

BASIC TERMS USED IN ANALYZING INVESTMENTS

ANNUAL PROPERTY OPERATING DATA (APOD) is the commercial real estate equivalent of an income and expense statement.

GROSS SCHEDULED INCOME (GSI) is the total annual rent value of all units in the property. This amount includes the actual rent generated by occupied units as well as the potential rent from vacant units.

VACANCY ALLOWANCE is usually expressed as a percentage of the Gross Scheduled Income. It is an estimate of the amount of potential income that will be lost due to vacancies.

GROSS OPERATING INCOME (GOI) is the Gross Scheduled Income less the Vacancy Allowance. It is also known as Effective Gross Income.

OPERATING EXPENSES (OE) are items such as property taxes and insurance, repairs, utilities as well as administrative and management fees. Other Operating Expenses should include any costs that are necessary to keep the revenue stream flowing. Mortgage payments, depreciation and capital improvements are not considered Operating Expenses.

NET OPERATING INCOME (NOI) is the Gross Operating Income less the Operating Expenses. It is basically what is left of our total potential income after all Vacancy and Expense items have been subtracted.

GROSS RENT MULTIPLIER (GRM) is the purchase price of the property divided by the Gross Scheduled Income.

CAPITALIZATION RATE (CAP RATE) is the annual rate with which the Net Operating Income returns the purchase price, determined by dividing the Net Operating Income by the purchase price.