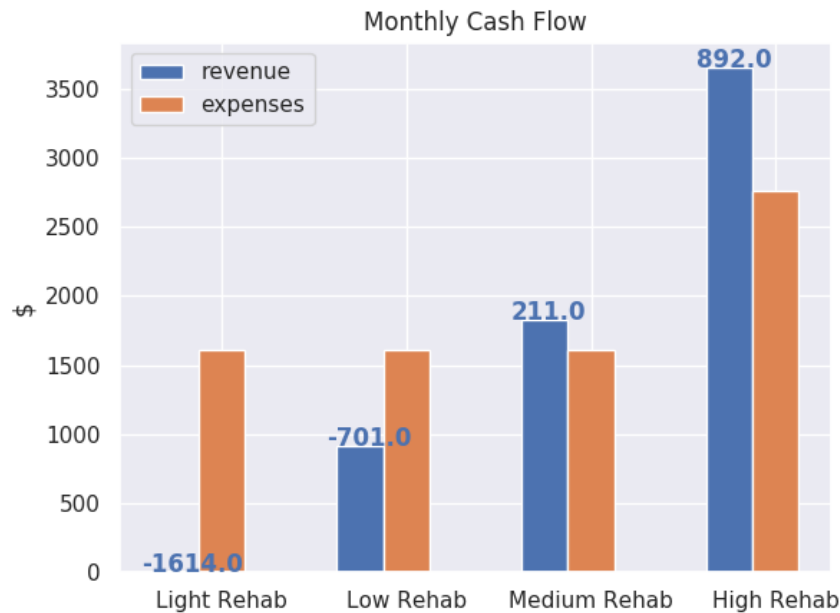


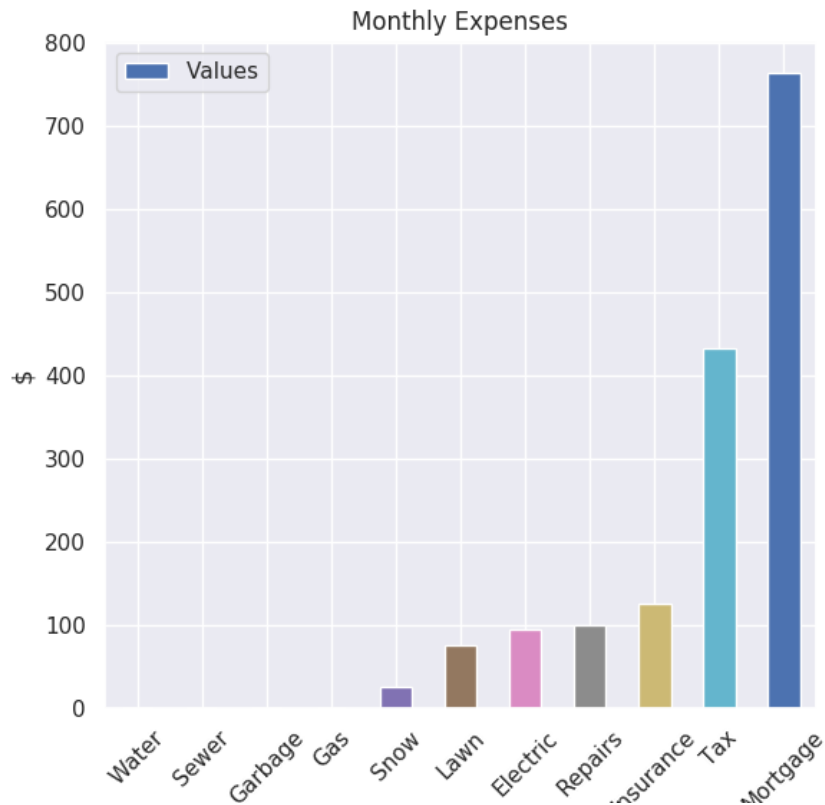
Barbara House Investment

Summary

548 W Delhi Rd. has expenses of 1,614/month. With a minimal investment (garbage, steam-carpets, sheets/comforters) and a few months time, I could break even renting it out on Airbnb after accounting for rent for my mom in a new place. With a light investment (carpet, paint, driveway), I could rent it and reduce monthly expenses to 1005/month. With a medium investment (new kitchen, bath, deck), I could flip net income positive to 187/month. Finally, with a high investment, we convert the garage in addition to previous improvements, I project positive monthly cash flow of 820/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: 2hrs/cleaning * 25/hr * 30.5 nights/month * 0.75 occupancy is 1,144/month.
 - Only makes sense after High Rehab
- Monthly: 1,614
- Yearly: 19,368

Rehab

- Light
 - garbage removal from house: 1000
 - steam-clean carpets: 200
 - new sheets, comforters: 200
- Low
 - Light: 1400
 - Carpets: 2,000
 - Paint: 1,000
 - Sewer: 300-15,000
 - Driveway: 1,000
- Medium
 - Low: 5,700-20,400
 - Kitchen: 5,000
 - Bathrooms: 8,000
 - Deck: 5,000
- High
 - Medium: 23,700-38,400
 - 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

- Three 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.
 - Rent for my mom to live elsewhere: ~900/month
- Light Rehab: $4br * 20/night * 365 \text{ nights} * 0.75 \text{ occupancy} * 0.5 \text{ prop_man}/12 \text{ months} = 912.5 \text{ mom_rent}/\text{month} = 0/\text{month}$
 - net operating income: -1614/month (0 - 1,614)

- Low Rehab: $4\text{br} \times 40/\text{night} \times 365 \text{ nights} \times 0.75 \text{ occupancy} \times 0.5 \text{ prop_man}/12 \text{ months} - 912.5 \text{ mom_rent}/\text{month} = 912.5/\text{month}$
 – net operating income: $-701.5/\text{month}$ ($912.5 - 1,614$)
- Medium Rehab: $4\text{br} \times 60/\text{night} \times 365 \text{ nights} \times 0.75 \text{ occupancy} \times 0.5 \text{ prop_man}/12 \text{ months} - 912.5 \text{ mom_rent}/\text{month} = 1825/\text{month}$
 – net operating income: $211/\text{month}$ ($1825 - 1,614$)
- High Rehab: $5\text{br} \times 80/\text{night} \times 365 \text{ nights} \times 0.75 \text{ occupancy} \times 0.5 \text{ prop_man}/12 \text{ months} - 912.5 \text{ mom_rent}/\text{month} = 3650/\text{month}$
 – net operating income: $892/\text{month}$ ($3650 - 1,614 - 1144 \text{ cleaning}$)

After Rehab Value

- I exclude mom_rent from operating income here because a new owner wouldn't have to pay it.
- 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: 5,200-19,900
 – Change in equity: $434,000 - 347,200 = 86,800$
 – Time elapsed: 2 months
 – Return: 4.6-20x Cash Investment
- Medium Rehab
 – Cash investment: 23,200-37,900
 – Change in equity: $502,250 - 347,200 = 155,050$
 – Time elapsed: 4 months
 – Return: 4-7x Cash Investment
- High Rehab
 – Cash investment: 73,200-87,900

- 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 -1,614/month. Within two months, I think we could get it down to a return of -702/month. Within 4 months, we could get it to +211/month. Within a year, we could get it to +1,804/month