



# Crunching the Numbers

## Introduction

“Crunching the Numbers” begins with an understanding of simple arithmetic for calculation of land areas--use of simple equations such as the IRV Formula to relate income to value for investment properties and developing “time value of money” skills using the HP10BII financial calculator.

The course uses a single investment case study throughout--from listing to acquisition, to managing the asset over a 5 year holding period, making the property available for sale to a prudent investor and then analysis of the tax consequences associated with disposition. Attendees will learn how to effectively use the Annual Property Operating Data (APOD) form, the Cash Flow Analysis form and the Alternative Cash Sales Worksheet.

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## Module 1 – Real Estate Math Module

*3.5 hours*

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### A. Equation in Words

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A good rule to use in solving most Algebra problems is to express the problem in WORDS, then replace some of those words with what you know; the information that was given in stating the problem.

The equation for Commissions is:

**Commission = Rate X Sale Price**

Fill in what we know.

4,900 = Rate X 70,000

Now we have to solve for Rate.



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## Module 2 – Real Estate Investment Module

4.0 hours

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### A. Introduction

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#### 1. Goal

The goal of this module is to familiarize you with the nature of real estate as an investment, and with ways to gauge an investment once an investor's objectives are matched to it.

#### 2. Objectives

Upon completion of this module, you will be able to do the following.

- Describe the nature of real estate as an investment.
- Describe the elements that comprise a return on an investment in real estate.
- Define net operating income.
- Describe the components of an Annual Property Operating Data (APOD) form.
- Identify the elements of a cash flow analysis.
- Prepare a cash flow analysis.
- Describe items to consider when listing and marketing commercial and investment properties, including factors that influence the marketability of investment real estate.
- Gain an understanding of how to develop a marketing plan for an investment property.

#### 3. Activities

1. Activity: Listing Owner's Statement APOD
2. Activity: Broker's Reconstruct APOD
3. Activity: Buyer's Offer APOD
4. Activity: Owner's Cash Flow Analysis
5. Activity: Owner's Cash Sales Worksheet