

Calculate a BOV

Property Details:

Gross Operating Income: \$975,000

Operating Expenses of \$310,000

They are able to secure a 75% Loan to Value paid monthly at 3.5% for 25 years

Equity is looking for a 4% Cash on Cash Return

Step 1: Calculate the NOI

$$975,000 - 310,000 = 665,000$$

Step 2: Find the loan constant

$$N = 25$$

$$I = 3.5$$

$$PV = 12$$

$$PMT = .0601$$

Step 3: LTV x Loan Constant = WAD

$$.75 \times .0601 = .0451$$

Step 4: Equity x CCR = WAE

$$.25 \times .04 = .0100$$

Step 5: WAD + WAE = Cap Rate

$$.0451 + .0100 = .0551$$

Step 6: NOI / Cap Rate = BOV

$$665,000 / .0551 = 12,068,965$$

