

Investment Analysis Example

ACQUISITION COSTS			VALUATION			DEBT DETAILS	
Projected Purchase Price	1,625,000		NOI - Year 1		\$ 175,000	Interest Rate	6.50%
Bank Fees	750		Cap Rate / Valuation	8.50%	\$ 2,060,000	Interest Only (Months)	12
Loan Origination Fee	0.75%	10,800				Fixed Rate Period (Years)	5
Legal/Closing Costs		1,500	Total Costs		1,730,000	Amort. Period (Years)	25
Title Insurance		10,000	Loan-to-Value	70.00%	(1,440,000)	Monthly Debt Service	\$ 9,723
Appraisal		3,500	Required Equity		\$ 290,000	Annual Debt Service	\$ 116,676
TI Allowance		-				Debt Balance at Maturity	\$ 1,340,968
Leasing Commission		53,000					
Upfront Cash Reserve		25,000					
Total Costs		\$ 1,729,550					

Returns	5 Year	10 Year
Average ROE	13.99%	16.98%
IRR	35.80%	26.65%
Multiple	3.80	6.54

										CASH FLOW ANALYSIS		
	Year	1	2	3	4	5	6	7	8	9	10	
Rent / SF - Combined	25,000	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	
Annual Rent		\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	
Less: Management Fee		(7,200)	(7,200)	(7,200)	(7,200)	(7,200)	(7,200)	(7,200)	(7,200)	(7,200)	(7,200)	
Less: G & A		(2,400)	(2,400)	(2,400)	(2,400)	(2,400)	(2,400)	(2,400)	(2,400)	(2,400)	(2,400)	
Net Operating Income		\$ 165,400	\$ 165,400	\$ 165,400	\$ 165,400	\$ 165,400	\$ 190,400	\$ 190,400	\$ 190,400	\$ 190,400	\$ 190,400	
FF&E Payment												
Less: Annual Debt Service		(94,900)	(116,676)	(116,676)	(116,676)	(116,676)	(119,975)	(119,975)	(119,975)	(119,975)	(119,975)	
Less: Structural R&M	\$ 0.50	(12,500)	(12,500)	(12,500)	(12,500)	(12,500)	(12,500)	(12,500)	(12,500)	(12,500)	(12,500)	
Available Cash Flow for Distribution		\$ 58,000	\$ 36,224	\$ 36,224	\$ 36,224	\$ 36,224	\$ 57,925	\$ 57,925	\$ 57,925	\$ 57,925	\$ 57,925	
DISTRIBUTIONS												
Cash Investors	100%	\$ 58,000	\$ 36,224	\$ 36,224	\$ 36,224	\$ 36,224	\$ 57,925	\$ 57,925	\$ 57,925	\$ 57,925	\$ 57,925	
Cash Investor - ROE		20.00%	12.49%	12.49%	12.49%	12.49%	19.97%	19.97%	19.97%	19.97%	19.97%	
Total Return (includes debt reduction)		20.00%	20.23%	20.67%	21.31%	21.91%	31.21%	31.97%	32.71%	33.65%	34.58%	
Debt Coverage Ratio		1.74	1.42	1.42	1.42	1.42	1.59	1.59	1.59	1.59	1.59	
Debt Yield		11.49%	11.67%	11.87%	12.09%	12.33%	14.55%	14.95%	15.40%	15.91%	16.49%	
Value @ Cap	7.50%	2,333,333	2,333,333	2,333,333	2,333,333	2,333,333	2,666,667	2,666,667	2,666,667	2,666,667	2,666,667	
Loan Balance (EOY)		1,440,000	1,417,560	1,393,854	1,368,280	1,340,968	1,308,384	1,273,587	1,236,661	1,196,992	1,154,628	
Loan to Value		61.71%	60.75%	59.74%	58.64%	57.47%	49.06%	47.76%	46.37%	44.89%	43.30%	
Total Return		20.00%	20.23%	20.67%	21.31%	21.91%	31.21%	31.97%	32.71%	33.65%	34.58%	

IRR - 10 Year	Initial Equity Contribution	\$	(290,000)	1	2	3	4	5	6	7	8	9	10
	Operating Cash Flows			58,000	36,224	36,224	36,224	36,224	57,925	57,925	57,925	57,925	57,925
	Sales Price (Cap Rate)		7.50%										2,666,667
	Less: Costs of Sale		4.00%										(106,667)
	Less: Debt Balance												(1,154,628)
		\$	(290,000)	58,000	36,224	36,224	36,224	36,224	57,925	57,925	57,925	57,925	1,463,298

IRR - 5 Years	Initial Equity Contribution	\$	(290,000)	1	2	3	4	5
	Operating Cash Flows			\$ 58,000	\$ 36,224	\$ 36,224	\$ 36,224	\$ 36,224
	Sales Price (Cap Rate)		7.50%					2,333,333
	Less: Costs of Sale		4.00%					(93,333)
	Less: Debt Balance							(1,340,968)
		\$	(290,000)	58,000	36,224	36,224	36,224	935,256