

REAL ESTATE METRICS

Net Operating Income (NOI) = Rental Income + Other Income – Vacancy & Credit Losses – Operating Expenses

Capitalization Rate = NOI / Property Value

Cash Flow = NOI – Debt Service

Taxes

Assessed Value = Appraised Value x Assessment Ratio

Property Taxes = Assessed Value x Tax Rate

Vacancy Rate = Vacant Units / Total Number of Units

Gross Operating Income = Rental Income – Vacancy and Credit Losses + Other Income

Operating Expense Ratio = Operating Expenses / Gross Operating Income

Gross Rent Multiplier = Market Value / Annual Gross Rental Income

Debt Metrics

Loan to Value Ratio = Loan Amount / Property Value

Equity = Property Value – Outstanding Debt

Debt to Income Ratio = Total Monthly Debt Payments / Total Monthly Income

Debt Service Coverage Ratio (DSCR) = NOI / Annual Debt Service

Return on Investment = (Cash Flow + Principal Paydown + Appreciation) / Initial Cash Investment

Profitability Index = Present Value of Future Cash Flows / Project Investment

Break Even Ratio = (Debt Service + Operating Expenses) / Gross Income

Return on Equity = Cash Flow / (Property Value – Mortgage Balance)

Cash on Cash Return = Annual Before Tax Cash Flow / Total Cash Invested

Internal Rate of Return (IRR)

$(CF \text{ Year } 1 / ((1 + IRR)^1) + CF \text{ Year } 2 / ((1 + IRR)^2) + CF \text{ Year } n / ((1 + IRR)^n)) - \text{Initial Investment} = 0$

*CF = Annual Cash Flow | IRR is found by setting the sum of the present value of future cash flows (minus any initial investment) to zero



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