



FREE REAL ESTATE **ROI** STARTER GUIDE

Understand the Numbers Before You Make an Offer

What This Guide Covers

- ✓ How real estate ROI is evaluated
- ✓ How income, expenses, and financing work together
- ✓ A sample deal walkthrough using conservative assumptions
- ✓ Key terms every investor should understand

Designed For

- ✓ Single-Family Homes
- ✓ Condos & Townhomes
- ✓ 1-4 Unit Residential Properties

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This guide is for educational purposes only and does not constitute legal, tax, or financial advice.
Consulting services are separate from real estate brokerage services.

How to Use This Guide

This guide introduces how real estate investment returns are evaluated using conservative assumptions. It is designed to help investors understand what to review before making an offer.

What This Guide Is

- An introduction to real estate ROI concepts
- A sample deal walkthrough
- A learning tool to build confidence before investing

What This Guide Is Not

- A full investment analysis
- A substitute for professional guidance
- A prediction of investment performance

How to Use It

1. Review the key terms to understand common investment language.
2. Walk through the sample deal to see how the numbers work together.
3. Use the practice page to apply the concepts to a potential property.
4. Schedule a consultation for a full analysis and strategy review.

This guide is for educational purposes only. Full analysis tools and personalized strategy are provided with a Merk Solutions consultation.

KEY TERMS (LITE VERSION)

Quick Reference for ROI Analysis

Purchase Price

The price paid to acquire a property.

Total Cash Invested

All cash required to acquire the property, including down payment, closing costs, and reserves.

Gross Rental Income

Total rent collected before vacancy or expenses.

Vacancy Rate

The percentage of time a property is expected to be unoccupied.

Operating Expenses

Recurring costs required to operate the property, excluding the mortgage

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Cash Flow

Money remaining after all expenses and mortgage payments are paid.

Return on Investment (ROI)

A measure of profitability based on total cash invested.

For detailed definitions and examples, a full terminology guide is provided with consultation.

SAMPLE DEAL WALKTHROUGH

How the Numbers Work Together

Cash Required to Acquire the Property

Down Payment: \$60,000
Estimated Closing Costs: \$9,000
Initial Repairs / Reserves: \$5,000

Total Cash Invested: \$74,000

Total cash invested represents the full amount of money required to purchase and stabilize the property. This figure—not just the down payment—is used to evaluate return.

Income Assumptions

Estimated Monthly Rent: \$2,400
Vacancy Allowance (6%): -\$144
Effective Monthly Income: \$2,256

Vacancy accounts for tenant turnover and leasing gaps. Conservative analysis typically assumes 5–8%.

Monthly Expenses

Property Taxes: \$300
Insurance: \$120
HOA Fees: \$250
Maintenance: \$200
Capital Reserves (CapEx): \$150
Mortgage Payment: \$1,600

Cash Flow Result

Monthly Cash Flow: -\$364
Annual Cash Flow: -\$4,368

What This Example Shows

This example demonstrates how financing terms, HOA fees, and vacancy can impact cash flow—even when rental income appears strong.

Investors should use this analysis to:

- Evaluate pricing and financing options
- Identify negotiation leverage
- Determine alignment with long-term strategy

This example is for educational purposes only and reflects conservative assumptions.

Try It Yourself

Use the space below to practice applying the concepts from this guide. Conservative estimates are recommended.

Property Snapshot

Estimated Purchase Price: _____

Total Cash Invested: _____

Estimated Monthly Rent: _____

Vacancy Rate (%): _____

Monthly Costs

Estimated Operating Expenses: _____

Estimated Mortgage Payment: _____

Cash Flow Estimate

Effective Monthly Income: _____

Estimated Monthly Cash Flow: _____

For a complete ROI analysis, including return calculations and risk review, schedule an investment consultation.

NEXT STEPS & CONTACT

Once your analysis is complete, consider a strategy consultation to review assumptions, risks, and deal structure.

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