

Do you know the Value of your Property?

Now you can analyze the CAP, GRM, and Price Per Unit of your investment property.

A pro-active approach in managing the condition of your property and stabilizing your rental income at market rents will help you decide when it is time to refinance or sell your property at best value!

Example: San Diego Property (8 Residential Units-Older Building in below average condition)

Income	Monthly	Annual		Property Purchase Price
Rent	\$10,045	\$120,540		\$1,650,000
Vacancy	\$502	\$6,027	5%	
Effective Rental Income	\$9,543	\$114,513		
Laundry	\$100	\$1,200		
Parking	\$0	\$0		
Other	\$0	\$0		
Gross Operating Income	\$9,643	\$115,713		

Expenses	Monthly	Annual	% of Income	Comments
Real Estate Taxes	\$1,650	\$19,800	17%	Tax Rate: Based on purchase price
Insurance	\$192	\$2,300	2%	New Rates are moving towards \$300 per unit
Utilities	\$250	\$3,000	3%	Water and Sewer Costs are a "Hot Topics"
Repairs & Maintenance	\$542	\$6,500	6%	Safety, Trash Pick-up, Supplies, etc.
Management Fee	\$771	\$9,257	8%	Depending on services between 5%-8%
General & Administrative	\$183	\$2,200	2%	Misc. Business License, Tax Preparation
Landscaping	\$400	\$4,800	4%	Depends on your property landscape
Total Expenses	\$3,988	\$47,857	41%	Banks use 38-40% expense rate to qualify new loans

Mortgage Payments are not included in expenses when calculating Net Operating Income

Banks use a 5% vacancy rate to qualify new loans

Net Operating Income

Gross Operating Income (GOI)	\$115,713
- Annual Operating Expenses	-\$47,857
Net Operating Income (NOI)	\$67,856

Estimated Value of Sample Property	\$1,650,000
Capitalization Rate	CAP 4.11%
Net Operating Income divided by Price	\$67,856 / \$1,650,000
Gross Rent Multiplier	GRM 13.69
Price divided by Gross Scheduled Income	\$1,650,000 / \$120,540
Price Per Unit	Per Unit \$206,250
Price divided by number of Units	\$1,650,000 / 8
Price Per Building Improvement	PSF \$330
Price divided by Square Footage	\$1,650,000 / 5000SF

The estimated property value could be higher, if the property had been properly managed (market rents, overall)

When selling you'll be aiming for a low CAP and a higher GRM
 When buying you'll be looking for a high Cap Rate and a lower GRM

