

Income Approach
Problem # 2 (A)
Gross Rent Multiplier Problem

The subject property is a single family dwelling which is rented for \$475 per month.
The market rent is also \$475 per month. Develop a GRM from the following data and use it to calculate a possible indication of value.

	<u>Sales</u>				
	1	2	3	4	5
Sale Price	\$60,000	\$72,000	\$65,000	\$62,000	\$68,000
Monthly Rent (EGI)	\$425	\$520	\$460	\$450	\$490
GRM					

Income Approach
Problem # 2 (A) Answer
Gross Rent Multiplier Problem

The subject property is a single family dwelling which is rented for \$475 per month. The market rent is also \$475 per month. Develop a GRM from the following data and use it to calculate a possible indication of value.

	<u>Sales</u>				
	1	2	3	4	5
Sale Price	\$60,000	\$72,000	\$65,000	\$62,000	\$68,000
Monthly Rent (EGI)	\$425	\$520	\$460	\$450	\$490
GRM	141.2	138.5	141.3	137.8	138.8

GRM = Sales Price divided by the Monthly Rent (EGI)

Median is 138.8

Possible indication of value: Market rent of \$475 times 138.8 = \$65,930 rounded to \$65,900

Income Approach
Problem # 2 (B)
Gross Income Multiplier Problem

The subject property produces Gross Annual Effective Gross Income of \$72,000. Analysis of rents and sales of comparable properties rendered the following. Based upon this information calculate a Gross Income Multiplier (GIM) and then calculate indication of value for subject property.

Sale	Sale Price	EGI	Gross Income Multiplier
1	\$675,000	\$75,000	
2	\$600,000	\$68,000	
3	\$720,000	\$85,700	
4	\$750,000	\$87,500	
5	\$650,000	\$73,000	

Gross Income Multiplier Range

Estimated value of subject property:

Value using Low range (Low range is the lowest of the GIMs)

Value using High range (High range is the highest of the GIMs)

Value using Median

Income Approach
Problem # 2 (B) Answer
Gross Income Multiplier Problem

The subject property produces Gross Annual Effective Gross Income of \$72,000. Analysis of rents and sales of comparable properties rendered the following. Based upon this information calculate a Gross Income Multiplier (GIM) and then calculate indication of value for subject property.

Sale	Sale Price	EGI	Gross Income Multiplier
1	\$675,000	\$75,000	9.0
2	\$600,000	\$68,000	8.8
3	\$720,000	\$85,700	8.4
4	\$750,000	\$87,500	8.6
5	\$650,000	\$73,000	8.9

Gross Income Multiplier Range
8.4
8.6
8.8
8.9
9.0

GIM = Sale Price divided by the EGI

Possible indicated range of value:

Subject property EGI of \$72,000 times low range = 8.4

Subject property EGI of \$72,000 times high range = 9.0

Subject property EGI of \$72,000 times median range = 8.8

\$604,800
\$648,000
\$633,600