Real Estate Math Cheat Sheet

Real Estate Math Formulas

Commission Formula
Commission = (house selling price) x (commission percentage)

Simple Interest Formula
Interest = (principal amount) x (rate of interest) x (time)

Gross Rent Multiplier Formulas
Gross Rent Multiplier = (property price) / (gross rental income)
Annual Gross Rental Income = (monthly rental income) x (12)

28/36 Rule or “The Mortgage Rule of Thumb.” Formula
Housing costs to qualify for most loans= (gross monthly or annual income) x (.28)

Discount Points Formulas
Discount Points = Prepaid Interest

Break Even Point = (points cost) / (monthly payment savings)

Property Tax Formulas
Property Tax Rate = (assessed value) x (mill rate)
Assessed Value = (assessment rate) x (market value)
1 mill = equal to 1/1,000th of a dollar or $1 in property tax.

Other Useful Real Estate Math Formulas
1 Acre = 43560 square feet
Area (ft²) = (length ft) x (width ft)
Perimeter = (side) + (side) + (side) + (side)

Real Estate Math Terms
Ad valorem - The Latin phrase ad valorem means "according to value.”
Amortization - Amortization is when payments divide into equal amounts for the duration of the loan.
Appraisal - An appraisal is an estimate of approximate worth of something.
Appreciation - Appreciation is any gain in the value of a property over time from any cause.
Capitalization - Capitalization is the conversion of assets or income into capital.
Capitalization rate - Cap rate is used to indicate the rate of return that is expected to be generated on a property.
Cetris peribus - A Latin phrase meaning "other things equal” or in plain terms all things remaining constant.
Commission - A commission is a fee paid to an agent for performing a transaction.
Debt - Something owed or promised.
Depreciation – Depreciation is any loss in the value of a property over time from any cause.
Discount points – Discount points also known as mortgage points are prepaid interest.
Double net lease – “Double” means two additional costs will be added to your base rent. Usually taxes and insurance costs are added to the monthly lease payment.
Equity – Equity is the difference between the market value of your home and the amount you owe the lender who holds the mortgage.
Escrow – Escrow is a way for money and property to be transferred from one party to another through the use of a neutral, third-party agent also known as an escrow agent. Escrow makes it a lot safer for both buyers and sellers to close the sale without worrying about getting snubbed or cheated.
Gross rent multiplier – The ratio of the price of a real estate investment to its annual rental income before accounting for expenses such as property taxes, insurance, and utilities. More specifically its a measure of the value of an investment property that is obtained by dividing the property’s sale price by its gross annual rental income.
Interest – money paid or owed regularly at a particular rate.
Investment – An investment is the legal purchase of something that is not consumed today but will be in the future to create profit.
Market value or market price – The actual selling price of the property. So if your home sells for $200,000. Its market value is $200,000.
Mill rate – The mill rate is the amount of tax payable per dollar of the assessed value of a property. Mill rate is also known as the millage rate.
Net listing – A net listing is when an agent agrees to sell an owner’s property for a set minimum price.
Net operating income – The total income of a property minus all operating expenses.
Property tax – Property tax is a real estate ad-valorem tax, calculated by local government, which is paid by the owner of the property. The tax is usually based on the value of the owned property.
Principal - The amount borrowed (such as the face value of a debt security).
Tax rate – The tax rate is designated rate the government taxes a person, business or entity.
Triple net lease – “Triple” means three additional costs will be added to your base rent. Usually taxes, insurance, and maintenance are all added to the monthly lease payment.

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