



**Income Approach Problem # 3**

You are appraising a twelve-unit apartment building based upon the following information:

- 1) Eight units have two bedrooms and rent for \$1,000 per month
- 2) Four units have three bedrooms and rent for \$1,250 per month
- 3) Similar apartment buildings in the market area, and the subject, average 95% occupancy and 3% collection losses
- 4) The capitalization rate for similar properties is 9%
- 5) Expenses are as follows
  - a. Taxes \$10,000 per year
  - b. Insurance \$2,400 per year
  - c. Water \$560 per year per unit
  - d. Sewer \$640 per year per unit
  - e. Garbage \$10,000 per year
  - f. Cable \$6,800 per year
  - g. Management 10% of effective gross income
  - h. General repairs \$250 per year per unit
  - i. Reserves for replacement \$350 per year per unit
  - j. Annual mortgage payments \$42,750

**Calculate:**

Potential Gross Income =  
Effective Gross Income =  
Total Operating Expenses =  
Operating Expense Ratio =  
Net Operating Income =  
Market Value =

**I certify that I have personally completed this assignment.**

\_\_\_\_\_  
Student (Print Name)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date