

Level II
Practice Problem # 2
Development of NOI and Overall Cap Rate

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.

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Net Operating Income	<u>\$110,000</u>
Overall Cap Rate	<u>13.8%</u>

DEVELOPMENT OF NET OPERATING INCOME

PGI	\$150,000
V & C Loss	-\$15,000
Misc Inc	\$0
Effective Gross Income	<u>\$135,000</u>
Operating Expense	-\$25,000
Net operating Income	<u><u>\$110,000</u></u>