What is a Pro Forma?

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A pro forma is a financial model that projects a project's future income, expenses, and profitability to determine its financial viability. Developers and investors use the pro forma to analyze whether the proposed development will generate sufficient returns and to secure financing.

A typical pro forma includes development costs (land, soft and hard costs), revenue projections (unit mix, rents, and sales), financing terms, and operating expenses. It calculates key metrics like internal rate of return (IRR), return on investment (ROI), and cash flow projections from construction through stabilization. While both for-profit and not-for-profit developers rely on pro formas, details are likely to differ owing to how each type operates and how their financing is structured.

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