BE WEALTHY PODCAST

THE COMMERCIAL BUYER'S CHEAT SHEET

BE | WEALTHY

From comps to cap rates. Everything you need in front of you the first time a broker sends you a deal.

From the Be Wealthy Podcast episode: *"From Single Family to Starbucks, Comps to Cap Rates"*

01 THE TWO FORMULAS THAT RUN EVERYTHING

FORMULA	WHAT IT TELLS YOU
NOI = Total Income – Operating Expenses	The money the property makes in a year after paying its own bills. Your loan payment doesn't count here, and neither do your income taxes or depreciation.
Value = NOI ÷ Cap Rate	Value is just the income divided by the cap rate. Push the income up and the value goes up with it.

Supporting metrics:

METRIC	FORMULA	LEVEL
Expense ratio	**Expenses ÷ Income**	How much of the income gets eaten by bills
Cash-on-cash	**Annual cash flow (after debt) ÷ Cash invested**	What YOU earn on the cash you put in

> *The cap rate tells you what a building is worth to anyone who buys it. Your loan only changes what YOU make on it. Don't mix those up.*

02 THE MULTIPLIER | WHY OPERATORS WIN

Every $1 of NOI you add (income raised OR expense cut) creates this much value:

MARKET CAP RATE	$1 OF NOI =	$10,000 OF NOI =	$50,000 OF NOI =
5%	$20.00	$200,000	**$1,000,000**
6%	$16.67	$166,700	**$833,000**
7%	$14.29	$142,900	**$714,000**

> *Your rental house gets none of this. Houses are priced on comps, not income. This table is the reason to switch games.*

03 YOUR GAP | DO THIS MATH FIRST

THE MATH	AMOUNT
A Equity stuck in your rentals: what they'd sell for minus what you owe (line D of the SFR Reality Check if you have it)	$ ______________
B What it earned you last year in the house (real cashflow)	$ ______________
C What commercial would pay you on that money: A × 0.065 (a typical passive deal pays about 6.5%)	$ ______________
D WHAT STAYING PUT COSTS YOU EVERY YEAR: C – B	$ ______________

04 THE 1031 BRIDGE | MOVE IT WITHOUT PAYING TAX

"Like-kind" just means any U.S. investment property for any other. A rental house can turn into apartments, retail, a net-lease building (one long-term tenant), or a resort. All of it qualifies.

DEADLINE	RULE
Before your sale closes	Hire a Qualified Intermediary (QI): a neutral company that holds your sale money during the swap. If the money touches your account, even $1, the tax break is dead and you owe it all.
Day 45	Tell your QI IN WRITING which buildings you might buy. You get up to 3 picks at any price. Want more picks? Then all of them together can't cost more than 2× what you sold.
Day 180	Close. Calendar days. No extensions.
At purchase	Buy something worth as much or more, put all your equity back in, and take on at least as much loan as before. Any cash you keep (called "boot") gets taxed.
Always	The same person (or LLC) that sold has to be the one that buys.

Pro moves: Find the replacement deal BEFORE you list. Roll several house sales into one bigger property. Selling multiple houses with leftover equity? DSTs also count (you buy a slice of a big building someone else runs). They're for higher-net-worth investors, you can't cash out quickly, and the fees add up, so read the fine print.

The kicker: 100% bonus depreciation is back, permanently, for property bought after 1/19/2025. That's a tax break that lets you deduct a big chunk of the building in year one instead of over decades. Have your CPA order a cost segregation study (an engineer splits the building into parts you can write off faster). It can turn 30–50% of the purchase into a year-one write-off. Order it before you close.

05 THE 8-STEP UNDERWRITE | CHECK EVERY BOX BEFORE YOU OFFER

✓	STEP	THE QUESTION	THE TRUTH
☐	**1 Identify the investment**	What business am I buying inside this real estate?	Can't explain how it makes money in one sentence? Don't buy it.
☐	**2 Passive or active**	Is income *delivered* (contract) or *created* (operations)?	Passive (rent checks arrive) ≈ 3–9%. Active (you run a business) ≈ 15–25%+. More work should mean more return.
☐	**3 Underwrite the market**	Would I want to own HERE if this deal didn't exist?	A great operator cannot fix a bad market.
☐	**4 Break down the income**	Which streams are stable, recurring, growable?	Steadier income is worth more than shaky income.
☐	**5 Verify the income**	Who PAYS, and what agreement guarantees it?	You're buying the agreements behind the income. Are they solid, or just hoped for?
☐	**6 Rebuild the expenses**	What do these lines cost under MY ownership?	Your numbers are not their numbers. Most deals are mispriced because expenses are wrong.
☐	**7 Identify the value-add**	What specifically changes when I own it?	5 ways to add value: raise income, cut expenses, fix it up, change what it's used for, refinance. A plan you won't execute is worth nothing.
☐	**8 Back into price**	What price makes this a GOOD deal for my required return?	There is no such thing as a good deal at the wrong price.

06 THE MINDSET SHIFT (TAPE THIS TO YOUR MONITOR)

SINGLE FAMILY (COMPS)	COMMERCIAL (CAP RATES)
Market controls value	**Operator controls value**
Rent increases barely move price	**Income increases ARE price increases**
You cannot force appreciation	**You can force appreciation**
Effort doesn't guarantee results	**Effort creates value**
"What's the price?"	**"What price makes this a good deal?"**

> *Your equity doesn't know it lives in a house. Move it where effort counts.*

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