

**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

Net operating Income

Overall Cap Rate

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**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/> <b>\$110,000</b>
Overall Cap Rate	
(Income/Value=Rate)	<hr/> 13.8%