

Real Estate Acronyms



These acronyms are widely used in the real estate investment community and are important for understanding the various aspects and metrics involved in real estate transactions and analysis.

- 1. ARV (After Repair Value):** The estimated value of a property after all repairs and renovations are completed.
- 2. BPO (Broker's Price Opinion):** An estimate of a property's value provided by a real estate broker, often used by lenders to determine a property's value in place of a full appraisal.
- 3. CAP Rate (Capitalization Rate):** A measure of the rate of return on a real estate investment property, calculated as the ratio of net operating income to the property's current market value.
- 4. COC (Cash on Cash Return):** A rate of return often used in real estate transactions that calculates the cash income earned on the cash invested in a property.
- 5. DCR (Debt Coverage Ratio):** A ratio that compares a property's annual net operating income to its annual mortgage debt service (loan payments).
- 6. DSCR (Debt Service Coverage Ratio):** Similar to DCR, it's the ratio of net operating income to total debt service, used by lenders to determine a property's ability to cover its debt obligations.

7. GRM (Gross Rent Multiplier): A valuation method for rental properties calculated by dividing the property's price by its gross rental income.

8. HOA (Homeowners Association): An organization in a subdivision, planned community, or condominium that makes and enforces rules for the properties and their residents.

9. IRR (Internal Rate of Return): A metric used in financial analysis to estimate the profitability of potential investments, representing the discount rate that makes the net present value (NPV) of all cash flows equal to zero.

10. LOI (Letter of Intent): A document outlining an agreement between two or more parties before the agreement is finalized, often used in commercial real estate transactions.

11. LTV (Loan to Value): A financial term used by lenders to express the ratio of a loan to the value of an asset purchased.

12. NOI (Net Operating Income): The income generated from a property after operating expenses are deducted, excluding taxes and financing costs.

13. PITI (Principal, Interest, Taxes, and Insurance): The components of a monthly mortgage payment on a property.

14. PMI (Private Mortgage Insurance): Insurance that lenders require from borrowers who take out loans with a down payment of less than 20% of the property value.

15. REIT (Real Estate Investment Trust): A company that owns, operates, or finances income-producing real estate, allowing investors to pool their capital to purchase properties.

16. ROI (Return on Investment): A measure used to evaluate the efficiency of an investment or compare the efficiency of several investments, calculated by dividing the net profit by the initial investment cost.

17. SFH (Single-Family Home): A residential property designed to house one family, often referred to as a standalone or detached home.

18. SFR (Single-Family Rental): A single-family home that is owned by an investor and rented out to tenants.

19. VAC (Vacancy Rate): The percentage of all available rental units that are vacant or unoccupied at a particular time.

20. YTD (Year to Date): A period starting from the beginning of the current year and continuing up to the present day.