BAYFIELD

Real Estate Financial Modelling

Understanding Key Principles

Course Length: One Day
Course Delivery: In-Person & Virtual
Public & In-House Availability

Real Estate Investments are unique in that they generate both rental income and capital appreciation, making cash flow modelling an essential tool for Real Estate Investors, Lenders, and Analysts.

On this course, we will use case studies to enhance the delegates understanding of Real Estate financial appraisals, and help them fully appreciate the theory behind the numbers. We will cover topics such as discounting, compounding, forecasting rental income and expenses, calculating net operating income (NOI), factoring in capital expenditures, modelling debt service, and determining the internal rate of return (IRR).

This course will provide you with a solid foundation for understanding and analysing real estate cash flows.

On this course you will....

- Study the financial concepts of compounding, discounting and in-perpetuity
- Consider the importance of the timing and uncertainty of both fixed and growing income streams
- Contrast different property yield metrics
- Build-up risk premiums for discount rates, discuss the importance of liquidity, transparency and volatility
- Compare and contrast time and money-weighted measures of return
- Learn about valuation principles
- Contrast value and worth
- Discuss the importance and sourcing of inputs and outputs

Who will benefit from this course?

- Professional Real Estate Transaction Managers
- Asset Managers
- Portfolio Managers
- Recent graduates with exposure to Real Estate Financial Modelling
- New employees with exposure to Real Estate Financial Modelling
- People working in Argus, Anaplan or any commercial Real Estate software and would like to understand Financial Modelling key principles

Course Content

Morning

Real Estate Financial Mathematics

- Time Value of Money
- Net Present Value (NPV)
- Internal Rate of Return (IRR)
- Growth
- What Discount Rate?
- Certainty of a cash flow
- Liquidity

Price, Value & Worth

- Comparing Price, Value and Worth
- Conventional Valuation Methods
- Term and Reversion, Layer Method
- Property Yields and Capitalisation Method
- Exit calculations across Europe

Afternoon

Discounted Cash Flow Models

- Investment Appraisal Models
- Cash flow inputs: Rents, Yields, Growth Rates, Target Returns
- Cash-on-Cash and Equity Multiple
- Discount Rates & Exit Cap Rate
- Operating Assumptions
- Adding borrowing and analysing geared returns

Model interpretation and Analysis

- Sensitivity analysis and scenario analysis
- Growth and inflation
- Performance measures
- Contemporary issues for analysis (such as the rise in interest rates)

Q&A

Contact us

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