

# 6 Formulas For Working with Real Estate Investors

## 5-Benefits of Real Estate Investing

1. \_\_\_\_\_
2. Tax \_\_\_\_\_
3. Leverage: \_\_\_\_\_ build-up, through loan paydown
4. \_\_\_\_\_
5. Tangibility / \_\_\_\_\_

## The Language of Real Estate Investors

1. **Gross Income:** Total annual income before \_\_\_\_\_

2. **Net Operating Income:** \_\_\_\_\_ minus expenses

3. **Capitalization (CAP) Rate:** The \_\_\_\_\_ rate of return on the investment

CAP Rate = \_\_\_\_\_

Value = \_\_\_\_\_

Low Risk + Low CAP Rate = \_\_\_\_\_ Property Value

High Risk + High CAP Rate = \_\_\_\_\_ Property Value

**4. Cash on Cash Return:** Ratio of the annual cash flow, to the total amount of cash \_\_\_\_\_, expressed as a percentage

**5. Gross Rent Multiplier:** The ratio of the \_\_\_\_\_ to its monthly income before \_\_\_\_\_

**6. Pro Forma Statement:** A financial statement based on \_\_\_\_\_ and \_\_\_\_\_