

Glossary of Terms and Formulas for Investors

Annual Debt Service:

Total of all monthly loan payments (principle + Interest) paid throughout the year for all mortgages.

Annual Operating Expenses:

Actual expenses in running the property ie; Property Tax, Insurance, Maint. and Repairs, Management Fees, Services, Utilities and Supplies (Loan Payments are NOT an operating expense)

Before Tax Cash Flow:

Net Operating Income – Annual Debt Service = Before Tax Cash Flow

Capitalization Rate (Cap Rate):

Net Operating Income (NOI) *divided By* Purchase Price = Cap Rate

Cash on Cash:

A way to measure an investments performance.

Before tax cash flow *divided By* Initial Investment = % Return

Effective Rental Income:

Gross Scheduled Income – Vacancy and Uncollected = Effective Rental Inc.

Gross Operating Income (GOI):

Scheduled Rent + Other Income – Vacancy = Gross Operating Income

Gross Rent Multiplier (GRM):

Price *divided by* Gross Rent = Gross Rent Multiplier

Gross Scheduled Income (GSI):

Maximum rent you would collect all year at 100% occupancy

Net Operating Income (NOI):

Gross Operating Income – Annual Operating Expenses = NOI