

Use our "Rental Property Cash Flow Analysis" to calculate the amount of cash generated by renting out property and the profitability of this type of business.

In the "GROSS CASH FLOW/INCOME" block, you need to fill in a number of fields:

- **Gross monthly rent** - specify the estimated monthly rent;
- **Gross rental income** - this field will calculate the total rental income for the year (provided that all 12 months have been rented, otherwise replace the value with your own);
- **Additional income** - in this field, specify the annual value of additional income (for example, renting equipment or furniture, or paying extra for pets, etc.);
- **Vacancy rate** - vacancy rates are a potential threat to real estate investment returns. Specify this value in this field to determine the forgone income.
- **Gross Cash Flow** - in this field the value will be calculated automatically.

Filling example:

Gross monthly rent		\$1,000
Gross rental income		\$12,000
Additional income		\$1,000
Vacancy rate	6.5%	\$780
<b>Gross Cash Flow</b>		<b>\$12,220</b>

In the "GROSS OPERATING EXPENSES" block, you must enter all the expenses for the rental premises that you pay. **Important!** Values must be entered total for the year (not monthly). Filling example:

Leasing fees	\$500
Property management fees	\$1,040
Maintenance costs	\$360
Utilities	\$300
Repairs	\$50
New appliances	\$150
HOA fees/dues	\$120
Payroll	\$150
Advertising	\$75
CapEx (capital expenditures)	\$600
Insurance	\$1,200
Property tax	\$1,500
<b>Gross Operating Expenses</b>	<b>\$6,045</b>

In the “NET CASH FLOW AFTER DEBT SERVICE” block, you also need to fill in a number of fields:

- **Purchase price on a rental property** - the cost of purchasing a rental property;
- **Down payment** - in this field enter the first mortgage payment for the rental premises;
- **Remaining** - in this field, the mortgage balance is calculated automatically;
- **Length of Mortgage (years)** - in this field, specify the length of the mortgage loan in years;
- **Annual Interest Rate** - in this field, specify the annual interest rate on the mortgage of the rental premises;
- **Monthly mortgage payment** - the value in this field will be calculated automatically - monthly mortgage payment;
- **Net cash flow** - in this field the value is calculated automatically.

Filling example:

Purchase price on a rental property	\$100,000
Down payment	\$25,000
Remaining	\$75,000
Length of Mortgage (years)	30
Annual Interest Rate	4.0%
Monthly mortgage payment	-\$358
<b>Net cash flow</b>	<b>\$1,878</b>

- **NET OPERATING INCOME (NOI)** reflects the earnings that the property will generate after factoring in operating expenses - but before the deduction of taxes and interest payments.
- **CASH ON CASH RETURN** is a rate of return that calculates the cash income earned on the cash invested in a property. Put simply, cash on cash return measures the annual return the investor made on the property in relation to the amount of mortgage paid during the same year.

- **CAP RATE** is the required rate of return on real estate, net of value appreciation, or depreciation. Put simply, it is the rate applied to NOI to determine the present value of a property.
- **PROPERTY VALUE** - the value of the property at the current capitalization rate is calculated automatically.
- **1% RULE** states that the gross monthly rent from an income property should be at least 1% of the property value. Our property passes the test of the 1% Rule.

<b>1% RULE</b>	<b>1.00%</b> ✓
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- **50% RULE** states that a rental property's net cash flow should be at least 50% of the gross rent less the mortgage payment (P&I). Our property passes the test of the 50% Rule because it is generating **\$1,878** in net cash flow.

<b>50% RULE</b>	<b>\$1,703</b>	<b>&lt;</b>	<b>\$1,878</b> ✓
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