

Four Square Method – for analyzing rental property by Bigger Pockets (BiggerPockets.com)

Example # 1: A \$200,000 Duplex which could rent for \$2,000 per month (\$1,000 ea. unit)

<u>Income:</u> Rental Income = \$2,000 Laundry Storage Misc <hr/> Total Monthly Income = \$2,000	<u>Cash Flow</u> Income \$2,000 Expenses <u>-\$1,750</u> Cash Flow \$250
<u>Expenses:</u> Tax \$150 Insurance \$100 Utilities \$0 - electric, water, sewer, garbage, gas HOA \$0 Lawn/Snow \$0 Vacancy \$100 Repairs \$100 Capital Expenditures (CapEx) \$100 Property Management \$200 Mortgage \$1,000 <hr/> Total Monthly Expenses \$ \$1,750	<u>Cash-On-Cash ROI</u> <i>Money Put In:</i> - down payment \$40,000 - closing costs \$3,000 - rehab budget \$7,000 - misc. other \$0 Total Investment: \$50,000 \$250 x 12 = \$3,000 ← Annual Cash Flow Annul Cash Flow / Total Investment = <hr/> \$3,000 / \$50,000 = 6 % <hr/> Cash on Cash, ROI = 6.00%