



$$I = R \times V$$

$$\text{Income} = \text{Rate} \times \text{Value}$$

$$\text{Rate} = \frac{\text{Income}}{\text{Value}}$$

$$\text{Value} = \frac{\text{Income}}{\text{Rate}}$$



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 goal?
  
  
  
  
  
  
  
  
  
  
- 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 = Income 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.

