

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

V. INDUSTRY SEMINARS AND SPEECHES - SHORT TERM

G. Miscellaneous Company Lectures

16. Outline of Speech for Travelers Insurance
Conferences; No date or place given

Travelers Insurance Conference

- I. The pleasure, pain and bailout theory of mortgage finance
- II. Fit and misfit as an approach to feasibility
 - A. Strategic objectives (problem perceived as understood - creating value for joint venture)
 - B. Market opportunity areas
 - C. Merchandising targets
 - D. Legal-political conflict
 - E. Ethical-esthetic context
 - F. Physical-technical context
 - G. Financial constraints
- III. The financial plan consists of the following:
 1. ~~Time~~ Profit center perspective of analysis
 2. Time line of financial events
 3. Capital budget schedule (source and application)
 4. Operating ~~expense~~ revenue and expense pattern
 5. Financing plan
 6. Basic income tax pattern
 7. Measures of yield (decision matrix)
 8. Measures of risk (decision matrix)
 - 9.
- IV. Various capitalization processes over the years have made modeling assumptions on these elements appropriate to the following considerations:
 1. What is the financial decision to be made?
 - a. Accept or reject?
 - b. Trade-off decision
 - c. When to make the outlay
 2. What are the limitations on data and cost to collect?
 3. Can the man in the field make the calculations?
 4. How does the decision maker ~~choose~~ use the report?
 5. Refer to basic assumption model outline
 6. At the very least the mortgage banker should be using the Ellwood approach to capitalization rate and so should his appraiser
 6. What about appraisers?
 - a. An institution under pressure of being supplanted by CPA's, investment bankers and design professionals
 - b. Institutional reform - EDUCARE
 - c. The growing strength of SRA and SREA
 - d. The pluses and minuses of competition among professionals who should operate as a team
 - e. Institutional obsolescence in appraisal is sheltered by mortgage bankers who demand too little and the courts who are too conditioned by the past level of incompetence
- V. Cash flow case and measures of yield
 1. Prospective
 2. Retrospective
 3. Profits on time line relative to mortgage line
- VI. Measures of risk

VI. Measures of risk

1. Risk is variance between expectations and realizations
2. Most sensitive item direct construction costs
3. Most volatile item - absorption and indirect costs
4. Third most significant item - debt service
5. Real estate tax variance
6. Methods of handling risk
7. Losing what you have at the start versus loss of something extra in the future

VII. Long term trends affecting pleasure, pain and bailout

1. Residential rental political control
2. Better location and better capital cost in the purchase of distressed existing properties with marketing problems
3. Overbuilding of almost every kind of commercial rental property
4. Packaging to suit will be more significant including leasing to governmental bodies to avoid high capital cost of government purchase - i.e. turnkey everything by architects and engineers with captive contracts
5. A turn to aggressive selling of services by professionals may make them your best source of mortgage leads as they need financing expertise to support their ability at building to suit on a fast track