**Clear Blue Commercial Presents**

“Must Knows” For Commercial Real Estate Investors!

August 29, 2018

# Your Cap Rate Is Not Your Return

Your Cap rate may not be your return, it is just the Investment's value at that particular time.

If you are a real estate investor and you seek a particular return on your investment; say 8%. The thought that an 8% cap rate is the equivalent is not necessarily accurate. In fact, in buy-and-hold scenarios this false assumption has caused many investments to not perform as expected overtime.

To remedy this issue remember the following: The cap rate is a determination of value at a particular time. Your return represents profit throughout the life of the investment.

Take a look at the Investopedia cap rate definition

“*The Cap Rate is the rate of return that an investment property will generate based on its current market value, and is a quick way to compare different investment property options including houses, apartments and office buildings”*

Within Investopedia"s specific language, notice the word "current" is used to Define value type, i.e., "current value". Thus, only if you require a property showing a current 8% return is when the 8% cap rate may be a sufficient gauge if calculated properly. But if you seek an 8% return over significant time, i.e., longer than 12 months, use another source. Specifically, check your internal rate of return (IRR) over time of ownership; coupled with your cash on cash return.

Coming soon, "to know IRV is to know the relationships between cap rate, net operating income and value".

In the meantime, use my complimentary investment calculator link below. And remember, if you're concerned your deal may not go through, don't waste time. Call Clear Blue Commercial!

Written by Tony Conner Tony@clearbluecommercial.com 510-686-3242

[<iframe id="investment-widget" allowtransparency="true" scrolling="no" title="Investment Widget" style="border: none; max-width: 100%; min-width: 180px;" height="575" width="300" src="https://secure.blyn.cc/mapi/investmentcalculator.php?ac=WVd8kWlBn5sK+Ze9Mv1kFEJD7XXMyPl/tNgKJUYckl4="></iframe>](https://secure.blyn.cc/mapi/investmentcalculator.php?ac=WVd8kWlBn5sK+Ze9Mv1kFEJD7XXMyPl/tNgKJUYckl4=)