



CIAS Calculation Cheat Sheet

Gross Operating Income (GOI)

Gross operating income is a calculation of the total potential monthly rental income (also known as gross scheduled income or gross potential income) adjusted for the vacancy rate.

GOI= Potential Rental Income x (100%-Vacancy Rate%)

Example:

Potential Monthly Rental Income=**\$1,363**

Vacancy Rate=**5%**

100%-5%=**95%**

Your GOI will be **95%**, or **.95** of the potential monthly rental income.

$\$1,363 \times .95 = \mathbf{\$1,295}$

Net Operating Income (NOI)

Net operating income (NOI) is a calculation of gross operating income (GOI) minus expenses.

NOI=GOI-Expenses

Expenses Include:

- Taxes
- Insurance
- HOA
- Property Management
- Utilities and Trash
- Lawn Service
- Maintenance
- Vacancy Reserve

NOI = (Gross Operating Income) - (Operating expenses)

Example:

GOI (Gross Operating Income)=**\$1,295**

Expenses=**\$400**

Taxes: \$150

Insurance: \$50

HOA: \$0

Property Mgmt: \$100

Utilities and Trash: \$0

Lawn Service: \$0

Maintenance: \$50

Vacancy Reserve: \$50

TOTAL: \$400

Your NOI will be the GOI, \$1,295, minus the total expenses, \$400.

$\$1,295 - \$400 = \mathbf{\$895}$

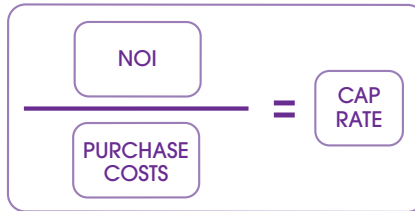


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Cap Rate (Capitalization Rate)

Cap rate is a calculation of the yearly net operating income (NOI) divided by the value, or purchase price, of a property.

$$\text{Cap Rate} = \text{NOI} / \text{Value}$$



Example:

Monthly NOI=\$895

Yearly NOI=\$10,740 (\$895 x 12)

Value=\$125,000

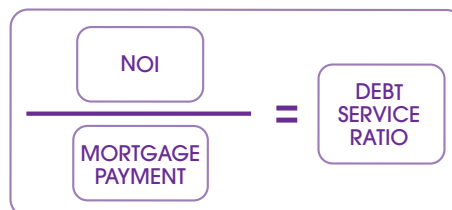
Your cap rate will be the yearly NOI, \$10,740, divided by the value, \$125,000.

$\$10,740 / \$125,000 = .086$, or 8.6%

Debt Service Ratio (DSR)

The debt service ratio (DSR) is a calculation of the net operating income divided by the debt service, or mortgage. You'll want this number to be greater than 1.2.

$$\text{DSR} = \text{NOI} / \text{Debt Service}$$



Example:

Monthly NOI=\$895

Monthly Debt Service=\$648

Your DSR will be the monthly NOI, \$895, divided by the monthly debt service, \$648.

$\$895 / \$648 = 1.38$



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Cash Flow

The monthly cash flow is a calculation of the net operating income (NOI) minus the debt service, or mortgage. Once the monthly cash flow is determined, multiplying by 12 will yield the yearly cash flow.

$$\text{Cash Flow} = \text{NOI} - \text{Debt Service}$$

Example:

Monthly NOI=\$895

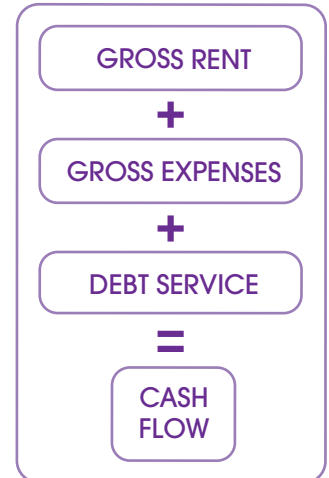
Monthly Debt Service=\$648

Your monthly cash flow will be the NOI, \$895, minus the monthly debt service, \$648.

$\$895 - \$648 = \$247$

Your yearly cash flow will be the monthly cash flow, \$247, multiplied by 12.

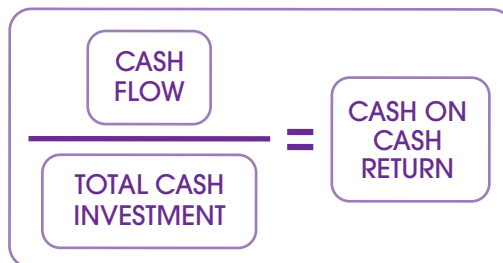
$\$247 \times 12 = \$2,964$



Cash-on-Cash Return (CCR)

The cash-on-cash return (CCR) is a calculation of the yearly cash flow divided by the initial cash investment, which includes the down payment and the closing costs.

$$\text{CCR} = \text{Yearly Cash Flow} / \text{Initial Investment}$$



Example:

Yearly Cash Flow=\$2,964

Initial Cash Investment=\$25,000 (\$22,000 down payment + \$3,000 closing costs)

Your CCR will be your cash flow, \$2,964, divided by the initial cash investment, \$25,000.

$\$2,964 / \$25,000 = .119$, or 11.9%