Apartment Investment Opportunity: 2022[1]
by
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ABSTRACT. The purpose of this case is to present the challenges facing individual, taxable investors when evaluating multiple investment opportunities. Many individual investors rely on investment advisors or local brokers to source and underwrite investment opportunities. While each individual investor typically has varying investment goals and objectives driven by their individual financial circumstances, an analyst can develop a sound approach for evaluating investment opportunities. In this case, a local broker who has worked previously with several family members over the years has presented three Chicago area apartment investment opportunities to two cousins. Issues related to the investor's overall real estate targeted total return and risk appetite, property performance characteristics, and market demographics all play a role in the analysis and will impact the final recommendation.

FOCUS

Not unlike major institutional real estate investors, individual investors look to real estate to deliver specific performance characteristics to their overall portfolio. These characteristics include enhanced risk-adjusted total returns, attractive current income, effective asset class diversification, and a hedge against unexpected inflation. The present case highlights these issues and the challenges associated with developing a coherent asset level investment analysis. Of particular interest are the challenges resulting from evaluating multiple available investment opportunities. In addition, these decisions must be made within the constraints of changing market conditions and varying investor goals and objectives.

SETTING

Josh Wainright, an investment advisor, is based in Chicago, Illinois, the home of many members of the DuPage family. In January 2022 his attention focused on the needs of two cousins at different stages of their lives. Ron DuPage recently sold his business to a medium-sized public company in exchange for $25 million of the company's stock. He then retired and expected to live comfortably on the $500,000 in dividends paid on the stock plus retirement and other income he had of an equal amount. Ron and his wife Carol, a retired school teacher, plan on traveling extensively and visiting their grandchildren regularly in California. Ron is 68 years old and his wife Carol is 65.

Ron feels the need to diversify his investments, however, and plans to sell up to half his stock and reinvest in real estate and other investments. Even though the basis in the stock was negligible, he feels that now would be a good time to take advantage of the current tax law and pay his capital gains at the 15% rate before, as many fear, Congress increases the capital gains rate further.

Rene DuPage is president and sole stockholder of a small-sized paper company that had earned in

[1] This case includes the analysis of current market conditions, three apartment properties in widely different submarkets of a major metropolitan area with particular focus on risk, market, rent analysis and the use of commercial data providers. This current version has been updated from the earlier 2016, 2019, and 2021 versions.

excess of $3 million before taxes and $2 million after taxes in each of the previous five years. She has received many offers to sell her company in exchange for the stock of a public company; but she enjoyed the independence of running her own business. She has determined that her paper business could best grow through internal expansion rather than by acquisition. On the other hand, she did feel it wise to diversify her own investments. Over time, she has accumulated over $16 million now invested in short-term securities, which she considered unnecessary for her present operations and thus available for outside investment. Rene is 55 years old and plans to work another 15 years or so. She is currently unmarried and has no children. Her interests include golf, travel, and the arts.

Both Ron and Rene feel that real estate would give them the benefits of an attractive current income and total return, diversification, protection from unexpected inflation, and some tax advantages. Each wants to purchase a property large enough to attract future buyers when it becomes time for them to sell. They have seen what a shutdown in the commercial mortgage market had done to property values during 2007-09 and recognize the liquidity risk associated with commercial real estate investment. They are also aware that the impact of the COVID-19 pandemic has affected near-term real estate performance. While early in 2020 the real estate market suffered as unemployment rose and before an effective vaccine was widely available, by late 2020 and 2021 the market not only recovered but prices took off in many markets. This was particularly true as apartment tenants migrated out of downtown markets to less urban, more suburban markets.

In the short-term, the circumstances may present a buying opportunity. To compensate for these current risks, the DuPage's want a minimum after-tax leveraged return on their investments of 12%. Other important factors for the DuPage's were the surrounding demographics. In the Chicago area, the demographics of a neighborhood can change dramatically block-to-block and it was important for the DuPage's to invest in a property that would be in constant demand. Josh found the website Site To Do Business (http://www.stdb.com/) extremely useful in identifying adequate areas that might suit the DuPage's requirements.

Josh Wainright has worked with the DuPage family for many years and has located three properties that he feels might be suitable investments for his two clients, either in partnership or individually. He had brokers show the properties to Ron and Rene DuPage and both of the DuPage's were enthusiastic about them. A licensed commercial real estate broker in Illinois, Josh expects to split the selling commission associated with any property the DuPage's invest in.

The following memo from Josh to Ron and Renee presents his "investment pitch."

Apartment Real Estate Investment Memorandum

Date: January 1, 2022

To: Ron DuPage; Rene DuPage

From: Josh Wainright, Investment Advisor

Re: Apartment Real Estate Investment

OPPORTUNITIES

This memorandum outlines three potential investment properties for you both to review. Following a search throughout the Chicago marketplace the properties mentioned in this memorandum best reflect your desired investment strategies. As we have recently discussed, investment in commercial real estate can provide a number of attractive investment outcomes. These include:

1. **Favorable Returns**. When viewed over the longer term, commercial real estate has generated total return levels that compare favorably to stocks and bonds.
2. **Attractive Current Income.** The income or cash component of real estate's total return consistently exceeds the dividend yield of stocks and the interest return of bonds (on a risk adjusted basis).
3. **Diversification**. From a multi-asset portfolio perspective, commercial real estate provides attractive diversification (resulting in lower portfolio risk).
4. **A Hedge against (unexpected) Inflation**. Finally, when supply and demand are in relative balance, commercial real estate provides an attractive hedge against unanticipated inflation.

While current market conditions have recovered from the lows of the previous recession, uncertainty remains as a result of the COVID-19 pandemic. Will residential tenants return to urban areas? These conditions make the timing for making judicious commercial real estate investments cto be attractive because right now there is:

1. **The current opportunity to invest before the current cycle fully recovers and peaks.** While the commercial real estate market has recovered from the depths of the recent recession, it is believed by many that post pandemic values and rents still have room to grow in the near term.
2. **Moderate new supply risk.** While new construction has picked up in many markets and property types, new construction continues to lag previous levels of activity.

THE PROPERTIES

The first property you should consider is The Perennial, a 100 unit, four story apartment project located in the 2300 block of Black Rd., Joliet, Illinois. This property has been a strong performer, operating at 95% occupancy for over ten years. All 100 units consist of two bedrooms and two bathrooms and feature approximately 1,100 square feet of living space. The asking price for The Perennial is "Make Your Best Offer", but the broker has received indications that a price of $13 - $14 million would probably be accepted. The 2022 gross rental income before vacancy from the property is projected at $1,680,000 with a net operating income (NOI) of $953,000. Real estate taxes in Will County are generally about 10.00% of the gross rent roll. A new $9,240,000 mortgage at a 5.5% interest rate has recently been arranged. The term of the mortgage is 10 years with a 25 year amortization. The land value of the property, for purposes of depreciation, is estimated at $3,300,000 and the depreciation period (cost recovery period) for the building would be 27.5 years.

The second property, The Westchester, is a high-rise, elevator serviced, apartment building with 96 units and approximately 76,000 square feet of rentable living space with a unit mix of studios, one bedroom / one bathroom, two bedrooms / one bathroom and two bedrooms / two bathrooms. The property is located on the south side of Chicago in the 1200 block of E 53rd Street. The asking price is "Make Your Best Offer", but the broker has received indications that a price of $8 - $ 9 million would be accepted. The 2022 projected gross rental income for The Westchester is $1,440,000 with net operating income of $833,920. A new $6,090,000 mortgage at a 5.5% interest rate has been arranged. The term is 10 years with amortization over 25 years. The land value for purposes of depreciation is estimated at 25% of the purchase price and the depreciation period (cost recovery period) for the building would be 27.5 years. Property taxes in this area are generally about 9.45% of the gross rent roll.

The third property is a 72-unit, two story apartment building located in the 5700 block of S. Indiana Avenue on the south side of Chicago. Each unit consists of a two bedroom / one bath configuration with approximately 54,600 total square feet of rentable living space. The asking price is "Make Your Best Offer", but the broker has received indications that a price of $3.5 - $ 5 million would be accepted. A 10-year, $2.87 million mortgage at a 6.5% interest rate with a 25-year amortization period has been arranged. The land value of the property is estimated to be 25% of the purchase price and the depreciation period (cost recovery period) for the building is 27.5 years. South Indiana's projected 2022 gross rental revenue is $777,600 with net operating income being $419, 736. Property taxes in this area are generally about 9.00% of the gross rent roll.

INITIAL ANALYSIS

We have always found a detailed financial analysis worthwhile. It facilitates the quick identification of those properties where detailed financial analysis and a more careful physical inspection and examination of day-to-day operations are warranted. The initial analysis presents the first year Net Operating Income and Before Tax Cash Flow (Exhibits 1-2). It is also worthwhile to spend considerable time studying comparable projects in order to validate the reasonableness of the purchase prices, operating expenses, rent levels, and the amenities provided by the properties. Neighborhood analysis is always a key component of any commercial real estate asset underwriting.

Below is a list of underlying assumptions used in my detailed financial analysis presented in Exhibits 1-10:

1. Holding period for the investment will be 10 years;
2. 3% annual increases in Net Operating Income for each property until the time of sale;
3. The vacancy rate for each property will be 5% throughout the holding period.
4. The DuPage's represent and supply the equity investment;
5. For purposes of this initial calculation, we have assumed an ordinary tax rate of 35% and a capital gain tax of 15%. Based on current tax law, a tax rate of 25% would be assumed on that part of the gain on sale that related to depreciation recapture.
6. In order to verify rents, we used the following information sources to ensure the rents provided in the pro forma were accurate:
    a. http://www.trulia.com/
    b. http://www.domu.com/
    c. http://www.craigslist.org/about/sites
    d. http://www.costar.com
    e. http://www.realtor.com/homesforrent/Chicago_IL?source=web
    f. Contacted local real estate agents to search for rented properties on MLS.
    g. Contacted local property management companies to verify rent, expenses, and occupancy rates.
7. Reserves were assumed to be $0.50 per rentable square foot for both The Perennial and The Westchester. For the property on South Indiana Avenue, I assumed $1.00 perrentable square foot.

Exhibit 1 – Initial Analysis

		The Perennial	The Westchester	South Indiana
Number of units		**100**		
Rentable Square Feet		110,000		
A)	Gross Purchase Price	$14,200,000		
B)	Depreciable Base	$10,650,000		
C)	Depreciable Life (Capital Recovery Period)	27.5		
D)	Estimated Sales Price	$20,000,000		
E)	Expected Year of Sale	10		
F)	Net Operating Income (NOI)	$953,000		
	Annual Increase in NOI	3%		
H)	Leasehold Payments	$0		
I)	Equity Investment	$4,260,000		
J)	Amount of 1st Mortgage	$9,940,000		
	1) Interest Rate	5.5%		
	2) Term	10 years		
	3) Amortization Period	25 years		
	4) Constant Loan Payments	7.45%		

For simplicity, Exhibit 1 assumes annual payments of rent, expenses, and debt service. In reality, monthly payments are the norm. Monthly payments would reduce the annual debt service constant slightly, since the principal would be repaid more rapidly.

Following an initial analysis, we put together a First Year Projected Net Operating Income and Cash Flow analysis presenting the interaction of the projected first year assumptions. It is worth noting that these assumptions are based on the original brochures provided by the brokers of each property. To verify those numbers, CoStar was used to identify comparable properties and validate the expenses (Taxes and operating expenses as a percentage of gross rents), cap rates, and estimated Net Operating Income.

Exhibit 2 – First Year Projected Net Operating Income and Before Tax Cash Flow

	The Perennial	The Westchester	South Indiana
Gross Rents	$1,680,000		
- Vacancies	(84,000)		
Effective Gross Income	$1,596,000		
- Real Estate Taxes	(168,000)		
- Other Operating Expenses	(420,000)		
- Capital Reserves	(55,000)		
Net Operating Income	$953,000		
- Finance Payments	($741,021)		
BEFORE TAX CASH FLOW	$211,979		

Exhibit 3 presents a framework for comparing, in this case, the three investment alternatives across a range of operating metrics. This approach can highlight potential key differences between multiple opportunities.

Exhibit 3 – Purchase and Operating Comparables

	The Perennial	The Westchester	South Indiana
Price/Unit or Price/RSF	$142,000		
Real Estate Taxes/ Gross Revenue %	10		
Operating Expenses/Gross Revenue	40%		
Operating Expenses/unit or /RSF	$6,346		
Average Monthly Rents for the Apartments or Yearly Dollars per RS	$1,400		
Actual or Projected Occupancy	95%		

Exhibit 4 represents a rough first-year break-even analysis (after financing) for each property. This is an important tool to measure the margin between the occupancy for each property and expected vacancy and operating expenses. The Break-Even Occupancy ratio for The Perennial indicates that so long as the property is 82.4% occupied at pro forma rents all occupancy costs will be covered.

Exhibit 4 – Break Even Analysis

	The Perennial	The Westchester	South Indiana
Current or Projected Occupancy	95.0%		
Break-even Occupancy Ratio	82.4%		
Loan to Value	70.0%		
Debt Coverage Ratio	1.29		

Exhibit 5	The Perennial														
							The Perennial Projected Cash Flows								
	Assumptions		0	1	2	3	4	5	6	7	8	9	10	11	
# of Units	100														
Square Feet	110,000														
Reserve per unit/SF	$0.50		Vacancy Rate	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%		
Net Operating Income	$953,000		Rent Growth Rate	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	
Monthly Unit Rent	$1,400														
Gross Rental Income	$1,680,000			$1,680,000	$1,730,400	$1,782,312	$1,835,781	$1,890,855	$1,947,580	$2,006,008	$2,066,188	$2,128,174	$2,192,019		
Other Income	$0			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0		
(-) Vacancies	5%			($84,000)	($86,520)	($89,116)	($91,789)	($94,543)	($97,379)	($100,300)	($103,309)	($106,409)	($109,601)		
Gross Effective Income				**$1,596,000**	**$1,643,880**	**$1,693,196**	**$1,743,992**	**$1,796,312**	**$1,850,201**	**$1,905,707**	**$1,962,879**	**$2,021,765**	**$2,082,418**	**$2,144,891**	
(-) Real estate taxes	10%			($168,000)	($173,040)	($178,231)	($183,578)	($189,085)	($194,758)	($200,601)	($206,619)	($212,817)	($219,202)		
(-) Other op expenses	25.0%			($420,000)	($432,600)	($445,578)	($458,945)	($472,714)	($486,895)	($501,502)	($516,547)	($532,043)	($548,005)		
(-) Capital reserves	$55,000			($55,000)	($55,000)	($55,000)	($55,000)	($55,000)	($55,000)	($55,000)	($55,000)	($55,000)	($55,000)		
Total Operating Expenses				$643,000	$660,640	$678,809	$697,523	$716,799	$736,653	$757,103	$778,166	$799,861	$822,207	$846,873	
Net Operating Income	3.2%	Growth		**$953,000**	**$983,240**	**$1,014,387**	**$1,046,469**	**$1,079,513**	**$1,113,548**	**$1,148,605**	**$1,184,713**	**$1,221,904**	**$1,260,211**	**$1,298,018**	
(-) Financing				($741,021)	($741,021)	($741,021)	($741,021)	($741,021)	($741,021)	($741,021)	($741,021)	($741,021)	($741,021)		
BEFORE TAX CASH FLOW				**$211,979**	**$242,219**	**$273,367**	**$305,448**	**$338,492**	**$372,528**	**$407,584**	**$443,692**	**$480,884**	**$519,191**		
(+) Amortization	$9,940,000	mortgage		$194,321	$205,008	$216,284	$228,179	$240,729	$253,969	$267,938	$282,674	$298,221	$314,623		
(+) Reserve				$55,000	$55,000	$55,000	$55,000	$55,000	$55,000	$55,000	$55,000	$55,000	$55,000		
(-) Depreciation	27.5	years		($387,273)	($387,273)	($387,273)	($387,273)	($387,273)	($387,273)	($387,273)	($387,273)	($387,273)	($387,273)		
Taxable Income				$74,027	$114,955	$157,378	$201,355	$246,949	$294,224	$343,249	$394,094	$446,832	$501,541		
(-) Tax Payable at	35.00%	tax rate		$25,910	$40,234	$55,082	$70,474	$86,432	$102,978	$120,137	$137,933	$156,391	$175,539		
AFTER TAX CASH FLOW				**$186,070**	**$201,985**	**$218,284**	**$234,974**	**$252,060**	**$269,549**	**$287,447**	**$305,760**	**$324,492**	**$343,651**		
(-) Equity in			($4,260,000)												
(+) Net cash from sale													$10,406,264		
TOTAL RETURN			**($4,260,000)**	**$186,070**	**$201,985**	**$218,284**	**$234,974**	**$252,060**	**$269,549**	**$287,447**	**$305,760**	**$324,492**	**$10,749,916**		

Purchase Price	$14,200,000	SALES PRICE		$20,000,000	SALES PRICE		$20,000,000
(+) Capital expend	$550,000	NET BOOK VALUE		($10,877,273)	(-) Income tax		$ (1,755,682)
(-) Depreciation	($3,872,727)	GAIN ON SALE		$9,122,727	(-) Mortgage balance		$ (7,438,054)
Net Book Value	$10,877,273				(-) Commission at sale -2%		$ (400,000)
		Depreciation taken		$3,872,727	Net Cash from Sale		$ 10,406,264
Land value	$3,550,000	Taxes at	25%	$968,182			
Depreciable base	$10,650,000	Remaining gain		$5,250,000	NET PRESENT VALUE @	12%	$ 483,162
		Taxes at	15%	$787,500			
		Total Taxes		$1,755,682	INTERNAL RATE OF RETURN		13.42%

Amortization Schedule			0	1	2	3	4	5	6	7	8	9	10
Ending balance			$9,940,000	$9,745,679	$9,540,671	$9,324,388	$9,096,208	$8,855,479	$8,601,510	$8,333,572	$8,050,898	$7,752,677	$7,438,054
Finance charge				$741,021	$741,021	$741,021	$741,021	$741,021	$741,021	$741,021	$741,021	$741,021	$741,021
Interest charge	5.50%	interest rate		$546,700	$536,012	$524,737	$512,841	$500,291	$487,051	$473,083	$458,346	$442,799	$426,397
Amortization	25	-yr. amortization		$194,321	$205,008	$216,284	$228,179	$240,729	$253,969	$267,938	$282,674	$298,221	$314,623
Year One DCR				1.29	1.33	1.37	1.41	1.46	1.50	1.55	1.60	1.65	1.70

FINANCIAL ANALYSIS

Expanding the analysis, it is important to look at the pro forma for each individual property throughout the holding period. Exhibit 5 represents the ten year holding period pro forma analysis for The Perennial. There are various important measures that are widely used in the real estate industry using the first year stabilized cash flow from operations. The first is the capitalization rate of return on total assets or total project market value. The capitalization rate is calculated by dividing the Net Operating Income by the expected or actual purchase price. The Perennial has a cap rate of 6.71%. Once again, CoStar can provide insight into what comparable properties' cap rates are, giving us a sense of what cap rate the market is buying properties.

The After-Tax Cash Flow considers the Net Operating Income less Financing costs (Interest plus mortgage principal repayment or amortization) to get to Before-Tax Cash Flow. Then Amortization (mortgage principal repayment) is added back as it is not a tax deductible expense as well as Reserves (non-capitalized reserves only). Annual Depreciation is then deducted resulting in Taxable Income. Tax Payable is simply the Taxable Income multiplied by the marginal tax rate, in this case 35%, resulting in After-Tax Cash Flow.

The next measure of return that is extremely important for investors is the cash-on-cash return. This is derived by dividing the after-tax cash flow from operations (after financing and taxes) by the equity investment. The Perennial's before-tax cash-on-cash return is 4.98% and the after-tax cash-on-cash return is 4.37%.

Other important measures for real estate investors are the Internal Rate of Return (IRR) and the Net Present Value (NPV). The DuPage's are targeting a 12% after-tax IRR. The NPV discounts the after-tax cash flows by the appropriate discount rate (in this case the 12% investor targeted IRR) over the holding period. If the NPV=0, the pro forma suggests the expected IRR = the targeted IRR. If the NPV is positive, the expected IRR exceeds the targeted IRR and if negative, the expected IRR is less than the targeted IRR. The Net Present Value calculation can also be useful in setting the maximum purchase price for any subsequent negotiations. These calculations are summarized in Exhibit 6.

Exhibit 6 – Financial Analysis

	The Perennial	The Westchester	South Indiana
Equity Required	$4,260000		
Simple Return Measures			
Capitalization Rate - Purchase	6.71%		
Capitalization Rate - Sale	6.49%		
Cash-on-Cash Return (before tax)	4.98%		
Cash-on-Cash Return (after tax)	4.37%		
Increase in Capital Value	29.00%		
Discounted Return Measures			
Internal Rate of Return	13.42%		
Net Present Value @ 12%	$483,162		

Exhibit 7 examines the cash flows from The Perennial to determine the percentage by source of return. The three sources of return from a real estate investment are:

1. Cash Flow Before Tax
2. Income Tax (+ or -)
3. Capital Gain or Appreciation

By separating each source of cash flow for The Perennial and discounting each at the project's internal rate of return of 13.42%, allows us to look at the present values of each cash stream and compare the separate streams to one another and the total. For The Perennial, 40.74% of the total return is generated by Cash Flow Before Tax, -10.07% from Income Tax (a drag on return), and 69.34% from Capital Gain.

Exhibit 7 represents the partitioned IRR; diagnosing the percentage of cash flow from operations and cash flow from the sale. This measure can provide insight into the risk of a property. When comparing multiple properties, especially with similar IRRs, a higher cash flow from sale percentage suggests higher relative risk.

Exbihibit 7

The Perennial IRR

	Cash Flow Before Tax		Income Tax		Proceeds from Sale		Total	
Year	Actual	Discounted	Actual	Discounted	Actual	Discounted	Actual	Discounted
1	$211,979	$186,897	$25,910	$22,844	$0	$0	$237,889	$209,740
2	$242,219	$188,289	$40,234	$31,276	$0	$0	$282,454	$219,565
3	$273,367	$187,356	$55,082	$37,751	$0	$0	$328,449	$225,108
4	$305,448	$184,573	$70,474	$42,585	$0	$0	$375,922	$227,159
5	$338,492	$180,338	$86,432	$46,048	$0	$0	$424,924	$226,386
6	$372,528	$174,987	$102,978	$48,372	$0	$0	$475,506	$223,358
7	$407,584	$168,800	$120,137	$49,754	$0	$0	$527,721	$218,554
8	$443,692	$162,011	$137,933	$50,365	$0	$0	$581,625	$212,376
9	$480,884	$154,814	$156,391	$50,348	$0	$0	$637,275	$205,162
10	$519,191	$147,368	$175,539	$49,826	$10,406,264	$2,953,738	$11,100,995	$3,150,932
Total	$3,595,385	$1,735,432	($971,111)	($429,170)	$10,406,264	$2,953,738	$14,972,760	$4,260,000
Percent of Total Cash Flow		40.74%		-10.07%		69.34%		100.00%
IRR	13.42%							

Next, Exhibit 8 examines the breakdown of The Perennial's Capital Gains or Proceeds from Sale. Increases in sales prices over time are an important part of the total Capital Gain, but capital gains taxes reduce the Total Proceeds from Sale.

Exhibit 8 – Proceeds from Sale

	The Perennial	The Westchester	South Indiana
Sale Price	$20,000,000		
Less income tax at Sale	($1,755682)		
Less Outstanding Mortgage	($7,438,054)		
Less Sales Commission	($400,000)		
Net Cash From Sale	$10,406,264		

We believe that this analysis will properly match you with the characteristics of the properties and the returns you desire. The analysis provides the insight to make the best investment for each of you. We will begin this same analysis for the remaining two properties (The Westchester and South Indiana) and send to you once completed. We will also perform a geographic and demographic analysis of the surrounding areas of each property to ensure the areas support the investment due diligence requirements.

Questions for Discussion:

Taking the perspective of an independent financial advisor engaged by the cousins, questions that should be addressed in this case include:

1. **How would you adjust the broker's pro forma assumption for each property? Be sure to justify any changes you suggest and provide sources that support your view.**

2. **Using the format presented in Exhibit 5, how would you develop an optimistic, pessimistic, and most likely analysis for each property?**

3. **How would you evaluate the Partitioned Internal Rate of Return for each property? How might your analysis address differences in investment risk for each property?**

4. **Based on your risk analysis, which property or properties would you recommend for each of the cousins? Why?**

5. **Would you suggest that the cousins invest individually or in partnership with one another? Why?**

6. **How should the current/expected market conditions and demographic difference between the property markets affect your recommendation?**

Please use these questions as a guide and not a format or a reflection of all of the questions that need to be addressed by the case analysis.