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Important Formulas of Mortgage and Real Estate

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List of 15 Important Formulas of Mortgage and Real Estate

Important Formulas of Mortgage and Real Estate 🗗

1) 70 Percent Rule 🗗

Open Calculator 🗗

fx $$\text{BP}_{\max} = (\text{ARV} \cdot 0.7) - \text{ERC}$$

ex $43500 = (70000 \cdot 0.7) - 5500$

2) Break Even Ratio 🗗

Open Calculator 🗗

fx $$\text{BER} = \frac{\text{DSC} + \text{OE}}{\text{GOI}}$$

ex $1.356522 = \dfrac{7600 + 8000}{11500}$

3) Capitalisation Rate 🗗

Open Calculator 🗗

fx $$\text{r}_{\text{cap}} = \left(\frac{\text{NOI}}{\text{CMV}} \right) \cdot 100$$

ex $12.93478 = \left(\dfrac{59500}{460000} \right) \cdot 100$

4) Commission Value ⌁

fx $\boxed{CV = CR \cdot SP}$

Open Calculator ⌁

ex $\boxed{125000 = 0.05 \cdot 2500000}$

5) Debt Ratio ⌁

fx $\boxed{DR = \dfrac{TD}{TA}}$

Open Calculator ⌁

ex $\boxed{25000 = \dfrac{2500000000}{100000}}$

6) Debt Service Coverage Ratio using ADS ⌁

fx $\boxed{DSCR = NOI - ADS}$

Open Calculator ⌁

ex $\boxed{5 = 59500 - 59495}$

7) Floor Area Ratio ⌁

fx $\boxed{FAR = \dfrac{GFA}{TLS}}$

Open Calculator ⌁

ex $\boxed{8.571429 = \dfrac{12000}{1400}}$

8) Gross Rent Multiplier 🔗

fx $GRM = \dfrac{PV}{GRI}$

ex $17.99914 = \dfrac{418120}{23230}$

9) Land to Building Ratio 🔗

fx $LTB = \dfrac{Ar_L}{Ar_B}$

ex $1.523333 = \dfrac{457000m^2}{300000m^2}$

10) Loan to Value Ratio 🔗

fx $LTV\% = \left(\dfrac{MA}{APV}\right) \cdot 100$

ex $74.28571 = \left(\dfrac{26000}{35000}\right) \cdot 100$

11) Monthly Mortgage Payment 🔗

fx $p = \dfrac{MA \cdot R \cdot (1+R)^n}{(1+R)^n - 1}$

ex $156000 = \dfrac{26000 \cdot 6 \cdot (1+6)^{10}}{(1+6)^{10} - 1}$

12) Price per Square Foot ⛓

fx $$P_{sqf} = \dfrac{PSP}{T_{sqf}}$$

Open Calculator ⛓

ex $$7500 = \dfrac{450000}{60}$$

13) Price to Rent Ratio ⛓

fx $$PTRR = \dfrac{MHP}{MAR}$$

Open Calculator ⛓

ex $$16.66667 = \dfrac{2700000}{162000}$$

14) Rental Yield ⛓

fx $$RY = \left(\dfrac{ARI}{PV} \right) \cdot 100$$

Open Calculator ⛓

ex $$11.95829 = \left(\dfrac{50000}{418120} \right) \cdot 100$$

15) Return on Equity ⛓

fx $$ROE = \dfrac{AR}{TE}$$

Open Calculator ⛓

ex $$0.372979 = \dfrac{87650}{235000}$$

Variables Used

- **ADS** Annual Debt Service
- **APV** Appraised Property Value
- **AR** Annual Return
- **Ar$_B$** Area of Building *(Square Meter)*
- **Ar$_L$** Area of Land *(Square Meter)*
- **ARI** Annual Rental Income
- **ARV** After Repair Value
- **BER** Break Even Ratio
- **BP$_{max}$** Maximum Buying Price
- **CMV** Current Market Value
- **CR** Commission Rate
- **CV** Commission Value
- **DR** Debt Ratio
- **DSC** Debt Servicing Costs
- **DSCR** Debt Service Coverage Ratio
- **ERC** Estimated Repair Costs
- **FAR** Floor Area Ratio
- **GFA** Gross Floor Area
- **GOI** Gross Operating Income
- **GRI** Potential Gross Rental Income
- **GRM** Gross Rent Multiplier
- **LTB** Land to Building Ratio
- **LTV%** Loan to Value Ratio

- **MA** Mortgage Amount
- **MAR** Median Annual Rent
- **MHP** Median Home Price
- **n** Compounding Periods
- **NOI** Net Operating Income
- **OE** Operating Expenses
- **p** Monthly Payment
- **P_{sqf}** Price per Square Foot
- **PSP** Property Sale Price
- **PTRR** Price to Rent Ratio
- **PV** Property Value
- **R** Interest Rate
- **r_{cap}** Capitalisation Rate
- **ROE** Return on Equity
- **RY** Rental Yield
- **SP** Final Sale Price
- **T_{sqf}** Total Square Footage
- **TA** Total Assets
- **TD** Total Debt
- **TE** Total Equity
- **TLS** Total Lot Size

Constants, Functions, Measurements used

- Measurement: **Area** in Square Meter (m²)
  Area Unit Conversion 🔗

Check other formula lists

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