**📘 Commercial Real Estate Interview Cheat Sheet**

**🔢 Core Valuation Formulas**

* **Cap Rate** = NOI / Purchase Price
* **NOI (Net Operating Income)** = Gross Rental Income - Operating Expenses
* **Gross Income** = Rent × Square Footage
* **Effective Gross Income (EGI)** = Gross Income - Vacancy & Credit Loss
* **Cash-on-Cash Return** = (Annual Pre-Tax Cash Flow) / (Total Cash Invested)
* **DSCR (Debt Service Coverage Ratio)** = NOI / Annual Debt Service
* **Price** = NOI / Cap Rate
* **Net Sale Proceeds** = Sale Price – Selling Costs – Remaining Loan Balance
* **Levered IRR** = Use IRR with levered cash flows (after debt payments)
* **Unlevered IRR** = Use IRR with unlevered NOI and sale proceeds

**🏦 Loan & Financing**

* **Loan-to-Value (LTV)** = Loan Amount / Property Value
* **Loan Constant** = Annual Debt Service / Loan Amount
* **Amortization Payment** = Use Excel =PMT()
* **Interest-Only Loan Payment** = Loan Amount × Interest Rate

**📈 Rent Escalation**

* **Year n Rent** = Year 1 Rent × (1 + Escalation Rate)^(n-1)
* **Total Rent Over Lease** = Sum of all escalated annual rents

**💰 Return Metrics**

* **Equity Multiple** = Total Cash Inflows / Total Equity Invested
* **IRR (Internal Rate of Return)** = Use =IRR() or =XIRR() in Excel

**🏢 Types of Leases**

| **Lease Type** | **Who Pays Expenses?** |
| --- | --- |
| Gross Lease | Landlord |
| Modified Gross | Split between landlord and tenant |
| NNN (Triple Net) | Tenant pays taxes, insurance, and maintenance |

**🛠️ Ownership Structures**

* **Fee Simple**: Own land and improvements
* **Leasehold**: Lease the land, own the building
* **Condo vs Co-op**: Condo is deeded ownership; Co-op is ownership via shares

**📏 Rules of Thumb**

* **Cap Rate**:
  + 4–6% → Core (low risk)
  + 7–9%+ → Secondary or value-add markets
* **DSCR**: Minimum 1.20x required by lenders
* **Vacancy Assumption**: 5–10% typically
* **Exit Cap Rate**: 0.25–0.50% higher than entry cap (for conservative modeling)
* **Investment Grade Tenant**: BBB– or better

**🧾 Common Abbreviations**

* **LOI**: Letter of Intent
* **PSA**: Purchase & Sale Agreement
* **TIs**: Tenant Improvements
* **LTV**: Loan to Value
* **DSCR**: Debt Service Coverage Ratio
* **IRR**: Internal Rate of Return
* **NOI**: Net Operating Income
* **EGI**: Effective Gross Income
* **OPEX**: Operating Expenses
* **NNN**: Triple Net Lease

**⚙️ Excel Modeling Shortcuts**

* Alt + E + S + V: Paste special (values)
* Ctrl + Shift + $: Format as currency
* Alt + H + R: Rename sheet
* =IRR(range): Internal rate of return
* =XIRR(values, dates): IRR with irregular dates
* =PMT(rate, nper, pv): Monthly payment
* **Use Data Tables**: For scenario and sensitivity analysis

**🧠 CRE Investment Mindset**

* **High Cap Rate**: Higher yield, but riskier market or asset
* **Low Cap Rate**: Lower yield, but higher-quality property or market
* Always evaluate:
  + **Tenant credit quality**
  + **Lease duration (WALT)**
  + **Market supply & demand**
  + **Exit strategy** — value on resale is key
* A “bad” deal may have a great return if it’s **well-structured** and **well-timed**