



REAL ESTATE  
FINANCE AND  
INVESTMENTS  

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CERTIFICATION

## Chapter 5

# Property-Level Pro Forma Analysis

# Types of Analysis

- Lease by lease analysis
- Line item analysis

# Total Rental Income

- Gross Potential Rental revenue (GPR)
- Vacancy
- Net Base Rental Revenue
- Percentage Rents
  - Breakpoint

# Expense Reimbursements

- CAM billings
- Property Tax billings

# Total Operating Income

- Total Rental Income
- Expense Reimbursements
- Ancillary / Other Income
- Credit Loss / Bad Debt

# Total Operating Expenses

- Reimbursable Expenses
  - Common Area Maintenance
  - Property Taxes
- Non-Reimbursable Expenses
  - Insurance
  - Utilities
  - Management

# Net Operating Income (NOI)

- Total Operating Income
- Total Operating Expenses

# Capital and Leasing Costs

- Tenant Improvements (TIs)
- Leasing Commissions (LCs)
- Capital Expenditures
  - Reserves



# Depreciation vs. Cap Ex

- Actual vs. tax accounting
- After-Tax Cash Flow
- Reserves vs. actual expenditures
- Depreciable basis
  - Land vs. structure
- Expensing vs. capitalizing

# Unlevered Cash Flow

- Pre-Tax
  - Total Operating Income
  - Total Operating Expenses
  - Capital & Leasing Costs

# Leverage

- Loan-to-Value (LTV)
- Loan Points
- Amortization
- Debt Service
  - Interest Payments
  - Principal Payments
- Balloon Payment

# Levered Cash Flow

- Pre-Tax
  - Total Operating Income
  - Total Operating Expenses
  - Capital & Leasing Costs
  - Debt Costs

# After-Tax Equity Cash Flow

- Before-Tax Cash Flow
  - Unlevered Cash Flows less Interest Payments
- Adjustments → Taxable Income → Tax Liability
  - Depreciation, TIs, Cap Ex, Amortization
- Add-Backs

# The Crazy 1980s

- Extreme depreciation schedules
- Engineering tax losses
- Pre-1986 tax framework vs. post-1986 tax framework