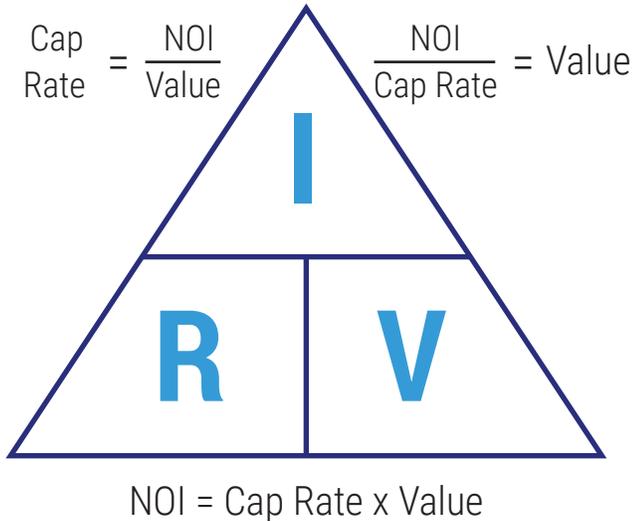


Confident Calculations

Income & Value

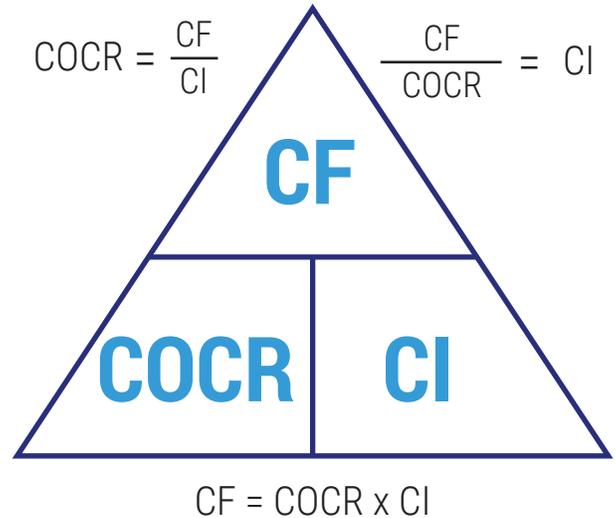


Net Operating Income (NOI), represented as “I”, is the Gross Operating income (GOI) minus the Gross Operating Expenses (GOE).

Market Cap Rate (R) is the capitalization rate that your income producing property is bought and sold at. Cap rate is set by the market and is different for every market.

Value (V) is the market value of a property.

Cashflow & Return



Cash Flow (CF) is equal to NOI minus all debt service payments.

Cash-on-Cash Return (COCR) measures the actual return realized on your **Cash Invested (CI)**. This is often compared against the “**Opportunity Cost**” of the cash.

Cash Invested (CI) is the amount of cash that actually comes from your resources. This does not include any borrowed money.

Other Formulas

$$\text{Total ROI} = \frac{\text{CF} + \text{PR} + \text{AA} + \text{PA}}{\text{CI}}$$

$$\text{GOI} = \text{GSI} - 5\% \text{ vacancy allowance}$$

$$\text{GOE} = \text{Property Tax} + \text{Utilities} + \text{Condo Fees} + \text{R\&M} + (\text{all other operating costs})$$

Important Terms

GSI - Gross Scheduled Income: The amount of income the property is scheduled to collect as per the rental agreement.

GOI - Gross Operating Income: The GSI minus 5% for vacancy allowance.

GOE - Gross Operating Expense: The sum of all expenses associated with operating the property. Does not include any debt payments.

DS - Debt Service: The payments made to service all debt on the property. DS payments include both principle and interest.

OC - Opportunity Cost: The return forgone by choosing one investment over another investment.

R&M - Repair and Maintenance: An estimated amount set aside to repair the property during the year. 5% of GOI is used as a general standard.

ROI - Return on Investment.

PR - Principal Recapture: The portion of a mortgage payment that is allocated to principal balance payoff.

CF - Cash Flow: The amount of free cash available at the end of the year.

PA - Passive Appreciation: The increase in property value driven by external market forces.

AA - Active Appreciation: The increase in value driven by the property owner.