

RETURN FOR PAST 5 YEARS

		Assumptions	
Purchase Price / Property Value	800,000	Tax Considerations:	
Loan (building Value)	600,000	Building Value	600,000
Equity (Land Value)	200,000	Depreciable Life (in years)	39
LTV Ratio	75.00%	Ord. Inc. tax	35%
	Interest Rate	4.50%	Capital Gain tax
	Loan Term	20	Recapture tax
	Payments/yr	12	Rent/NOI Growth
	Yrs. Since Purch.	2	Selling Costs
CURRENT NOI	52,000		
Projected NOI Incr	2.00%	Resale Value	938,469
Resale Value Year 5	850,000	Loan Amount / Current Balance	561,254
Rent/NOI Growth	3.0%	Current Property Value	850,000
Operating Expenses (% of rent)	50.00%		

Equity \$ 200,000.00
Loan Amount \$ 600,000.00

Annual Loan Payment \$ 45,551
Mortgage Balance \$ 561,254 year 2

RETURN FOR NEXT 5 YEARS
Data Input Box for Yrs 6-10:

Original Cost Basis	800,000	Tax Considerations:	
Operating Expenses (% of Rent)	50.0%	Building Value (original)	600,000
Property Growth	2.0%	Depreciable Life (in years)	39
Cap Rate	6.0%	Ord. Inc. tax	28%
Interest Rate	5.00%	Capital Gain tax	28%
Loan Term Remaining (in years)	20	Recapture tax	28%
Payments per Year	12		
Total Holding Period (in yrs)	5		

RENOVATION

Loan 561,254
Annual Pmt 56,328
Mortg Bal 593,576 in year 5

SUMMARY LOAN INFORMATION:

EOY	1	2	3	4	5	6	7	8	9	10	11
Payment	45,551	45,551	45,551	45,551	45,551	45,551	45,551	45,551	45,551	45,551	45,551
Mortgage Balance	600,000	561,254	540,535	518,865	496,200	472,493	447,697	421,762	394,636	366,263	336,587
Interest	45,551	6,804	24,833	23,881	22,885	21,844	20,755	19,616	18,424	17,178	15,875
Principal	0	38,746	20,718	21,670	22,665	23,707	24,796	25,935	27,126	28,373	

CASH FLOW FROM OPERATIONS:

Year	1	2	3	4	5	6	7	8	9	10	11
Rents	49,981	50,980	52,000	53,040	54,101	55,183	56,286	57,412	58,560	59,732	60,926
Less Operating Expenses											
Net Operating Income	49,981	50,980	52,000	53,040	54,101	55,183	56,286	57,412	58,560	59,732	
Less Debt Service	45,551	45,551	45,551	45,551	45,551	45,551	45,551	45,551	45,551	45,551	
Before-Tax Cash Flow	\$ 4,430	\$ 5,430	\$ 6,449	\$ 7,489	\$ 8,550	\$ 9,632	\$ 10,736	\$ 11,861	\$ 13,010	\$ 14,181	
NOI	49,981	50,980	52,000	53,040	54,101	55,183	56,286	57,412	58,560	59,732	
Less: Interest	45,551	6,804	24,833	23,881	22,885	21,844	20,755	19,616	18,424	17,178	
Depreciation	15,385	15,385	15,385	15,385	15,385	15,385	15,385	15,385	15,385	15,385	
Taxable Income (loss)	(10,955)	28,791	11,783	13,775	15,831	17,954	20,147	22,412	24,751	27,169	
Tax	(3,834)	10,077	4,124	4,821	5,541	6,284	7,051	6,275	6,930	7,607	
Before-Tax Cash Flow	4,430	5,430	6,449	7,489	8,550	9,632	10,736	11,861	13,010	14,181	
Less Tax	(3,834)	10,077	4,124	4,821	5,541	6,284	7,051	6,275	6,930	7,607	
After-Tax Cash Flow	\$ 8,264	\$ (4,647)	\$ 2,325	\$ 2,668	\$ 3,009	\$ 3,348	\$ 3,684	\$ 5,586	\$ 6,079	\$ 6,574	

CASH FLOW FROM SALE:

Sale Price (received by investor)	938,469
Sales costs	37,539
Mortgage Balance	447,697
Before-tax Cash Flow	453,233
Sale Price	938,469
Sales Costs	37,539
Original Cost Basis	800,000
Accumulated Depreciation	107,692
Adjusted Basis	692,308
Capital Gain	208,622
Depreciation recapture	107,692
Price appreciation	100,930
Tax on price appreciation	20,186
Tax on depreciation recapture	26,923
Total Capital Gain Tax	47,109

After-Tax Cash Flow from Sale 406,124

IF RENOVATED

Additional Equity \$ 50,000
Loan Amount For Renovation \$ 150,000
Loan \$ 711,254
Annual Payment \$ 56,328
Mortgage Balance \$ 593,576

SUMMARY LOAN INFORMATION:

End of Year	1	2	3	4	5	6	7
Payment	\$ 56,328	\$ 56,328	\$ 56,328	\$ 56,328	\$ 56,328	\$ 56,328	\$ 56,328
Mortgage Balance		711,254	690,006	667,672	644,195	619,517	593,576
Interest			35,080	33,993	32,850	31,649	30,387
Principal							

SUMMARY LOAN INFORMATION:

Year	1	2	3	4	5	6	7	8
NOI	\$ 58,818	\$ 60,583	62,400	64,272	66,200	68,186	70,232	72,339
Less: Debt Service	\$ 56,328	\$ 56,328	56,328	56,328	56,328	56,328	56,328	56,328
Before-Tax Cash Flow	\$ 2,490	\$ 4,255	6,072	7,944	9,873	11,859	13,904	
NOI	\$ 58,818	\$ 60,583	62,400	64,272	66,200	68,186	70,232	
Less: Interest			35,080	33,993	32,850	31,649	30,387	
Less: Depreciation			20,513	20,513	20,513	20,513	20,513	
Taxable income (loss)			6,807	9,766	12,837	16,024	19,332	
TAX			2,382	3,418	4,493	5,608	6,766	

Before-Tax Cash Flow		6,072	7,944	9,873	11,859	13,904
Less: Tax		2,382	3,418	4,493	5,608	6,766
After-Tax Cash Flow	\$	3,690	\$ 4,526	\$ 5,380	\$ 6,250	\$ 7,138

x	CASH FLOW FROM SALE:					
	Sale Price		\$	1,205,645		
	Sales costs		\$	48,226		
	Mortgage Balance		\$	593,576		
	Before-tax Cash Flow		\$	563,844		
	Sale Price		\$	1,205,645		
	Sales Costs		\$	48,226		
	Original Cost Basis	\$ 1,000,000.00				
	Accumulated Depreciation	\$ 133,333				
	Adjusted Basis		\$	866,667		
	Capital Gain		\$	290,753		
	Depreciation recapture		\$	133,333		
	Price appreciation		\$	157,419		
	Tax on price appreciation		\$	31,484		
	Tax on depreciation recapture		\$	33,333		
	Total Capital Gain Tax		\$	64,817.18		
x	After-Tax Cash Flow from Sale		\$	499,026		

Year	2	3	4	5	6	7
ATCF assuming renovation	(250,000)	\$ 3,690	\$ 4,526	\$ 5,380	\$ 6,250	\$ 506,164
ATCF assuming NO renovation	(200,000)	\$ 2,325	\$ 2,668	\$ 3,009	\$ 3,348	\$ 409,808
Incremental Cash Flow	(50,000)	1,365	1,858	2,371	2,902	96,357

x	IRR ATIRR (Incremental Return)	16.75%
	IF RENOVATED W/ REFINANCE	
	NOI year 1 after renovation	62400
	NOI growth	3%
	Terminal Cap Rate	6%
	Renovation costs	200,000
	Total New Loan Amount	1,050,000
	70%	735,000
	Interest Rate	5%
	Loan Terms	20
	Payments	12
	Depreciation	39
	Holding Period	5
	Years Since Purchase	2
	IF Renovated	
	Additional Equity	26,254
	Loan	735,000
	Annual PMT	58,208
	Mortgage Balance in year 7	\$ 613,393 year 7

x	SUMMARY LOAN INFORMATION:								
	End of Year		1	2	3	4	5	6	7
	Payment	\$	58,208	\$ 58,208	\$ 58,208	\$ 58,208	\$ 58,208	\$ 58,208	\$ 58,208
	Mortgage Balance			\$ 735,000	\$ 713,043	\$ 689,963	\$ 665,702	\$ 640,200	\$ 613,393
	Interest				36,251	35,128	33,947	32,706	31,401
	Principal								

SUMMARY LOAN INFORMATION: (REFINANCE of RENOVATION)									
Year		1	2	3	4	5	6	7	8
NOI	\$	58,818	\$ 60,583	\$ 62,400	\$ 64,272	\$ 66,200	\$ 68,186	\$ 70,232	\$ 72,339
Less: Debt Service		58,208	58,208	58,208	58,208	58,208	58,208	58,208	58,208
Before-Tax Cash Flow	\$	610	\$ 2,374	\$ 4,192	\$ 6,064	\$ 7,992	\$ 9,978	\$ 12,024	
NOI			\$	62,400	\$ 64,272	\$ 66,200	\$ 68,186	\$ 70,232	
Less: Interest				36,251	35,128	33,947	32,706	31,401	
Less: Depreciation				20,513	20,513	20,513	20,513	20,513	
Taxable income (loss)			\$	5,636	\$ 8,631	\$ 11,740	\$ 14,967	\$ 18,318	
TAX			\$	1,973	\$ 3,021	\$ 4,109	\$ 5,239	\$ 6,411	
Before-Tax Cash Flow			\$	4,192	\$ 6,064	\$ 7,992	\$ 9,978	\$ 12,024	
Less: Tax				1,973	\$ 3,021	\$ 4,109	\$ 5,239	\$ 6,411	
After-Tax Cash Flow			\$	2,219	\$ 3,043	\$ 3,883	\$ 4,739	\$ 5,612	

	CASH FLOW FROM SALE:					
	Sale Price		\$	1,205,645		
	Sales costs		\$	48,226		
	Mortgage Balance		\$	613,393		
	Before-tax Cash Flow		\$	544,026		
	Sale Price		\$	1,205,645		
	Sales Costs		\$	48,226		
	Original Cost Basis	\$ 1,000,000.00				
	Accumulated Depreciation	\$ 133,333.33				
	Adjusted Basis		\$	866,667		
	Capital Gain		\$	290,753		
	Depreciation recapture		\$	133,333		
	Price appreciation		\$	157,419		
	Tax on price appreciation		\$	31,484		
	Tax on depreciation recapture		\$	33,333		
	Total Capital Gain Tax		\$	64,817		
x	After-Tax Cash Flow from Sale		\$	479,209		

	Year	2	3	4	5	6	7
	ATCF assuming renovation	(226,254)	\$ 2,219	\$ 3,043	\$ 3,883	\$ 4,739	\$ 484,821
	ATCF assuming NO renovation	(200,000)	\$ 2,325	\$ 2,668	\$ 3,009	\$ 3,348	\$ 409,808
	Incremental Cash Flow	(26,254)	(106)	375	874	1,391	75,013
x	IRR After-Tax Cash Flows	24.51%					