

Alpha American Capital

Real Estate Finance Pocket Reference

Print your own wallet-sized reference card and evaluate your next investment like a pro.

Instructions:

- 1- Print this page on 8½"x11" paper.
- 2- Cut out around the outside lines.
- 3- Fold vertically down the middle on line 1.
- 4- Fold horizontally down the center on line 2.

Tip: when printing, make sure page size is set to "Actual Size" or page scaling is set to "100%".

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AlphaAmericanCapital.com/tools/

Debt Constant Table

	15 Yr	20 Yr	25 Yr	30 Yr
3%	8.2870%	6.6552%	5.6905%	5.0592%
4%	8.8763%	7.2718%	6.3340%	5.7290%
5%	9.4895%	7.9195%	7.0151%	6.4419%
6%	10.1263%	8.5972%	7.7316%	7.1946%


Multiply the loan balance by the debt constant to calculate the total annual debt service (principal + interest). For example, a 3%, \$10mm loan, amortizing over 15 years requires \$828,700 in annual payments.

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Cap Rate Multiplier

Cap Rate	3.0%	4.0%	5.0%	6.0%
Multiplier	33.33x	25.00x	20.00x	16.67x
Cap Rate	7.0%	8.0%	9.0%	10.0%
Multiplier	14.29x	12.50x	11.11x	10.00x

Use the multiplier to find the value of every extra dollar of income at a given cap rate. For example, \$1,000 of additional income will increase the value of a property selling at an 8% cap rate by \$12,500.



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Leverage Ratios

LTV	50%	55%	60%	65%
Leverage	1.00x	1.22x	1.50x	1.86x
LTV	70%	75%	80%	85%
Leverage	2.33x	3.00x	4.00x	5.67x

Use the leverage ratio to see how much equity will be needed for a given transaction. For example, if a lender is offering a 75% LTV mortgage that means they will be providing \$3 for every \$1 of equity.

Leveraged Returns

L = [(Cap Rate - Interest Rate) x Leverage Ratio]
 + (Cap Rate - Interest Rate)

Bonus: a constant annual growth in income of X% will result in an IRR exactly X% higher.

To quickly approximate the IRR of any real estate investment, you need only three basic pieces of information. (This assumes no growth in income, amortizing debt and the sale price equals the purchase price.)

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Fold 1 ↗

← Fold 2

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