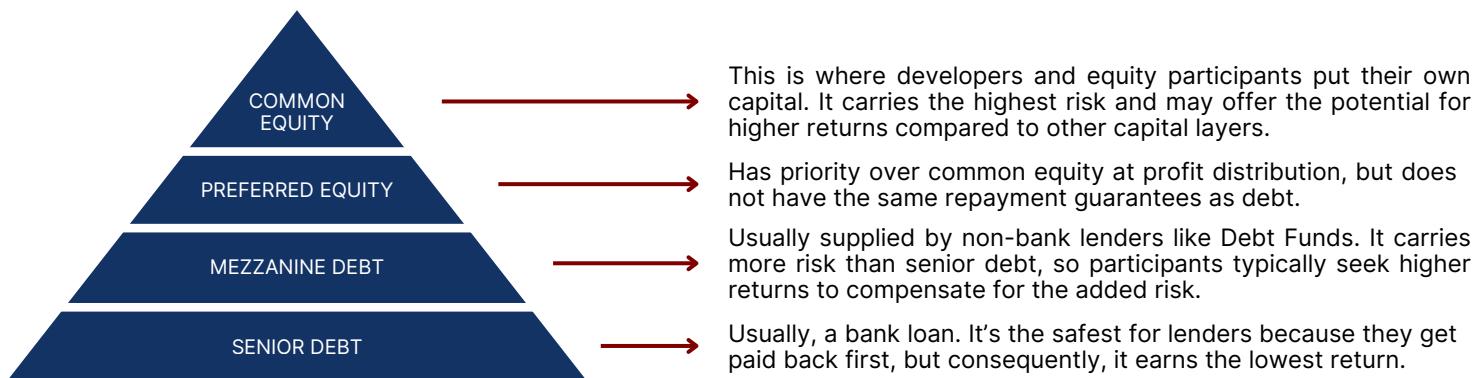


WHAT IS A CAPITAL STACK?

The structure of all the different sources of capital used to finance a real estate project. It's typically organized by risk and return, starting with the safest, lowest-return capital at the bottom and moving up to the riskiest, highest-return capital at the top.

The capital stack comprises several layers, which include **senior debt, mezzanine debt, preferred equity, and common equity**. Each layer carries its own expectations for return, level of involvement, and position in the investment hierarchy.



The capital stack is a roadmap for how commercial real estate deals function from start to finish.
The structure determines:



The alignment of interests within the structure can influence how a project performs, although outcomes vary. When the structure is misaligned or overly aggressive, a project may face **unnecessary risk or become over-leveraged**.

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