AI in Real Assets Private Equity

Interview preparation summary · RE track

INT.XR.1.a · AI in Real Estate Private Equity

Use an AI assistant to scan leases, valuation reports and market reports for a first view, then verify every figure, date, unit and caveat against the source and keep confidential material out of unapproved tools.

In real estate private equity the documents are long and the value sits in small print: lease breaks, rent-free periods, rent review caps, special assumptions in a valuation, the date and basis of a market report. An AI assistant approved by your firm can abstract leases, summarise a valuation report or pull figures from a market report quickly, which is useful for a first pass. Its weakness is that it writes fluent, confident text that can contain invented figures, citations or quotations, can mix units (per sq ft versus per sq m) and periods (quarterly annualised versus twelve months), and often drops the caveat that matters. So ask for clause or page references, check each against the source, ask what the document does not say, and read the value-driving clauses yourself. Never paste leases, rent rolls, prices, tenant names or investor data into a public tool; firms differ, so follow your firm's policy. The usual mistake is trusting a summary because it sounds precise.

WORKED EXAMPLE: CHECKING AN AI SUMMARY OF A LEASE SCHEDULE

An AI assistant approved by your firm summarises the lease schedule of an invented office building, Tolliver House, and says: weighted average unexpired lease term (WALT) is 7.5 years and the building is secure. The source schedule has three tenants. Brightwell Legal pays 1.2m a year, lease expires in 10 years, tenant break in year 3. Corvane Systems pays 0.8m, expires in 6 years, no break. Darrow Print pays 0.5m, expires in 4 years, no break. Check the WALT and say what you would tell your associate director.

Answer: WALT to expiry is 7.5 years but WALT to first break is 4.2 years, and one tenant paying 48% of rent can leave in year 3, so the summary overstates security.

> **Interview tip:** Say: the AI figure was right but incomplete. I checked it against the schedule, found WALT to expiry of 7.5 years and to break of 4.2, and read the break clause myself before anything went into the memo.

INT.XR.1.b · AI in Real Estate Private Equity

Use AI to sanity-check a model or calculation and to generate formulas, test its output on a known case, reconcile to the source, challenge assumptions and document what was AI-assisted.

An AI assistant can review an underwriting model for broken links, generate a formula for exit value or debt cover, suggest sensitivities and argue against your assumptions. It cannot be trusted to do the sums. A language model predicts plausible text, so a yield, a loan payment or an IRR can read well and be wrong, and it will often not flag that it ignored purchaser's costs, non-recoverable service charge, amortisation or a break. Test any formula it gives you on a case you can do by hand, then reconcile the model to the rent roll and the source documents, check that sources equal uses, and flex inputs to see that outputs move in the right direction. A statement that no errors were found is not evidence of none. Beware stories fitted to a few data points, and record what was AI-assisted and what you verified so a colleague can follow it. The usual mistake is checking whether the answer looks sensible rather than recomputing it.

WORKED EXAMPLE: MARLOW YARD: AN AI YIELD THAT IGNORES LEAKAGE

An AI assistant is asked for the net initial yield on Marlow Yard, an invented multi-let industrial estate offered at 38.0m. It answers 6.9%. Your inputs: rent receivable after voids 2.62m, service charge recoveries 0.31m, service charge costs 0.36m, landlord insurance and ground rent 0.09m, management fees 0.08m, purchaser's costs 6.8% of price. Find why the AI is wrong and the correct yield.

Answer: The correct net initial yield is 5.91%, not 6.9%: the AI ignored the service charge leakage, owner costs and purchaser's costs, overstating yield by about 98 basis points.

> **Interview tip:** Say: I used the assistant for a first pass, tested its output against a hand calculation, found it used headline rent over price, and corrected it. I trust it to suggest a check, not to do the arithmetic.

INT.XR.1.c · AI in Real Estate Private Equity

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Use AI to draft memos, emails and slides in the house style, then own the structure, recommendation, accuracy and tone, keep an audit trail, and speak honestly about AI use with the team and in interviews.

AI is good at turning notes into a first draft of an investment committee paragraph, an email to a broker or a slide headline in your firm's house style. The structure, the recommendation and every number remain yours. Fluent text sounds more certain than the evidence allows, so edit for accuracy, tone and unsupported claims such as well positioned for strong occupier demand, and make sure the headline metric is the in-place one, with projections labelled as projections. Use only tools and data your firm approves, keep the prompt, the output and your edits in the deal folder if policy requires, and tell your team plainly what the assistant did. In an interview, give a specific use, say how you checked it and describe one place you did not trust it. A junior should not delegate the recommendation, the judgement on price and risk, or anything that goes to a counterparty unread. The usual mistake is letting a polished draft stand because it reads well.

WORKED EXAMPLE: PELHAM LODGE: A DRAFT MEMO THAT FLATTERS THE DEBT

An AI assistant drafts a financing paragraph for an invented apartment block, Pelham Lodge: price 24.0m, loan at 62.5% of price, interest-only at 5.8%, and the draft says comfortable interest cover of 2.0x and a debt yield above 11%. Your inputs: in-place NOI 1.38m; business-plan stabilised NOI in year 3, 1.74m. Check the draft and rewrite the claim.

Answer: The honest headline is 1.59x interest cover and a 9.2% debt yield in place, with 2.00x and 11.6% as plan-dependent projections.

> **Interview tip:** Say: the assistant produced a tidy paragraph, but it used the stabilised NOI as the headline. I recomputed on in-place income, labelled the projection, and I remain responsible for every number in the memo.

Summary of the Charta interview-preparation topic. Companies and figures in the examples are invented. Draft content, not yet expert reviewed.

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