

Term

acre foot	A unit of volume equal to the volume of a sheet of water one acre in area and one foot in depth.
banker's year	A 360 day year, used because it divides more evenly. Each month is treated as having 30 days.
capitalization rate (cap rate)	The ratio of net operating income to property asset value. Find by dividing the NOI by the property value.
front footage	In real estate, frontage is the width of a lot, measured at the front part of the lot
insurance proration	Although this is not typically done, the calculation is the same as prorating taxes or rent. Multiply the fraction of the year by the total insurance cost.
mill	An abbreviation for millions. To express a tax rate as a decimal instead, move the decimal point back three places. If a property tax rate is 35 mills, it is .035 in decimal form.
mill rate	The mill rate is the amount of tax payable per dollar of the assessed value of a property
operating expense ratio	The measure is very common in real estate analysis, whereby analysts are measuring the costs to operate a piece of property versus the income it generates.
rent proration	prorated rent amount you must take the total rent due, divide it by the number of days in the month to determine a daily rent amount
risk of loss	The party bearing the burden of risk of damage occurring. Once the buyer has closed on the home, this becomes his or her responsibility.
tax proration	The method of determining how much property tax for a year a party owes. Add the number of days in which the property was owned by the party in question, then multiply it by the total property tax, then divide it by 365 days. In other words, multiply the fraction of the year in which the party owned the property by the total year's tax. The seller is responsible for property tax up through the day of closing.
Volume Measurement	To measure cubic feet, multiply length times width times depth. In other words, multiply the area by the depth. Acre footage

Concept

Area (square footage)	Multiply the number of acres by 43,560 to find the square footage. Square footage can be calculated by multiplying length times width.
Calculating Commissions	When calculating commissions from a transaction, be sure to calculate using the sales price rather than the listing price.
Calculating Special Assessments	Improvement assessments by the city may be payable by owners based upon the property measurements. For example, an assessment for a sidewalk may be based upon the front footage of the property.
Depreciation	Start by finding the building value: the sales price plus closing costs, multiplied by 70%. Next, take this value and divide it by the life of the property in years (27.5 in our example). According to the IRS, different types of buildings have different values.
Paying Off a Lien	To remove a mechanic's lien from a home: pay the subcontractor in full, have the subcontractor remove the lien by signing a reconveyance of his interest to the title of the property, and record the conveyance. Sellers must convey a clear title to the buyer on closing day, so all such liens must be removed first.