

Income Approach
Practice Problem # 4 (A)
Gross Rent and Gross Income Multipliers

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	6
Sale Price	\$60,000	\$72,000	\$65,000	\$62,000	\$68,000	\$70,000
Monthly Rent (EGI)	\$425	\$520	\$460	\$450	\$490	\$500
GRM						

Practice Problem # 4 (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 an indication of value for the subject property.

Sale	Sale Price	EGI	GIM	Range
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		

Estimated value of subject property:

Value using Median

Value using Low range

Value using High range

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Practice Problem # 4 (A) Answer
Gross Rent and Gross Income Multipliers

Gross Rent Multiplier Problem

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	<u>Sales</u>					
	1	2	3	4	5	6
Sale Price	\$60,000	\$72,000	\$65,000	\$62,000	\$68,000	\$70,000
Monthly Rent (EGI)	\$425	\$520	\$460	\$450	\$490	\$500
GRM	141	138	141	138	139	140

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

Median is 140

Possible indication of value: Market rent of \$475 times 140 = \$66,500

Practice Problem # 4 (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 an indication of value for the subject property.

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

GIM = Sale Price divided by the median EGI

Possible indicated range of value:

Subject property EGI of \$72,000 times low range =	\$604,800
Subject property EGI of \$72,000 times high range =	\$648,000
Subject property EGI of \$72,000 times median range 8.8 =	\$633,600