

COMMERCIAL REAL ESTATE CASH-ON-CASH RETURN

6 Things Every Investor Must Know

1 WHAT IS CASH-ON-CASH?

CoC measures how much **annual cash flow** you receive relative to the **cash you invested**. It's your annual cash yield.

FORMULA

Annual Cash Flow ÷ Cash Invested

e.g. $\$21,000 \div \$250,000 = 8.4\%$ CoC

2 WHAT'S A GOOD CoC?

Benchmarks vary by market, strategy, and risk — but general rules of thumb:

Below 6% Weak — reassess

6% – 10% Solid — acceptable

10%+ Strong — target this

3 CoC vs. CAP RATE

Both use the same property — but measure different things:

CAP RATE

Ignores financing — property-level return. $\$75K \text{ NOI} \div \$1M = 7.5\%$

CASH-ON-CASH

Includes financing — investor-level return. $\$21K \div \$250K = 8.4\%$

4 LEVERAGE AMPLIFIES CoC

Same property, same NOI — financing changes your return:

ALL CASH
 $\$75K \div \$1,000,000$ **7.5%**

25% DOWN
 $\$21K \div \$250,000$ **8.4%**

Leverage boosts CoC when your loan rate is **below** your cap rate.

5 WHAT AFFECTS CoC?

Six levers that move your cash-on-cash return:

- Down payment size
- Interest rate
- Loan amortization
- NOI performance
- Vacancy & expenses
- Closing costs & reserves

6 DON'T STOP AT CoC

CoC only shows **today's cash yield**. It misses the full picture:

- ✗ Pre-tax — ignores depreciation benefits
- ✗ Ignores property appreciation
- ✗ Ignores principal paydown
- ✗ Point-in-time snapshot only

Layer in **IRR, Equity Multiple, and DSCR** for a complete investment picture.



CoC tells you what lands in your pocket today — not the full picture.



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