



# TFA

## Monthly Newsletter

September 2025

### IN THE NEWS

Record gaming revenue reported for tribal casinos in 2024

7/31/2025 – [cdcgaming.com](https://cdcgaming.com)

Potawatomi tribes across North America, including in Wisconsin, form confederation

8/16/2025 – [pechanga.net](https://pechanga.net)

New UNLV venture tackles AI's impact on gaming operations and regulation

8/18/2025 – [vegasinc.lasvegassun.com](https://vegasinc.lasvegassun.com)

Tribe's non-gaming business now generates \$1B for Michigan's economy, study finds

8/27/2025 – [crainsgrandrapids.com](https://crainsgrandrapids.com)

GLPI Tribal deal draws analyst's approval

9/2/2025 – [cdcgaming.com](https://cdcgaming.com)

## Cap Rates—A What/Who/How/Why Primer

By Kristi Jackson

Frequently we hear of acquisition prices described in terms of multiples – whether it's a multiple of cash flow, EBITDA, or, in the tech world, many investors even look at a revenue multiple. In real estate however, the acquisition price is most often described by the capitalization rate – or cap rate.

**What is a cap rate?** Most simply, it can be explained by the formula below:

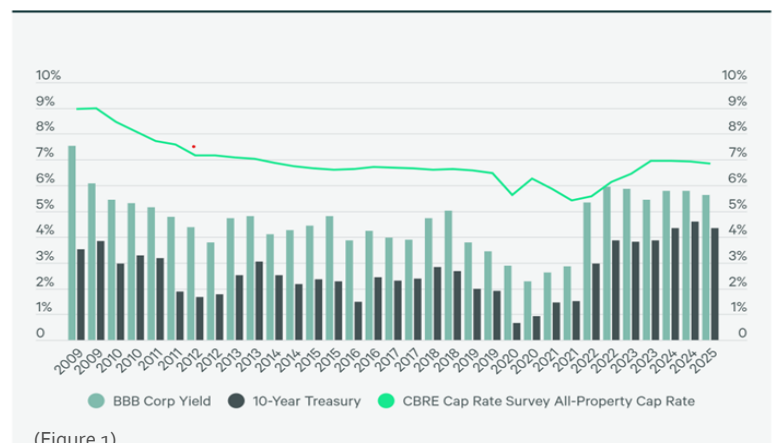
**Cap Rate = Property Stabilized Net Operating Income ÷ Market Value of Property**

The cap rate is essentially the reciprocal of the EBITDA multiple used in valuing non-real property operating companies (i.e. a 20x multiple is equivalent to a 5% cap rate). The higher EBITDA multiples equal more value to the owner, as does a lower cap rate. Further, the Net Operating Income ("NOI") is like EBITDA as it is calculated prior to interest expense and excludes deductions for both capital expenditures and income taxes. To get to a market cap rate, it is also useful to look at NOI on a stabilized basis vs a current level – which may be adjusted; for example if there is less than ideal occupancy or lower than market rents. The main factors affecting the cap rate will be the location (critical for any real estate investment), quality of the asset, growth potential and the overall

risk of the investment. It is also important to note that cap rates and purchase multiples can be deceiving, as a long-term investor may willingly pay a very aggressive or low cap rate on existing cash flow for an apartment building if they believe, based on their analysis of the area's economic outlook and supply-demand dynamics, that rents will rise significantly over time. As for the Market Value, it is most often the price paid or asked for the property.

**How is a cap rate used?** Cap rates are correlated to interest rates. Cap rates will increase in a rising interest rate environment and will fall with a decline in interest rates. The chart to the right illustrates the correlation and relative similarity of the slope and direction of the movement in the cap rate with the corporate bond yield and the 10-year treasury rate (Figure 1).

Figure 1: Real Estate Cap Rate and Bond Yields, Period Average



Source: CBRE Econometric Advisors, H1 2025.

(continued on Page 2)

(continued from Page 1)

**Who uses cap rates?** Real estate investors most often look to this metric more than any other single indicator of value. Across various sectors, investors use cap rates for comparative valuation.

**Why use cap rates?** Typically, real estate investors will look at stabilized, long-term cash flows generated from the rental/leasing of properties. These types of cash flows are similar to those from fixed income investments – also contractual and long-term – which are expressed in terms of yield. A cap rate, being a percentage, is effectively the yield of an investment in a particular property. Essentially, cap rates are a useful tool for quickly analyzing the potential profitability of real estate. With just a few key inputs, investors can quickly gauge return potential and compare alternatives.

Looking forward, many market participants and analysts believe the post-Covid era has reached a point of stabilization. In many sectors, we've moved past the inflection point – marked by improving occupancy rates and renewed investor demand – to-

## Kristi Jackson will be speaking on two panels at IGA Mid-Year Conference 2025 at Mystic Lake on Monday September 8<sup>th</sup> and Tuesday September 9<sup>th</sup>



If you will also be in attendance and would like to set up a meeting, please contact Kristi Jackson at [kjackson@tfacp.com](mailto:kjackson@tfacp.com)

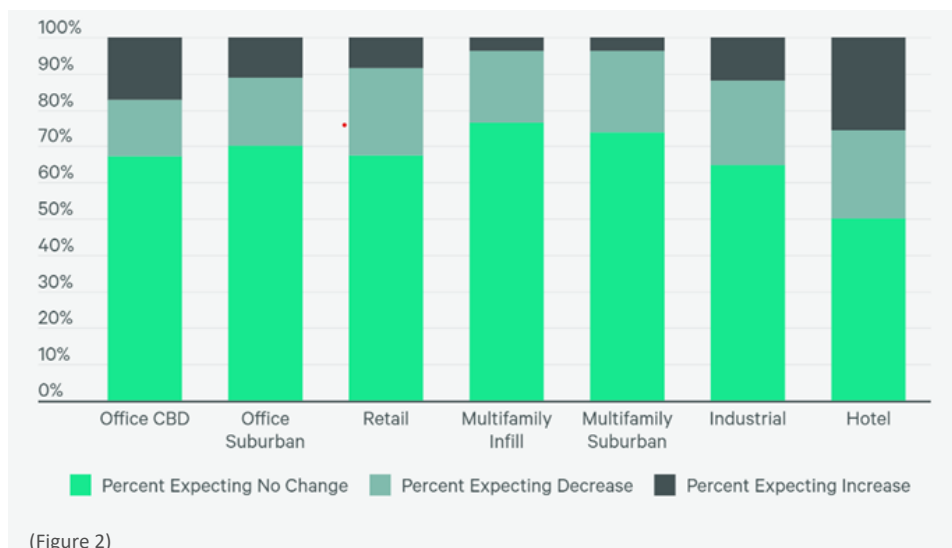
ward a renewed growth trajectory. This translates into stable to declining cap rate expectations – with variation across sectors. The chart below (Figure 2) illustrates investor *expectations* for cap rate changes in the second half of 2025, by share of respondents in the most recent CBRE-released survey:

This reflects both an expectation for interest rate cuts as well as a general increase in appetite for real estate investment (or, in some sectors, return of prior appetite). For Tribes,

as with all real estate investors, this means that prices may be trending higher – or at least, with the inflection point reached, there may not be rock-bottom opportunities available anytime soon.

Finally, when financing is involved – one must know that the overall cost of financing must be lower than the cap rate on an investment, or there is a real problem with potential debt service and an investor faces a negative return.

Of course, there is a plethora of detail to support most of these calculations. TFA is always available to help with further explanation or to discuss your particular situation. Have a great September!



Source: CBRE Econometric Advisors, H1 2025.

# TFA

201 Continental Boulevard  
Suite 110  
El Segundo, CA 90245  
[tfacp.com](http://tfacp.com)

KRISTI JACKSON  
CHAIRMAN  
310.341.2335  
[kjackson@tfacp.com](mailto:kjackson@tfacp.com)

WILLIAM NEWBY  
PRESIDENT  
310.341.2796  
[wnewby@tfacp.com](mailto:wnewby@tfacp.com)

DAVID HOWARD  
CEO  
310.341.2795  
[dhoward@tfacp.com](mailto:dhoward@tfacp.com)

BRAXTON SATO  
VICE PRESIDENT  
310.341.2339  
[bsato@tfacp.com](mailto:bsato@tfacp.com)

FOLLOW TFA ON:

