

USING NET OPERATING INCOME FOR RENTAL PROPERTY



A Net Operating Income (NOI) calculation measures your rental property's profitability before adding in any costs from financing or income taxes. It is also needed when calculating Cap Rate, Debt Service Coverage Ratio, and ROI.



WHAT IS NOI IN REAL ESTATE?

NOI calculates income after subtracting your Operating Expenses, which include maintenance, insurance, & property taxes.



WHAT IS NOI USED FOR?

Calculating NOI shows how much money a property earns after accounting for all of the Operating Expenses. Take note, however, the NOI calculation does not factor in mortgage or income tax expenses.



INFORMATION REQUIRED TO CALCULATE NOI.

Gross Operating Income and Operating Expenses are needed to calculate NOI.



WHAT IS GROSS OPERATING INCOME?

Rent, laundry, parking, and storage fees are all examples of Gross Operating Income.



WHAT ARE OPERATING EXPENSES?

Examples of Operating Expenses include utilities, maintenance, property management, property taxes, and insurance.



NOI CALCULATION

The NOI calculation is simply: Net Operating Income = Gross Operating Income – Operating Expenses.