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FREE Report: Investment Property Basics

Terms to Know:

- **Market Rent**- The amount the market considers reasonable for the space rented
- **Gross Rent Multiplier (GRM)**- the Sales Price divided by the Gross Monthly Income
- **Gross Income Multiplier (GIM)**- the Sales Price divided by the Gross Annual Income
- **Operating Expenses**- DO count taxes, insurance, maintenance, repair, landscaping, legal fees, condo fees, etc. DON'T count mortgage payment (principal or interest, or PI), depreciation, or income tax effect.
- **Net Operating Expenses (NOI)**- it's the Effective Gross Income minus the Vacancy Rate minus Expenses.
- **Market Value** (formula for buildings larger than 1-4 family units) is the NOI divided by the Capitalization Rate (Cap Rate)
- **Cap Rate** is the NOI divided by the sales price of a recently sold property.

"Ballpark" Rules of Thumb:

(note: these are given as very generalized reference items and will vary based on the property, specific situation, and negotiated terms)

- **Basic Rent**- usually a little lower than 1% of the market value. (For example, the rent for a \$150,000 condo would likely be \$1450.00 a month or under.)
- The service fee for a property administrator would range from 6-10% of the monthly rent. A property administrator is optional, but can manage all aspects of the renting process.
- *Special condo note:* the monthly condo fee is paid from the monthly rent amount.

Ways to Determine Rent:

- Review the newspaper
- Call large property management companies in the area
- Check rental amounts in the area
- Go door to door- what are the rents in the neighborhood?
- Call for rent amounts of nearby vacant units- these are the competition, not the filled units.