

Stress Testing Commercial Real Estate

In conjunction with **Maryland Financial Bank**

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Blockbuster is **NOT** a credit tenant.

Vacancies are **NOT** a “value add”.

Financials are **NOT** enough analysis.



Q: What is a Real Estate Stress Test?

Q: How does it work?

Q: Why does it help?



Q: What is a Real Estate Stress Test?

A: Analysis of the fundamentals.

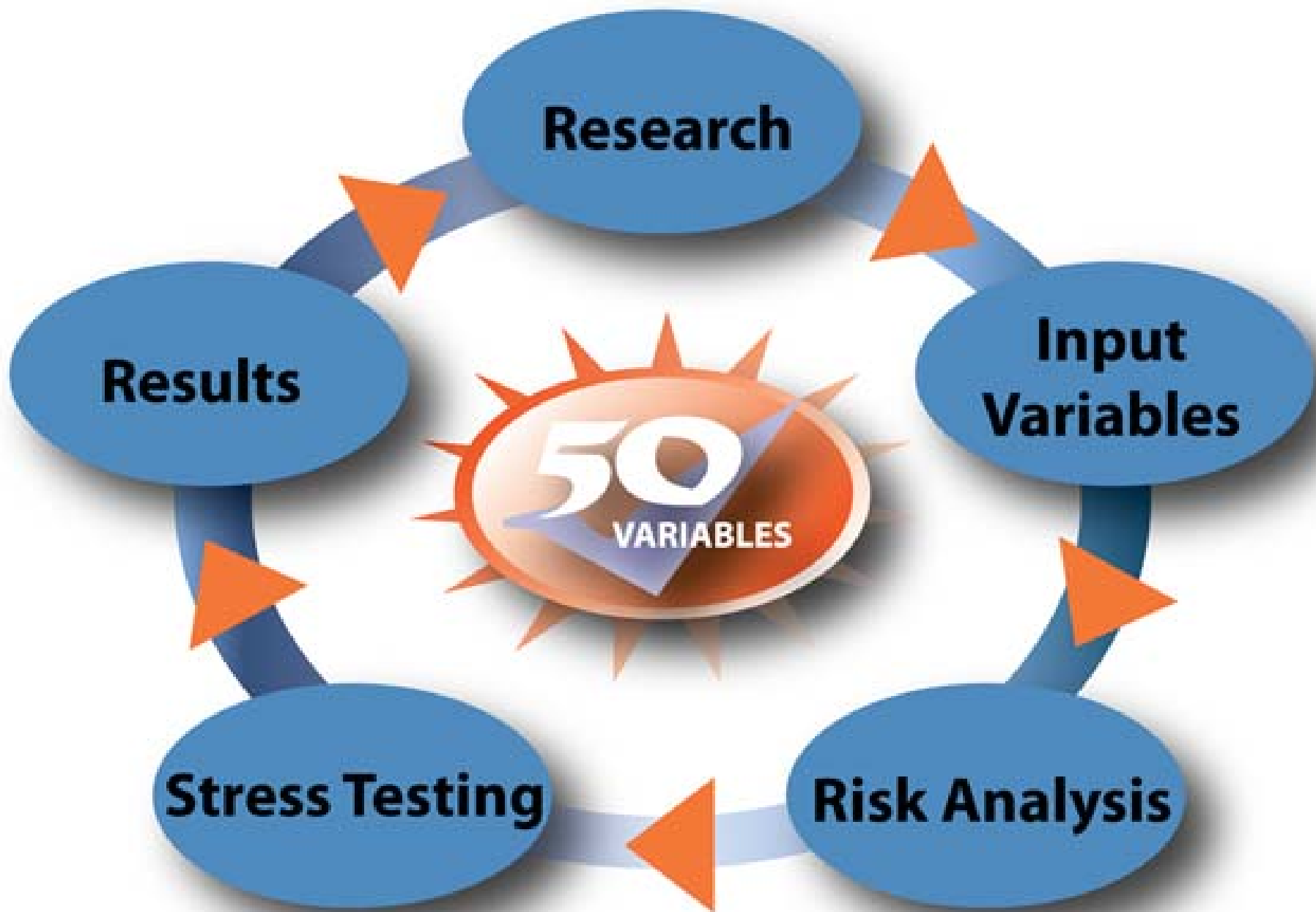


RealEstate 
StressTest.com
Because Financials Just Aren't Enough

Q: How does it work?

A: Quantifies the fundamentals.





Example: Retail Center





Crime

Parking

Ingress

Visibility

Example: Retail Center

Score:

158

Status:

Weak

Test Scoring Legend

Score

Status

65-129

Low Risk

130-144

Acceptable

145-184

Weak

185+

High Risk

Example: Retail Center

WEAK

The property has achieved a WEAK risk rating. **This indicates that the underlying fundamentals demonstrate an above average level of risk an astute investor would accept in a commercial property of this type and class.** The underwriter should seek to cure or mitigate the “hidden” defects as described in the Watch List section of this report. When passed through the stress test, the property exhibited signs that the increases to current vacancy, rental rate disparity, and local unemployment, as stated in the Red Flag chart below, would yield a HIGH RISK rating. Failing to make changes could potentially result in further erosion of the property’s ability to remain competitive in the marketplace and continue to service debt obligations, thereby decreasing value to stakeholders.

Example: Retail Center



- **Geography**
- **Asset Type**
- **Asset Class**

Loan #	Score	Status
4	127	Acceptable
6	129	Acceptable
9	138	Acceptable
7	144.5	Acceptable
8	145	Weak
1	151	Weak
3	157	Weak
2	158	Weak
5	190	High Risk
Portfolio Avg.	148.8	Weak

Example: Retail Center

Q: Why does it help?

A: Evaluates the fundamentals.



- **Asset Quality**
- **Appraisal Review**
- **Potential Affect on Value**
- **Enhance ALLL**
- **Neutral Third Party**

Analyze

Quantify

Evaluate



Know more than they do...



www.RealEstateStressTest.com