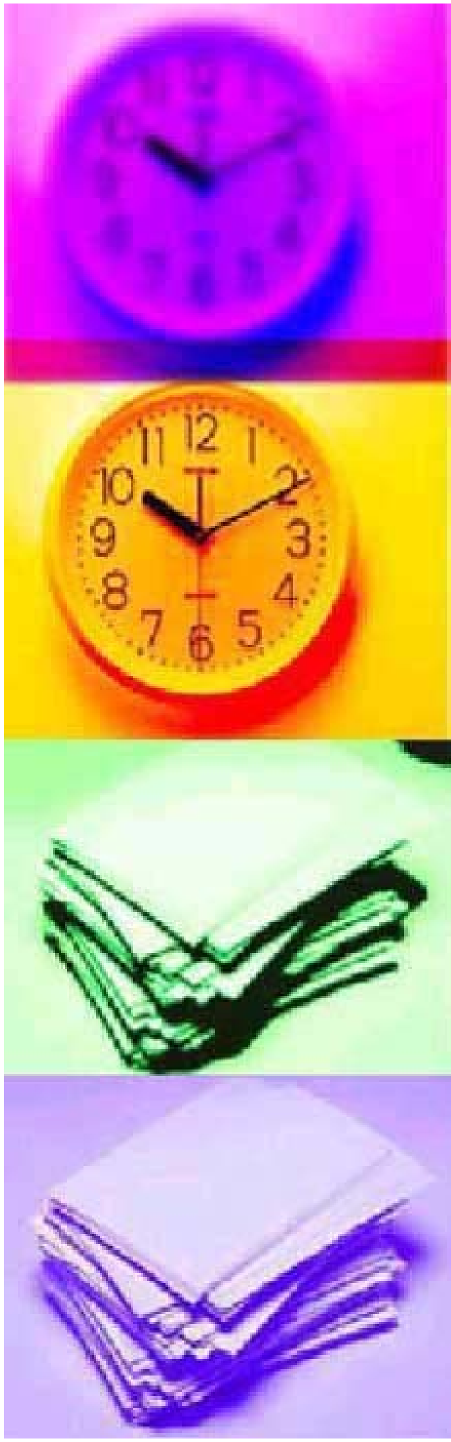
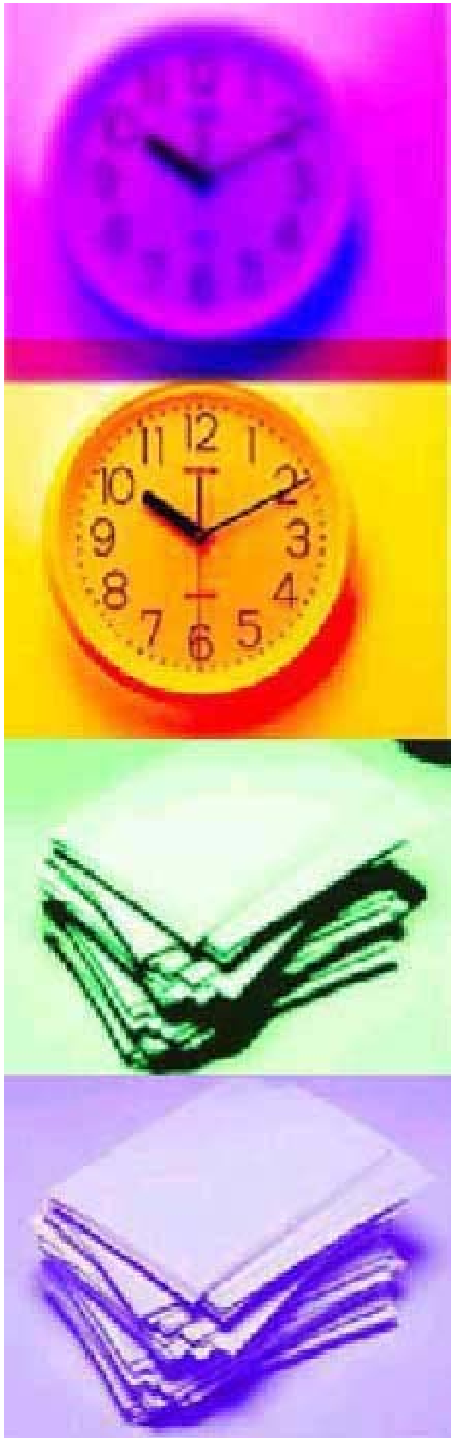


Net Operating Income

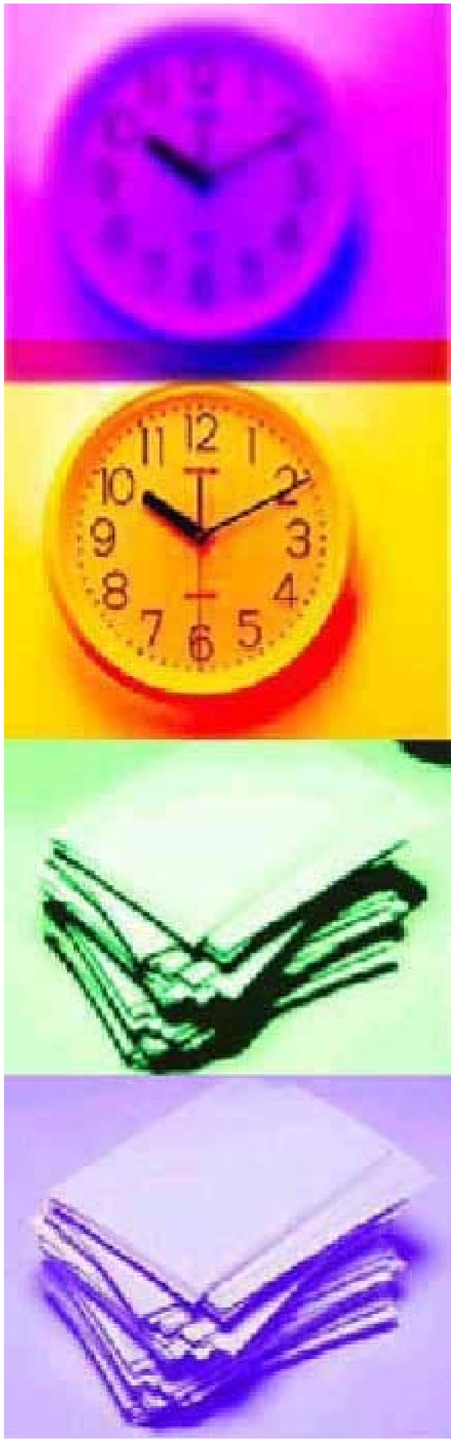
- Effective Gross Income
- (MINUS) Operating Expenses, Fixed & Variable
- = Net Operating Income (NOI)
- Example:

  200K Effective Gross Income
  ‹ 100K › Operating Expenses
  = 100K Net Operating Income (NOI)



Capitalization Rates (CAP)

- Determined by Market & Property Type.
- Used to Estimate Value
- NOI / CAP % = Est. Value
- $100K / 10% = $1,000,000
- $100K / 8% = $1,250,000
- $100K / 12% = $833,333



Debt Coverage Ratio (DCR)

- The NOI is available to service the debt on the property.
- The DSCR is always stated in terms of a number in relation to 1.0
- NOI / Annual P&I = DCR
- $120K NOI / $100K P&I = 1.20