



# ***The eight fundamentals of commercial real estate\****

*\* As covered in CRE Analyst's FastTrack course*



Work Week  
Travel  
Entry Level  
Mid Level  
Executive  
Sr Executive

Owners	Lenders	Brokers	Consultants
40-80 hrs	40-70 hrs	50-70 hrs	40-70 hrs
Frequent	Occasional	Varies	Weekly
\$60-110K	\$60-90K	\$40-90K	\$60-90K
\$100-300K	\$80-200K	\$100-350K	\$90-180K
\$300-800K	\$200-500K	\$400-750K	\$200-500K
\$500K-\$2M+	\$300K-\$1M	\$750K-\$2M+	\$500K-\$1M

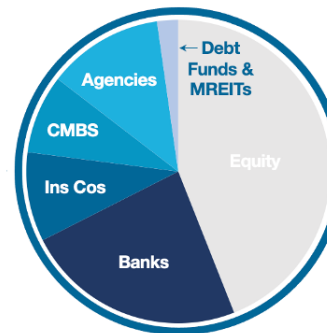
*Four transaction types, critical documents, four career silos*

1

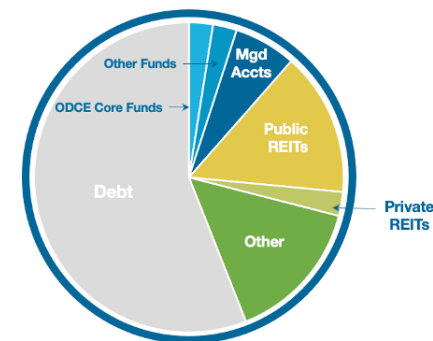
**The commercial real estate system**



Sources of Debt



Sources of Equity



*Debt providers, equity providers, building lifecycle, and risk profiles*



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**Real estate capital markets**

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**The commercial real estate system**

Base rents and “bumps”

Lease term

Expense Reimbursements

TI allowances

Renewal options

Fixed expansion options

ROFOs

ROFRs

Termination and contraction options

Exclusive uses



## ***Lease economics, options, top ten issues, and document review***

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**Commercial leases**

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**Real estate capital markets**

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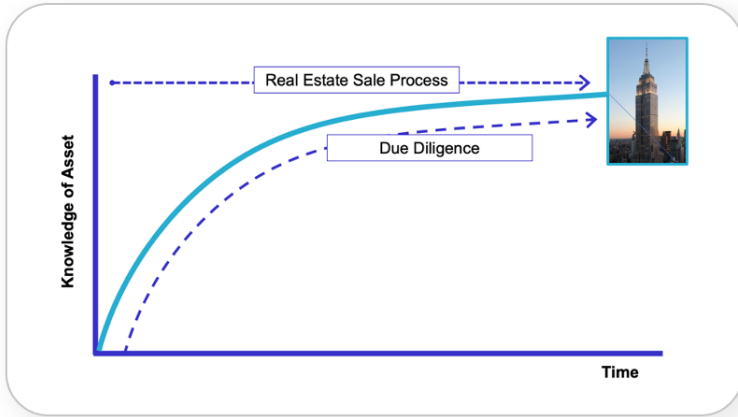
**The commercial real estate system**

Revenue	Operating Expenses	Net Operating Income	Capital Expenses	CF Before Debt Service	CF From Sale	Total Cash Flow	Present Value			
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
For the Years Ending	Year 1 Dec-2017	Year 2 Dec-2018	Year 3 Dec-2019	Year 4 Dec-2020	Year 5 Dec-2021	Year 6 Dec-2022	Year 7 Dec-2023	Year 8 Dec-2024	Year 9 Dec-2025	Year 10 Dec-2026
Potential Gross Revenue	5,201,035	5,708,009	5,638,932	5,955,359	6,092,437	6,107,655	6,516,547	5,904,752	6,718,029	6,645,481
Vacancy & Credit Loss	(38,385)	(285,400)	(166,636)	(297,768)	(304,622)	(183,014)	(325,827)	-	(335,901)	(199,818)
Effective Gross Revenue	5,162,650	5,422,609	5,472,297	5,657,591	5,787,815	5,924,642	6,190,720	5,904,752	6,382,128	6,445,663
Operating Expenses	2,153,240	2,228,989	2,260,951	2,275,413	2,342,490	2,404,492	2,486,660	2,524,295	2,632,530	2,699,600
Net Operating Income	3,009,410	3,193,620	3,211,345	3,382,179	3,445,325	3,520,149	3,704,059	3,380,457	3,749,598	3,746,063
Capital Expenditures	1,857,100	36,050	996,295	38,245	39,393	1,076,993	41,792	2,226,123	1,164,583	1,195,414
Cash Flow Before Debt Service	1,152,310	3,157,570	2,215,050	3,343,934	3,405,932	2,443,156	3,662,267	1,154,334	2,585,015	2,550,649
Cash Flow From Reversion	-	-	-	-	-	-	-	-	43,807,658	-
Total Cash Flow	1,152,310	3,157,570	2,215,050	3,343,934	3,405,932	2,443,156	3,662,267	1,154,334	2,585,015	46,358,307
Present Value	34,819,746									

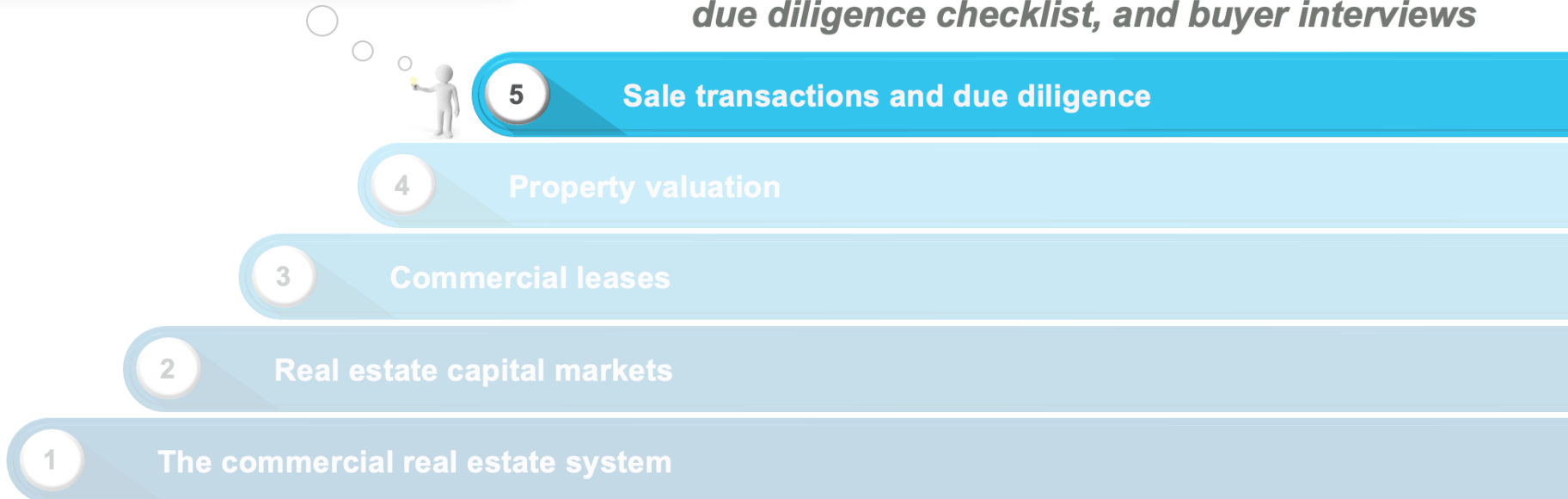


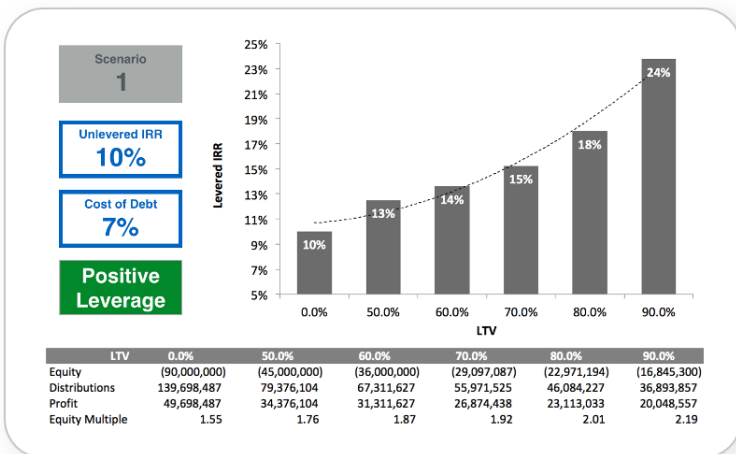
## DCF mechanics, pro forma road map, and 12 valuation levers





*Sale milestones, critical property information,  
due diligence checklist, and buyer interviews*





*Interest rates, key lender measures, first dollar vs. last dollar, subordinate debt, incremental cost of proceeds, causes and effects of leverage*

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**Mortgages and leverage**

5

**Sale transactions and due diligence**

4

**Property valuation**

3

**Commercial leases**

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**Real estate capital markets**

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**The commercial real estate system**

Schematic Design

Design Development

Construction Documents



*Development pro formas, cost estimates by document stage, zoning, highest and best use analysis*



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Real estate development

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Mortgages and leverage

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Sale transactions and due diligence

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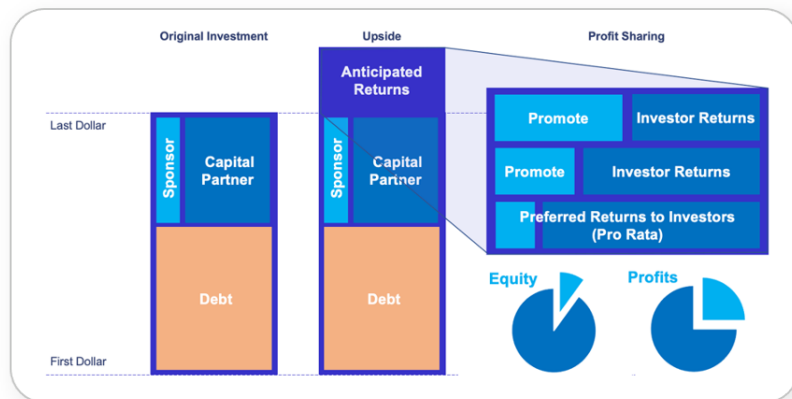
Real estate capital markets

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The commercial real estate system



# *Distributions and waterfalls, contributions, major decisions, and exit mechanics*



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Joint ventures

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Real estate development

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Mortgages and leverage

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Sale transactions and due diligence

4

Property valuation

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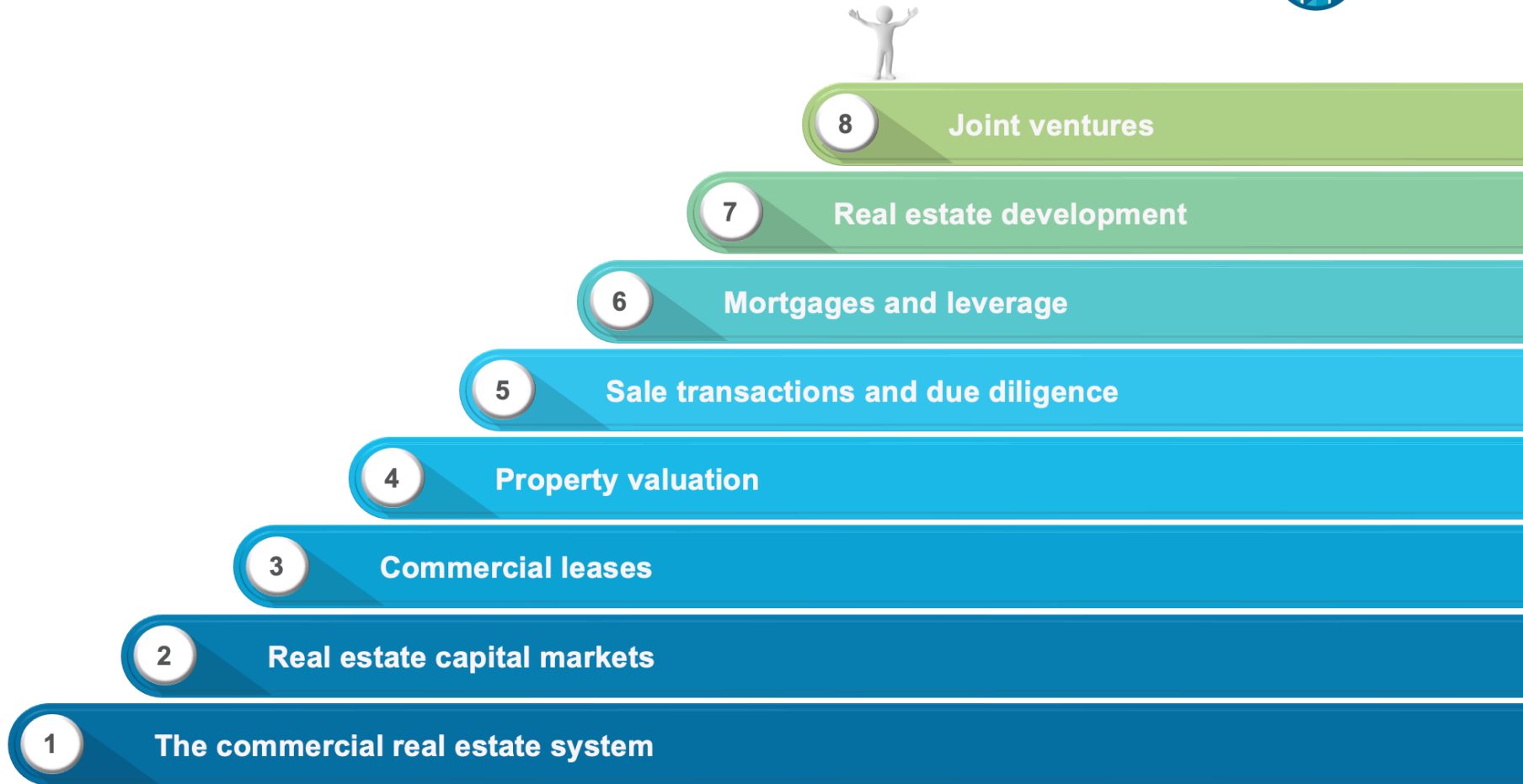
Commercial leases

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Real estate capital markets

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The commercial real estate system



# FastTrack Curriculum and Approach



Textbook



Transaction Overviews



Real-world documents