support their current use; three adaptive use examples are presented and explored to demonstrate this conversion process. The seminar also includes three case studies – a partially completed development property, a retail property, and a land residual technique. This technique is used to analyze land values in times of distress; e.g., when limited direct comparable sales are available.

Learning Objectives

At the conclusion of the seminar, participants will be able to

- Discuss key definitions and concepts associated with distressed real estate.
- Analyze current trends affecting real estate values.
- Explore the six basic steps involved in conducting a marketability study.
- Review market considerations on distressed real estate.
- Explore how capital markets (debt and equity) affect commercial real estate.
- Review basic physical and functional issues that cause real estate to become distressed.
- Explore “as is” value concepts to more accurately analyze distressed real estate properties.
- Distinguish between entrepreneurial incentive and cost of capital.

- Explore the concept of reflecting entrepreneurial incentive as a dollar amount deduction.
- Review adaptive use potential of distressed properties.
- Analyze and critique valuation methods on a failed subdivision.
- Demonstrate a land residual technique.

Learning Enhancements

The seminar has been designed with a variety of elements to enhance your learning experience.

- **Learning Objectives.** Each learning objective covers essential information you need to know to fully understand the concepts in the seminar. Look them over before the Part begins so that you have a frame of reference as you move through the material. At the end of each Part, reread the objectives. Are you able to perform what is stated? If not, this is the time to ask your instructor for help. Or, review the concepts that you do not understand.
- **Examples.** To supplement the discussions, examples are included to help you visualize and practice what you're learning.
- **Case Studies.** Several case studies are presented throughout the Seminar Handbook. Parts 11 and 12 contain case study exercises/questions, and the solutions can be found in the Suggested Solutions booklet.

Classroom Guidelines

To make the classroom environment a positive experience, please follow these guidelines:

- Refrain from using short-range wireless technology.
- Limit use of laptops to classroom projects.
- Communicate with business associates during break time instead of class time.
- Put away reading materials such as newspapers and books that are not used in class.
- Silence cell phones.
- Use recording devices only if prior permission has been granted.

- Refrain from ongoing conversations with those seated near you and other distracting behavior.

General Information

- **Calculators.** A financial calculator is recommended. The accepted model used in the course is the HP-12C.
- **Breaks.** There will be one 15-minute break during the morning session and one 15-minute break during the afternoon session unless noted otherwise by the course sponsor. The lunch break is one hour.
- **Attendance sheets** will be distributed during class to verify your attendance during the morning and afternoon sessions.
- **Certificates of completion** will be e-mailed after completion of the seminar, and attendance during the entire seminar is required.