

Value = <u>Income</u> Rate

An investor pays \$1,000,000 for a strip shopping center. If he wishes to generate a 5% annual return, how much annual income will he need?

Sally's apartments generated \$2,000 in net income last month. If she invested \$240,000 in them, what is her rate of return?

An apartment building has a net income of \$15,000 per year. If a buyer needs a 10% return, what should he pay for it?

## Income = Rate x Value

John just purchased a duplex for \$90,000. He wants a 12% return,

a.	What will his	NOI (net	operating	income)	have to	be to	achieve	his g	oal?
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b. The higher the rate of return, the	the income needs to
be.	

c. The higher value or price, the \_\_\_\_\_\_ the income needs to be.

## Value = <u>Income</u> Rate

Gretchen wants to buy an apartment building that the owner says is netting \$8,000 per year.

- a. If she wants a 5% rate of return, what should she be willing to pay for the property?
- b. If she wants a 10% rate of return, what should she be willing to pay?
- c. The higher the rate of return she wants, the \_\_\_\_\_the value of the property to her.
- d. The higher the income, the \_\_\_\_\_ the value of the property.

## Rate = Income Value

Mary & Sam own a fast food restaurant for which they paid \$500,000. Last year their NOI was \$25,000. What was their rate of return?

Charles has a rental house that rents for \$500 / month.. He paid \$50,000 for it last year. His annual fixed expenses are \$1,000 and his operating expenses are \$2,000 annually.

- a. What is his capitalization rate (rate of return)?
- b. What is the gross rent multiplier (GRM)?
- c. Based on a 20- year straight line depreciation schedule and valuing the land at \$10,000, what is his annual depreciation write off for tax purposes?

- d. The higher the income, the \_\_\_\_\_\_ the rate of return.
- e. The higher the value or price paid, the \_\_\_\_\_ the rate of return.