

Income Approach
Practice Problem # 1
Developing NOI and Cap Rates

Potential Gross Income	\$150,000
Vacancy and Collection Loss	10%
Operating Expense	\$25,000
Christmas Gift	\$2,500
Property Value	\$800,000
Loan to value ratio	0.4

The above is given to you, develop the NOI and the Overall Capitalization Rate.

Net operating Income

Overall Cap Rate

Income Approach
Practice Problem # 1 Answer
Developing NOI and Cap Rates

PGI		\$150,000
V & C Loss ($\$150,000 \times 10\%$)		-\$15,000
Misc Inc		\$0
Effective Gross Income	<hr/>	\$135,000
Operating Expense (Given)	<hr/>	-\$25,000
Net operating Income	<hr/> <hr/>	\$110,000
Net operating Income	<hr/>	\$110,000
Overall Cap Rate (Income/Value=Rate)	<hr/>	13.8%