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THE OPERATOR TEST · INSTRUMENT NO. 4

The *stress test card.*

Three moves. Run them on any deck, in any market, in front of any sponsor. Pretty math breaks fast.

1 **The exit**

Raise the exit cap rate 100bps above the deck.

2 **The insurance**

Current carrier quote, stressed a further 25–40%.

3 **The grind**

Flat rents, expenses +4%, vacancy one point worse. Three years, all at once.

An operator has this page ready. A promoter has never seen it.

MIDDLE COAST HOLDINGS · CHICAGO

FOLD

TEST ONE · THE EXIT

Raise the exit cap rate 100 basis points above the deck's assumption. If the deal still returns capital, keep reading. **If the whole return lives in the exit price, you are not buying a building. You are buying a prediction.**

TEST TWO · THE INSURANCE

Take a current carrier quote, not the seller's prior-year premium, and stress it a further 25 to 40 percent. Nobody wants to run this one, because it has been the deal-killer of the decade in the Midwest. Ask what it does to the coverage ratio. **Watch the face, not the spreadsheet.**

TEST THREE · THE GRIND

Rents flat. Expenses up four percent a year. Vacancy one point worse. All three at once, for three years. Does the building still pay its mortgage? Does anyone get a distribution?

A deal that survives all three is worth the hour of real diligence. A deal that survives none of them was never a deal. It was a story with a wire form attached.

RUN IT ON US TOO

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