

# 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) (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 (ft<sup>2</sup>) = (length ft) x (width ft)

Perimeter = (side) + (side) + (side) + (side)

For More on Real Estate Math and Real Estate Exam Prep:

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## 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.

Ceteris paribus - 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. Anything over the minimum price belongs to the agent as commission.

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.

