

REI Glossary for Single Family

A

****After Repair Value (ARV)****

The estimated market value of a property after all repairs and renovations are completed, used to evaluate flip and wholesale deals.

****As-Is Condition****

The property's current state, with no repairs or improvements promised by the seller; the buyer accepts existing defects and needed work.

****Assignment Fee****

The amount a wholesaler earns for transferring their purchase contract to an end buyer, typically paid at closing.

****Assignment of Contract****

A strategy where an investor or wholesaler sells their rights in a purchase contract to another buyer instead of purchasing the property themselves.

C

****Capitalization Rate (Cap Rate)****

A return metric for rental properties calculated as net operating income divided by purchase price, expressed as a percentage.

****Cash Flow****

The money left over after all income is collected and all expenses, including mortgage payments, are paid for a property.

****Cash-on-Cash Return (CoC)****

The annual before-tax cash flow divided by the total cash invested, used to measure performance when financing is involved.

****Closing Costs****

All fees and expenses paid at settlement by the buyer and/or seller, such as title charges, lender fees, and recording fees.

****Comparative Market Analysis (CMA)****

An evaluation of property value based on recently sold, similar properties ("comps") in the same area, used to determine price and ARV.

****Conventional Loan****

A mortgage not insured or guaranteed by a government agency, commonly used for primary residences and small residential investments.

D

****Debt-to-Income Ratio (DTI)****

A lender metric that compares a borrower's total monthly debt payments to gross monthly income to assess borrowing capacity.

****Double Close (Double Escrow)****

A transaction structure where an investor buys a property and resells it to an end buyer in two separate closings, often the same day.

****Due Diligence****

The investigation period before closing when the buyer inspects the property, reviews title, verifies numbers, and confirms assumptions.

E

****Earnest Money Deposit (EMD)****

Funds a buyer places into escrow to show serious intent to purchase, usually credited toward the purchase price at closing.

****Equity****

The difference between a property's market value and the amount owed on any loans secured by the property.

****Equity Spread****

The gap between a property's true current value and the total all-in cost (purchase, rehab, and closing), representing built-in profit or equity.

F

****Fair Market Value (FMV)****

The price a willing buyer and willing seller would agree to in an open, competitive market without pressure.

****Forced Appreciation****

Increase in property value driven by improvements or repositioning (rehab, layout changes, adding beds/baths) rather than general market growth.

G

****Gross Rent Multiplier (GRM)****

The ratio of purchase price to gross annual rent, used as a quick screening tool for rental investments.

****Gross Scheduled Rent****

The total rent a property would collect in a year if all units were fully occupied and paying in full, before vacancies and nonpayment.

H

****Hard Money Loan****

A short-term, asset-based loan typically used for flips, funded by private or specialized lenders at higher rates but with faster approvals.

****Home Inspection****

A professional evaluation of a property's visible condition and systems (roof, foundation, HVAC, electrical, plumbing) to identify issues and safety concerns.

I

****Investment Property****

Real estate purchased primarily to generate income or appreciation rather than to serve as the owner's main residence.

L

****Loan-to-Cost Ratio (LTC)****

The loan amount divided by the project's total cost (purchase plus rehab), often used in construction and flip financing.

****Loan-to-Value Ratio (LTV)****

The loan amount divided by the property's value or purchase price, used by lenders to determine risk and maximum loan size.

M

****Maximum Allowable Offer (MAO)****

The highest price an investor should pay for a property while still leaving room for profit and costs, commonly calculated from ARV and repairs.

N

****Net Operating Income (NOI)****

Total income from the property minus operating expenses (excluding loan principal and interest), used to value and compare rentals.

O

****Operating Expenses****

Ongoing costs required to run a property, such as taxes, insurance, maintenance, property management, utilities paid by the owner, and HOA fees.

P

****Primary Residence****

The main home where an owner lives most of the time, which often qualifies for different loan terms and tax treatment than investments.

****Private Money Lender****

An individual who lends funds secured by real estate, typically more flexible than banks but at higher interest rates and fees.

****Purchase Price****

The amount agreed upon in the contract that the buyer will pay the seller for the property.

R

****Rehabilitation (Rehab) Costs****

The total cost of repairs and improvements required to bring a property to the desired condition or market standard.

****Rule of 72****

A shortcut to estimate how many years it takes for an investment to double by dividing 72 by the annual rate of return.

****Rule of Thumb for Running Comps****

Guideline to use recently sold, nearby properties similar in size, age, condition, and features—ideally within 0.25 miles and 3–6 months—to estimate value.

S

****Scope of Work (SOW)****

A detailed written list of all planned repairs and improvements, used to estimate rehab costs and manage contractors.

****Single-Family Residence (SFR)****

A detached home designed for one household, on its own lot with separate utilities, common in residential investment.

T

****Title Company / Closing Attorney****

The neutral third party that manages closing, disburses funds, and ensures clear title transfer from seller to buyer.

****Turnkey Property****

A rental property that needs little or no work and is often already leased, marketed as ready for an investor to start collecting rent immediately.

V

****Vacancy Rate****

The percentage of time a rental property is expected to be unoccupied and not generating rent, included as a factor in cash flow analysis.

Rules of Thumb & Key Formulas

70% Rule (for Fix and Flip)

A guideline suggesting an investor should pay no more than 70% of a property's ARV minus repair costs to leave room for profit and expenses.

****Formula:****

Maximum Offer Price = $(ARV \times 0.70) - \text{Repair Costs}$

1% Rule (for Buy and Hold)

A quick test where a rental's monthly rent should be at least 1% of the total purchase price to help indicate potential for positive cash flow.

****Example:****

If a property costs \$200,000, monthly rent should be at least \$2,000.

Rule of 72

Estimates how many years it takes for an investment to double based on annual return rate.

****Formula:****

Years to Double = $72 \div \text{Annual Return Rate}$

Cap Rate Formula

Capitalization Rate = $(NOI \div \text{Purchase Price}) \times 100$

Cash-on-Cash Return Formula

CoC Return = $(\text{Annual Cash Flow} \div \text{Total Cash Invested}) \times 100$

Gross Rent Multiplier Formula

GRM = $\text{Purchase Price} \div \text{Gross Annual Rent}$
