



NAIOP  
Capital Markets 101

Coleman Rector  
September 15, 2016



# Trends

A few interesting trends that have been pointed out:

- Current Low Interest Rates
- Anticipated Rising Interest Rates
- Current Cap Rates
- Cap Rate Expansion

# Interest Rates

- Currently at historic lows
  - More with less
- Forecasted to rise in 2017
  - Borrow less
  - Cap rates go up

# Cap Rates

Cap Rate: A return on ones investment (unleveraged)

Ex. Purchase building for \$10MM  
(all cash no leverage)  
NOI = \$800K

You purchased this building at an 8% Cap Rate.  
Your \$10MM investment is producing an 8% return.

# Cap Rates

The simple equation:

$$\text{Value} = \frac{\text{Net Operating Income}}{\text{Cap Rate}}$$

or

$$V = \frac{\text{NOI}}{r}; \quad r = \frac{\text{NOI}}{V}; \quad \text{NOI} = (r)(V)$$

# Cap Rates

- Cap Rate compression
  - Effect on Value
- Cap Rate expansion
  - Effect on Value

# Cap Rates

- Why Cap rate expansion?

Interest rates are projected to rise in 2017.

# Cap Rates

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- Interest Rates go up
- Cap Rates go up
- Values come down





Let's look at some actual numbers.

**Go to Pro Forma**





**Questions?**





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