

Property Name 1260 Sanford Ave.

Location \_\_\_\_\_

Type of Property 4 plex

Size of Property \_\_\_\_\_ (Sq. Ft./Units)

Purpose of analysis Purchase

Assessed/Appraised Values

Land	0	20%
Improvements	0	80%
Personal Property	0	0%
Total	0	100%

Adjusted Basis as of 25-Mar-11 \$202,500

## Annual Property Operating Data

Purchase Price	200,000
Plus Acquisition Costs	2,500
Plus Loan Fees/Costs	2,800
Less Mortgages	140,000
Equals Initial Investment	65,300

	Balance	Periodic Pmt	Pmts/Yr	Interest	Amort Period	Loan Term
1st	\$140,000	\$839	12	6.0%	30	30
2nd			12	8.5%	30	30

ALL FIGURES ARE ANNUAL	\$/SQ FT or \$/Unit	% of GOI		COMMENTS/FOOTNOTES
1 POTENTIAL RENTAL INCOME			48,000	
2 Less: Vacancy & Cr. Losses		(7.0% of PRI)	3,360	
3 EFFECTIVE RENTAL INCOME			44,640	
4 Plus: Other Income (collectable)				Laundry
5 GROSS OPERATING INCOME			44,640	
OPERATING EXPENSES:				
6 Real Estate Taxes (% of price)		1.45%	2,900	
7 Personal Property Taxes				
8 Property Insurance		3.50%	1,680	
9 Off Site Management				
10 Payroll				
11 Expenses/Benefits				
12 Taxes/Worker's Compensation				
13 Repairs and Maintenance		4.50%	2,160	
14 Utilities:		6.00%	2,880	
15 HOA				
16				
17				
18				
19 Accounting and Legal		1.00%	480	
20 Licenses/Permits		0.50%	240	
21 Advertising				
22 Supplies				
23 Miscellaneous Contract Services:				
24				
25				
26				
27				
28				
29 TOTAL OPERATING EXPENSES			10,340	
30 NET OPERATING INCOME			34,300	
31 Less: Annual Debt Service			10,072	
32 Less: Participation Payments				
33 Less: Leasing Commissions				
34 Less: Funded Reserves				
35 CASH FLOW BEFORE TAXES			\$24,228	

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Prepared for: \_\_\_\_\_

Prepared by: \_\_\_\_\_

# Cash Flow Analysis Worksheet

Property Name 1260 Sanford Ave.  
 Prepared For \_\_\_\_\_  
 Prepared By \_\_\_\_\_  
 Date Prepared 25-Mar-11

Purchase Price 200,000  
 Plus Acquisition Costs 2,500  
 Plus Loan Fees/Costs 2,800  
 Less Mortgages 140,000  
 Equals Initial Investment 65,300

Mortgage Data			Cost Recovery Data		
	1st Mortgage	2nd Mortgage		Improvements	Personal Property
Amount	140,000	-	Value	162,000	
Interest Rate	6.00%	8.50%	C. R. Method	SL	
Amortization Period	30. Years	30. Years	Useful Life	27.5	
Loan Term	30. Years	30. Years	In Service Date	1-Jan-02	
Payments/Year	12	12	Date of Sale	December-06	
Periodic Payment	839.37	-	Recapture		
Annual Debt Service	10,072.45	-	Investment Tax		
Loan Fees/Costs			Credit (\$\$ or %)		

## Taxable Income

End of Year :	1	2	3	4	5
1 Potential Rental Income	48,000	49,440	50,923	52,451	54,024
2 -Vacancy & Credit Losses	3,360	3,461	3,565	3,672	3,782
3 =Effective Rental Income	44,640	45,979	47,359	48,779	50,243
4 +Other Income (collectable)					
5 =Gross Operating Income	44,640	45,979	47,359	48,779	50,243
6 -Operating Expenses	10,340	10,599	10,863	11,135	11,413
7 =NET OPERATING INCOME	34,300	35,381	36,495	37,644	38,829
8 -Interest - 1st Mortgage	8,353	8,247	8,135	8,015	7,888
9 -Interest - 2nd Mortgage					
10 -Participation Payments					
11 -Cost Recovery - Improvements	5,646	5,890	5,890	5,890	5,646
12 -Cost Recovery - Personal Property					
13 -Amortization of Loan Fees/Costs					
14 -Leasing Commissions					
15 =Real Estate Taxable Income	20,301	21,244	22,470	23,739	25,295
16 Tax Liability (Savings) at 30.0%	6,090	6,373	6,741	7,122	7,589

## Cash Flow

17 NET OPERATING INCOME (Line 7)	34,300	35,381	36,495	37,644	38,829
18 -Annual Debt Service	10,072	10,072	10,072	10,072	10,072
19 -Participation Payments					
20 -Leasing Commissions					
21 -Funded Reserves					
22 =CASH FLOW BEFORE TAXES	24,228	25,308	26,423	27,572	28,757
23 -Tax Liability (Savings) (Line 16)	6,090	6,373	6,741	7,122	7,589
24 =CASH FLOW AFTER TAXES	\$18,137	\$18,935	\$19,682	\$20,450	\$21,168

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INTERNAL RATES OF RETURN

INTERNAL RATES OF RETURN

**BEFORE TAX**

Alternative 1		Alternative 2		Alternative 3	
n	\$	n	\$	n	\$
0	(65,300)	0	(65,300)	0	(65,300)
1	24,228	1	24,228	1	24,228
2	25,308	2	25,308	2	25,308
3	26,423	3	26,423	3	26,423
4	27,572	4	27,572	4	27,572
5	28,757 + 175,224	5	28,757 + 198,724	5	28,757 + 222,224
IRR= 51.58%		IRR= 53.64%		IRR= 55.57%	
NPV= \$0		NPV= \$0		NPV= \$0	
@ 51.58%		@ 53.64%		@ 55.57%	

**AFTER TAX**

Alternative 1		Alternative 2		Alternative 3	
n	\$	n	\$	n	\$
0	(65,300)	0	(65,300)	0	(65,300)
1	18,137	1	18,137	1	18,137
2	18,935	2	18,935	2	18,935
3	19,682	3	19,682	3	19,682
4	20,450	4	20,450	4	20,450
5	21,168 + 151,085	5	21,168 + 171,060	5	21,168 + 191,035
IRR= 41.12%		IRR= 43.25%		IRR= 45.25%	
NPV= \$65,300		NPV= \$65,300		NPV= \$65,300	
@ 41.12%		@ 43.25%		@ 45.25%	

Cap rate used on Sale = 8%

Cap rate on Sale = 7.5%

Cap rate on Sale = 7%

### Assumptions

Ordinary Income Tax Bracket            30%  
 Capital Gain Max Tax Rate            15%  
 Tax Rate on Straight Line Recaptur    30%  
 Month Placed in Service:            January (from CashFlows Sheet)

	Year---->	1	2	3	4	5	6
Vacancy Rates (enter just year 1, or each year)		7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Rent Income Escalators (enter just year 2, or each year)		2.50%	3.00%	3.00%	3.00%	3.00%	3.00%
Other Income Escalator			3.00%	3.00%	3.00%	3.00%	3.00%
Expense Escalators (enter just year 2, or each year)			2.50%	2.50%	2.50%	2.50%	2.50%
			3.5	3.5	3.5	3.5	3.5
	Alternative 1	Alternative 2		Alternative 3			
Cap rate used in Sale	8.00%	7.50%		7.00%			
Expenses of Sale	6.00%						