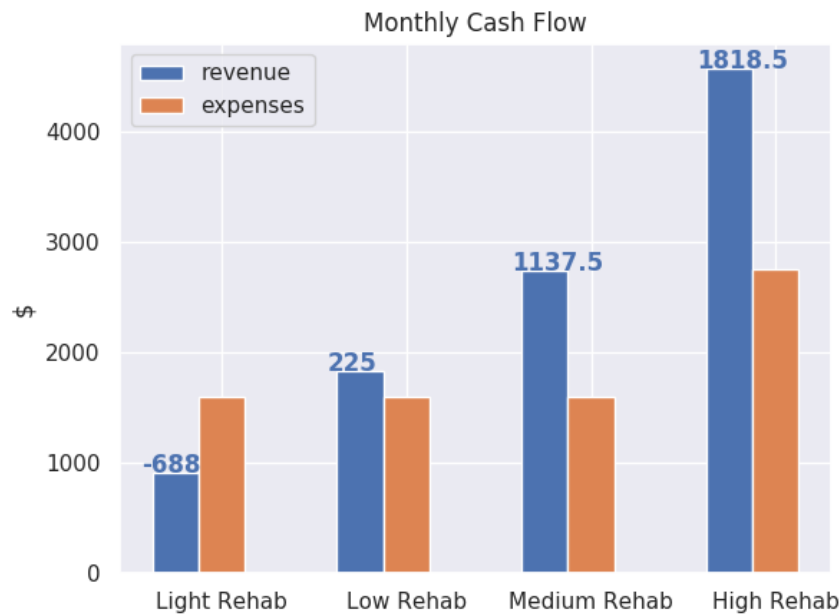


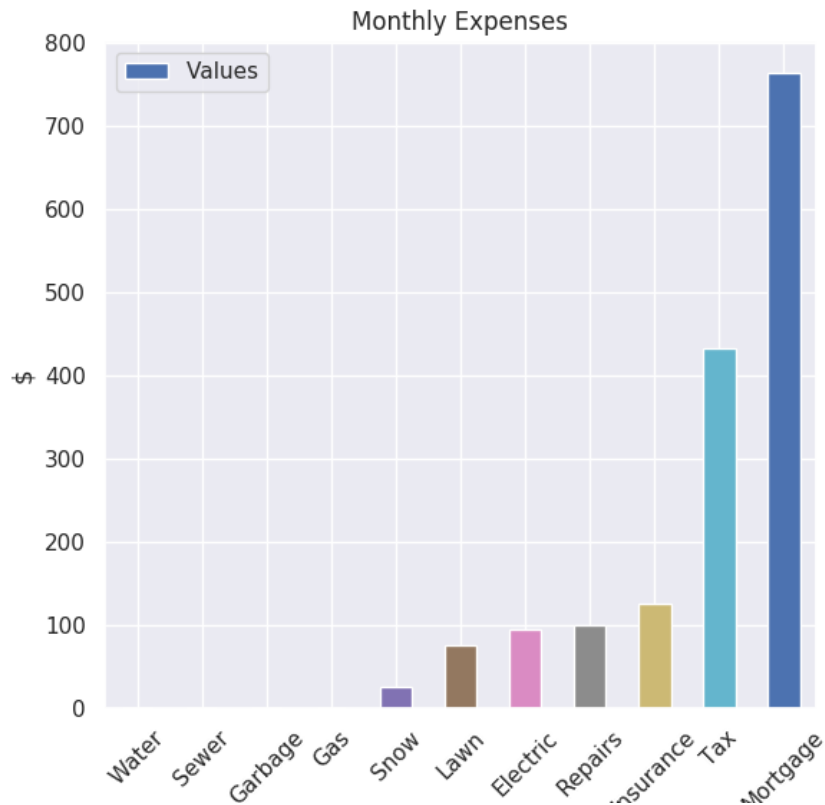
# Barbara House Investment

## Summary

548 W Delhi Rd. has expenses of 1,600/month. With a minimal investment (carpet, paint, driveway) and a few months time, I could rent it out on Airbnb for 912/month. With a more extensive investment (new kitchen, bath, deck), I could rent it out for 2,737.50/month. Additionally, if we convert the garage in addition to previous improvements, I project rent of 4,562.50/month.

The only sticking point is getting my mom set up with a place in Pittsburgh, which she's expressed interest in for music school. If you have a vacant apartment available with market rent below what I can rent the house out for, you could gain the spread by reducing the liability from my mom. It doesn't make sense to make anything more than a minimal investment while the house is posted for Lynn's collateral.





## Home

- 4 bedrooms currently. Minimal work needed to add a 5th in the house.
- 2.5 baths. Potential to be 3.
- 2,374 sq. ft.
- given current state, I don't think you would get a deal for more than 80% of current market value ( $0.8 \times 434,000 = 347,200$ )

## Expenses

- Mortgage: I calculated the monthly payments for a 30-year loan with a principal of ~190,000. This comes out to 762.15/month
- Tax: I found information from the city that shows a monthly tax bill of 432/month
- Insurance: I estimate insurance for a short-term rental at 125/month
- Repairs: I use 100/month to estimate monthly repairs
- Utilities: I found the average Michigan utility bill, which is 94.52/month
- Lawn: during summer months, I use 100/month to estimate lawncare

- Snow: during winter months, I use 100/month to estimate snow removal.
- Cleaning:  $2\text{hrs/cleaning} * 25/\text{hr} * 30.5\text{ nights/month} * 0.75\text{ occupancy}$  is 1,144/month.
  - Only makes sense after High Rehab
- Monthly: 1,600
- Yearly: 20,000

## Rehab

- Low
  - Carpets: 2,000
  - Paint: 1,000
  - Sewer: 300-15,000
  - Driveway: 1,000
- Medium
  - Low: 4,300-19,000
  - Kitchen: 5,000
  - Bathrooms: 8,000
  - Deck: 5,000
- High
  - Medium: 22,300-37,000
  - Garage: 50,000

## Airbnb Comps

There are at least 10 Airbnbs around 548 W Delhi Rd. with a nightly rate range of 40-80/night. I think we would get great occupancy at 20/night in its current condition, 40/night after Low Rehab, 60/night after Medium Rehab, and 80/night after High Rehab.

## Cash Flow

- Two Income Expenses: vacancy and property management
  - using 25% vacancy is conservative. I've seen a range of 0-50% vacancy rates.
  - I will ask for 1/2 of monthly revenue to get the house cleaned up and manage everything after.
- Light Rehab:  $4\text{br} * 20/\text{night} * 365\text{ nights} * 0.75\text{ occupancy} * 0.5\text{ prop\_man}/12\text{ months} = 912/\text{month}$ 
  - net operating income: -688/month (912 - 1600 )
- Low Rehab:  $4\text{br} * 40/\text{night} * 365\text{ nights} * 0.75\text{ occupancy} * 0.5\text{ prop\_man}/12\text{ months} = 1,825/\text{month}$ 
  - net operating income: 225/month (1825 - 1600)
- Medium Rehab:  $4\text{br} * 60/\text{night} * 365\text{ nights} * 0.75\text{ occupancy} * 0.5\text{ prop\_man}/12\text{ months} = 2,737.50/\text{month}$ 
  - net operating income: 1,137.50/month (2737.5 - 1600)

- High Rehab:  $5br * 80/night * 365 \text{ nights} * 0.75 \text{ occupancy} * 0.5 \text{ prop\_man} / 12 \text{ months} = 4,562.50/\text{month}$ 
  - net operating income:  $1,818.50/\text{month} (4562.5 - 1600 - 1144 \text{ cleaning})$

## After Rehab Value

- Current Value
  - Zillow: 434,000
- Low Rehab
  - 5 years of net operating income (13,500) + current value (434,000) = 447,500
  - 10 years of net operating income (27,000) + current value (434,000) = 461,000
- Medium Rehab
  - 5 years of net operating income (68,250) + current value (434,000) = 502,250
  - 10 years of net operating income (136,500) + current value (434,000) = 570,500
- High Rehab
  - 5 years of net operating income (109,110) + current value (434,000) = 543,110
  - 10 years of net operating income (218,220) + current value (434,000) = 652,220

## Cash on Cash Return

- Low Rehab
  - Cash investment: 4,300-19,000
  - Change in equity:  $434,000 - 347,200 = 86,800$
  - Time elapsed: 2 months
  - Return: 4.6-20x Cash Investment
- Medium Rehab
  - Cash investment: 22,300-37,000
  - Change in equity:  $502,250 - 347,200 = 155,050$
  - Time elapsed: 4 months
  - Return: 4-7x Cash Investment
- High Rehab
  - Cash investment: 72,300-87,000
  - Change in equity:  $543,100 - 347,200 = 195,910$
  - Time elapsed: 12 months
  - Return: 2.25-2.70x Cash Investment

## Conclusion

The only sticking point right now is getting my mom out of the house. If we could get her set up in Pittsburgh, I think she would agree to leave. Currently, the

house is returning -1,600/month. Within two months, I think we could get it down to a return of -688/month. Within 4 months, we could get it to +225/month. Within a year, we could get it to +1,818.50/month