



Beginner Investor ROI Calculator

This guide is designed for first-time real estate investors. It helps you understand and calculate key ROI metrics such as Cash-on-Cash Return, Cap Rate, and Gross Rent Multiplier. Use it to evaluate investment opportunities confidently.

1 Why ROI Matters in Real Estate

- ROI helps you measure how profitable a property might be.
- It provides a clearer picture than just rent or appreciation alone.

2 Core ROI Metrics Explained

- Basic ROI = $(\text{Net Profit} \div \text{Total Investment Cost}) \times 100$
- Cash-on-Cash Return = $(\text{Annual Pre-Tax Cash Flow} \div \text{Cash Invested}) \times 100$
- Cap Rate = $(\text{Net Operating Income} \div \text{Property Value}) \times 100$
- GRM = $\text{Property Price} \div \text{Annual Gross Rent}$

3 Benchmarks & Rules of Thumb

- Cash-on-Cash Return $\geq 10\%$ is desirable
- GRM under 9 is often better
- Cap rates typically range from 6–8%
- 1% Rule: Monthly rent should be ~1% of total cost
- 50% Rule: Estimate operating expenses as 50% of gross rent

4 ROI Calculator Input Fields

- Purchase price
- Closing & rehab costs
- Down payment / cash invested
- Monthly rent
- Vacancy rate (%)
- Annual operating expenses
- Mortgage details (interest rate, term, loan amount)

5 Step-by-Step ROI Calculations

- Gross Rental Income = $\text{Rent} \times 12$
- Operating Expenses = Annual cost estimate
- NOI = $\text{Income} - \text{Expenses}$
- Cap Rate = $(\text{NOI} \div \text{Purchase Price}) \times 100$
- Annual Cash Flow = $\text{NOI} - \text{Annual Debt Service}$
- Cash-on-Cash ROI = $(\text{Cash Flow} \div \text{Cash Invested}) \times 100$
- GRM = $\text{Price} \div \text{Gross Income}$

6 Sample Property Case

- Purchase Price: \$200,000
- Rehab + Closing: \$10,000 (Total Investment: \$210,000)
- Rent: \$1,800/month $\rightarrow$ \$21,600/year
- Expenses: 45% = \$9,720 $\rightarrow$ NOI: \$11,880
- Mortgage Payment: \$1,200/month $\rightarrow$ \$14,400/year
- Cash Flow = $\$11,880 - \$14,400 = -\$2,520$
- Cash-on-Cash ROI = $(-2,520 \div \$60,000) \times 100 \approx -4.2\%$

7 Key Takeaways

- Always include operating expenses and vacancy risk
- Use ROI as a comparison tool — not a guarantee
- Consider working with a real estate advisor for better accuracy