

Dealarc Real Estate Formulas Reference

Source: <https://getdealarc.com/>

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Overview

This reference guide summarizes core real estate underwriting formulas and the main interpretation notes behind them. It is designed for rental buyers, BRRRR operators, DSCR-focused investors, and house flippers who want a clean reminder of the metrics that matter.

1. Net Operating Income (NOI)

Formula:

$NOI = \text{Effective Gross Income} - \text{Operating Expenses}$

Notes:

- NOI is calculated before debt service.
- NOI is typically used in cap rate, valuation, and DSCR analysis.
- Mortgage payments, depreciation, and income taxes are not part of NOI.

2. Cap Rate

Formula:

$\text{Cap Rate} = NOI / \text{Property Value}$

Notes:

- Cap rate is a property-level metric before financing.
- It is useful for comparing assets, but it does not reflect investor-specific leverage.

3. Cash on Cash Return

Formula:

$\text{Cash on Cash Return} = \text{Annual Pre-Tax Cash Flow} / \text{Total Cash Invested}$

Notes:

- This is an investor-level metric.
- It helps buyers understand year-one yield on their equity.

4. Debt Service Coverage Ratio (DSCR)

Formula:

$DSCR = NOI / \text{Annual Debt Service}$

Notes:

- Lenders often look for DSCR near or above 1.20x to 1.25x, depending on context.
- Small changes in rent, vacancy, expenses, or debt terms can materially change coverage.

5. Internal Rate of Return (IRR)

Definition:

IRR is the annualized return implied by the timing of all deal cash flows, including final sale proceeds.

Notes:

- IRR is especially useful for hold-period and value-add analysis.
- It is sensitive to exit assumptions, hold period, and cash flow timing.

6. Flip Profit

Simple View:

$\text{Flip Profit} = \text{Net Sale Proceeds} - \text{Total Basis}$

Notes:

- Total basis should include purchase price, rehab, financing, carrying costs, reserves, and selling costs where relevant.

- The margin can change quickly if timing or resale assumptions slip.

7. Rental Analysis Reminder

Strong rental analysis usually pairs:

- NOI
- Cash Flow
- DSCR
- Cash on Cash Return
- Hold-Period IRR

8. BRRRR Analysis Reminder

Strong BRRRR analysis usually pays close attention to:

- Total basis
- Rehab budget
- Stabilized rent
- Refinance readiness
- Hold-period returns

Interpretation Note

Dealarc is a decision-support tool, not legal, tax, or financial advice. All formulas depend on the quality of the underlying assumptions and should be paired with local comps, lender guidance, contractor estimates, and property-specific due diligence.

More Resources

Methodology: <https://getdealarc.com/dealarc-methodology.html>

Sources: <https://getdealarc.com/sources-and-references.html>

Main guide: <https://getdealarc.com/real-estate-calculator-guide-2026.html>